

San Gabriel Valley Municipal Water District

Management Report

June 30, 2023

Working Draft Subject to Review

San Gabriel Valley Municipal Water District

Management Report

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Working Draft Subject to Review

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

Dear Members of the Board:

In planning and performing our audit of the financial statements of San Gabriel Valley Municipal Water District (District) as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 over financial reporting, 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 reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Current Year Comment and Recommendation

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the District are properly adjusted before the audit begins. However, in many cases audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

Management's Response

We have reviewed and approved all of the audit adjustment and reclassification entries and have entered them into the general ledger of the District as of year end.

This report is intended solely for the information and use of management and the Board of Directors of the District. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

C.J. Brown & Company CPAs
Cypress, California
January 8, 2024

Working Draft Subject to Review

APPENDIX

San Gabriel Valley Municipal Water District

Audit/Finance Committee Letter

June 30, 2023

Working Draft Subject to Review

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

We have audited the financial statements of the business-type activities, of the San Gabriel Valley Municipal Water District (District) for the year ended June 30, 2023, and have issued our report thereon dated January 8, 2024. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 11, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

If any, we have provided our findings regarding significant control deficiencies over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated January 8, 2024.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

An auditor that is not involved in the engagement performed an independent review of the financial statements that was prepared by us based on the information provided by management. This safeguard reduces the threat of self-review risk to an acceptable level.

Required Risk Assessment Procedures per Auditing Standards:

As auditors of the District, we are required per AU-C Section 240, “Consideration of Fraud in a Financial Statement Audit”, to “ordinarily” presume and consider the following risks in designing our audit procedures:

- Management override of controls
- Revenue recognition

Qualitative Aspects of the Entity’s Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. As of and for the year ended June 30, 2023, the District implemented the provisions of *GASB Statement No. 96 – Subscription-Based Information Technology Arrangements*. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management’s current judgments. The most sensitive accounting estimates affecting the financial statements are as follows:

Management’s estimate of capital assets depreciation and amortization is based on historical estimates of each capitalized / amortized item’s useful life expectancy or cost recovery period. We evaluated the key factors and assumptions used to develop the capital asset depreciation and amortization calculations in determining that they are reasonable in relation to the financial statements taken as a whole.

Management’s estimate of the other post-employment benefits (OPEB) plan: deferred outflows of resources, total OPEB liability, and deferred inflows of resources are based on the alternative measurement method to determine the liability balance. This alternative measurement method was determined and prepared by the District’s third-party actuary. We evaluated the basis, methods and assumptions used by the actuary to calculate the annual required contribution for the District to determine that it is reasonable in relation to the financial statements taken as a whole.

Management’s estimate of the defined benefit pension plan’s deferred outflows of resources, net pension liability, and deferred inflows of resources are based on an actuarial evaluation of these amounts which was conducted by a third-party actuary. We evaluated the basis, actuarial methods and assumptions used by the actuary to calculate these amounts for the District to determine that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District’s financial statements relate to:

Qualitative Aspects of the Entity's Significant Accounting Practices, continued

Significant Accounting Estimates, continued

The disclosure of capital assets, net in Note 4 to the basic financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

The disclosure of the District's other post-employment benefits plan, in Note 6 to the basic financial statements is based on information which could differ from those in future periods.

The disclosure of the District's defined benefit pension plan, in Note 7 to the basic financial statements is based on actuarial assumptions which could differ from actual costs.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. No significant unusual transactions were identified as a result of our audit procedures that were brought to the attention of management:

Identified or Suspected Fraud

We have not identified or have not obtained information that indicates that fraud may have occurred.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule on pages 5 through 7 discloses all material misstatements that we identified as a result of our audit procedures that were brought to the attention of, and corrected by, management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. There were no circumstances that affect the form and content of the auditor's report.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated January 8, 2024.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis, Schedules of Changes in the District's Total OPEB Liability and Related Ratios, Schedules of District's Proportionate Share of the Net Pension Liability, and Schedules of Pension Plan Contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

Conclusion

We appreciate the cooperation extended to us by Darin Kasamoto, General Manager, Linda Esquivel, Executive Assistant, Gigi Jarmin, Accounting Specialist, and Linda Glau, CPA in the performance of our audit testwork. We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the District.

C.J. Brown & Company CPAs
Cypress, California
January 8, 2024

*San Gabriel Valley Municipal Water District
Schedule of Audit Adjusting Journal Entries
June 30, 2023*

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 1			
AJE - To reclass loan balance addition for the City of Sierra Madre expensed to G.O. Expenses 4120 Grants at June 30, 2023.			
1932-000	City Of Sierra Madre 2020 Loan	200,063.00	
4120-000	Grants		200,063.00
Total		<u>200,063.00</u>	<u>200,063.00</u>
Adjusting Journal Entries JE # 2			
AJE - To reclassify credit balance in interest expense account 4700 towards interest income as this balance is related to an entry made on 7/1/2022 for the purpose of adjusting interest receivable at June 30, 2022.			
4700-000	Interest Expense	13,007.82	
3004-000	Interest Income		13,007.82
Total		<u>13,007.82</u>	<u>13,007.82</u>
Adjusting Journal Entries JE # 3			
CPE - To adjust capital assets to new revised schedule provided by Linda Glau on 10/11/23.			
1905-000	Accum Depr - Furn and Fixtures	1,172.01	
1905-000	Accum Depr - Furn and Fixtures	1,172.01	
1917-000	A/D Paving	0.67	
1917-000	A/D Paving	0.67	
1918-000	A/D San Dimas Hydro	4.47	
1918-000	A/D San Dimas Hydro	4.47	
4112-000	Depreciation Expense	132,505.21	
4112-000	Depreciation Expense	132,505.21	
1830-000	Accum Depreciation - Pipeline		24,547.17
1830-000	Accum Depreciation - Pipeline		24,547.17
1841-000	Accum Depreciation -SCADA		200.20
1841-000	Accum Depreciation -SCADA		200.20
1851-000	Accum Depreciaton - SCADA 13		1.12
1851-000	Accum Depreciaton - SCADA 13		1.12
1903-000	Accum Depr - Buildings		4.48
1903-000	Accum Depr - Buildings		4.48
1908-000	Accum Depr - Vehicles		10,135.27
1908-000	Accum Depr - Vehicles		10,135.27
1911-000	Accum Depr - Pipeline Misc Equi		26,437.19
1911-000	Accum Depr - Pipeline Misc Equi		26,437.19
1916-000	A/D Computers		3.78
1916-000	A/D Computers		3.78
1922-000	A/D Roof		3.52
1922-000	A/D Roof		3.52
1924-001	Accum Depr Hydro Elect		47,539.14
1924-001	Accum Depr Hydro Elect		47,539.14
1924-002	Accum Depr Hydro Elect San D		24,810.49
1924-002	Accum Depr Hydro Elect San D		24,810.49
Total		<u>267,364.72</u>	<u>267,364.72</u>
Adjusting Journal Entries JE # 4			
CPE - To correct coding on bill per Linda Glau 10/11/23.			
4114-000	SCADA Maintence	3,012.00	
4112-000	Depreciation Expense		3,012.00
Total		<u>3,012.00</u>	<u>3,012.00</u>
Adjusting Journal Entries JE # 5			
PPA - To prior period restate net position for fiscal year 2022 contributions reported incorrectly in the prior year.			
2301-000	Fund Balance	130,001.00	
1999-099	Deferred Outflows of Res		130,001.00
Total		<u>130,001.00</u>	<u>130,001.00</u>

*San Gabriel Valley Municipal Water District
Schedule of Audit Adjusting Journal Entries
June 30, 2023*

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 6			
AJE - To reclass beginning balances from Option A to Option C between deferred outflows and inflows for financial statement reporting purposes.			
1699-099	Deferred Inflow of Resources	89,434.00	
1699-099	Deferred Inflow of Resources	57,189.00	
1999-099	Deferred Outflows of Res		89,434.00
1999-099	Deferred Outflows of Res		57,189.00
Total		<u>146,623.00</u>	<u>146,623.00</u>
Adjusting Journal Entries JE # 7			
GASB 68 Entry - To adjust pension related accounts to 2023 employer tool calculation at June 30, 2023.			
1699-099	Deferred Inflow of Resources	575,023.00	
1999-099	Deferred Outflows of Res	679,085.00	
4039-099	GASB 68 Contra Income Expense - Adjustment Account	3,683.00	
2219-099	Net Pension Liability		1,257,791.00
Total		<u>1,257,791.00</u>	<u>1,257,791.00</u>
Adjusting Journal Entries JE # 8			
AJE - To adjust beginning balances to net deferral format.			
1698-099	Deferred Inflows- OPEB	116,458.00	
1998-099	Deferred Outflows -OPEB		116,458.00
Total		<u>116,458.00</u>	<u>116,458.00</u>
Adjusting Journal Entries JE # 9			
AJE - To adjust beginning balance for unknown credit adjustment made in fiscal year 2022/2023.			
2209-000	Other Post-Employment Benefits	279,999.96	
4067-000	OPEB -Other Post Employment Ben		279,999.96
Total		<u>279,999.96</u>	<u>279,999.96</u>
Adjusting Journal Entries JE # 10			
GASB 75 Entry - To adjust OPEB per Actuary Valuation report at June 30, 2023.			
1698-099	Deferred Inflows- OPEB	332,723.00	
1998-099	Deferred Outflows -OPEB	156,710.00	
2209-000	Other Post-Employment Benefits	182,631.00	
2209-000	Other Post-Employment Benefits	825,763.00	
1698-099	Deferred Inflows- OPEB		303,670.00
1998-099	Deferred Outflows -OPEB		182,631.00
1998-099	Deferred Outflows -OPEB		455,950.00
4067-099	GASB 75 Contra Income Expense - Adjustment Account		156,710.00
4067-099	GASB 75 Contra Income Expense - Adjustment Account		398,866.00
Total		<u>1,497,827.00</u>	<u>1,497,827.00</u>
Adjusting Journal Entries JE # 11			
PPA - To prior period adjust retained earnings for discount (imputed interest) on zero interest note receivable for Monterey Park dated 3/1/2021 for fiscal year 2021.			
2970-000	Retained Earnings	322,824.00	
1925-040	Monterey Park ADV NR Discount		322,824.00
Total		<u>322,824.00</u>	<u>322,824.00</u>
Adjusting Journal Entries JE # 12			
AJE - To adjust for discount (imputed interest) on zero interest note receivable for Sierra Madre dated 7/29/2021 for fiscal year 2023.			
6695-000	Discount on Note Receivable	175,363.00	
1927-010	Sierra Madre NR Discount		175,363.00
Total		<u>175,363.00</u>	<u>175,363.00</u>
Total Adjusting Journal Entries		<u>4,410,334.50</u>	<u>4,410,334.50</u>

*San Gabriel Valley Municipal Water District
Schedule of Audit Adjusting Journal Entries
June 30, 2023*

Account	Description	Debit	Credit
Proposed Journal Entries			
Proposed Journal Entries JE # 100			
PAJE - During Search for Unrecorded Liabilities testing noted that check 43843 had replacement component and adjustments for June 2023 which were not accrued for.			
4591-000	State Project Cost of Water Adj	8,828.00	
2001-000	Accounts Payable		3,297.00
4591-000	State Project Cost of Water Adj		5,531.00
Total		<u>8,828.00</u>	<u>8,828.00</u>
Proposed Journal Entries JE # 101			
PAJE - To adjust vacation and sick leave to recalculated balance with policy limits applied for fiscal year end accrual purposes.			
2010-000	Accrued Payroll - V&SL	3,217.92	
2010-000	Accrued Payroll - V&SL	4,737.90	
4010-000	Salaries- Administrative		3,217.92
4100-000	Salaries - Field Workers		4,737.90
Total		<u>7,955.82</u>	<u>7,955.82</u>
Total Proposed Journal Entries		<u>16,783.82</u>	<u>16,783.82</u>
Total All Journal Entries		<u>4,427,118.32</u>	<u>4,427,118.32</u>

Legend:

AJE	Audit Adjusting Journal Entry
CPE	Client Prepared Audit Adjusting Journal Entry
GASB 68 Entry	Audit Pension Adjusting Journal Entry
GASB 75 Entry	Audit OPEB Adjusting Journal Entry
PPA	Prior Period Adjusting Journal Entry
PAJE	Proposed Adjusting Journal Entry (Not Posted to the District's Books / Records)

Working Draft Subject to Review

SAN GABRIEL VALLEY
MUNICIPAL



WATER DISTRICT

AZUSA | SIERRA MADRE | MONTEREY PARK | ALHAMBRA

San Gabriel Valley Municipal Water District

Annual Financial Report

For the Fiscal Year Ended June 30, 2023

Working Draft Subject to Review



Mission Statement

The San Gabriel Valley Municipal Water District is dedicated to providing reliable water for the communities of Alhambra, Azusa, Monterey Park, and Sierra Madre in a cost-effective manner.

San Gabriel Valley Municipal Water District Board of Directors as of June 30, 2023

<u>Name</u>	<u>Title</u>	
Mark R. Paulson	President	Division I
Steven Placido	Vice-President	Division II
Miles Prince	Secretary	Division IV
Bruce Knoles	Treasurer	Division V
Mike Eng	Director	Division III

**San Gabriel Valley Municipal Water District
Darin Kasamoto, General Manager
1402 N. Vosburg Drive
Azusa, California 91702
(626) 969-7911**

San Gabriel Valley Municipal Water District

Annual Financial Report

For the Fiscal Year Ended June 30, 2023

Working Draft Subject to Review

**San Gabriel Valley Municipal Water District
Annual Financial Report
For the Fiscal Year Ended June 30, 2023**

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Introductory Section

Working Draft Subject to Review



January 8, 2024

Board of Directors
San Gabriel Valley Municipal Water District

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, 2023, 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 information presented is accurate in all material respects. This report is designed in a manner that we believe 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 and reports on a summary of significant financial results and includes 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, and the District's audited basic financial statements with accompanying notes.

Accounting Principles Generally 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 immediately after the Independent Auditors' Report.

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 state water 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 in 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.



District Structure and Leadership, continued

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 meets 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 C.J. Brown & Company, CPAs has conducted the fiscal year 2023 audit of the District's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

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.

Respectfully submitted,

Darin Kasamoto
General Manager

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Working Draft Subject to Review

Financial Section

Working Draft Subject to Review

Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of the San Gabriel Valley Municipal Water District (District), which comprises the statement of net position as of June 30, 2023 and the related statement of revenues, expenses, and changes in net position for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the District'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 Valley Municipal Water District as of June 30, 2023, and the changes in net position and cash flow for the year 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 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

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 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 District '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

Prior Period Restatements

As described in note 9 to the financial statements, the District restated its net position for pension contributions reported in deferred outflows of resources, for the year ended June 30, 2022. In addition, the District restated its net position to record a discount on the note receivable for the City of Monterey Park as the note was issued at zero interest, for the year ended June 30, 2022. 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 9 through 12 and the required supplementary information on pages 34 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section and schedule of operating expenses is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of operating expenses on page 37 is the responsibility of management and were derived from and relate 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 schedules of operating expenses are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance.

Independent Auditor's Report, continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2024, 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. This report can be found on pages 38 and 39.

C.J. Brown & Company, CPAs
Cypress, California
January 8, 2024

Working Draft Subject to Review

San Gabriel Valley Municipal Water District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023

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, 2023. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position increased 10.75% or \$4,659,704, to \$47,991,952, as the result from ongoing operations.
- The District's operating revenues increased 46.80% or \$444,368, to \$1,393,909.
- The District's non-operating revenues increased 12.03% or \$1,782,732, to \$16,597,998.
- The District's operating expenses increased 14.29% or \$1,514,377, to \$12,108,520.
- The District's non-operating expenses decreased 15.17% or \$96,323, to \$538,756.

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 include all of the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. 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 year's revenue and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. These statements measure the success of the District's operations over the past 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 report cash receipts, cash payments, and net changes in cash resulting from operations, 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

One of the most important question asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

San Gabriel Valley Municipal Water District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2023

Financial Analysis of the District, continued

These two statements report the District's *net position* and changes in it. One can think of the District's net position – the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to 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 Basic 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 basic financial statements can be found on pages 16 through 43.

Statements of Net Position

Condensed Statements of Net Position

	<u>2023</u>	<u>As Restated 2022</u>	<u>Change</u>
Assets:			
Current assets	\$ 29,671,063	29,152,542	518,521
Non-current assets	12,404,561	8,465,307	3,939,254
Capital assets, net	13,318,599	12,875,784	442,815
Total assets	<u>55,394,223</u>	<u>50,493,633</u>	<u>4,900,590</u>
Deferred outflows of resources	<u>1,884,187</u>	<u>1,686,973</u>	<u>197,214</u>
Liabilities:			
Current liabilities	1,738,021	1,004,850	733,171
Non-current liabilities	6,103,675	5,794,670	309,005
Total liabilities	<u>7,841,696</u>	<u>6,799,520</u>	<u>1,042,176</u>
Deferred inflows of resources	<u>1,444,762</u>	<u>2,048,838</u>	<u>(604,076)</u>
Net position:			
Net investment in capital assets	13,318,599	12,875,784	442,815
Unrestricted	34,673,353	30,456,464	4,216,889
Total net position	<u>\$ 47,991,952</u>	<u>43,332,248</u>	<u>4,659,704</u>

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 of the District exceeded liabilities by \$47,991,952 as of June 30, 2023.

The largest portion of the District's net position (28% as of June 30, 2023) reflects the District's 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.

San Gabriel Valley Municipal Water District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2023

Statements of Net Position, continued

At the end of fiscal year 2023, the District showed a positive balance in its unrestricted net assets of \$34,673,353. See note 8 for the amount of spendable net position that may be utilized in future years.

Statements of Revenues, Expenses, and Changes in Net Position

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>2023</u>	<u>As Restated 2022</u>	<u>Change</u>
Revenues:			
Operating revenues	\$ 1,393,909	949,541	444,368
Non-operating revenues	16,597,998	14,815,266	1,782,732
Total revenues	<u>17,991,907</u>	<u>15,764,807</u>	<u>2,227,100</u>
Expenses:			
Operating expenses	12,108,520	10,594,143	1,514,377
Depreciation expense	696,807	567,236	129,571
Non-operating expense	538,756	635,079	(96,323)
Total expenses	<u>13,344,083</u>	<u>11,796,458</u>	<u>1,547,625</u>
Net income before capital contributions	4,647,824	3,968,349	679,475
Capital contributions:	<u>11,880</u>	<u>11,880</u>	<u>-</u>
Change in net position	4,659,704	3,980,229	679,475
Net position, beginning of year	<u>43,332,248</u>	<u>39,352,019</u>	<u>3,980,229</u>
Net position, end of year	<u><u>\$ 47,991,952</u></u>	<u><u>43,332,248</u></u>	<u><u>4,659,704</u></u>

The Statement of Revenues, Expenses, and Changes of Net Position show how the District's net position changed during the fiscal year. In the case of the District, net position increased by \$4,659,704 for the fiscal year ended June 30, 2023.

A closer examination of the sources of changes in net position reveals that:

In fiscal year 2023, total revenues increased 14.13% or \$2,227,100 to \$17,991,907. Operating revenues increased 46.80% or \$444,368, to \$1,393,909, primarily due to increases of \$419,121 in water sales and \$29,810 in hydroelectric power sales. Non-operating revenues increased 12.03% or \$1,782,732 to \$16,597,998, primarily due to increases of \$903,944 in interest and investment earnings, \$721,246 in voter approved property taxes, and \$157,542 in ad valorem property taxes as compared to the prior year.

In fiscal year 2023, total expenses (including depreciation) increased 13.12% or \$1,547,625 to \$13,344,083. Operating expenses increased 14.29% or \$1,514,377 to \$12,108,520, primarily due to increases of \$881,731 in source of supply water deliveries related to increases in state water supply contract costs and \$632,646 in general and administrative expenses, primarily due to increases of \$336,011 related to actuarial changes in the pension and other post-employment benefits liabilities, \$143,148 in public relations and water conservation program expenses, \$61,157 in salaries and wages, \$37,944 in consulting and engineering fees, and \$32,417 in membership dues, conferences, and travel as compared to the prior year. Non-operating expenses decreased 15.17% or \$96,323 to \$538,756, primarily due to a decrease of \$147,461 in discount on member agency note receivables offset by an increase of \$48,718 in grant funding to other agencies.

San Gabriel Valley Municipal Water District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2023

Statements of Revenues, Expenses, and Changes in Net Position

In fiscal year 2023, there was no change to capital contributions reported at \$11,880.

Capital Asset Administration

Changes to capital asset amounts for 2023 were as follows:

	<u>Balance 2022</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2023</u>
Capital assets:				
Non-depreciable assets	\$ 940,784	998,665	(1,190,905)	748,544
Depreciable assets	36,542,066	1,331,862	(1,050)	37,872,878
Accumulated depreciation and amortization	<u>(24,607,066)</u>	<u>(696,807)</u>	<u>1,050</u>	<u>(25,302,823)</u>
Total capital assets, net	<u>\$ 12,875,784</u>	<u>1,633,720</u>	<u>(1,190,905)</u>	<u>13,318,599</u>

At the end of fiscal year 2023, the District's investment in capital assets amounted to \$13,318,599 (net of accumulated depreciation). This investment in capital assets includes land, pipelines, buildings and structures, equipment, vehicles, and construction-in-process, etc. Major capital assets additions during the year included additions to construction-in-progress for ongoing projects, upgrades to pipeline assets, upgrades to buildings and structures. There were no major disposals during the year.

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 District's present users, including funding sources, customers, stakeholders, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability with respect to the District'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 District's General Manager at 1402 N. Vosburg Drive, PO Box 1299 Azusa, California 91702.

Basic Financial Statements

Working Draft Subject to Review

San Gabriel Valley Municipal Water District
Statement of Net Position
June 30, 2023

	2023
Current assets:	
Cash and cash equivalents (note 2)	\$ 23,830,019
Investments (note 2)	2,747,278
Accrued interest receivable	183,234
Accounts receivable – water sales and services	63,287
Accounts receivable – property taxes	584,280
Advances to member cities – current portion (note 3)	670,000
Water-in-storage inventory	1,420,650
Prepaid expenses and deposits	172,315
Total current assets	29,671,063
Non-current assets:	
Investments (note 2)	6,872,748
Advances to member cities, net (note 3)	5,531,813
Capital assets, not being depreciated (note 4)	748,544
Depreciable capital assets, net (note 4)	12,570,055
Total non-current assets	25,723,160
Total assets	55,394,223
Deferred outflows of resources:	
Deferred other post-employment benefits outflows (note 6)	156,710
Deferred pension outflows (note 7)	1,727,477
Total deferred outflows of resources	\$ 1,884,187

Continued on next page

See accompanying notes to the basic financial statements.

San Gabriel Valley Municipal Water District
Statement of Net Position, continued
June 30, 2023

	2023
Current liabilities:	
Accounts payable and accrued expenses	\$ 1,021,412
Accrued salaries and wages	30,096
Unearned revenue	573,844
Long-term liabilities – due within one year:	
Compensated absences (note 5)	112,669
Total current liabilities	1,738,021
Non-current liabilities:	
Long-term liabilities – due in more than one year:	
Compensated absences (note 5)	338,007
Net other post-employment benefit liability (note 6)	3,683,586
Net pension liability (note 7)	2,082,082
Total non-current liabilities	6,103,675
Total liabilities	7,841,696
Deferred inflows of resources:	
Deferred other post-employment benefits inflows (note 6)	1,097,070
Deferred pension inflows (note 7)	347,692
Total deferred inflows of resources	1,444,762
Net position: (note 8)	
Net investment in capital assets	13,318,599
Unrestricted	34,673,353
Total net position	\$ 47,991,952

Working Draft Subject to Review

See accompanying notes to the 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, 2023

	2023
Operating revenues:	
Water sales	\$ 1,350,726
Hydroelectric sales	29,810
Other services	13,373
Total operating revenues	1,393,909
Operating expenses:	
Source of supply – water deliveries	8,713,564
General and administrative	3,394,956
Total operating expenses	12,108,520
Operating loss before depreciation and amortization expense	(10,714,611)
Depreciation and amortization expense	(696,807)
Operating loss	(11,411,418)
Non-operating revenue(expense):	
Property taxes – ad valorem	6,247,711
Property taxes – voter approved	9,927,672
Interest and investment earnings	422,615
Grant funding to other agencies	(276,478)
Property tax collection and administrative expense	(86,915)
Discount on note receivable – member agency (note 3)	(175,363)
Total non-operating revenue, net	16,059,242
Net income before capital contribution	4,647,824
Capital contributions:	
Reimbursement of capital expenditures	11,880
Change in net position	4,659,704
Net position, beginning of year, as restated (note 9)	43,332,248
Net position, end of year	\$ 47,991,952

See accompanying notes to the basic financial statements.

San Gabriel Valley Municipal Water District
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2023

	2023
Cash flows from operating activities:	
Cash receipts from water sales	\$ 1,364,099
Cash receipts from hydroelectric sales	29,810
Cash paid to employees for salaries and wages	(1,070,828)
Cash paid to vendors and suppliers for materials and services	(11,006,463)
Net cash used in operating activities	(10,683,382)
Cash flows from non-capital financing activities:	
Cash receipts from property taxes	16,416,910
Cash paid for collection fees	(86,915)
Net cash provided by non-capital financing activities	16,329,995
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(1,139,622)
Grant funding paid to other agencies	(276,478)
Proceeds from capital contributions	11,880
Issuance of advance to member agency	(2,700,000)
Net cash used in capital and related financing activities	(4,104,220)
Cash flows from investing activities:	
Purchase of investments	(4,554,911)
Proceeds for the sale of investments	4,019,404
Interest earnings received	270,406
Net cash used in investing activities	(265,101)
Net decrease in cash and cash equivalents	1,277,292
Cash and cash equivalents, beginning of year	22,552,727
Cash and cash equivalents, end of year	\$ 23,830,019

Continued on next page

See accompanying notes to the basic financial statements.

San Gabriel Valley Municipal Water District
Statement of Cash Flows, continued
For the Fiscal Year Ended June 30, 2023

	2023
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ <u>(11,411,418)</u>
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation expense	696,807
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
(Increase)decrease in assets:	
Accounts receivable	142,338
Water-in-storage inventory	(869,370)
Prepaid expenses and deposits	(91,645)
(Increase)Decrease in deferred outflows of resources:	
Deferred other post-employment benefits outflows	481,871
Deferred pension outflows	(117)
Increase(decrease) in liabilities:	
Accounts payable and accrued expenses	637,082
Accrued salaries and wages	6,272
Compensated absences	79,477
Other post-employment benefit liability	(1,008,394)
Net pension liability	1,257,791
Increase(Decrease) in deferred inflows of resources:	
Deferred other post-employment benefits inflows	(29,053)
Deferred pension inflows	(575,023)
Total adjustments	<u>728,036</u>
Net cash used in operating activities	\$ <u>(10,683,382)</u>
Non-cash investing, capital and financing transactions:	
Change in fair-market value of funds deposited in LAIF	\$ <u>(315,660)</u>

See accompanying notes to the basic financial statements.

San Gabriel Valley Municipal Water District
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

(1) Summary of Significant Accounting Policies

A. Organization and Operations of the 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 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 San Gabriel River Watermaster requires that make-up water be spread in the Central Basin to satisfy the terms of 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 six employees. The District's Board of Directors meets each month. Meetings are publicly noticed and citizens are encouraged to attend.

B. Basis of Accounting and Measurement Focus

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 area 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 transactions 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 expenses not included in the above categories are reported as non-operating revenues and expenses.

C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (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.

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(1) Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

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

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(1) Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

Governmental Accounting Standards Board Statement No. 93, continued

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(1) Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net assets during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(1) Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

3. 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.

4. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- *Level 1* – This valuation level is based on quoted prices in active markets for identical assets.
- *Level 2* – This valuation level is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- *Level 3* – This valuation level is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

5. Accounts Receivable and Allowance for Bad Debts

The District considers accounts receivable to be fully collectable and accordingly, no allowance for doubtful accounts is considered necessary.

6. Inventory

Materials and supplies inventory consists primarily of water meters, pipe and pipefittings for construction and repair to the District's water transmission and distribution system. Inventory is valued at cost using the weighted-average method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed. Water-in-storage is valued at average cost.

7. Prepaid Expenses

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

8. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$1,000. Donated assets are recorded at estimated fair market 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.

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(1) Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

8. Capital Assets, continued

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Pipeline – 7 to 75 years
- Telemetry equipment – 10 years
- Buildings 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

9. Deferred Outflows of Resources

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 resources applicable to future periods and therefore will *not* be recognized as an outflow of resources (expenditure) until that time. The District has the following pension related items that qualify for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred outflow which is equal to the employer contributions made after the measurement date of the total OPEB liability. This amount will be amortized-in-full against the total OPEB liability in the next fiscal year.

Pensions

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net pension liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year.
- Deferred outflow for the net differences between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net change in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net difference in projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over a 5 year period.
- Deferred outflow for the net difference in actual and proportionate share of employer contribution which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

10. 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.

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(1) Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

11. Post-Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB plan (Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date: June 30, 2022
- Measurement Dates: June 30, 2022
- Measurement Periods: July 1, 2021 to June 30, 2022

12. Pensions

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 District's California Public Employees' Retirement System (CalPERS) plans (Plans) and addition to/deduction 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.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Dates: June 30, 2021
- Measurement Dates: June 30, 2022
- Measurement Periods: July 1, 2021 to June 30, 2022

13. Deferred Inflows of Resources

The statements of net position will sometimes report a separate section for deferred inflows of resources. This financial statement element, *deferred inflows of resources*, represents an acquisition of resources applicable to future periods and therefore will *not* be recognized as an inflow of resources (revenue) until that time. The District has the following pension related item that qualifies for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred inflow for the net changes in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan.
- Deferred inflow for the Plans' experience (gains)/losses which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan.

Pensions

- Deferred inflow for the net adjustment due to differences in the changes in proportions of the net pension liability which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(1) Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

14. Net Position

The District follows the financial reporting requirements of the GASB and reports net position under the following classifications:

- *Net Investment in Capital Assets* – Consists of capital assets, net of accumulated depreciation, and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt is included in this component of net position.
- *Restricted* – Consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- *Unrestricted* – The net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

15. Water Sales

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

16. Property Taxes and Assessments

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 year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at 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

17. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies or real estate developers desiring services that require capital expenditures or capacity commitment.

18. Budgetary Policies

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.

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(2) Cash and Investments

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

	2023
Cash and cash equivalents	\$ 23,830,019
Certificates-of-deposit – current	2,045,333
U.S. Treasury notes – current	701,945
Certificates-of- deposit – non-current	6,872,748
Total cash and investments	\$ 33,450,045

Cash and cash equivalents as of June 30 consist of the following:

	2023
Cash on hand	\$ 442
Deposits with financial institutions	3,339,120
Investments and cash equivalents	30,110,483
Total cash and investments	\$ 33,450,045

As of June 30, the District's authorized deposits had the following maturities:

	2023
Deposits held with the California Local Agency Investment Fund (LAIF)	260 days

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

The table below identifies the investment types that are authorized by the District in accordance with 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.

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

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(2) Cash and Investments, continued

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 Section 16429 under the oversight of the Treasurer of the State of California. 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 balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by GASB 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

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 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, 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 governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the bank balances, up to \$250,000 held at each institution were federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

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 Code and the District's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

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 matures or comes close to maturity evenly over time as necessary to provide for cash flow requirements and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the table on the following table that shows the distribution of the District's investments by maturity date:

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(2) Cash and Investments, continued

Interest Rate Risk, continued

As of June 30, 2023, the District's investments are scheduled to mature as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity</u>		
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>
Local Agency Investment Fund	\$ 20,490,457	20,490,457	-	-
Certificates-of-deposit	8,918,081	2,045,333	4,188,038	2,684,710
U.S. Treasury notes	701,945	701,945	-	-
Total	\$ 30,110,483	23,237,735	4,188,038	2,684,710

Credit Risk

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 as of year-end for each investment type.

Credit ratings as of June 30, 2023, were as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating at Year End</u>	
			<u>AAA</u>	<u>Not Rated</u>
Local Agency Investment Fund	\$ 20,490,457	N/A	-	20,490,457
Certificates-of-deposit	8,918,081	N/A	8,918,081	-
U.S. Treasury notes	701,945	N/A	701,945	-
Total	\$ 30,110,483		9,620,026	20,490,457

Fair Value Measurements

Assets measured at fair value on a recurring basis, based on their fair value hierarchy at June 30, 2023, are as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Certificates-of-deposit	\$ 8,918,081	-	8,918,081	-
U.S. Treasury notes	701,945	701,945	-	-
Total	\$ 9,620,026	701,945	8,918,081	-

Inputs and valuations methods used for each of the District's investment classes are as follows:

- U.S. Treasury securities – The fair value U.S. Treasury securities is generally based on quoted market prices in active markets (Level 1).
- Certificates-of-deposit – The fair value of certificate-of-deposit is generally determined using a market-based model in which valuation consideration is given to yield or price of comparable securities, coupon rate, maturity, credit quality, and dealer-provided prices (Level 2).

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(2) Cash and Investments, continued

Concentration of Credit Risk

The District's investment policy contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District's investments as of June 30, 2023.

(3) Advances to Member Cities Receivable

Changes in notes receivable at June 30, 2023 were as follows:

	<u>As Restated 2022</u>	<u>Additions</u>	<u>Principal Pymts/ Amortization</u>	<u>Balance 2023</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Notes receivable:						
City of Monterey Park	\$ 4,000,000	-	-	4,000,000	400,000	3,600,000
Less: Unamortized discount	<u>(322,824)</u>	<u>-</u>	<u>-</u>	<u>(322,824)</u>	<u>-</u>	<u>(322,824)</u>
Total City of Monterey Park	3,677,176	-	-	3,677,176	400,000	3,277,176
City of Sierra Madre	-	2,700,000	-	2,700,000	270,000	2,430,000
Less: Unamortized discount	<u>-</u>	<u>(175,363)</u>	<u>-</u>	<u>(175,363)</u>	<u>-</u>	<u>(175,363)</u>
Total City of Sierra Madre	-	2,524,637	-	2,524,637	270,000	2,254,637
Total notes receivable	<u>\$ 3,677,176</u>	<u>2,524,637</u>	<u>-</u>	<u>6,201,813</u>	<u>670,000</u>	<u>5,531,813</u>

City of Monterey Park

On March 1, 2021, the District entered into a loan agreement with the City of Monterey Park for the purpose of providing funding towards the construction of a PFAS Treatment Plant. Terms of the agreement call for annual principal only payments in the amount of \$400,000 at a rate of zero percent, commencing one year after the filing of the Notice of Completion for the project. The District discounted the note using the March 1, 2021 10-year treasury bill rate of 1.56%.

Principal and discount amortization are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Discount Amortization</u>	<u>Total</u>
2024	\$ 400,000	(57,364)	342,636
2025	400,000	(52,019)	347,981
2026	400,000	(46,590)	353,410
2027	400,000	(41,077)	358,923
2028	400,000	(35,478)	364,522
2029 - 2033	<u>2,000,000</u>	<u>(90,296)</u>	<u>1,909,704</u>
Total	4,000,000	<u>(322,824)</u>	<u>3,677,176</u>
Less: Current portion	<u>(400,000)</u>		
Less: Unamort. discount	<u>(322,824)</u>		
Total non-current	<u>\$ 3,277,176</u>		

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(3) Advances to Member Cities Receivable, continued

City of Sierra Madre

On July 29, 2021, the District entered into a loan agreement with the City of Sierra Madre for the purpose of providing funding towards the planning, design, construction and construction administration of three water main construction projects. Terms of the agreement call for annual principal only payments in the amount of \$270,000 at a rate of zero percent, commencing after the filing of the Notice of Completion for the projects. The District discounted the note using the July 29, 2021 10-year Treasury Bill rate of 1.24%.

Principal and discount amortization are as follows:

Fiscal Year	Principal	Discount Amortization	Total
2024	\$ 270,000	(31,306)	238,694
2025	270,000	(28,346)	241,654
2026	270,000	(25,349)	244,651
2027	270,000	(22,316)	247,684
2028	270,000	(19,244)	250,756
2029 - 2033	1,350,000	(48,802)	1,301,198
Total	2,700,000	(175,363)	2,524,637
Less: Current portion	(270,000)		
Less: Unamort. discount	(175,363)		
Total non-current	\$ 2,254,637		

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(4) Capital Assets

Changes in capital assets for the year ended June 30, 2023 were as follows:

	<u>Balance 2022</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2023</u>
Non-depreciable assets:				
Land	\$ 735,931	-	-	735,931
Construction-in-process	204,853	998,665	(1,190,905)	12,613
Total non-depreciable assets	<u>940,784</u>	<u>998,665</u>	<u>(1,190,905)</u>	<u>748,544</u>
Depreciable assets:				
Pipeline	26,742,616	139,322	-	26,881,938
Buildings and structures	2,384,902	1,190,905	-	3,575,807
Telemetry equipment	934,023	-	(1,050)	932,973
Office furniture and equipment	179,790	1,635	-	181,425
Vehicles and equipment	516,570	-	-	516,570
State water project participation rights	5,784,165	-	-	5,784,165
Total depreciable assets	<u>36,542,066</u>	<u>1,331,862</u>	<u>(1,050)</u>	<u>37,872,878</u>
Accumulated depreciation and amortization:				
Pipeline	(16,636,226)	(370,664)	-	(17,006,890)
Telemetry Equipment	(685,575)	(75,908)	1,050	(760,433)
Buildings and structures	(2,331,641)	(93,294)	-	(2,424,935)
Office furniture and equipment	(156,367)	(9,703)	-	(166,070)
Vehicles and equipment	(266,327)	(50,836)	-	(317,163)
State water project participation rights	(4,530,930)	(96,402)	-	(4,627,332)
Total accumulated depreciation	<u>(24,607,066)</u>	<u>(696,807)</u>	<u>1,050</u>	<u>(25,302,823)</u>
Total depreciable assets, net	<u>11,935,000</u>	<u>635,055</u>	<u>-</u>	<u>12,570,055</u>
Total capital assets, net	<u>\$ 12,875,784</u>			<u>13,318,599</u>

Major capital assets additions during the year included additions to construction-in-progress for ongoing projects, upgrades to pipeline assets, upgrades to buildings and structures. There were no major disposals during the year.

(5) Compensated Absences

Changes to compensated absences for the year ended June 30, 2023 were as follows:

	<u>Balance 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2023</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
\$	<u>371,199</u>	<u>137,174</u>	<u>(57,697)</u>	<u>450,676</u>	<u>112,669</u>	<u>338,007</u>

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(6) Other Post-employment Benefits (OPEB) Plan

General Information about the OPEB Plan

Plan Description

The District's defined benefit Other Post-Employment Benefit (OPEB) Plan (Plan) provides OPEB for all vested full-time employees who satisfy the eligibility rules. The Plan is a single-employer defined benefit OPEB plan administered by the District. The District's Board has the authority to establish and amend the benefit terms and financing requirements of the Plan.

Benefits Provided

To be eligible for retiree health benefits, an employee must retire from the District on or after age 55 with at least 15 years of continuous service. Dependents are also eligible to receive benefits. Retirees may enroll in any plan available through the District's ACWA-JPIA (Association of California Water Agencies Joint Powers Insurance Authority) Medical Program. The District provides coverage of single-party medical and vision premiums for life and dental benefits until age 65. Employees hired after November 14, 2006 and before November 1, 2008, will receive 50% of the benefits coverage offered. Employees hired after November 1, 2008, are not eligible for post-employment health benefits.

Employees Covered by Benefit Terms

At June 30, the following employees were covered by the benefit terms:

	2023
Active plan members	7
Retirees and beneficiaries receiving benefits	11
Total Plan membership	18

Contributions

The Plan and its contribution requirements for eligible retired employees of the District are established and may be amended by the Board of Directors. The District pays 100% of its share of the cost of health and vision insurance for retirees and dental insurance up to age 65 under any group plan offered by ACWA-JPIA, subject to certain restrictions as determined by the District. The annual contribution is based on the actuarially determined contribution.

As of the fiscal year ended June 30, the contributions were as follows:

	2023
Contributions – employer	\$ 156,710

As of June 30, 2023, employer OPEB contributions of \$156,710 will be recognized as a reduction of total OPEB liability in the fiscal year ended June 30, 2024.

Total OPEB Liability

As of the fiscal year ended June 30, the District reported its total OPEB liability as follows:

	2023
Total OPEB liability	\$ 3,683,586

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(6) Other Post-employment Benefits (OPEB) Plan, continued

Total OPEB Liability, continued

The District's total OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2021. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Changes in the Total OPEB Liability

Changes in the total OPEB liability as of June 30, were as follows:

	June 30, 2023
Balance at beginning of year	\$ 4,691,980
Changes for the year:	
Service cost	181,771
Interest	91,831
Employer contributions	(182,631)
Changes in benefit terms	55,866
Experience (gains)/losses	(203,344)
Assumption changes	(951,887)
Net changes	(1,008,394)
Balance at end of year	\$ 3,683,586

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

For the fiscal year ended June 30, 2023, the District recognized OPEB income of \$398,866.

At June 30, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2023	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to the measurement date at June 30	\$ 156,710	-
Net change in assumptions	-	(303,670)
Experience (gains)/losses	-	(793,400)
Total	\$ 156,710	(1,097,070)

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(6) Other Post-employment Benefits (OPEB) Plan, continued

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

As of June 30, 2023, the District recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the total OPEB liability. OPEB related amounts will be recognized as OPEB expense as follows.

Fiscal Year Ending June 30,	Deferred Net Outflows / (Inflows) of Resources
2024	\$ (508,323)
2025	(588,747)

Actuarial Assumptions

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.30 percent
Salary increases	2.80 percent
Discount rate	3.69 percent
Healthcare cost trend rates	5.50 percent per year
Retirees' share of benefit-related costs	Actual premium increases through 20232, followed by projected premium increases shown in the 2021 Medicare Trustees report for the next six years followed by the same assumption as medical/rx.
	Cost sharing: same as medical/rx trend rates Dental/vision: 3.50% for all years.

Discount Rate

As of the measurement date June 30, 2022 the discount rate used to measure the total OPEB liability was 3.69 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates.

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

The table on the following page 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 a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(6) Other Post-employment Benefits (OPEB) Plan, continued

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate, continued

At June 30, 2023, the discount rate comparison was the following:

		Current Discount Rate	Discount Rate + 1%
	Discount Rate - 1% (2.69%)	(3.69%)	(4.69%)
District's total OPEB liability	\$ 4,180,623	3,683,586	3,271,825

Sensitivity of the Total OPEB Liability to Changes in the 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 healthcare cost trend rates that are 1-percentage-point lower (4.50 percent decreasing to 3.04 percent) or 1-percentage-point higher (6.40 percent decreasing to 5.04 percent) than the current healthcare cost trend rates:

At June 30, 2023 the healthcare cost trend rate comparison was the following:

	1% Decrease (4.50%) decreasing to 3.04%	Healthcare Cost Trend Rates (5.40%) decreasing to 4.04%	1% Increase 6.40% decreasing to 5.04%
District's total OPEB liability	\$ 3,195,700	3,683,586	4,267,570

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

See page 45 for the Required Supplementary Information.

(7) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and the District's resolution. CalPERS issues publicly available reports that include a full description of the pension plan 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.

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(7) Defined Benefit Pension Plan, continued

Benefits Provided, continued

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 60 (New Classic) Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. Employees hired after January 1, 2013, and have not previously participated in a CalPERS plan are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA. New employees that have previously participated in the Classic Plan are eligible for the District's CalPERS 2.0% at 60 Retirement Plan.

The Plan's provisions and benefits in effect at June 30 are summarized as follows:

	Miscellaneous Plan	
	Classic	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	55 - 60	52 - 67
Monthly benefits, as a % of eligible compensation 2023:	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	6.92%	7.25%
Required employer contribution rates	11.61%	7.76%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers to 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 the Plan 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.

As of the fiscal year ended June 30, the contributions for the Plan were as follows:

	Miscellaneous Plan 2023
Contributions – employer	\$ 773,342

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(7) Defined Benefit Pension Plan, continued

Net Pension Liability

As of the fiscal year ended June 30, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan was as follows:

	Proportionate Share of Net Pension Liability
	2023
Miscellaneous Plan	\$ 2,082,082

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, 2022, 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, 2021, rolled forward to June 30, 2022, 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 change in the proportionate share of the pension liability for the District's Plan as of the fiscal year ended June 30, were as follows:

	Miscellaneous Plan
	2023
Proportion – beginning of year	0.01524%
Proportion – end of year	0.01803%
Change – Increase (Decrease)	0.00279%

Deferred Pension Outflows (Inflows) of Resources

As of June 30, 2023, the District recognized pension income of \$2,526.

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(7) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources, continued

As of June 30, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>June 30, 2023</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 773,342	-
Net difference between actual and expected experience	13,808	-
Net change in assumptions	213,353	-
Net difference between projected and actual earnings on plan investments	381,382	-
Net difference between actual contribution and proportionate share of contribution	345,592	-
Net adjustment due to differences in proportions of net pension liability	-	(347,692)
Total	<u>\$ 1,727,477</u>	<u>(347,692)</u>

As of June 30, 2023, employer pension contributions of \$773,342, reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2024.

As of June 30, 2023, the District recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the pension liability. Pension related amounts will be recognized as pension expense as follows.

<u>Fiscal Year Ending June 30,</u>	<u>Deferred Net Outflows / (Inflows) of Resources</u>
2024	\$ 152,952
2025	141,807
2026	78,419
2027	233,265

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(7) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liability in the June 30, 2022, actuarial valuation report was determined using the following actuarial assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	6.90%
Inflation	2.30%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	6.90 % Net of pension plan investment and administrative expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Period upon which actuarial Experience Survey assumptions were based	1997–2015
Post Retirement Benefit	Contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter

* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 6.90% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods recently adopted by CalPERS were utilized. The crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments.

Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan.

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.

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(7) Defined Benefit Pension Plan, continued

Discount Rate, continued

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The tables below reflect the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

As of June 30, 2022 the target allocation and the long-term expected real rate of return by asset class were as follows:

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10</u>
Global Equity - Cap-weighted	30.0%	4.45%
Global Equity Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	27.00%
Mortgage-backed Securities	5.0%	50.00%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	<u>100%</u>	

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The table on the following page presents the District's proportionate share of the net position liability for the Plan, calculated using the discount rate, as well as what the District's proportional share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(7) Defined Benefit Pension Plan, continued

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate, continued

At June 30, 2023 the discount rate comparison was the following:

	Discount Rate – 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
District's Net pension liability	\$ 3,674,497	2,082,082	771,290

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See pages 46 and 47 for the Required Supplementary Information.

Payable to the Pension Plan

At June 30, 2023, the District reported no payables for the outstanding amount of contribution to the pension plan, respectively.

(8) Unrestricted Net Position

Calculation of net position as of June 30 was as follows:

	2023
Unrestricted :	
Non-spendable net position:	
Water-in-storage inventory	\$ 1,420,650
Prepaid and other assets	172,315
Total non-spendable net position	1,592,965
Spendable net position	33,080,388
Total unrestricted net position	\$ 34,673,353

(9) Adjustments to Net Position

Deferred Outflows of Resources – Contributions

In fiscal year 2023, the District restated its net position for pension contributions reported in deferred outflows of resources, for the year ended June 30, 2022. Actual contributions reported by CalPERS for June 30, 2022, were overstated by \$130,000 as reported in deferred outflows of resources for pensions which resulted in an overstatement of net income by the same amount.

Discount on Advance to Member Cities Receivable

In fiscal year 2023, the District restated its net position to recognize a discount on the note receivable for the City of Monterey Park (City). In March 2021, the District issued a zero-interest note in the amount \$4,000,000 to the City.

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(9) Adjustments to Net Position, continued

Discount on Advance to Member Cities Receivable

Following Generally Accepted Accounting Principles, when two parties enter into a transaction involving a note, the default assumption is that the interest rate associated with the note will be close to the market rate of interest. In circumstances where a zero-interest note is issued, it is necessary to record the transaction using an interest rate that closely compares with the current market rate. The rate should approximate what would have been used if an independent lender had entered into a similar agreement. The District chose the 10 year Treasury bill rate as of March 1, 2023. Please see Note 3 for further information.

The adjustments to net position were as follows:

Net position at July 1, 2021, as previously stated	\$ <u>39,352,019</u>
Change in net position at June 30, 2021, as previously stated	4,433,053
Effect of the adjustment for the overstatement of 2022 pension contributions reported in deferred outflows	(130,000)
Effect of the adjustment to record the discount on the zero-interest note receivable for the City of Monterey Park	<u>(322,824)</u>
Subtotal adjustments	<u>(452,824)</u>
Net position at June 30, 2022, as restated	\$ <u><u>43,332,248</u></u>

(10) 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; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

At June 30, 2023, the District participates in the ACWA/JPIA pooled programs for liability, property, and workers' compensation programs as follows:

- General and auto liability, public officials and employees' errors and omissions: The ACWA/JPIAs total risk financing self-insurance limits of \$5,000,000 per occurrence. The ACWA/JPIA purchased additional excess coverage layers: \$50 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

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

- Crime coverage up to \$100,000 per loss includes public employee dishonesty, depositor's forgery or alteration, theft, computer and funds transfer fraud coverage's, subject to \$1,000 deductible per loss.
- 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.

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(10) Risk Management, continued

- 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 2023, 2022, and 2021. 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, 2023, 2022, and 2021.

(11) Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust. The assets are held with the [TRUSTEE #1] and [TRUSTEE #2, if applicable] for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District and are not subject to claims of the District's general creditors. The total market value of all plan assets held in trust at June 30, 2023, were \$X,XX,XXX.

The District has implemented GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statements of net position.

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2023, that has effective dates that may impact future financial presentations.

The following pronouncement implementation dates have been delayed due to the COVID-19 pandemic.

Governmental Accounting Standards Board Statement No. 99

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

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

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

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 100

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

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

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

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

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.

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 101, continued

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

(13) 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.

(14) Subsequent Events

Events occurring after June 30, 2023 have been evaluated for possible adjustment to the financial statements or disclosure as of January 8, 2024, which is the date the financial statements were available to be issued.

Working Draft Subject to Review

Required Supplementary Information

Working Draft Subject to Review

San Gabriel Valley Municipal Water District
Schedules of Changes in the District's Total OPEB Liability and Related Ratios
As of June 30, 2023
Last Ten Years*

Fiscal year	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total OPEB liability						
Service cost	\$ 181,771	218,142	180,064	134,409	184,425	179,271
Interest	91,831	135,574	153,721	207,620	200,281	195,701
Employer contributions	(182,631)	(230,812)	(221,696)	(226,025)	(222,325)	(213,797)
Chnages in benefit terms	55,866	-	-	-	-	-
Assumption changes	(951,887)	438,054	451,114	(374,643)	(128,680)	-
Experience (gains)/losses	(203,344)	(1,299,178)	25,010	(613,323)	-	-
Net change in total OPEB liability	(1,008,394)	(738,220)	588,213	(871,962)	33,701	161,175
Total OPEB liability – beginning	4,691,980	5,430,200	4,841,987	5,713,949	5,680,248	5,519,073
Total OPEB liability – ending	\$ <u>3,683,586</u>	<u>4,691,980</u>	<u>5,430,200</u>	<u>4,841,987</u>	<u>5,713,949</u>	<u>5,680,248</u>
Covered employee payroll	\$ <u>1,079,038</u>	<u>1,032,988</u>	<u>916,068</u>	<u>916,068</u>	<u>812,255</u>	<u>810,600</u>
Total OPEB liability as a percentage of covered payroll	<u>341.38%</u>	<u>454.21%</u>	<u>592.77%</u>	<u>528.56%</u>	<u>703.47%</u>	<u>700.75%</u>
Valuation Date	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2017</u>	<u>June 30, 2017</u>

Methods and Assumptions Used to Determine Contribution Rates:

Single and Agent Employers Amortization Method	Entry age (1)	Entry age (1)	Entry age (1)	Entry age (1)	Entry age (1)	Entry age (1)
Inflation	2.30%	2.50%	0.75%	2.50%	2.50%	2.50%
Salary Increases	2.80%	2.80%	2.75%	2.75%	2.75%	2.75%
Investment Rate of Return	3.69%	1.92%	2.45%	3.13%	3.13%	3.13%
Mortality, Retirement, Turnover	(2)	(2)	(2)	(2)	(2)	(2)

(1) Level percentage of payroll, closed

(2) Based on 2021 Getzen model that reflects actual premium increases through 2023, followed by 5.50% decreasing gradually to an ultimate rate of 4.04% in 2075 for non-Medicare and 4.00% for all years for Medicare.

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

San Gabriel Valley Municipal Water District
Schedules of District's Proportionate Share of the Net Pension Liability
As of June 30, 2023
Last Ten Years*

Description	Measurement Dates								
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability	0.01803%	0.01524%	0.02370%	0.02298%	0.02209%	0.02179%	0.02102%	0.01869%	0.01991%
District's proportionate share of the net pension liability	\$ 2,082,082	824,291	2,578,972	2,355,085	2,128,755	2,161,060	1,819,051	1,283,170	1,238,997
District's covered payroll	\$ 1,064,443	1,010,926	919,383	881,317	804,724	795,176	844,340	754,456	753,981
District's proportionate share of the net pension liability as a percentage of its covered payroll	195.60%	81.54%	280.51%	267.22%	264.53%	271.77%	215.44%	170.08%	164.33%
District's fiduciary net position as a percentage of the district's total pension liability	82.18%	92.62%	75.89%	77.12%	78.42%	75.39%	79.58%	85.10%	83.03%

Notes To Schedule:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses.

The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%

From fiscal year June 30, 2018 to June 30, 2019:

The inflation rate was reduced from 2.75% to 2.50%

From fiscal year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:

There were no changes in assumptions.

From fiscal year June 30, 2021 to June 30, 2022:

There were no changes in assumptions.

From fiscal year June 30, 2022 to June 30, 2023:

The discount rate was reduced from 7.15% to 6.90%

The inflation rate was reduced from 2.50% to 2.30%

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

**San Gabriel Valley Municipal Water District
Schedules of Pension Plan Contributions
As of June 30, 2023
Last Ten Years***

	Fiscal Years Ended								
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contribution	\$ 307,821	301,888	233,098	195,840	195,840	175,177	122,358	131,256	132,987
contribution's in relation to the actuarially determined contribution	<u>(307,821)</u>	<u>(301,888)</u>	<u>(233,098)</u>	<u>(195,840)</u>	<u>(195,840)</u>	<u>(175,177)</u>	<u>(122,358)</u>	<u>(131,256)</u>	<u>(132,987)</u>
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-
Covered payroll	\$ 1,024,751	1,064,443	1,010,926	919,383	881,317	804,724	795,176	844,340	754,456
Contribution's as a percentage of covered payroll	<u>30.04%</u>	<u>28.36%</u>	<u>23.06%</u>	<u>21.30%</u>	<u>22.22%</u>	<u>21.77%</u>	<u>15.39%</u>	<u>15.55%</u>	<u>17.63%</u>

Notes To Schedule:

Valuation date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Methods and assumptions used to determine contribution rates:									
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	15 Year Smoothed Market Method
Inflation	2.30%	2.50%	2.50%	2.63%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	6.90% (3)	7.15% (3)	7.00% (3)	7.25% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed.

(2) Depending on age, service, and type of employment.

(3) Net of pension plan investment expenser, including inflation.

(4) 50 for all plans with exception of 52 for Miscellaneous 2% @ 62.

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

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Working Draft Subject to Review

Supplemental Information

Working Draft Subject to Review

**San Gabriel Valley Municipal Water District
Schedule of Operating Expenses
For the Fiscal Year Ended June 30, 2023**

	2023
Source of supply:	
Salaries and wages	\$ 306,091
Maintenance – plant and pipeline	57,853
Water sold	232,200
State water supply contract costs	8,107,686
Hydroelectric plant maintenance	9,734
Total source of supply	\$ 8,713,564
General and administrative:	
Salaries and wages	906,558
Employee benefits:	
Public employees retirement benefits	839,983
Payroll taxes	78,944
Workers' compensation insurance	17,411
Group health, dental and life insurance	523,750
Other post-employment benefits	(355,576)
Uniforms	2,493
Insurance	46,339
Office supplies and expense	28,161
Membership dues, conferences, and travel	119,240
Public relations and water conservation program	333,042
Consulting and engineering fees	458,843
Government relations	96,116
Directors fees	28,400
Legal fees	72,426
Accounting fees	29,228
Telephone and communications	51,378
Utilities	20,657
Vehicle maintenance	29,605
Maintenance – buildings and grounds	67,342
Property tax	616
Total general and administrative	\$ 3,394,956

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Working Draft Subject to Review

Report on Internal Controls and Compliance

Working Draft Subject to Review

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

Board of Directors
San Gabriel Valley Municipal Water District
Azusa, 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 Valley Municipal Water District (District), as of and for the year June 30, 2023, and the related notes to the financial statements, which collectively comprises the District’s basic financial statements, and have issued our report thereon dated January 8, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’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 District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’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*.

SAN GABRIEL VALLEY
MUNICIPAL



WATER DISTRICT

AZUSA | SIERRA MADRE | MONTEREY PARK | ALHAMBRA

**San Gabriel Valley Municipal Water District
Agreed-Upon Procedures Related to Review of
Travel and Conference Expenses
For the Fiscal Year Ended June 30, 2023**

Working Draft Subject to Review

**Independent Accountant's Report
On Applying Agreed-Upon Procedures**

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

We have performed the procedures enumerated below, which were agreed to by the Board of Directors and Management, solely to assist you with assessing that the payment of Travel and Conference Expenses are in compliance with the San Gabriel Valley Municipal Water District's policies. The report has been prepared on the accrual basis of accounting. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested for any other purpose.

Our procedures and findings are as follows:

- 1) We analyzed General Ledger Accounts No. 4051-000, Travel and Conference Expenses – Dir. and No. 4055-000, Travel and Conference Expenses – Staff, and prepared a detailed list of individual charges to these accounts – see the following schedule.
- 2) We vouched all charges to supporting documentation such as invoices, credit card statements, expense reports, etc.
- 3) We verified that the Board of Directors approved all District checks.
- 4) We verified authorization or approval and compliance with San Gabriel Valley Municipal Water District's policies.

We were not engaged to, and did not, conduct an audit, the objective of which would be an expression of an opinion, on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of specified users listed above and is not intended to be and should not be used by anyone other than those specified parties.

C.J. Brown & Company, CPAs
Cypress, California
January 8, 2024

SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT
 Agreed-Upon Procedure of Travel and Conference Expenses – Accrual Basis
 General Ledger Account No. 4051-000
 For the Fiscal Year Ended June 30, 2023

Selection Number	Check Number	Check Date	Payee Vendor / Employee	Description	Authorized or Approved by	Compliant with Policies Yes/No	Check Amount	Procedures			
								1	2	3	4
1	42992	7/11/2022	Southern California Water Conference	Southern California Water Conference TWong 8/12/22	Darin Kasamoto	Yes	\$ 99.00	▲	X	X	X
2	43047	7/20/2022	BOA-Visa	TWong - 7/11 E B Luncheon	Darin Kasamoto	Yes	50.00	X	X	X	X
3	43117	8/20/2022	BOA-Visa	7/26 M Prince ICA Seminar \$950.00, 8/10 TWong ACWA member registration \$50.00, 8/11 TWong Alhambra Chamber of Commerce 2022 Installation Dinner \$100	Darin Kasamoto	Yes	1,100.00				
4	43136	8/31/2022	Miles L Prince (Expense)	Travel,Hotel,Parking expense reimbursement 8/12, 8/13 -MPrince	Darin Kasamoto	Yes	1,059.20	X	X	X	X
5	43175	9/20/2022	BOA-Visa	TWong 8/24 Asian Youth 33rd Anniv Celebration, MPrince 8/30 ACWA Workshop	Darin Kasamoto	Yes	566.23				
6	43193	9/30/2022	Mark Paulson (Expense)	Mileage reimbursement 9/12/22, MPaulson	Darin Kasamoto	Yes	21.25	X	X	X	X
7	N/A	10/10/2022	Miles L Prince	Reimbursement recd for AWWA hotel expenses paid on April 2022	Darin Kasamoto	Yes	(891.54)				
8	43238	10/20/2022	ACWA	Webinar - M Prince 9/26/22	Darin Kasamoto	Yes	50.00	X	X	X	X
9	43259	10/31/2022	Mark Paulson (Expense)	Mileage reimbursement 10/10/22, MPaulson	Darin Kasamoto	Yes	21.25	X	X	X	X
10	43314	11/30/2022	Mark Paulson (Expense)	Mileage reimbursement 11/14, MPaulson	Darin Kasamoto	Yes	21.25	X	X	X	X
11	43310	12/12/2022	Independent Cities	Winter Seminar - Mark Paulson - Feb 3-5, 2023	Darin Kasamoto	Yes	650.00	X	X	X	X
12	43466	1/31/2023	Mark Paulson (Expense)	Mileage reimbursement 1/9, 1/18, 1/23, 1/24, 1/25 -MPaulson	Darin Kasamoto	Yes	44.54	X	X	X	X
13	43467	1/31/2023	Michael F Eng (Expense)	Milage, Parking expense reimbursement 1/23, 1/27, 1/29 -MEng	Darin Kasamoto	Yes	67.64	X	X	X	X
14	43506	2/20/2023	BOA-Visa	Webinar reimbursement 1/30/23	Darin Kasamoto	Yes	30.00	X	X	X	X
15	43526	2/28/2023	Mark Paulson (Expense)	Mileage expense reimbursement 2/13,2/22, 2/28 -MPaulson	Darin Kasamoto	Yes	22.27	X	X	X	X
16	43527	2/28/2023	Michael F Eng (Expense)	Mileage reimbursement 02/12, 2/15, 2/27, 2/10 -MEng	Darin Kasamoto	Yes	48.47	X	X	X	X
17	N/A	3/7/2023	Independent Cities	Refund recd due to Dir MPaulson unable to attend the winter seminar as sched.	Darin Kasamoto	Yes	(650.00)				
18	43559	3/20/2023	BOA-Visa	Airfare, Conference reimbursement 2/21/23 - 3/20/23	Darin Kasamoto	Yes	1,716.88	X	X	X	X
19	43588	3/31/2023	Mark Paulson (Expense)	Mileage reimbursement 3/13, 3/14, 3/22, 3/28 -MPaulson	Darin Kasamoto	Yes	66.81	X	X	X	X
20	43589	3/31/2023	Michael F Eng (Expense)	Mileage reimbursement 3/13, 3/14, 3/28, 3/31 -MEng	Darin Kasamoto	Yes	78.61	X	X	X	X
21	43617	4/18/2023	Independent Cities	Online event registration: Summer Seminar 2023	Darin Kasamoto	Yes	700.00	X	X	X	X
22	43622	4/19/2023	SGV Civic Alliance	Sector Awards Luncheon - M Eng	Darin Kasamoto	Yes	100.00	X	X	X	X
23	43636	4/20/2023	BOA-Visa	Conference Registration Reimbursements 3/20/23, 3/29/23	Darin Kasamoto	Yes	380.00	X	X	X	X
24	43657	4/30/2023	Michael F Eng (Expense)	Mileage reimbursement 04/01/23 - 4/29/23, MEng	Darin Kasamoto	Yes	157.86	X	X	X	X
25	43656	4/30/2023	Mark Paulson (Expense)	Mileage reimbursement 4/10, 4/11, 4/13, 4/19, 4/25, MPaulson	Darin Kasamoto	Yes	22.27	X	X	X	X
26	43658	4/30/2023	Miles L Prince (Expense)	Parking expense reimbursement 3/14/23, MPrince	Darin Kasamoto	Yes	34.00	X	X	X	X
27	43728	5/31/2023	Mark Paulson (Expense)	Mileage reimbursement 5/3, 5/8, 5/24 -MPaulson	Darin Kasamoto	Yes	34.98	X	X	X	X
28	43729	5/31/2023	Michael F Eng (Expense)	Mileage reimbursement 5/6, 5/8, 5/19, 5/20, 5/29- MEng	Darin Kasamoto	Yes	65.51	X	X	X	X
29	43785	6/30/2023	Mark Paulson (Expense)	Mileage reimbursement 6/1, 6/21, 6/26 -MPaulson	Darin Kasamoto	Yes	22.27	X	X	X	X
30	43786	6/30/2023	Michael F Eng (Expense)	Mileage reimbursement 6/1, 6/13, 6/28-29 - MEng	Darin Kasamoto	Yes	55.03	X	X	X	X

SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT
 Agreed-Upon Procedures of Travel and Conference Expenses – Accrual Basis
 General Ledger Account No. 4055-000
 For the Fiscal Year Ended June 30, 2023

Selection Number	Check Number	Check Date	Payee Vendor / Employee	Description	Authorized or Approved by	Compliant with Policies Yes/No	Check Amount	Procedures			
								1	2	3	4
1	43047	7/20/2022	Chase 76	Fuel expense reimbursement 7/19/22	Darin Kasamoto	Yes	\$ 119.10	X	X	X	X
2	43047	7/20/2022	BOA-Visa	EReyes - 7/11 E B Luncheon	Darin Kasamoto	Yes	50.00	X	X	X	X
3	43078	7/31/2022	Evelyn Reyes	Travel, Hotel, meals, registration, parking expense reimbursement, Jul 12,13,19,20,27, EReys	Darin Kasamoto	Yes	1,002.71	X	X	X	X
4	43090	7/31/2022	Winston Yan	Mileage reimbursement, Jul 12, 20, WYan	Darin Kasamoto	Yes	21.13	X	X	X	X
5		8/8/2022	Petty Cash	DK SWC-SAC meals	Darin Kasamoto	Yes	52.13	X			
6	43082	8/15/2022	Maria Jarmin	Mileage expense reimbursement 07/05/22 - 07/28/31, GJarmin	Darin Kasamoto	Yes	55.75	X	X	X	X
7	43117	8/20/2022	BOA-Visa	Meals, Fuel, Parking, Hotel, expense reimbursement 7/21/22 - 8/20/22	Darin Kasamoto	Yes	1,007.95	X	X	X	X
8	43603	4/10/2023	Winston Yan	Travel expense reimbursement 8/1, 8/5 -WYan - replacement for lost chk# 43143 dtd 9/12/22	Darin Kasamoto	Yes	24.25	X	X	X	X
9	43127	8/31/2022	Evelyn Reyes	Mileage reimbursement 8/1, 8/5, 8/10, 8/17, 8/18 - EReyes	Darin Kasamoto	Yes	117.56	X	X	X	X
10	43134	8/31/2022	Maria Jarmin	Mileage reimbursement expense 8/1/22 - 8/31/22 -Gjarmin	Darin Kasamoto	Yes	92.25	X	X	X	X
11	43175	9/20/2022	BOA-Visa	Airfare, Meals,	Darin Kasamoto	Yes	1,828.41	X	B	X	X
12	43175	9/20/2022	BOA-Visa	Conference, Hotel,	Darin Kasamoto	Yes	749.00	X	X	X	X
13	43186	9/30/2022	Evelyn Reyes	Travel miles expense reimbursment 9/14, 9/19, 9/28 -EReyes	Darin Kasamoto	Yes	77.50	X	X	X	X
14	43192	10/10/2022	Maria Jarmin	Mileage expense reimbursement 9/1/22 - 9/29/22, GJarmin	Darin Kasamoto	Yes	93.63	X	X	X	X
15	43238	10/20/2022	SCWUA	SCWUA course registration 10/19/22	Darin Kasamoto	Yes	74.50	X	X	X	X
16	43258	10/31/2022	Maria Jarmin	Mileage expense reimbursement 10/3/22 - 10/27/22, GJarmin	Darin Kasamoto	Yes	79.13	X	X	X	X
17	43252	10/31/2022	Evelyn Reyes	Travel, Hotel, Registration, Parking expense reimbursement 10/05- /10/6 -EReyes	Darin Kasamoto	Yes	260.09	X	X	X	X
18	43295	11/20/2022	BOA-Visa	Airfare, Conference, Meal, Car Rental, Hotel, Fuel expense reimbursements 10/21/22 - 11/20/22	Darin Kasamoto	Yes	1,223.81	X	X	X	X
19	43305	11/30/2022	Evelyn Reyes	Travel expense reimbursement, Nov 1,7,21,28 & 30 -EReyes	Darin Kasamoto	Yes	29.65	X	X	X	X
20	43312	11/30/2022	L Esquivel	Mileage expense reimbursement 10/31, 11/01-03 -LEsquivel	Darin Kasamoto	Yes	14.08	X	X	X	X
21	43313	11/30/2022	Maria Jarmin	Mileage expense reimbursement 11/7-9, 11/14-16, 11/22 - Gjarmin	Darin Kasamoto	Yes	26.13	X	X	X	X
22	43364	12/20/2022	BOA-Visa	Airfare, Meals, Parking, Car Rental, Hotel, Fuel expense reimbursement 11/21/22 - 12/20/22	Darin Kasamoto	Yes	1,078.60	X	X	X	X
23	43375	12/31/2022	Evelyn Reyes	Travel miles expense reimbursement 12/07, 12/19 -EReyes	Darin Kasamoto	Yes	44.07	X	X	X	X
24	43384	12/31/2022	Maria Jarmin	Mileage expense reimbursement 12/5/22 - 12/29/22, Gjarmin	Darin Kasamoto	Yes	51.50	X	X	X	X
25	43394	1/12/2023	Three Valleys Municipal	Attendance at Feb 2023 Leadership Breakfast - EReyes, SKiggins	Darin Kasamoto	Yes	60.00	X	X	X	X
26	43443	1/20/2023	BOA-Visa	Meal, Airfare, Conference, Car Rental, Fuel Expense reimbursement 12/21/22 - 1/20/23	Darin Kasamoto	Yes	1,340.79	X	X	X	X
27	43458	1/31/2023	Evelyn Reyes	Travel, Meals, Parking and Misc expense reimbursement Jan 11,26,27,29 -EReyes	Darin Kasamoto	Yes	113.13	X	X	X	X
28	43432	1/31/2023	Albert Lu	Mileage, Parking expense reimbursement Jan 24,25,27 - ALu	Darin Kasamoto	Yes	57.94	X	X	X	X
29	43465	1/31/2023	Maria Jarmin	Mileage expense reimbursement 01/03-31/2023 -GJarmin	Darin Kasamoto	Yes	54.76	X	X	X	X
30	43506	2/20/2023	BOA-Visa	Hotel, Parking, Conference, Airfare, Meal, Fuel, Car Rental Expense Reimbursement 1/21/23 - 2/20/23	Darin Kasamoto	Yes	3,158.76	X	B	X	X

SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT
 Agreed-Upon Procedures of Travel and Conference Expenses – Accrual Basis
 General Ledger Account No. 4055-000
 For the Fiscal Year Ended June 30, 2023

Selection Number	Check Number	Check Date	Payee Vendor / Employee	Description	Authorized or Approved by	Compliant with Policies Yes/No	Check Amount	Procedures			
								1	2	3	4
31	43525	2/28/2023	Maria Jarmin	Mileage expense reimbursement 2/1/23 - 2/16/23 -Gjarmin	Darin Kasamoto	Yes	36.03	X	X	X	X
32	43536	2/28/2023	Evelyn Reyes	Mileage expense reimbursment 2/2,2/16,1/27 - EReyes	Darin Kasamoto	Yes	28.56	X	X	X	X
33	43537	2/28/2023	L Esquivel	Mileage expense reimbursement 2/21 - 3/2., LEsquivel	Darin Kasamoto	Yes	17.76	X	X	X	X
34	43559	3/20/2023	BOA-Visa	Airfare, Conference reimbursement 2/21/23 - 3/20/23	Darin Kasamoto	Yes	1,917.10	X	X	X	X
35	43586	3/31/2023	Maria Jarmin	Mileage expense reimbursement- 3/01/23 - 3/30/23, GJarmin	Darin Kasamoto	Yes	63.40	X	X	X	X
36	43600	4/3/2023	Three Valleys Municipal Water District	Attendance June 2023 Leadership Breakfast Thursday, June 29, 2023	Darin Kasamoto	Yes	150.00	X	X	X	X
37	43636	4/20/2023	SCWUA	SCWUA luncheon	Darin Kasamoto	Yes	105.00	X	X	X	X
38	43655	4/30/2023	Maria Jarmin	Mileage expense reimbursement 4/3/23 - 4/27/23, GJarmin	Darin Kasamoto	Yes	55.94	X	X	X	X
39	43631	4/30/2023	Albert Lu	Mileage, Meals expense reimbursement Apr 14, 22, 23, 26 -ALu	Darin Kasamoto	Yes	95.99	X	X	X	X
40	43649	4/30/2023	Evelyn Reyes	Mileage expense reimbursement Mar 9,14,22,27 Apr 13,15,19,22,23,24,25,26,27 -Ereyes	Darin Kasamoto	Yes	277.35	X	X	X	X
41	43693	5/20/2023	BOA-Visa	Conference, Airfare, Meals, Parking expense reimbursement 4/21/23 - 5/20/23	Darin Kasamoto	Yes	1,438.54	X	X	X	X
42	43700	5/31/2023	Steve Kiggins	Hotel, Meals and parking expense reimbursement - 5/9-11 ACWA Spring Conference, SKiggins	Darin Kasamoto	Yes	558.13	X	X	X	X
43	43695	5/31/2023	Evelyn Reyes	Mileage reimbursement - May 2,5,9,15,20,24,25,27 - EReyes	Darin Kasamoto	Yes	175.69	X	X	X	X
44	43727	5/31/2023	Maria Jarmin	Mileage expense reimbursement 5/1/23 -5/31/23 -Gjarmin	Darin Kasamoto	Yes	72.31	X	X	X	X
45	N/A	6/12/2023	Petty Cash	Registration for TWhite -State 38th annual seminar	Darin Kasamoto	Yes	169.00	X	X	X	X
46	43765	6/20/2023	BOA-Visa	Meals, Seminar, Airfare, Hotel, Parking, Car Rental, Fuel expense reimbursement 5/21/23 - 6/20/23	Darin Kasamoto	Yes	1,582.89	X	X	X	X
47	43762	6/30/2023	Albert Lu	Mileage reimbursement May 15, May 20, May 27 -ALu	Darin Kasamoto	Yes	35.12	X	X	X	X
48	43779	6/30/2023	Evelyn Reyes	Mileage, Hotel, meals, registration expense reimbursement 6/6, 6/13, 6/20, 6/26, 6/27, 6/28-30 -E...	Darin Kasamoto	Yes	669.65	X	X	X	X
49	43784	6/30/2023	Maria Jarmin	Mileage expense reimbursement 6/1/23 - 6/29/23 -GJarmin	Darin Kasamoto	Yes	107.55	X	X	X	X

Comments Legend:

- X** Procedure performed without exception.
- A** CJB noted that an expense for FY22/23 was incorrectly excluded from the account. Amount is immaterial.
- B** CJB noted that a receipt was missing from the supporting documentation for a credit card statement.

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

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 district’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 District’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C.J. Brown & Company CPAs
Cypress, California
January 8, 2024

Working Draft Subject to Review