



San Gabriel Valley Municipal Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2024 and 2023



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, 2024

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

**San Gabriel Valley Municipal Water District
Darin Kasamoto, General Manager
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San Gabriel Valley Municipal Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2024 and 2023

**San Gabriel Valley Municipal Water District
Annual Financial Report
For the Fiscal Years Ended June 30, 2024 and 2023**

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Introductory Section



February 10, 2025

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 years ended June 30, 2024 and 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 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 its four member cities, the cities of Alhambra, Azusa, Monterey Park, and Sierra Madre. The District imports State Water Project 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 Judgment 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 Judgment and is implemented by 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 eight full-time employees. The District's Board of Directors meets each month. Meetings are publicly noticed and citizens are encouraged to attend.

District Services

The District's provides replenishment water to the Main San Gabriel Basin Watermaster acting on behalf of the cities of Alhambra, Azusa, Monterey Park, and Sierra Madre, which receive credit for that 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 within the District's four member cities 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 2024 audit of the District's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

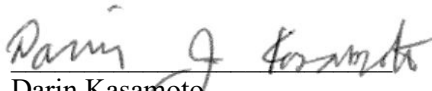
Other References

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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Financial Section



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An Accountancy Corporation

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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 statements of net position as of June 30, 2024 and 2023 and the related statement of revenues, expenses, and changes in net position for the fiscal years then ended, and the related notes to the financial statements, which collectively comprise the 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, 2024 and 2023, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 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.

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 8 through 12 and the required supplementary information on pages 47 through 49 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 50 is the responsibility of management and was 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 February 10, 2025, 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 51 and 52.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs
Cypress, California
February 10, 2025

San Gabriel Valley Municipal Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2024 and 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 years ended June 30, 2024 and 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 10.05% or \$4,824,559, to \$52,816,511, as a result from ongoing operations. In 2023, the District's net position increased 10.75% or \$4,659,704, to \$47,991,952, as a result from ongoing operations.
- The District's operating revenues increased 275.60% or \$3,841,656, to \$5,235,565. In 2023, the District's operating revenues increased 46.80% or \$444,368, to \$1,393,909.
- The District's non-operating revenues increased 12.45% or \$2,066,616, to \$18,664,614. In 2023, the District's non-operating revenues increased 12.03% or \$1,782,732, to \$16,597,998.
- The District's operating expenses increased 49.74% or \$6,023,330, to \$18,131,850. In 2023, the District's operating expenses increased 14.29% or \$1,514,377, to \$12,108,520.
- The District's non-operating expenses decreased 41.84% or \$225,433, to \$313,323. In 2023, 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 questions 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 Years Ended June 30, 2024 and 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 18 through 46.

Statements of Net Position

Condensed Statements of Net Position

	<u>2024</u>	<u>2023</u>	<u>Change</u>	<u>As Restated 2022</u>	<u>Change</u>
Assets:					
Current assets	\$ 34,781,381	29,671,063	5,110,318	29,152,542	518,521
Non-current assets	9,703,621	12,404,561	(2,700,940)	8,465,307	3,939,254
Capital assets, net	<u>15,271,248</u>	<u>13,318,599</u>	<u>1,952,649</u>	<u>12,875,784</u>	<u>442,815</u>
Total assets	<u>59,756,250</u>	<u>55,394,223</u>	<u>4,362,027</u>	<u>50,493,633</u>	<u>4,900,590</u>
Deferred outflows of resources	<u>1,649,005</u>	<u>1,884,187</u>	<u>(235,182)</u>	<u>1,686,973</u>	<u>197,214</u>
Liabilities:					
Current liabilities	1,657,111	1,738,021	(80,910)	1,004,850	733,171
Non-current liabilities	<u>6,077,552</u>	<u>6,103,675</u>	<u>(26,123)</u>	<u>5,794,670</u>	<u>309,005</u>
Total liabilities	<u>7,734,663</u>	<u>7,841,696</u>	<u>(107,033)</u>	<u>6,799,520</u>	<u>1,042,176</u>
Deferred inflows of resources	<u>854,081</u>	<u>1,444,762</u>	<u>(590,681)</u>	<u>2,048,838</u>	<u>(604,076)</u>
Net position:					
Net investment in capital assets	15,271,248	13,318,599	1,952,649	12,875,784	442,815
Unrestricted	<u>37,545,263</u>	<u>34,673,353</u>	<u>2,871,910</u>	<u>30,456,464</u>	<u>4,216,889</u>
Total net position	<u>\$ 52,816,511</u>	<u>47,991,952</u>	<u>4,824,559</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 \$52,816,511 and \$47,991,952 as of June 30, 2024 and 2023, respectively.

Compared to the previous year, net position of the District increased \$4,824,559 and \$4,659,704, respectively. The District total net position is made up of two components: (1) net investment in capital assets and (2) unrestricted net position.

By far the largest portion of the District's net position (29% and 28% as of June 30, 2024 and 2023, respectively) 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 Years Ended June 30, 2024 and 2023

Statements of Net Position, continued

At the end of fiscal year 2024 and 2023, the District showed a positive balance in its unrestricted net assets of \$37,545,263 and \$34,673,353, respectively. 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>2024</u>	<u>2023</u>	<u>Change</u>	<u>As Restated 2022</u>	<u>Change</u>
Revenues:					
Operating revenues	\$ 5,235,565	1,393,909	3,841,656	949,541	444,368
Non-operating revenues	18,664,614	16,597,998	2,066,616	14,815,266	1,782,732
Total revenues	<u>23,900,179</u>	<u>17,991,907</u>	<u>5,908,272</u>	<u>15,764,807</u>	<u>2,227,100</u>
Expenses:					
Operating expenses	18,131,850	12,108,520	6,023,330	10,594,143	1,514,377
Depreciation expense	642,327	696,807	(54,480)	567,236	129,571
Non-operating expense	313,323	538,756	(225,433)	635,079	(96,323)
Total expenses	<u>19,087,500</u>	<u>13,344,083</u>	<u>5,743,417</u>	<u>11,796,458</u>	<u>1,547,625</u>
Net income before capital contributions	4,812,679	4,647,824	164,855	3,968,349	679,475
Capital contributions:	<u>11,880</u>	<u>11,880</u>	<u>-</u>	<u>11,880</u>	<u>-</u>
Change in net position	4,824,559	4,659,704	164,855	3,980,229	679,475
Net position, beginning of year	<u>47,991,952</u>	<u>43,332,248</u>	<u>4,659,704</u>	<u>39,352,019</u>	<u>3,980,229</u>
Net position, end of year	<u>\$ 52,816,511</u>	<u>47,991,952</u>	<u>4,824,559</u>	<u>43,332,248</u>	<u>4,659,704</u>

The statements 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 \$4,824,559 and \$4,659,704 for the fiscal years ended June 30, 2024 and 2023, respectively.

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

In fiscal year 2024, total revenues increased 32.84% or \$5,908,272 to \$23,900,179. Operating revenues increased 275.60% or \$3,841,656, to \$5,235,565, primarily due to increases of \$3,641,598 in water sales and \$191,879 in hydroelectric power sales. Non-operating revenues increased 12.45% or \$2,066,616, to \$18,664,614, primarily due to increases of \$973,685 in interest and investment earnings, \$583,241 in ad valorem property taxes, and \$505,037 in voter approved property taxes as compared to the prior year.

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.

San Gabriel Valley Municipal Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2024 and 2023

Statements of Revenues, Expenses, and Changes in Net Position

In fiscal year 2024, total expenses (including depreciation) increased 43.04% or \$5,743,417 to \$19,087,500. Operating expenses increased 49.74% or \$6,023,330, to \$18,131,850, primarily due to increases in two categories; 1) \$5,639,970 in source of supply water deliveries related to increases in state water supply contract costs, and 2) \$383,360 in general and administrative expenses. Increases in general and administrative were due to increases of \$343,197 in actuarial changes in the other post-employment benefits amounts, \$138,285 in salaries and benefits, and \$113,149 in consulting and engineering fees, offset by decreases of \$181,291 in public employee's retirement benefits and \$129,876 in public relations and water conservation program expenses. Non-operating expenses decreased 41.84% or \$225,433, to \$313,323, primarily due to decreases of \$175,363 in discount on member agency note receivables and \$64,351 in grant funding to other agencies 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.

In fiscal year 2024, there was no change to capital contributions reported at \$11,880. In fiscal year 2023, there was no change to capital contributions reported at \$11,880.

Capital Asset Administration

Changes to capital asset amounts for 2024 were as follows:

	<u>Balance 2023</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2024</u>
Capital assets:				
Non-depreciable assets	\$ 748,544	2,176,975	(207,316)	2,718,203
Depreciable assets	37,872,878	625,323	(35,692)	38,462,509
Accumulated depreciation and amortization	<u>(25,302,823)</u>	<u>(642,333)</u>	<u>35,692</u>	<u>(25,909,464)</u>
Total capital assets, net	<u>\$ 13,318,599</u>	<u>2,159,965</u>	<u>(207,316)</u>	<u>15,271,248</u>

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>

San Gabriel Valley Municipal Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2024 and 2023

Capital Asset Administration, continued

At the end of fiscal years 2024 and 2023, the District's investment in capital assets (net of accumulated depreciation) amounted to \$15,271,248 and \$13,318,599, respectively. 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. At the end of fiscal years 2024 and 2023, disposals amounted to \$35,692 and \$1,050, respectively.

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

San Gabriel Valley Municipal Water District
Statements of Net Position
June 30, 2024 and 2023

	2024	2023
Current assets:		
Cash and cash equivalents (note 2)	\$ 25,835,948	23,830,019
Investments (note 2)	5,426,287	2,747,278
Accrued interest receivable	183,552	183,234
Accounts receivable – water sales and services	1,229,181	63,287
Accounts receivable – property taxes	591,897	584,280
Advances to member cities – current portion (note 3)	940,000	670,000
Water-in-storage inventory	465,600	1,420,650
Prepaid expenses and deposits	108,916	172,315
Total current assets	34,781,381	29,671,063
Non-current assets:		
Investments (note 2)	4,410,502	6,872,748
Advances to member cities, net (note 3)	5,293,119	5,531,813
Capital assets, not being depreciated (note 4)	2,718,203	748,544
Depreciable capital assets, net (note 4)	12,553,045	12,570,055
Total non-current assets	24,974,869	25,723,160
Total assets	59,756,250	55,394,223
Deferred outflows of resources:		
Deferred other post-employment benefits outflows (note 6)	179,366	156,710
Deferred pension outflows (note 7)	1,469,639	1,727,477
Total deferred outflows of resources	\$ 1,649,005	1,884,187

Continued on next page

See accompanying notes to the basic financial statements.

San Gabriel Valley Municipal Water District
Statements of Net Position, continued
June 30, 2024 and 2023

	2024	2023
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,158,522	1,021,412
Accrued salaries and wages	32,709	30,096
Unearned revenue	354,675	573,844
Long-term liabilities – due within one year:		
Compensated absences (note 5)	111,205	112,669
Total current liabilities	1,657,111	1,738,021
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 5)	333,615	338,007
Net other post-employment benefit liability (note 6)	3,951,085	3,683,586
Net pension liability (note 7)	1,792,852	2,082,082
Total non-current liabilities	6,077,552	6,103,675
Total liabilities	7,734,663	7,841,696
Deferred inflows of resources:		
Deferred other post-employment benefits inflows (note 6)	439,848	1,097,070
Deferred pension inflows (note 7)	414,233	347,692
Total deferred inflows of resources	854,081	1,444,762
Net position:		
Net investment in capital assets	15,271,248	13,318,599
Unrestricted (note 8)	37,545,263	34,673,353
Total net position	\$ 52,816,511	47,991,952

See accompanying notes to the basic financial statements.

San Gabriel Valley Municipal Water District
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2024 and 2023

	2024	2023
Operating revenues:		
Water sales	\$ 4,992,324	1,350,726
Hydroelectric sales	221,689	29,810
Other services	21,552	13,373
Total operating revenues	5,235,565	1,393,909
Operating expenses:		
Source of supply – water deliveries	14,353,534	8,713,564
General and administrative	3,778,316	3,394,956
Total operating expenses	18,131,850	12,108,520
Operating loss before depreciation and amortization expense	(12,896,285)	(10,714,611)
Depreciation and amortization expense	(642,327)	(696,807)
Operating loss	(13,538,612)	(11,411,418)
Non-operating revenue(expense):		
Property taxes – ad valorem	6,830,952	6,247,711
Property taxes – voter approved	10,432,709	9,927,672
Interest and investment earnings	1,396,300	422,615
Grant funding to other agencies	(212,127)	(276,478)
Property tax collection and administrative expense	(101,196)	(86,915)
Discount on note receivable – member agency (note 3)	-	(175,363)
Other non-operating, net	4,653	-
Total non-operating revenue, net	18,351,291	16,059,242
Net income before capital contribution	4,812,679	4,647,824
Capital contributions:		
Reimbursement of capital expenditures	11,880	11,880
Change in net position	4,824,559	4,659,704
Net position, beginning of year (note 9)	47,991,952	43,332,248
Net position, end of year	\$ 52,816,511	47,991,952

See accompanying notes to the basic financial statements.

San Gabriel Valley Municipal Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Cash receipts from water sales	\$ 5,013,876	1,364,099
Cash receipts from hydroelectric sales	221,689	29,810
Cash paid to employees for salaries and wages	(1,390,365)	(1,070,828)
Cash paid to vendors and suppliers for materials and services	(17,127,640)	(11,006,463)
Net cash used in operating activities	(13,282,440)	(10,683,382)
Cash flows from non-capital financing activities:		
Cash receipts from property taxes	17,256,044	16,416,910
Cash paid for collection fees	(101,196)	(86,915)
Net cash provided by non-capital financing activities	17,154,848	16,329,995
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,594,976)	(1,139,622)
Grant funding paid to other agencies	(212,127)	(276,478)
Proceeds from capital contributions	11,880	11,880
Issuance of advance to member agency	(31,306)	(2,700,000)
Net cash used in capital and related financing activities	(2,826,529)	(4,104,220)
Cash flows from investing activities:		
Purchase of investments	(2,553,127)	(4,320,000)
Proceeds for the sale of investments	2,117,195	3,784,493
Interest earnings received	1,395,982	270,406
Net cash provided by (used in) investing activities	960,050	(265,101)
Net increase in cash and cash equivalents	2,005,929	1,277,292
Cash and cash equivalents, beginning of year	23,830,019	22,552,727
Cash and cash equivalents, end of year	\$ 25,835,948	23,830,019

Continued on next page

See accompanying notes to the basic financial statements.

San Gabriel Valley Municipal Water District
Statements of Cash Flows, continued
For the Fiscal Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ <u>(13,538,612)</u>	<u>(11,411,418)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	642,327	696,807
Other, net	4,653	-
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase)decrease in assets:		
Accounts receivable	(1,165,894)	142,338
Water-in-storage inventory	955,050	(869,370)
Prepaid expenses and deposits	63,399	(91,645)
(Increase)Decrease in deferred outflows of resources:		
Deferred other post-employment benefits outflows	(22,656)	481,871
Deferred pension outflows	257,838	(117)
Increase(decrease) in liabilities:		
Accounts payable and accrued expenses	137,110	637,082
Accrued salaries and wages	2,613	6,272
Compensated absences	(5,856)	79,477
Other post-employment benefit liability	267,499	(1,008,394)
Net pension liability	(289,230)	1,257,791
Increase(Decrease) in deferred inflows of resources:		
Deferred other post-employment benefits inflows	(657,222)	(29,053)
Deferred pension inflows	66,541	(575,023)
Total adjustments	<u>256,172</u>	<u>728,036</u>
Net cash used in operating activities	\$ <u><u>(13,282,440)</u></u>	<u><u>(10,683,382)</u></u>
Non-cash investing, capital and financing transactions:		
Change in fair-market value of funds deposited in LAIF	\$ <u>(40,026)</u>	<u>(315,660)</u>
Change in fair-market value of funds deposited in UBS	\$ <u>(145,339)</u>	<u>(376,160)</u>

See accompanying notes to the basic financial statements.

San Gabriel Valley Municipal Water District
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2024 and 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 eight 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 Years Ended June 30, 2024 and 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. 99

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

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

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

Governmental Accounting Standards Board Statement No. 100

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

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

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.

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(1) Summary of Significant Accounting Policies, continued

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.

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.

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(1) Summary of Significant Accounting Policies, continued

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

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.

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.

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(1) Summary of Significant Accounting Policies, continued

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

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.

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 Dates: June 30, 2023 and 2022
- Measurement Dates: June 30, 2023 and 2022
- Measurement Periods: July 1, 2022 to June 30, 2023 and 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, 2022 and 2021
- Measurement Dates: June 30, 2023 and 2022
- Measurement Periods: July 1, 2022 to June 30, 2023 and 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.

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(1) Summary of Significant Accounting Policies, continued

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

13. Deferred Inflows of Resources, continued

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.

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.

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(1) Summary of Significant Accounting Policies, continued

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

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.

(2) Cash and Investments

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

Cash and cash equivalents	\$ 25,835,948	23,830,019
Investments:		
Certificates-of-deposit – current	5,186,287	2,045,333
U.S. Treasury notes – current	240,000	701,945
Total investments – current	<u>5,426,287</u>	<u>2,747,278</u>
Certificates-of- deposit – non-current	4,410,502	6,872,748
Total cash and investments	<u>\$ 35,672,737</u>	<u>33,450,045</u>

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

	<u>2024</u>	<u>2023</u>
Cash on hand	\$ 442	442
Deposits with financial institutions	15,000,269	3,339,120
Investments and cash equivalents	<u>20,672,026</u>	<u>30,110,483</u>
Total cash and investments	<u>\$ 35,672,737</u>	<u>33,450,045</u>

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

	<u>2024</u>	<u>2023</u>
Deposits held with the California Local Agency Investment Fund (LAIF)	217 days	260 days

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(2) Cash and Investments, continued

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

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.

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(2) Cash and Investments, continued

Custodial Credit Risk, continued

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:

As of June 30, 2024, 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>	<u>Thereafter</u>
Local Agency Investment Fund	\$ 10,824,927	10,824,927	-	-	-
Certificates-of-deposit	9,607,099	5,196,597	1,869,633	1,139,023	1,401,846
U.S. Treasury notes	240,000	240,000	-	-	-
Total	\$ <u>20,672,026</u>	<u>16,261,524</u>	<u>1,869,633</u>	<u>1,139,023</u>	<u>1,401,846</u>

As of June 30, 2024, 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>	<u>Thereafter</u>
Local Agency Investment Fund	\$ 20,490,457	20,490,457	-	-	-
Certificates-of-deposit	8,918,081	2,045,333	4,188,038	1,109,012	1,575,698
U.S. Treasury notes	701,945	701,945	-	-	-
Total	\$ <u>30,110,483</u>	<u>23,237,735</u>	<u>4,188,038</u>	<u>1,109,012</u>	<u>1,575,698</u>

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(2) Cash and Investments, continued

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, 2024, 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	\$ 10,824,927	N/A	-	10,824,927
Certificates-of-deposit	9,607,099	Aaa	9,607,099	-
U.S. Treasury notes	240,000	Aaa	240,000	-
Total	<u>\$ 20,672,026</u>		<u>9,847,099</u>	<u>10,824,927</u>

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	Aaa	8,918,081	-
U.S. Treasury notes	701,945	Aaa	701,945	-
Total	<u>\$ 30,110,483</u>		<u>9,620,026</u>	<u>20,490,457</u>

Fair Value Measurements

Assets measured at fair value on a recurring basis, based on their fair value hierarchy at June 30, 2024, 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	\$ 9,607,099	-	9,607,099	-
U.S. Treasury notes	240,000	240,000	-	-
Total	<u>\$ 9,847,099</u>	<u>240,000</u>	<u>9,607,099</u>	<u>-</u>

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).

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(2) Cash and Investments, continued

Fair Value Measurements, continued

- 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).

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

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

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).

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, 2024 and 2023, respectively.

(3) Advances to Member Cities Receivable

Changes in notes receivable at June 30, 2024 were as follows:

	Balance 2023	Additions	Principal Pymts/ Amortization	Balance 2024	Current Portion	Long-term Portion
Notes receivable:						
City of Monterey Park	\$ 4,000,000	-	-	4,000,000	400,000	3,600,000
Less: Unamortized discount	(322,824)	-	-	(322,824)	-	(322,824)
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	540,000	2,160,000
Less: Unamortized discount	(175,363)	-	31,306	(144,057)	-	(144,057)
Total City of Sierra Madre	2,524,637	-	31,306	2,555,943	540,000	2,015,943
Total notes receivable	<u>\$ 6,201,813</u>	<u>-</u>	<u>31,306</u>	<u>6,233,119</u>	<u>940,000</u>	<u>5,293,119</u>

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(3) Advances to Member Cities Receivable, continued

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>
2025	\$ 400,000	(57,364)	342,636
2026	400,000	(52,019)	347,981
2027	400,000	(46,590)	353,410
2028	400,000	(41,077)	358,923
2029	400,000	(35,478)	364,522
2030 - 2034	<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 Years Ended June 30, 2024 and 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:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Discount Amortization</u>	<u>Total</u>
2025	\$ 540,000	(28,346)	511,654
2026	270,000	(25,349)	244,651
2027	270,000	(22,316)	247,684
2028	270,000	(19,244)	250,756
2029	270,000	(16,135)	253,865
2030 - 2033	<u>1,080,000</u>	<u>(32,667)</u>	<u>1,047,333</u>
Total	2,700,000	<u>(144,057)</u>	<u>2,555,943</u>
Less: Current portion	<u>(540,000)</u>		
Less: Unamort. discount	<u>(144,057)</u>		
Total non-current	<u>\$ 2,015,943</u>		

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(4) Capital Assets

Changes in capital assets for the year ended June 30, 2024 were as follows:

	<u>Balance 2023</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2024</u>
Non-depreciable assets:				
Land	\$ 735,931	-	-	735,931
Construction-in-process	12,613	2,176,975	(207,316)	1,982,272
Total non-depreciable assets	<u>748,544</u>	<u>2,176,975</u>	<u>(207,316)</u>	<u>2,718,203</u>
Depreciable assets:				
Pipeline	26,881,938	325,505	-	27,207,443
Buildings and structures	3,575,807	125,682	(1,886)	3,699,603
Telemetry equipment	932,973	81,634	-	1,014,607
Office furniture and equipment	181,425	92,502	(33,806)	240,121
Vehicles and equipment	516,570	-	-	516,570
State water project participation rights	5,784,165	-	-	5,784,165
Total depreciable assets	<u>37,872,878</u>	<u>625,323</u>	<u>(35,692)</u>	<u>38,462,509</u>
Accumulated depreciation and amortization:				
Pipeline	(17,006,890)	(372,105)	-	(17,378,995)
Buildings and structures	(2,407,549)	(21,190)	1,886	(2,426,853)
Telemetry Equipment	(777,819)	(91,025)	-	(868,844)
Office furniture and equipment	(166,070)	(12,644)	33,806	(144,908)
Vehicles and equipment	(317,163)	(48,966)	-	(366,129)
State water project participation rights	(4,627,332)	(96,403)	-	(4,723,735)
Total accumulated depreciation	<u>(25,302,823)</u>	<u>(642,333)</u>	<u>35,692</u>	<u>(25,909,464)</u>
Total depreciable assets, net	<u>12,570,055</u>	<u>(17,010)</u>	<u>-</u>	<u>12,553,045</u>
Total capital assets, net	<u>\$ 13,318,599</u>			<u>15,271,248</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, additions to telemetry equipment, and office furniture and equipment. Major disposals included disposals to office furniture and equipment.

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(4) Capital Assets, continued

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)
Buildings and structures	(2,331,641)	(75,908)	-	(2,407,549)
Telemetry Equipment	(685,575)	(93,294)	1,050	(777,819)
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, 2024 were as follows:

<u>Balance 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2024</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
\$ 450,676	143,976	(149,832)	444,820	111,205	333,615

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>
\$ 371,199	137,174	(57,697)	450,676	112,669	338,007

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 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 5 years of continuous service. Dependents (under the age of 26) are also eligible to receive benefits. Retirees may enroll in the plan available through the District's ACWA-JPIA (Association of California Water Agencies Joint Powers Insurance Authority) Medical Program. The District provides coverage for retirees and dependents medical, dental/vision for life. The Retirees will receive a maximum of \$4,000 per family for out-of-pocket medical expenses and \$3,000 for dental/vision (combined) for the retiree and each dependent.

Employees Covered by Benefit Terms

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

	2024	2023
Active plan members	8	7
Retirees and beneficiaries receiving benefits	12	11
Total Plan membership	20	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:

	2024	2023
Contributions – employer	\$ 179,366	156,710

As of June 30, 2024 and 2023, employer OPEB contributions of \$179,366 and \$156,710 will be and were recognized as a reduction of total OPEB liability in the fiscal year ended June 30, 2025 and 2024, respectively.

Total OPEB Liability

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

	2024	2023
Total OPEB liability	\$ 3,951,085	3,683,586

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 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, 2023 and 2022, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2022 and 2021, respectively. 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, 2024	June 30, 2023
Balance at beginning of year	\$ 3,683,586	4,691,980
Changes for the year:		
Service cost	118,767	181,771
Interest	136,863	91,831
Employer contributions	(184,604)	(182,631)
Implicit rate subsidy	(2,058)	-
Changes in benefit terms	-	55,866
Experience (gains)/losses	412,671	(203,344)
Assumption changes	(214,140)	(951,887)
Net changes	267,499	(1,008,394)
Balance at end of year	\$ 3,951,085	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, 2024 and 2023, the District recognized OPEB income of \$412,379 and \$398,866, respectively.

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

Description	June 30, 2024		June 30, 2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to the measurement date at June 30	\$ 179,366	-	156,710	-
Net change in assumptions	-	(357,386)	-	(303,670)
Experience (gains)/losses	-	(82,462)	-	(793,400)
Total	\$ 179,366	(439,848)	156,710	(1,097,070)

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 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, 2024, 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
2025	\$ (539,113)
2026	49,633
2027	49,632

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	2024 – 3.86 percent 2023 – 3.69 percent
Healthcare cost trend rates	2024 – 7.40 percent per year 2023 – 5.75 percent per year
Retirees' share of benefit-related costs	Actual premium increases through 2032, 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, 2023 and 2022, the discount rate used to measure the total OPEB liability was 3.86 and 3.69 percent, respectively. 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 Years Ended June 30, 2024 and 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, 2024, the discount rate comparison was the following:

	Discount Rate - 1% (2.86%)	Current Discount Rate (3.86%)	Discount Rate + 1% (4.86%)
District's total OPEB liability	\$ 4,467,452	3,951,085	3,522,937

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

	Discount Rate - 1% (2.69%)	Current Discount Rate (3.69%)	Discount Rate + 1% (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 or 1-percentage-point higher than the current healthcare cost trend rates:

At June 30, 2024 the healthcare cost trend rate comparison was the following:

	1% Decrease (5.40%) decreasing to 3.14%)	Healthcare Cost Trend Rates (7.40%) decreasing to 4.14%)	1% Increase (8.40%) decreasing to 5.14%)
District's total OPEB liability	\$ 3,500,402	3,951,085	4,488,110

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 (5.50%) decreasing to 4.04%)	1% Increase 6.50% 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 47 for the Required Supplementary Information.

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(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.

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 55 Retirement Plan.

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

	Miscellaneous Plan	
	Classic	PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ 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	2.0% to 2.5%	1.0% to 2.5%
2024:		
Required employee contribution rates	6.92%	8.25%
Required employer contribution rates	13.26%	8.00%
2023:		
Required employee contribution rates	6.92%	7.25%
Required employer contribution rates	11.61%	7.76%

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(7) Defined Benefit Pension Plan, continued

Benefits Provided, continued

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	
		2024	2023
	Contributions – employer	\$ 555,433	773,342
		555,433	773,342

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	
		2024	2023
	Miscellaneous Plan	\$ 1,792,852	2,082,082
		1,792,852	2,082,082

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of the fiscal years ended June 30, 2024 and 2023, the net pension liability of the Plan is measured as of June 30, 2023 and 2022 (the measurement dates), respectively. The total pension liability for the Plan's miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 and 2021 (the valuation dates), rolled forward to June 30, 2023 and 2022, respectively, 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	
		2024	2023
	Proportion – beginning of year	0.01803%	0.01524%
	Proportion – end of year	0.01437%	0.01803%
	Change – Increase (Decrease)	-0.00366%	0.00279%
		-0.00366%	0.00279%

Deferred Pension Outflows (Inflows) of Resources

As of June 30, 2024 and 2023, the District recognized pension income of \$182,759 and \$2,526, respectively.

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 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, 2024</u>		<u>June 30, 2023</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 555,433	-	773,342	-
Net difference between actual and expected experience	77,381	-	13,808	-
Net change in assumptions	108,243	-	213,353	-
Net difference between projected and actual earnings on plan investments	290,279	-	381,382	-
Net difference between actual contribution and proportionate share of contribution	438,303	-	345,592	-
Net adjustment due to differences in proportions of net pension liability	-	(414,233)	-	(347,692)
Total	<u>\$ 1,469,639</u>	<u>(414,233)</u>	<u>1,727,477</u>	<u>(347,692)</u>

As of June 30, 2024 and 2023, employer pension contributions of \$555,433 and \$773,342, reported as deferred outflows of resources related to contributions subsequent to the measurement date will be and were recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2025 and 2024, respectively.

As of June 30, 2024, 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>
2025	\$ 159,030
2026	107,600
2027	225,013
2028	8,330

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(7) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liabilities in the June 30, 2022 and 2021, actuarial valuations were determined using the following actuarial assumptions and methods:

Valuation Date	June 30, 2021 and 2020
Measurement Date	June 30, 2022 and 2021
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	2024 - 6.90%
	2023 - 6.90%
Inflation	2024 - 2.30%
	2023 - 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	2023 and 2022 – 1997–2015
Post Retirement Benefit	Contract COLA up to 2.30% until purchasing power protection allowance floor on purchasing power applies, 2.30% 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 Years Ended June 30, 2024 and 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, 2024 and 2023, the target allocation and the long-term expected real rate of return by asset class is 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 Years Ended June 30, 2024 and 2023

(7) Defined Benefit Pension Plan, continued

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

As of June 30, 2024, the Agency's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, is as follows:

	Discount Rate – 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
District's Net pension liability	\$ 3,491,640	1,792,852	394,604

As of June 30, 2023, the Agency's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, is as follows:

	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 48 and 49 for the Required Supplementary Information.

Payable to the Pension Plan

At June 30, 2024 and 2023, the Agency reported \$0 in 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:

	2024	2023
Unrestricted :		
Non-spendable net position:		
Water-in-storage inventory	\$ 465,600	1,420,650
Prepaid and other assets	108,916	172,315
Total non-spendable net position	574,516	1,592,965
Spendable net position	36,970,747	33,080,388
Total unrestricted net position	\$ 37,545,263	34,673,353

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(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 of \$4,000,000 to the City.

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, 2024, the District participates in the ACWA/JPIA pooled programs for liability and property programs as follows:

- General and auto liability, public officials, employment practices liability, 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.

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(10) Risk Management, continued

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

- Crime and 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 \$500 million per occurrence, subject to the following deductibles: \$2,500 per occurrence for buildings, fixed equipment, \$1,000 for mobile equipment, and \$500 deductible per occurrence for licensed vehicles. Scheduled vehicles and mobile equipment are covered on an actual basis at the time of the loss.
- 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 years 2024, 2023, and 2022. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2024, 2023, and 2022.

(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 Lincoln Financial 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 the claims of the District's general creditors. The total market value of all plan assets held in trust at June 30, 2024 and 2023, was \$2,364,110 and \$2,189,566, respectively.

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, 2024, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 101

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

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

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

Governmental Accounting Standards Board Statement No. 101, continued

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

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

Governmental Accounting Standards Board Statement No. 102

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

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

Governmental Accounting Standards Board Statement No. 103

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

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

San Gabriel Valley Municipal Water District
Notes to the Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

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

Governmental Accounting Standards Board Statement No. 104

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

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

(13) Commitments and Contingencies

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such an audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. The 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

City of Azusa Loan Receivable

On September 9, 2024, the District approved a loan request in the amount of \$3,400,000 from the City of Azusa for the purpose of financing the City's South Reservoir Replacement Project. Terms of the loan include a term of 10 years at 0% interest.

All other events occurring after June 30, 2024, have been evaluated for possible adjustment to the financial statements or disclosure as of February 10, 2025, which is the date the financial statements were available to be issued.

Required Supplementary Information

San Gabriel Valley Municipal Water District
Schedules of Changes in the District's Total OPEB Liability and Related Ratios
As of June 30, 2024
Last Ten Years*

Fiscal year	<u>June 30, 2024</u>	<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	\$ 118,767	181,771	218,142	180,064	134,409	184,425	179,271
Interest	136,863	91,831	135,574	153,721	207,620	200,281	195,701
Employer contributions	(184,604)	(182,631)	(230,812)	(221,696)	(226,025)	(222,325)	(213,797)
Changes in benefit terms	-	55,866	-	-	-	-	-
Assumption changes	(214,140)	(951,887)	438,054	451,114	(374,643)	(128,680)	-
Experience (gains)/losses	412,671	(203,344)	(1,299,178)	25,010	(613,323)	-	-
Implicit subsidy credit	(2,058)	-	-	-	-	-	-
Net change in total OPEB liability	267,499	(1,008,394)	(738,220)	588,213	(871,962)	33,701	161,175
Total OPEB liability – beginning	3,683,586	4,691,980	5,430,200	4,841,987	5,713,949	5,680,248	5,519,073
Total OPEB liability – ending	\$ 3,951,085	3,683,586	4,691,980	5,430,200	4,841,987	5,713,949	5,680,248
Covered employee payroll	\$ 1,230,457	1,079,038	1,032,988	916,068	916,068	812,255	810,600
Total OPEB liability as a percentage of covered payroll	321.11%	341.38%	454.21%	592.77%	528.56%	703.47%	700.75%
Valuation Date	<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, 2017</u>	<u>June 30, 2017</u>

Methods and Assumptions Used to

Determine Contribution Rates:

Single and Agent Employers	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization Method	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Inflation	2.30%	2.30%	2.50%	0.75%	2.50%	2.50%	2.50%
Salary Increases	2.80%	2.80%	2.80%	2.75%	2.75%	2.75%	2.75%
Investment Rate of Return	3.86%	3.69%	1.92%	2.45%	3.13%	3.13%	3.13%
Mortality, Retirement, Turnover	(2)	(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, 2024
Last Ten Years

Description	Measurement Dates									
	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	June 30, 2014
District's proportion of the net pension liability	0.01437%	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	\$ 1,792,852	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	\$ 1,024,751	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	174.95%	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	85.73%	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%

From fiscal year June 30, 2023 to June 30, 2024:

There were no changes in assumptions.

San Gabriel Valley Municipal Water District
Schedules of Pension Plan Contributions
As of June 30, 2024
Last Ten Years

	Fiscal Years Ended									
	June 30, 2024	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 contribution's in relation to the actuarially determined contribution	\$ 279,646	307,821	301,888	233,098	195,840	195,840	175,177	122,358	131,256	132,987
	<u>(279,646)</u>	<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	\$ 1,245,434	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>22.45%</u>	<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, 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	Entry Age
Amortization method	(1)	(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	Market Value	15 Year Smoothed Market Method
Inflation	2.30%	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)	(2)
Investment rate of return	6.90% (3)	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)	(4)
Mortality	(5)	(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.

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Supplemental Information

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

	<u>2024</u>	<u>2023</u>
Source of supply:		
Salaries and wages	\$ 292,154	306,091
Maintenance – plant and pipeline	119,902	57,853
Water sold	5,231,131	232,200
State water supply contract costs	8,686,151	8,107,686
Hydroelectric plant maintenance	24,196	9,734
Total source of supply	<u>\$ 14,353,534</u>	<u>8,713,564</u>
General and administrative:		
Salaries and wages	1,044,843	906,558
Employee benefits:		
Public employees retirement benefits	658,692	839,983
Payroll taxes	94,116	78,944
Workers' compensation insurance	17,026	17,411
Group health, dental and life insurance	531,503	523,750
Other post-employment benefits	(12,379)	(355,576)
Uniforms	2,845	2,493
Insurance	51,930	46,339
Office supplies and expense	28,828	28,161
Membership dues, conferences, and travel	137,668	119,240
Public relations and water conservation program	203,166	333,042
Consulting and engineering fees	571,992	458,843
Government relations	97,705	96,116
Directors fees	54,400	28,400
Legal fees	74,259	72,426
Accounting fees	36,539	29,228
Telephone and communications	47,694	51,378
Utilities	20,972	20,657
Vehicle maintenance	38,660	29,605
Maintenance – buildings and grounds	77,058	67,342
Property tax	799	616
Total general and administrative	<u>\$ 3,778,316</u>	<u>3,394,956</u>

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Report on Internal Controls and Compliance



C.J. Brown & Company CPAs

An Accountancy Corporation

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Independent Auditor's Report on Internal 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, 2024, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated February 10, 2025.

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*.

**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

C.J. Brown & Company, CPAs
Cypress, California
February 10, 2025