

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year  
Ended June 30, 2024



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# *Upper San Gabriel Valley Municipal Water District*

## **Annual Comprehensive Financial Report**

For the fiscal year ended June 30, 2024

*(With comparative data for prior year)*

Prepared by:  
Finance and Administration Department

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Monrovia, California 91016

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# *Upper San Gabriel Valley Municipal Water District*

## **Annual Comprehensive Financial Report For the fiscal year ended June 30, 2024 (With comparative data for prior year)**

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## **Introductory Section**

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November 25, 2024

To the Honorable Board of Director, Member Agencies, and Citizens  
of the San Gabriel Valley

**Board of Directors:**

Anthony R. Fellow, Ph.D.  
*Division 1*

Charles M. Treviño  
*Division 2*

Ed Chavez  
*Division 3*

Katarina Garcia  
*Division 4*

Jennifer Santana  
*Division 5*

## Introduction

The Upper San Gabriel Valley Municipal Water District (Upper District) staff is pleased to present the Upper District's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2024. This report is prepared in accordance with the guidelines set forth by the Governmental Accounting Standards Board (GASB).

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control established for this purpose. Because the cost of internal control should not exceed anticipated benefits, this effort provides reasonable, rather than absolute, assurance that the financial statements contain no material misstatements.

Rogers, Anderson, Malody & Scott, LLP, Certified Public Accountants, has issued an unmodified ("clean") opinion on the financial statements for the year ended June 30, 2024. The independent auditor's report is located at the front of the financial section of this report.

The MD&A complements this letter of transmittal and should be read in conjunction with it.

## District Profile

### History

Upper District, formed by voters in the San Gabriel Valley on December 8, 1959 to help solve water problems in the rapidly developing San Gabriel Valley, was incorporated on January 7, 1960. On March 12, 1963, residents of the District voted to annex to the Metropolitan Water District of Southern California (MWD), to provide supplemental water, first from the Colorado River and later the State Water Project, to replenish local groundwater supplies.

Upper District played a vital role in determining water rights within the Main San Gabriel Basin by acting as plaintiff in the 1973 court case of the Upper San Gabriel Valley Municipal Water District, Plaintiff, v. City of Alhambra, et al, Defendants. This case brought about the creation of the Main San Gabriel Basin Watermaster (Watermaster), ordered by the court to administer and enforce provisions of the Judgment.

Upper District's service area covers approximately 144 square miles and includes all or parts of 18 cities and portions of unincorporated Los Angeles County with more than 950,000 residents. Upper District partners with many public and private entities to provide a sustainable, high quality water supply to residents and businesses within the greater San Gabriel Valley. Consistent with its motto of "Where Solutions Flow," Upper District is widely recognized for its customer service orientation, community involvement, and creativity in promoting water quality, water recycling, and water conservation.

### Vision

Upper District aims to support a high quality of life in the greater San Gabriel Valley by providing valued water services.

### Mission

Upper District's mission is to consistently meet our region's need for reliable, high quality and affordable water.

### Core Values

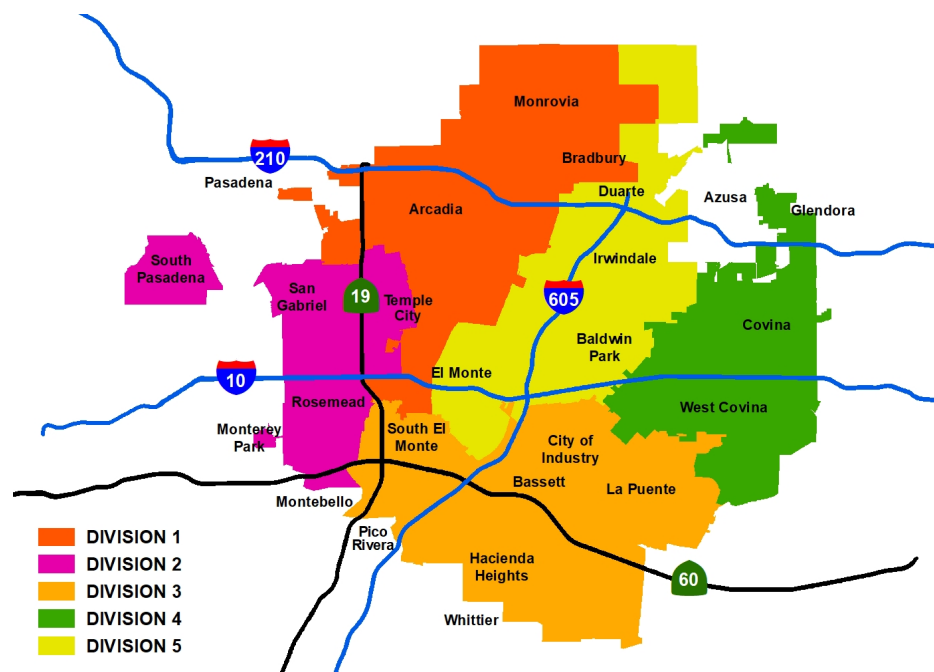
Upper District team, consisting of Board and staff, will embody the following core values in conducting the business of the district:

- Diversity – Our team will maintain an inclusive culture that is characterized by civility, respect, and consideration of all viewpoints and reflects the community we serve.
- Collaborative – Our team is collaborative, supporting each other's efforts, loyal to one another, and cares for each other both personally and professionally.
- Innovative – Our team will encourage and value the introduction of new ideas and methods.
- Integrity – Our team will consistently adhere to high moral and ethical principles.
- Professionalism – Our team will professionally, respectfully, and responsively serve the needs of its customers.
- Transparency – Our team will interact with all in a fair, open and honest manner.

### Service Area

Five elected Directors, each serving a 4-year term and representing a designated geographic area within the Upper District's boundaries, govern the Upper District. Additionally, as a member agency of the MWD, the Upper District appoints one representative to the MWD Board of Directors. The Upper District also has representation on the San Gabriel Basin Water Quality Authority and Watermaster Boards.

Most of the water imported into the Upper District service area is used to replenish the Main San Gabriel Groundwater Basin (the Basin). A small percentage is purchased by city water departments and private water utilities for direct sale to customers.



### Upper District Board of Directors



Division 1 – Director Anthony R. Fellow, Ph.D.  
Representing all or portions of Arcadia, Bradbury,  
El Monte, Monrovia, and Temple City



Division 2 – Director Charles M. Treviño  
Representing all or portions of Rosemead, San Gabriel, South  
Pasadena, South San Gabriel and Temple City



Division 3 – Director Ed Chavez  
Representing all or portions of Avocado Heights, Bassett, City  
of Industry, Hacienda Heights, La Puente, Spy Glass Hill,  
South El Monte, and Valinda



Division 4 – Director Katarina Garcia  
Representing all or portions of Azusa, Covina, Glendora, and  
West Covina



Division 5 – Director Jennifer Santana  
Representing all or parts of Baldwin Park, Duarte, El Monte  
and Irwindale

## Local Economy

Recovery from the pandemic in California began slowly with employment data presenting a mixed picture. According to a household survey, employment remains below pre-pandemic levels, with an unemployment rate of 5.3% recorded in August 2024. However, an enterprise survey indicates an increase in payroll jobs. This contrast highlights ongoing shifts in the labor market, including remote work arrangements and changes in sectoral demand. Regional disparities in employment growth are also evident. Areas such as Silicon Valley, San Francisco and San Diego show slower job growth compared to other California regions that have outpaced national averages. California's still struggling housing market may soon see signs of normalization. As mortgage rates decrease, home sales could begin to pick up by late 2024, offering a potential boost to the state's economy. Overall, forecasts suggests that California's economy will grow at a slightly faster pace than the national average in 2025 and 2026. Several factors could influence California's economic trajectory, including political conditions, immigration policies, and the potential for onshoring technical manufacturing jobs.

The Los Angeles region has also seen a turbulent economic journey over the past few years like much of the world. After strong growth in the late 2010s, the region was severely impacted by the COVID-19 pandemic, causing a significant contraction in gross county product and widespread job losses, exacerbated by a decline in tourism and supply chain disruptions. As the County began to recover in 2021 and 2022, inflation became a new hurdle. By the end of 2022, Los Angeles had regained its pre-pandemic employment levels, and inflation subsided by late 2023, with the Federal Reserve halting its rate hikes. However, the pandemic left lasting issues, notably income inequality, which continued to widen despite some initial gains before COVID-19. Additionally, as of mid-2023, the number of jobs remained below pre-pandemic projections, with a stagnation in the number of businesses. Among the numerous issues the Los Angeles County faces, three primary challenges stand out: population decline, housing affordability, and the cost of doing business. Population loss, driven by factors such as the shift to remote work and general demographic trends, has serious implications for labor force size and economic vitality. High housing costs have contributed to a growing homelessness issue, with over 75,000 people estimated to be homeless on any given night in 2023. The high cost of doing business in Los Angeles further compounds these issues. High labor, energy, real estate, and taxes—some of the highest in the country—make it challenging to attract and retain businesses. Addressing these intertwined challenges will be crucial for Los Angeles to foster sustainable growth, equity, and resilience in its economy moving forward.

The San Gabriel Valley region lost 60,000 jobs in 2020 during the pandemic but regained many of these positions in 2021 and 2022, with substantial job gains in leisure, hospitality, and healthcare. Despite this progress, overall employment remains below pre-pandemic levels, with recent challenges in logistics, manufacturing, and construction slowing further recovery. In 2024, a slight increase in employment is anticipated as health care and leisure and hospitality sectors continue to grow, and the logistics industry benefits from improved goods movement. However, full employment recovery is not expected for at least another year. The San Gabriel Valley's housing sector has seen increases in property values, with median single-family home prices in 2023 significantly higher than the Los Angeles County's median. On the other hand, the region's commercial real estate market remains mixed, particularly in office spaces, as employers and employees continue to negotiate the balance between in-office and remote work, reflecting broader post-pandemic work trends. The San Gabriel Valley is home to an aging population, with an average resident age higher than the Los Angeles County average. This aging demographic, combined with a slowly declining population level, could present future economic challenges for the region.

<sup>1</sup>Sources: San Gabriel Valley Economic Partnership's 2024 Economic Forecast; Los Angeles County Economic Development Corporation's Economic Forecast 2024; UCLA Anderson's October 2024 Forecast.

## Major Initiatives

Consistent with its mission, Upper District strives to assist local retail water providers in managing their water supply safely and cost-effectively by improving water quality and increasing supply reliability. This is a challenging goal because factors such as climate, water quality legislation, regulations, government policy, economics, population, and market demand change and, thus, affect the Upper District's planning and operations. Upper District's primary function has been to provide supplemental water to its retail water providers, sourced from the State Water Project, the Colorado River, and more recently, in the form of recycled water.

### Imported Water Deliveries

Upper District continues to champion policies supporting sustainable groundwater management and fair treatment of San Gabriel Valley ratepayers and taxpayers.

The 10-year cyclic storage agreement executed in March 2022 by Upper District, Metropolitan and Watermaster provides much needed flexibility in moving water into the Main San Gabriel Basin (Basin) by allowing Metropolitan to deliver and store up to 200,000 acre-feet of water in advance of demand for water by Watermaster and Upper District.

Between calendar years 2017 and 2019, Metropolitan deliveries to its cyclic account, including transfers from San Gabriel Valley Municipal Water District's cyclic account, totaled about 160,630 acre-feet. By the end of 2022, Watermaster and Upper District have purchased most of this water, leaving only a balance of 24,105 acre-feet in Metropolitan's cyclic account. Working with Watermaster, Upper District placed another cyclic order in March 2023 for 125,000 acre-feet of untreated water to be delivered by Metropolitan between June and December 2023. However, because of shutdowns, scheduled maintenance work at the Santa Fe Dam, percolation and flow issues, Metropolitan was only able to deliver 29,525 acre-feet of this order to its cyclic account in 2023. In December 2023, Watermaster and Upper District purchased all the remaining water in Metropolitan's cyclic account totaling 53,630 acre-feet. As of June 2024, untreated water in Upper District and producer cyclic storage accounts represents about nine feet of groundwater elevation at the Baldwin Park Key Well.

Metropolitan began delivering water again to its cyclic storage account in June 2024 and has about 2,000 acre-feet of cyclic water stored by the end of the fiscal year.

Upper District has been pre-purchasing untreated water for storage since 2015. In December 2023, the Board of Directors authorized the purchase of up to 10,000 acre-feet of additional water for cyclic storage. However, due to the limited cyclic water deliveries from Metropolitan in 2023, Upper District was only able to purchase about 3,900 acre-feet of water for storage. As of June 30, 2024, the District has about 8,500 acre-feet of water in its storage account. Upper District may consider future "preemptive" imported water deliveries while Metropolitan has supplies available and can accommodate deliveries. These future decisions may be economically viable utilizing District reserves and continue the vision of a "wet water"-based management solutions.

The limitations on the USG-3 flows, including erosion at maximum capacity of 400 CFS, needed maintenance at the County/MWD crossing, and the percolation capacity of the spreading grounds, prompted the creation of a task force in August 2023 which has been meeting periodically to discuss improvements and find solutions to these limitations. The task force includes representatives from Upper District, Metropolitan, Los Angeles County Department of Public Works and Stetson Engineers Inc. Several alternatives have been identified for consideration including cost sharing and funding options under each alternative to minimize direct capital cost to Upper District.

Fiscal year 2022/23 is the second year of the three-year purchase agreement between Upper District and Watermaster. Executed in December 2021, the agreement aims to address the variability of untreated water sales and the growing gap between Metropolitan's readiness-to-serve (RTS) charge and the standby charge revenue Metropolitan collects on behalf of Upper District.

Metropolitan launched its Reverse Cyclic Program (RCP) in 2022 as another strategy for preserving SWP supplies during low allocation years through deferment of deliveries to a future wet year. This program allowed member agencies to purchase imported water during calendar year 2022 for deferred delivery in future years at Metropolitan's discretion, but no later than five full calendar years from the date of purchase. Upper District purchased 15,000 acre-feet of RCP water on behalf of Watermaster in December 2022. About four thousand acre-feet of this RCP water was delivered in June 2023 while the remaining 11,000 acre-feet was delivered in July 2023. Metropolitan did not reauthorize the RCP program for 2023 nor 2024.

In 2023, the Quagga Mussel Control Plan was submitted for approval by the Department of Fish and Wildlife and the Los Angeles Flood Control District as part of Upper District's efforts to get Colorado River water (CRW) into the basin. The plan, which includes provisions for control and containment, post-delivery eradication, testing and monitoring, identified four sections of the San Gabriel River. Control methods and monitoring strategies have been developed for each section. This effort can potentially save up to 50 thousand acre-feet of SWP supplies annually. Upper District intends to annually review and update the Quagga Mussel Control Plan.

Fiscal year 2023/24 is the third year of the three-year purchase agreement between Upper District and Watermaster. Executed in December 2021, the agreement aims to address the variability of untreated water sales and the growing gap between Metropolitan's readiness-to-serve (RTS) charge and the standby charge revenue Metropolitan collects on behalf of Upper District. It also supported the overall management and sustainability of the basin by increasing Watermaster and the producers' purchasing power during years when there is excess demand for replenishment water. Under the agreement, Watermaster committed to purchase a set amount of water each fiscal year sufficient to meet the District's required debt coverage ratio in exchange for a right to purchase untreated water in excess of the annual commitment at cost. The surcharge waived by Upper District for Watermaster's purchases above the annual commitment totaled \$5.14 million.

#### Urban Water Management Plan

Every five years, Upper District prepares and adopts an Urban Water Management Plan (UWMP) as required under the California Water Code. UWMPs are prepared by California's urban water suppliers to ensure adequate water supplies are available to meet existing and future water demands. Every urban water supplier that either provides over 3,000 acre-feet of water annually or serves more than 3,000 or more connections (either directly or indirectly) is required to assess the reliability of its water sources over a 20-year planning horizon considering normal, dry, and multiple dry years. Upper District's most recent UWMP was adopted on June 10, 2020.

#### Integrated Resources Plan

In 2013, the Board of Directors approved Upper District's Integrated Resources Plan (IRP). The plan identified specific strategies and a preferred resource mix to overcome water supply challenges through 2035. In 2016, an update was provided to the Board regarding changed conditions from the previously adopted IRP. Upper District's IRP update for 2021 was temporarily placed on hold to allow Metropolitan to complete its process. Metropolitan adopted an updated IRP needs assessment in 2022 which has since been expanded into a broader Climate Adaptation Master Plan for Water (CAMP4W). Working with Stetson Engineers Inc. (Stetson), Upper District resumed work in 2024 to update its IRP to address significant changes in potential water resource programs and supply availability.

Upper District continues to work with all stakeholders in developing and implementing innovative conservation, recycling, groundwater recharge and storm water capture projects to improve long-term water supply reliability.

### Recycled Water Program

Recycled water is a key element of Upper District's overall strategy of supplementing local water supplies. Recycled water is being used throughout California to irrigate golf courses, parks, freeway landscaping and crops. It is also being used to replenish groundwater basins, to serve as a barrier to seawater intrusion, and by industry for cooling processes and other purposes. Recycled water directly offsets the need to import increasingly expensive water that is pumped from the sensitive Bay-Delta ecosystem.

Upper District's success in proactively advancing water recycling is largely attributable to the support of its partners. The United States Bureau of Reclamation (USBR), State Water Resources Control Board, Metropolitan Water District, Sanitation Districts of Los Angeles County, Watermaster, local retail water providers and many others contributed to the successful development of recycled water in the San Gabriel Valley.

### Direct Reuse

The Direct Reuse Program includes the phased construction of a recycled water distribution system used to provide water for irrigation purposes. Over \$51 million has been invested to construct a direct reuse recycled water distribution system consisting of more than 24 miles of distribution pipeline. The major components of the direct reuse system are summarized below. All components of the system are in service.

Whittier Narrows – The Upper District's Whittier Narrows Water Recycling Project supplies the 2,500-acre Whittier Narrows Recreation Area with about 400 million gallons of recycled water each year. The recycled water provides irrigation for a large public park, soccer, baseball, and softball fields as well as the 18-hole Whittier Narrows Golf Course.

South El Monte High School – In 2007, Upper District converted South El Monte High School to recycled water for irrigating campus green areas and athletic fields. Recycled water used at the high school conserves nearly 17 million gallons of drinking water each year, enough to supply about 100 households.

Rosemead Extension – The San Gabriel Valley Water Recycling Project Phase IIA – Rosemead Extension consists of recycled water pipelines extending north and west from the Whittier Narrows Recreation Area to supply approximately 98 million gallons of recycled water per year to Southern California Edison corporate headquarters, Panda Express corporate headquarters, Walmart and several nurseries, schools, and businesses.

City of Industry – In 2010, the Upper District's City of Industry Water Recycling Project began providing recycled water for irrigation purposes by extending an existing recycled water pipeline, stretching from the City of Industry through Hacienda Heights, to West Covina. The project supplies more than 260 million gallons of recycled water per year for irrigation to a landfill, golf course, baseball complex, schools, parks, medians, and green belts in the San Gabriel Valley.

South El Monte and El Monte Extension – In 2014, Upper District assisted the San Gabriel Valley Water Company in obtaining \$1.28 million in Proposition 84 grant funds to expand the Whittier Narrows Recycled Water system to serve an additional 95 acre-feet per year of recycled water in South El Monte and El Monte. The San Gabriel Valley Water Company provided approximately \$2.13 million to complete the facilities needed and began delivering recycled water in 2019.

La Puente Valley County Water District Recycled Water System – In 2014, Upper District assisted the La Puente Valley County Water District in obtaining \$428,000 in Proposition 84 grant funds to construct a recycled water system to serve 60 acre-feet per year of recycled water in La Puente and the City of Industry. The La Puente Valley County Water District will provide \$1.57 million to complete the facilities needed. The construction award was approved in December 2019. The pipeline construction is complete and recycled water delivery began in October 2023.

### Storm Water

Stormwater is often considered a nuisance because it mobilizes pollutants such as motor oil and trash. In most cases, stormwater flows directly to water bodies through sewer systems, contributing a major source of pollution to rivers, lakes, and the ocean. Stormwater discharges in California are regulated through National Pollutant Discharge Elimination System (NPDES) permits. However, storm water may also act as a resource and recharged to groundwater when properly managed.

Stormwater capture facilities in the Upper San Gabriel River Watershed have substantial capacity for capture of precipitation that falls within the upper watershed. Facilities owned and operated by the Los Angeles County Flood Control District capture runoff in three reservoirs in San Gabriel Canyon and use the captured water to replenish the groundwater basin. These facilities capture over 95% of all rainfall in the upper watershed.

The Los Angeles Water Board regulates discharges from medium and large municipal separate storm sewer systems (MS4s) through the Los Angeles County, Long Beach, and Ventura County MS4 Permits. These permits are issued under the NPDES Program. Upper District assisted the San Gabriel Valley Council of Governments in developing strategies toward reaching MS4 stormwater permit compliance.

### Water Use Efficiency

The effects of climate change are still being seen through California and while the groundwater levels in the San Gabriel Valley have begun to recover, the need for continued resilience is ever-present. Upper District continues to maintain a proactive and innovative conservation outreach program for our residents in the San Gabriel Valley. For FY 2023/24, Upper District continued to implement residential and commercial water use efficiency programs. Upper District's approach is in keeping with the State's long-term framework for conservation and drought planning titled, "Making Conservation a California Way of Life", which outlines implementation of EO-B-37-16. The regulation was near completion at the end of FY 2023/24 and is expected to bring big changes to the water use expectations for both indoor and outdoor usage within the region regardless of drought conditions.

In response to this upcoming regulation and the potential of another dry year, Upper District has been pursuing additional SWP supplies throughout FY 2023/24 to bring the Main San Gabriel Basin back to healthy levels.

### Water Conservation and Education

Water conservation is a vital and cost-effective method of preserving our water supply and is a critical aspect of an effective, sustainable water supply program. Throughout California and the San Gabriel Valley, cities, water companies, utilities, and water districts are deeply involved in conservation and public education efforts that promote water use efficiency. Informing residents, businesses, and our youth about water use efficiency remains a top priority of Upper District's public education program.



## *Residential Programs*

Residential Rebate Program – Through Metropolitan’s SoCal Water Smart Regional Residential Rebate Program, Upper District’s residents are offered rebates for retrofitting several types of high water-use fixtures/equipment. Rebate items include the following: High-Efficiency Clothes Washers (HECW), Premium High Efficiency Toilets (PHET), Weather-Based Irrigation Controllers (WBIC), Rotating Sprinkler Nozzles, Soil Moisture Sensor Systems (SMSS), Hose Bib Irrigation Controllers (HBIC), Rain Barrels, Cisterns, and turf removal. Rebates were paid for 183,192 residential devices during the fiscal year that will produce approximately 594-acre feet (193,616,363 gallons) of lifetime water savings.

WaterSmart Home Kit Program – Through Metropolitan’s Member Agency Program funding, Upper District innovated and implemented the WaterSmart Home Kit Program. The program was designed to replace the WaterSmart Home Direct Install program in an attempt to reduce the cost per property for tax implications and reach more homeowners within the service area. Each kit includes a variety of indoor and outdoor water use efficiency devices that can be easily installed at home without a contractor. Several of the items include faucet aerators, showerheads, toilet flappers, and sprinkler nozzles. Using Metropolitan funding limited the program to residents within identified disadvantaged communities.

During FY 2023/24, Upper District was awarded a \$150,000 grant through the U.S. Bureau of Reclamation’s WaterSmart funding to expand the program to all residents within the service area. The grant requires cost sharing which will be achieved through Metropolitan funding and allows for the disadvantaged community restriction to be lifted. Over 400 kits were distributed in FY 2023/24.

## *Commercial, Industrial, and Institutional (CII) Program*

CII Rebate Program – Through Metropolitan’s SoCal Water Smart Commercial Rebate Program, Southern California businesses are eligible for rebates to help encourage water use efficiency. This program offers rebates on a wide variety of water-saving technologies including premium PHETs and Zero Water Urinals (Zwu), Ultra-Low Water Urinals (ULWU), WBICs, Central Computer Irrigation Controllers (CCIC), SMSS, HBIC, Large Rotary Nozzles, In-Stem Flow Regulators, pH-Cooling Tower Controller (pH-CTC), Cooling Tower Conductivity Controller (CTCC), Dry Vacuum Pumps, Connectionless Food Steamers, Ice-Making Machines, and turf removal. Rebates were paid for 51,862 CII devices during FY 2023/24 that will produce approximately 144 acre feet (37,147,014 gallons) of lifetime water savings.

Water Fill Station Program – The water bottle filling stations, installed at designated public facilities located within Upper District’s service area through its Water Filling Station program (WFS), continue to provide accessible tap water to the public, highlighting the quality of tap water while providing an alternative to one-time use plastic bottles.

The success of the WFS program resulted in several water producers stepping forward to fund additional water fill stations, expanding the program far beyond the original number of site installation pilot projects. The WFS program benefitted local communities, delivering positive environmental impacts while highlighting the safety of local drinking water. Accommodating this partnering approach capitalized on the economies of scale, ensured consistent program guidelines, maintained a consistent regional water use efficiency message to the public, and created a successful partnering endeavor between the Upper District and its water producers. A total of 97 WFS were installed during the course of the program completed in FY 2022/23.

## *Education and Community Outreach Programs*

Watershed Restoration Program – This program is a cooperative partnership between the Upper District and the U.S. Forest Service that incorporates volunteers into efforts to protect and maintain the local watershed. Program activities typically include collection of native seeds, planting saplings, and trash removal. During FY 2023/24, the volunteer events continued with events in October and November 2023 as well as March and April 2024. All four events were designed to restart the program through the crating of saplings and reinvigorating the partnerships between both agencies and various community groups.

4th-7th Grade Sustainable Watershed Education Program – The partnership with the Discovery Science Foundation provides exciting 4th-7th grade student curriculum that focuses on water use efficiency, highlights watershed issues, and groundwater awareness. Offered free to participating schools, the program includes interactive assemblies for fourth and fifth graders and in-class hands-on workshops for sixth graders.

During FY 2023/24, 4,358 students from 106 classes participated in the assemblies and hands-on workshops. Due to COVID-19, the program was revamped to include options for virtual learning. Both in-person and virtual options remained available through the 2023-24 academic year.

Upper District also offers a number of free class trips to the Discovery Cube's Los Angeles or Santa Ana locations. The trip includes free admission for up to 60 students and a \$250 transportation grant. Nearly 500 students from 11 different classrooms were able to visit the Discovery Cube facility in either Los Angeles or Orange County during FY 2023/24. Since the pandemic, these were the first students to be able to benefit from the field trip option.

Water Efficiency Workshops – Upper District continued offering virtual workshops and a total of 346 individuals virtually attended 15 workshops hosted by Upper District during FY 2023/24. Three workshops were held in-person in the Upper District boardroom. Upper District plans to continue hosting both in-person and virtual opportunities through the next fiscal year, potentially including a trial on-demand workshop.

Water Engineering 4 Good – Previously called “Solar Cup” and sponsored by MWD, Water Engineering 4 Good (WE4G) is an online STEAM competition for middle school through high school students. Through this program, teams will learn from water industry professionals about the current drought and create innovative engineering solutions to conserve water at home, in industry, agriculture, or in treatment and distribution. The teams will build a small-scale physical model out of recycled/upcycled materials and an animated CAD model of their engineering solution. The teams will also create a video journal and social media posts to document their progress and develop a multimedia presentation of their engineering solution that will be presented to and judged by a panel of water industry experts. Four teams within Upper District's service area participated in the program for FY 2023/24. The middle school category winner was a school sponsored by Upper District.

Water Awareness Art Contest – Upper District's “Water is Life” art contest inspires students to think about how important water is to all life and encourages youth to express the value of water through their artwork. The contest has 4 categories: K-2, 3-5, 6-8 and 9-12<sup>th</sup> grade. Upper District hosted the contest using virtual submission and voting of 98 posters submitted by 22 teachers from 19 schools.

Water Education Grant Program – The Upper District's Water Education Grant Program (WEGP) offers teachers an opportunity to apply for grants of up to \$1,000 for proposed school projects that are related to water. A total of 21 applications amounting to \$19,648 were awarded during the 2023/24 school year.

Water Conservation Booths – Upper District maintains an aggressive grassroots outreach campaign to educate the residents of the San Gabriel Valley. Informational booths on water conservation are hosted by Upper District at city sponsored events such as summer concerts, community, and environmental fairs. Upper District participated in 66 outreach booths during FY 2023/24.

Waterfest – Upper District hosts an annual conservation event in partnership with the Los Angeles County Department of Parks and Recreation. This educational event for residents, families and children features interactive educational booths, environmental displays, informative presentations, free water-saving materials, raffles and more. In FY 2023/24, Waterfest moved to the spring for better weather conditions. The event was a major success with over 50 exhibitors and approximately 1,000 residents who participated in the one-day festival.

Conserve-a-palooza – Conserve-a-palooza is a virtual outreach program that uses social media to engage and educate residents on water conservation. For FY 2023/24, Upper District held Conserve-a-palooza in the fall over a six-week period. Residents within Upper District's service area had the opportunity to participate by answering weekly conservation trivia. Randomly selected participants received water-use efficiency devices as giveaways ranging from high-efficiency toilets to native plant vouchers.

News Splash Newsletter – For over four years now, Upper District continues to inform residents, stakeholders and community leaders through its monthly e-newsletter called "News Splash". Each monthly edition includes water related news, information on Upper District's conservation and educational programs, water smart workshops, and water saving resources. The newsletter is sent out on the first of every month to over 10,000 subscribers.

Upper District's Website – Upper District's website features a streamlined format and meets all accessibility and public access guidelines for special districts. To outreach to residents and continue providing valuable water conservation materials, a teacher/parent tool kit was created and added to the website. The tool kit included conservation videos, water saving materials, activities and curriculum categorized by grade level.

Upper District's "Where Solutions Flow" Tours – Upper District has actively engaged the region's local elected officials by offering educational programs on key water policies and issues that affect the San Gabriel Valley. Upper District, in partnership with the Main San Gabriel Basin Watermaster, MWD, the Army Corps of Engineers, LA County Flood Control District, and San Gabriel Valley Water Company, have provided educational tours of the San Gabriel Valley water infrastructure.

Speakers' Bureau Presentations – Upper District Board members and management make numerous presentations to city councils, school boards, chambers of commerce and other community organizations. These presentations provide stakeholders with information about the history of the Upper District, local water issues and challenges, recycled water projects, water-related legislation, and water conservation programs. During FY 2023/24, water supply presentations continued via virtual teleconferencing platforms as well as in-person, depending on the agency and restrictions.

Water Smart Video Series – Upper District continued with an aggressive messaging campaign on local water quality and safety in FY 2023/24. Various informational videos were created on the San Gabriel Valley's local water supply, water quality, gardening and landscaping, and best practices for water conservation. The videos were shared through social media as well as through commercial ads on specific Spectrum channels throughout the region.

Water Efficiency Advertising – While the EWCP level reduced in 2023/24, Upper District's staff continued to be aggressive with advertising and messaging campaigns throughout its service area. The "Thank U" campaign continued to be used regularly for saving water and encouraging tomorrow's sustainability. Various images of basic life necessities were utilized with conservation messages. All campaign graphics were made available to Upper District's retailers for their use in messaging to their customers.

### Finance and Administration

Upper District remains committed to the effective and efficient management of its financial resources through sound fiscal management. Over the years, the Board of Directors supported staff in creating efficiencies and implementing cost containment measures within the District.

#### *Cash and Investment Management*

Upper District maintains a comprehensive cash and investment program governed by the California Government Code. These regulations are embedded within the District's Investment Policy, which outlines authorized investment types and associated restrictions. Consistent with the government code, Upper District annually reviews and adopts an investment policy aimed at safeguarding principal investments, minimizing credit and market risks, ensuring sufficient liquidity to meet anticipated operating needs for six months, and achieving a competitive portfolio yield. During the fiscal year ended June 30, 2024, available funds were invested in compliance with this policy.

#### *California Employers' Retiree Benefit Trust Fund*

In 2014, Upper District began prefunding Upper District's other post-employment benefit (OPEB) liability through the California Employers' Retiree Benefit Trust (CERBT). As of the latest valuation with measurement date of June 30, 2023, Upper District's OPEB is essentially fully funded at 96%, having total trust assets of \$2.35 million and total OPEB liability of \$2.45 million. As of June 30, 2024, assets held in trust total \$2.48 million.

The CERBT trust fund was initially established to take advantage of higher discount rate assumptions which translate to lower annual required contributions and unfunded liability over time as well as getting access to higher yielding investments. Since the trust assets have grown and now sufficiently cover the OPEB liability, the trust fund can now be used as an important budgeting tool.

#### *California Employers' Pension Prefunding Trust Fund*

In June 2022, the Board authorized an additional discretionary payment of \$1 million to CalPERS to reduce Upper District's unfunded accrued liability related to pension. Estimated interest savings from this prepayment total \$1.03 million using CalPERS' 6.80% discount rate. In June 2024, Upper District made another additional discretionary payment of \$1 million towards the District's unfunded accrued pension liability. Estimated interest savings from this additional payment total \$0.76 million.

The Board also authorized participation in the California Employers' Pension Prefunding Trust Program (CEPPT) with an initial trust funding of \$0.50 million in 2022 and an additional plan contribution in FY 2023/24 amounting to \$1 million. As of June 30, 2024, assets held in trust for prefunding pension liability total \$1.56 million. Similar to the CERBT, the CEPPT plan is a Section 115 trust fund that can be used to build a rainy day contingency reserves for pension costs and provide greater budgetary flexibility in the future.

## Relevant Financial Policies

### Internal Control Structure

Management is responsible for establishing and maintaining an internal control structure that ensures that assets are protected from loss, theft, or misuse. The internal control structure also ensures that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (a) the cost of a control should not exceed the benefits likely to be derived, and (b) the valuation of costs and benefits requires estimates and judgments by management.

### Investment Policy

Annually, the Board of Directors adopts an investment policy consistent with the requirements of the California Government Code. In order of priority, three fundamental criteria are followed by the Upper District in the investment program:

- (a) *Safety of Principal* - Investments shall be undertaken in a manner that first seeks to ensure the preservation of principal in the portfolio. Each investment transaction shall be entered into after taking into consideration the quality of the issuer, the underlying security or collateral, and diversification of the portfolio.
- (b) *Liquidity* - Investments shall be made so that the maturity date is compatible with cash flow needs and safety of principal.
- (c) *Return on Investment* - Investments shall be undertaken to produce an acceptable rate of return after first considering safety of principal and liquidity and the prudent investor standard.

During fiscal year 2023/24, all funds were invested in accordance with Upper District's investment policy.

### Designated Reserve Policy

Upper District's adopted Designated Reserve Fund Policy sets prudent levels of reserve funds to provide financial resources not only during emergencies or planned capital projects but also for scheduled and unscheduled expenses such as operation and maintenance, debt service and stabilization of rates. The Reserve Fund Policy establishes the following six designated reserves, each with its own recommended minimum, target, and maximum levels: 1) Emergency Reserve; 2) Operating Reserve; 3) Pay-go Capital Improvement and Replacement Reserve; 4) Capital Reserve; 5) Revenue Stabilization Reserve; and 6) Water Banking Reserve.

### Budget Process and Controls

Budgets are often used as a performance tool for measuring accountability of public agencies to their stakeholders. Though not legally required to do so, Upper District annually adopts a budget not only as a management tool for planning and control purposes but also to demonstrate its commitment to fiscal responsibility and transparency. Upper District also uses the budget as a communication tool that shows how the District intends to allocate its resources in support of its mission, goals and objectives.

Developing and monitoring the budget is an ongoing process. Upper District conducts a series of budget workshops to encourage stakeholder participation and input prior to adoption of the final budget. Monthly financial statements showing budget-to-actual comparison and analysis are presented to management and the Board of Directors to facilitate review and assessment throughout the fiscal year.

### Water Rates

Pursuant to Water Code Section 71614 et seq., Upper District establishes water rates and charges through a resolution by the Board of Directors. Prior to adoption of the water rates and charges, workshops are held to solicit input from all stakeholders.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Upper District for its annual comprehensive financial report for the fiscal year ended June 30, 2023. This was the 13<sup>th</sup> consecutive year that the Upper District has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement is valid for a period of one year only. Upper District believes that the current annual comprehensive financial report continues to meet the Certificate of Achievement program requirements and will be submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report was accomplished by the combined efforts of Upper District staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the Upper District. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of Upper District's fiscal policies.

Respectfully submitted,



Thomas A. Love  
General Manager



Evelyn M. Rodriguez  
Chief Financial Officer/Chief Administrative Officer



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Upper San Gabriel Valley Municipal Water District  
California**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2023

*Christopher P. Morill*

Executive Director/CEO

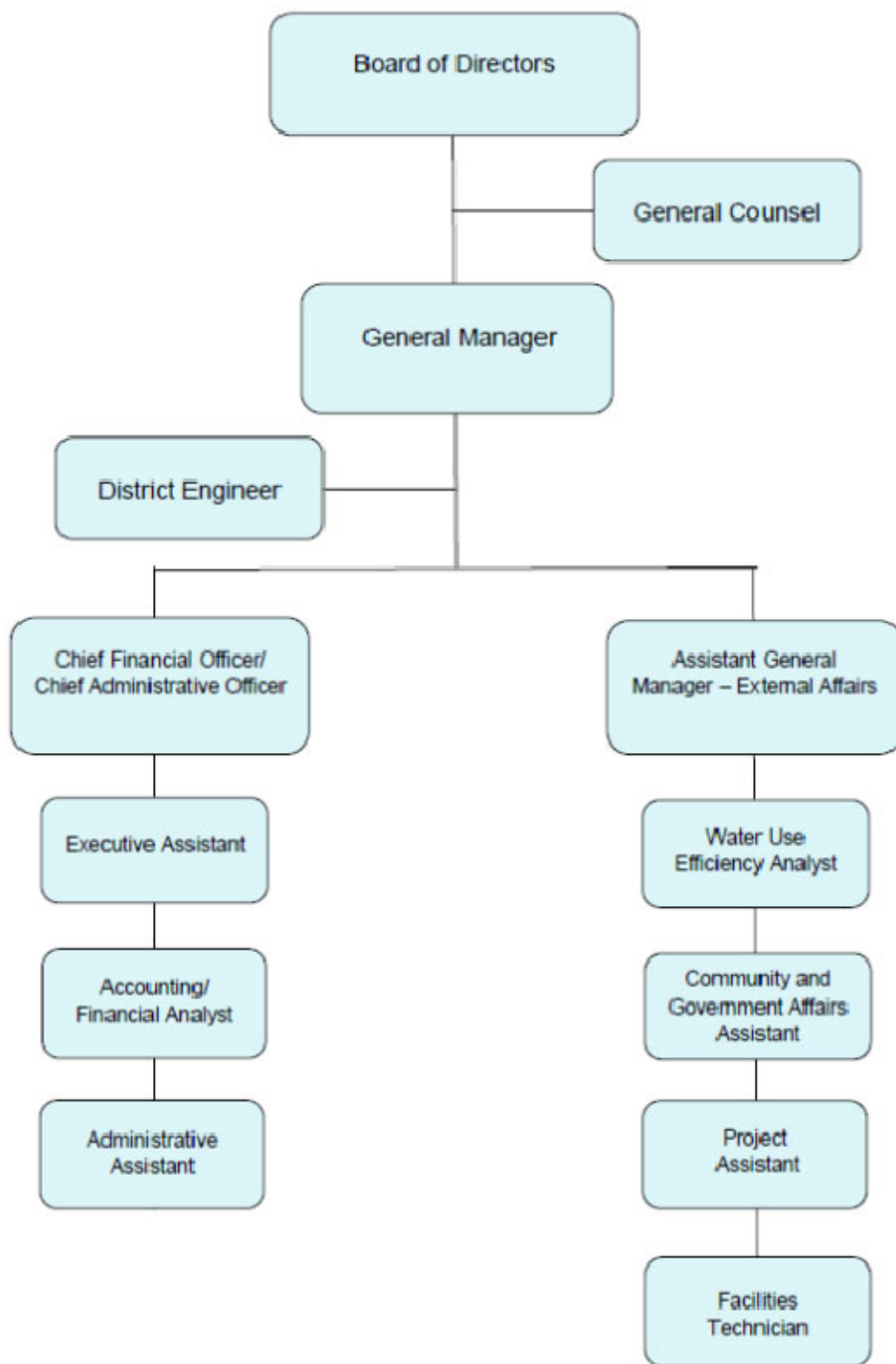
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# Upper San Gabriel Valley Municipal Water District

## Organizational Chart

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## **Financial Section**

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ROGERS, ANDERSON, MALODY & SCOTT, LLP  
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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## *Independent Auditor's Report*

### **PARTNERS**

Scott W. Manno, CPA, CGMA  
Leena Shanhag, CPA, MST, CGMA  
Bradferd A. Welebir, CPA, MBA, CGMA  
Jenny W. Liu, CPA, MST  
Gardenya Duran, CPA, CGMA  
Brianna Schultz, CPA, CGMA  
Brenda L. Odle, CPA, MST (Partner Emeritus)  
Terry P. Shea, CPA (Partner Emeritus)

### **MANAGERS / STAFF**

Seong-Hyea Lee, CPA, MBA  
Evelyn Morentin-Barcena, CPA  
Veronica Hernandez, CPA  
Laura Arvizu, CPA  
John Maldonado, CPA, MSA  
Julia Rodriguez Fuentes, CPA, MSA  
Demi Hite, CPA  
Jeffrey McKennan, CPA  
Monica Wysocki, CPA  
Jacob Weatherbie, CPA, MSA  
Bolim Han, CPA, MAcc  
Anny Gonzalez, CPA

### **MEMBERS**

American Institute of  
Certified Public Accountants

*PCPS The AICPA Alliance  
for CPA Firms*

*Governmental Audit  
Quality Center*

California Society of  
Certified Public Accountants

Honorable Board of Directors  
Upper San Gabriel Valley Municipal Water District  
Monrovia, California

## **Report on the Audit of the Financial Statements**

### ***Opinion***

We have audited the financial statements of the Upper San Gabriel Valley Municipal Water District (the entity), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the entity, as of June 30, 2024, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America and State Controller's *Minimum Audit Requirements for California Special Districts*.

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

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

## **Report on Summarized Comparative Information**

We have previously audited the entity's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 30, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.



### ***Responsibility of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 entity's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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***

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2024, on our consideration of entity'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 solely 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 the effectiveness of the entity's 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 entity's internal control over financial reporting and compliance.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
November 25, 2024

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# *Upper San Gabriel Valley Municipal Water District*

## **Management's Discussion and Analysis For the fiscal year ended June 30, 2024**

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The following Management's Discussion and Analysis (MD&A) provides an overview of the financial performance and activities of the Upper San Gabriel Valley Municipal Water District (Upper District) for the fiscal year ended June 30, 2024. 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.

### **Required Financial Statements**

Upper District is a wholesale water utility enterprise and presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting. As an enterprise fund, Upper District's basic financial statements include the statement of net position, statement of revenues, expenses and changes in net position and statement of cash flows. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The statement of net position presents information on all Upper District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Upper District is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how Upper District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are recognized on an accrual basis.

The statement of cash flows is related to the other financial statements by the way it links changes in assets and deferred outflows of resources and liabilities and deferred inflows of resources to the effect on cash and cash equivalents over the course of the fiscal year.

The notes to the financial statements provide useful information regarding Upper District's significant accounting policies, and they explain significant account balances and activities, certain material risks, obligations, commitments, contingencies and subsequent events, if any.

### **Financial Highlights**

- During fiscal year 2023/24, the producers and Watermaster made combined imported water purchases of about 64,600-acre feet, an increase of about 16,300 acre feet or 34% compared to prior fiscal years. This increased water revenue by \$16.20 million.
- Under the three-year purchase agreement with Watermaster, about 25,700 acre-feet of untreated water were sold at cost during the fiscal year.
- Capital expenditures during the FY 2023/24 consisted mostly of costs associated with the upgrade of Upper District's elevator amounting to about \$0.32 million.
- Watermaster, through Upper District, made a prepayment to Metropolitan during FY 2022/23 for 15,000 acre-feet of untreated water available under Metropolitan's RCP. Of this prepayment amounting to \$11.99 million, about \$8.78 million worth of untreated water remained outstanding as of June 30, 2023. The remaining prepaid water was subsequently delivered in FY 2023/24.
- In June 2024, Upper District made an additional discretionary payment of \$1 million to CalPERS to reduce Upper District's unfunded accrued liability related to pension. The District also made an additional prefunding contribution amounting to \$1 million to CEPPT.

# Upper San Gabriel Valley Municipal Water District

## Management's Discussion and Analysis For the fiscal year ended June 30, 2024

More information on the financial statement variances is covered in the next sections.

### Financial Analysis of Upper District

The statements of net position and the statements of revenues, expenses and changes in net position report provide an indication of Upper District's financial health. It provides a basis for evaluating the capital structure and assessing the liquidity and financial flexibility of Upper District.

The following tables summarize Upper District's financial condition and the changes in its net position for the past two years.

### Statements of Net Position

Consolidated Statements of Net Position				
	As of June 30		Change	
	2024 (in thousands)	2023 (in thousands)	Dollar (in thousands)	Percentage
<b>Assets</b>				
Current assets	\$ 26,163	\$ 33,745	\$ (7,582)	-22.47%
Lease receivable	84	107	(23)	-21.50%
Capital assets, net	54,905	56,018	(1,113)	-1.99%
Total assets	81,152	89,870	(8,718)	-9.70%
<b>Deferred outflows of resources</b>	2,808	2,193	615	28.04%
<b>Liabilities</b>				
Current liabilities	2,875	11,287	(8,412)	-74.53%
Noncurrent liabilities	7,991	8,987	(996)	-11.08%
Total liabilities	10,866	20,274	(9,408)	-46.40%
<b>Deferred inflows of resources</b>	1,538	1,518	20	1.32%
<b>Net position</b>				
Net investment in capital assets	48,922	49,470	(548)	-1.11%
Restricted	1,563	525	1,038	197.71%
Unrestricted	21,071	20,276	795	3.92%
Total net position	\$ 71,556	\$ 70,271	\$ 1,285	1.83%

As shown above, Upper District's total assets exceeded liabilities and deferred inflows of resources by \$71.56 million and \$70.27 million as of June 30, 2024 and 2023, respectively, or an increase in net position of \$1.29 million.

### Assets

As of June 30, 2024 and 2023, Upper District's cyclic storage account has about 8,500- and 5,700-acre feet of water, respectively, amounting to \$6.68 million and \$4.15 million, also respectively. These are reported as part of current assets in Upper District's statements of net position. The decrease in current assets of about \$7.58 million from FY 2022/23 to FY 2023/24 consists of prepaid imported water under Metropolitan's RCP amounting to \$8.78 million. The remaining prepaid water was subsequently delivered in FY 2023/24.

The decrease in capital assets during fiscal year 2023/24 is mainly due to the annual provision for depreciation.

# Upper San Gabriel Valley Municipal Water District

## Management's Discussion and Analysis For the fiscal year ended June 30, 2024

### Liabilities

Upper District's current liabilities as of June 30, 2024 decreased by \$8.41 million from the prior fiscal year. This decrease is mainly attributable to the unearned revenue associated with the prepayment received from Watermaster under Metropolitan's RCP. In December 2022, Watermaster prepaid \$11.99 million for 15,000 acre-feet of untreated water to be delivered when water becomes available from Metropolitan. The 11,000 acre-feet of untreated water amounting to \$8.78 million still outstanding as of June 30, 2023 was eventually delivered in fiscal year 2023/24.

Upper District continued paying down its State Revolving Fund (SRF) loan, reducing amount owed to CSWRCB by \$0.67 million and \$0.66 million for fiscal years ended June 30, 2024 and 2023, respectively.

### Net Position

A substantial portion of Upper District's net position consists of net investment in capital assets. Capital assets are used by Upper District to provide services to its customers and are, therefore, not available for spending. The decrease in net investment in capital assets of about \$0.55 million during fiscal year 2023/24 is due to the annual provision for depreciation offset by principal payments made to the SRF loan related to Upper District's capital assets for water recycling.

In June 2024, Upper District made an additional prefunding contribution amounting to \$1 million to CEPPT, increasing restricted net position. CEPPT is a self-funded, not-for-profit, Section 115 trust administered by CalPERS for pension contributions. Funds deposited into the trust can only be used to pay pension obligations.

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

The statement of revenues, expenses and changes in net position provide information on the nature and sources of these changes. For the fiscal years ended June 30, 2024 and 2023, Upper District's net position increased by \$1.29 million and \$1.06 million, respectively, as shown by the table below.

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

	For the year ended June 30		Change	
	2024 (in thousands)	2023 (in thousands)	Dollar (in thousands)	Percentage
<b>Operating revenue</b>				
Water revenue	\$ 62,017	\$ 45,892	\$ 16,125	35.14%
Water conservation	377	313	64	20.45%
Other operating revenue	103	90	13	14.44%
Total operating revenue	62,497	46,295	16,202	35.00%
<b>Total operating expenses</b>	67,331	50,749	16,582	32.67%
Operating loss	(4,833)	(4,453)	(380)	8.53%
Standby charges	4,054	4,065	-11	-0.27%
Investment earnings, taxes, other	1,955	1,124	831	73.93%
Net nonoperating revenues	6,009	5,189	820	15.80%
Income before contributions	1,176	736	440	59.78%
Capital contributions	109	325	(216)	-66.46%
Change in net position	1,285	1,061	\$ 224	21.11%
Net position, beginning of year	70,271	69,210		
Net position, end of year	\$ 71,556	\$ 70,271		

# Upper San Gabriel Valley Municipal Water District

## Management's Discussion and Analysis For the fiscal year ended June 30, 2024

### Operating Revenue

Upper District's sold 16,300-acre feet more of imported water during FY 2023/24, increasing water revenue by \$16.20 million. Snow and rainfall levels reached above average during the fiscal year 2023/24 and groundwater storage has recovered to near average levels due to stormwater capture and imported water deliveries. With an unprecedented 100% State Water Project allocation, Metropolitan was able to deliver additional wet water by the end of 2023.

### Nonoperating Revenue/Expenses and Capital Contributions

Nonoperating revenue, generally consisting of standby charges, investment earnings and taxes, have remained relatively stable over the years. In fiscal year 2023/24, Upper District's standby charge rate was set at \$10 per acre per year or \$10 per parcel less than one acre per year. This charge, generating about \$2.09 million, provides funding for the recycled and water conservation programs. MWD levies a separate standby charge, set at \$9.27 per acre or portion thereof per year, on behalf of Upper District. This charge, generating about \$1.96 million, is used to offset MWD's RTS charge.

Investment earnings for fiscal year 2023/24 increased by \$0.831 million as the financial market continued its recovery after the global financial volatility in previous years.

### Operating Expenses

Upper District purchases imported water from MWD and sets its rates based on MWD's prevailing rates plus a per-acre-foot surcharge. During fiscal year 2023/24, Upper District sold 16,300 acre feet more and, consequently, purchased more imported water compared to the previous year.

### Capital Asset Administration

As of June 30, 2024, and 2023, Upper District's investments in capital assets, net of accumulated depreciation, amounted to \$54.91 million and \$56.02 million, respectively. The following is a summary of capital assets:

	As of June 30		Change	
	2024	2023	Dollar	
	(in thousands)	(in thousands)	(in thousands)	Percentage
Intangible utility plant	\$ 657	\$ 657	\$ -	0.00%
Construction in progress	8,576	8,576	-	0.00%
Water recycling	52,105	52,105	-	0.00%
Building and improvements	7,569	7,438	131	1.76%
Furniture and equipment	204	204	-	0.00%
Other	21	21	-	0.00%
Subtotal	69,132	69,001	131	0.19%
Less accumulated depreciation	(14,227)	(12,983)	(1,244)	9.58%
Net capital assets	\$ 54,905	\$ 56,018	\$ (1,113)	-1.99%

For more information regarding Upper District's capital assets, please refer to Note 4 of the Notes to Financial Statements.

# *Upper San Gabriel Valley Municipal Water District*

## **Management's Discussion and Analysis For the fiscal year ended June 30, 2024**

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### **Long-term Debt**

Construction activities for the City of Industry Project were partially funded by an SRF loan from the California State Water Resources Control Board (CSWRCB) which, as of June 30, 2024, and 2023, had a balance of \$5,983,368 and \$6,654,484, respectively. Detailed information on Upper District's long-term debt is presented under Note 7 in the Notes to Financial Statements.

### **Water Rates and Other Charges**

On May 24, 2023, the Board of Directors approved the adoption of a water standby or availability of service charge at \$10 per acre of land or \$10 for each parcel of land less than an acre within Upper District's service area for fiscal year 2023/24. This charge generates about \$2.09 million in revenues.

In July 2023, the Board of Directors approved the water rates and charges for the different classes of water effective January 1, 2024. Upper District's water rates for the last ten fiscal years are presented in the statistical section of this report.

### **Conditions Affecting Current Financial Position**

Fiscal year 2023/24 is the third and last year the three-year purchase agreement between Upper District and Watermaster. Executed in December 2021, the agreement aims to address the variability of untreated water sales and the growing gap between Metropolitan's RTS charge and the standby charge revenue Metropolitan collects on behalf of Upper District. Under the agreement, Watermaster commits to purchase a set amount of water each fiscal year sufficient to meet the District's required debt coverage ratio. Untreated water sales in excess of the annual purchase commitment did not carry Upper District's surcharge. During fiscal year 2023/24, surcharge waived by Upper District for Watermaster's purchases above the annual commitment amounted to \$2.65 million.

### **Requests for Information**

This financial report is designed to provide Upper District's funding sources, customers, stakeholders and other interested parties with an overview of Upper District's financial operations and overall financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact Upper District's Chief Financial Officer/Chief Administrative Officer at 248 E. Foothill Blvd., Suite 200, Monrovia, California 91016.

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## **Basic Financial Statements**

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# Upper San Gabriel Valley Municipal Water District

## Statement of Net Position

June 30, 2024

(With summarized comparative data for prior year)

	2024	2023
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 9,693,179	\$ 13,464,783
Investments	5,804,135	5,557,849
Receivables:		
Water sales	1,347,516	569,846
Grants	-	216,669
Leases (Note 5)	23,032	22,325
Other	1,022,204	403,374
Prepurchased water	6,678,272	12,925,729
Prepaid expenses	31,577	59,167
Restricted:		
Restricted cash and investments - Section 115 trust	1,563,025	525,119
Total current assets	26,162,940	33,744,861
Noncurrent assets:		
Leases receivable (Note 5)	84,336	107,368
Capital assets, not being depreciated (Note 4)	9,233,369	9,233,369
Capital assets, net of depreciation (Note 4)	45,671,790	46,784,147
Total noncurrent assets	54,989,495	56,124,884
Total assets	81,152,435	89,869,745
<b>Deferred outflows of resources</b>		
Pension related (Note 8)	2,390,993	1,681,836
OPEB related (Note 10)	416,899	511,414
Total deferred outflows of resources	2,807,892	2,193,250
<b>Liabilities</b>		
Current liabilities:		
Accounts payable:		
Metropolitan Water District	583,500	400,462
Other	919,354	858,755
Accrued liabilities	606,325	505,333
Unearned revenue	33,666	8,808,771
Due to State Water Resources Control Board, current portion	683,231	671,116
Compensated absences, current portion (Note 6)	48,988	43,034
Total current liabilities	2,875,064	11,287,471
Noncurrent liabilities:		
Net pension liability (Note 8)	2,557,698	2,348,628
Net OPEB liability (Note 10)	94,129	613,970
Due to State Water Resources Control Board, net of current portion	5,300,137	5,983,368
Compensated absences, net of current portion (Note 6)	39,292	40,694
Total noncurrent liabilities	7,991,256	8,986,660
Total liabilities	10,866,320	20,274,131
<b>Deferred inflows of resources</b>		
Lease related (Note 5)	104,821	128,554
Pension related (Note 8)	724,964	1,043,578
OPEB related (Note 10)	708,235	345,891
Total deferred inflows of resources	1,538,020	1,518,023
<b>Net position</b>		
Net investment in capital assets	48,921,791	49,470,400
Section 115 Trust	1,563,025	525,119
Unrestricted	21,071,171	20,275,322
Total net position	\$ 71,555,987	\$ 70,270,841

The accompanying notes are an integral part of these financial statements.

# Upper San Gabriel Valley Municipal Water District

## Statement of Revenues, Expenses and Changes in Net Position For the fiscal year ended June 30, 2024 (With summarized comparative data for prior year)

	2024	2023
<b>Operating revenues</b>		
Water revenue	\$ 62,016,720	\$ 45,891,558
Water conservation	376,729	313,336
Other revenues	103,789	90,315
Total operating revenues	62,497,238	46,295,209
<b>Operating expenses</b>		
Sources of supply	56,579,227	41,001,010
Water quality and supply program	4,341,712	3,507,057
Water recycling	904,491	936,095
Conservation	1,677,661	1,486,652
Depreciation	1,243,998	1,179,295
General and administrative	2,584,371	2,638,737
Total operating expenses	67,331,460	50,748,846
Operating loss	(4,834,222)	(4,453,637)
<b>Nonoperating revenues (expenses)</b>		
Standby charges	4,055,273	4,065,036
Investment earnings	1,033,807	376,393
Gain (loss) on disposal of capital assets	-	(7,316)
Taxes	921,344	755,305
Total nonoperating revenues (expenses)	6,010,424	5,189,418
Income before contributions	1,176,202	735,781
Capital contributions	108,944	325,327
Change in net position	1,285,146	1,061,108
<b>Net position</b>		
Beginning of year	70,270,841	69,209,733
End of year	\$ 71,555,987	\$ 70,270,841

*The accompanying notes are an integral part of these financial statements.*

# Upper San Gabriel Valley Municipal Water District

## Statement of Cash Flows

For the fiscal year ended June 30, 2024

(With summarized comparative data for prior year)

	2024	2023
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 52,540,894	\$ 56,704,632
Cash payments to suppliers for goods and services	(57,319,949)	(57,301,883)
Cash payments for employees for services	(3,024,968)	(1,813,340)
Net cash provided by (used for) operating activities	(7,804,023)	(2,410,591)
<b>Cash flows from noncapital financing activities</b>		
Cash received from property taxes	921,344	755,305
Cash received from standby charges	4,055,273	4,065,036
Net cash provided by (used for) noncapital financing activities	4,976,617	4,820,341
<b>Cash flows from capital and related financing activities</b>		
Acquisition and construction of capital assets	(131,641)	(1,405,130)
Repayment of project finance agreements	(671,116)	(659,218)
Capital contributions	108,944	325,327
Net cash provided by (used for) capital and related financing activities	(693,813)	(1,739,021)
<b>Cash flows from investing activities</b>		
Cash received from sale and maturity of investments	2,380,000	1,749,871
Acquisition of investments	(3,659,044)	(1,826,044)
Investment earnings (losses)	2,066,565	409,701
Net cash provided by (used for) investing activities	787,521	333,528
Net change in cash and cash equivalents	(2,733,698)	1,004,257
<b>Cash and cash equivalents</b>		
Beginning of year	13,989,902	12,985,645
End of year	\$ 11,256,204	\$ 13,989,902
Reconciliation of cash equivalents and restricted cash and investments:		
Cash and investments	\$ 9,693,179	\$ 13,464,783
Restricted cash and investments - Section 115 trust	1,563,025	525,119
Total cash equivalents and restricted cash and investments	\$ 11,256,204	\$ 13,989,902

The accompanying notes are an integral part of these financial statements.

# Upper San Gabriel Valley Municipal Water District

## Statement of Cash Flows

For the fiscal year ended June 30, 2024

(With summarized comparative data for prior year), (continued)

	2024	2023
Reconciliation of operating loss to net cash provided by (used for) operating activities:		
Operating loss	\$ (4,834,222)	\$ (4,453,637)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:		
Depreciation	1,243,998	1,179,295
(Increase) decrease in assets and deferred outflows of resources:		
Receivables	(1,157,506)	1,505,848
Prepurchased water	6,247,457	(8,157,906)
Prepaid expenses	27,590	70,569
Deferred outflows of resources	(614,642)	(355,149)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable and accrued liabilities	344,629	(1,646,499)
Unearned revenue	(8,775,105)	8,775,021
Compensated absences	4,552	3,672
Deferred inflows of resources	19,997	(507,856)
Net pension liability	(519,841)	410,629
Net OPEB liability	209,070	765,422
Net cash provided by (used for) operating activities	<u>\$ (7,804,023)</u>	<u>\$ (2,410,591)</u>
<b>Schedule of non-cash operating, noncapital and capital related financing and investing activities</b>		
Fair value adjustment	\$ 168,097	\$ (49,714)

*The accompanying notes are an integral part of these financial statements.*

# *Upper San Gabriel Valley Municipal Water District*

## **Notes to Financial Statements For the fiscal year ended June 30, 2024**

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### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Description of the entity***

Upper San Gabriel Valley Municipal Water District (Upper District), which comprises an area of approximately 144 square miles, was incorporated on January 7, 1960 under the provisions of the Municipal Water District Law of 1911, as amended, (now cited as "The Municipal Water District Law of 1911", Division 20, California Water Code) as a result of a special election held on December 8, 1959. On March 12, 1963, the voters of Upper District elected to join the Metropolitan Water District of Southern California. On November 2, 1965, the citizens of West Covina voted to join Upper District.

Adjudication proceedings, which established the legal determination of water rights of individual pumpers in the area in relation to the safe yield of the total water basin, were completed on December 29, 1972. The decree established a Watermaster, the Main San Gabriel Basin Watermaster, who took over the function of levying and collecting the assessments that had previously been levied and collected by Upper District through its reimbursement contract and replenishment funds.

Upper District's mission is to consistently meet our region's need for reliable, high quality and affordable water.

#### ***Basis of accounting and measurement focus***

Upper District is considered an enterprise fund for financial reporting purposes. The accompanying financial statements have been prepared using the economic measurement focus and the accrual basis of accounting, in conformity with generally accepted accounting principles (GAAP) and the Uniform Systems of Accounts for Water Utility Districts as prescribed by the Controller of the State of California. Under this basis of accounting and measurement focus, revenues are recognized when they are earned and expenses are recognized when they are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they were levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

#### ***Prior year summarized information***

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, , from which the summarized information was derived.

#### ***Net position***

Sometimes Upper District will fund outlays for a particular purpose from both restricted (e.g., grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

# Upper San Gabriel Valley Municipal Water District

## Notes to Financial Statements For the fiscal year ended June 30, 2024

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Net position (continued)*

Net position is categorized as follows:

- *Net investment in capital assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* – This component of net position consists of constraints placed on resources through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* – This component of net position consists of resources that do not meet the definition of “restricted” or “net investment in capital assets.”

Upper District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an entity’s ongoing operations. Upper District defines operating revenues as those realized by Upper District in exchange for providing its primary services for water sales and water programs including conservation and recycled water. Nonoperating revenues are those derived from the investment of cash reserves and from entities other than customers and other ancillary sources.

#### ***Pension***

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Upper District’s California Public Employees’ Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan’s 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.

#### ***Deferred outflows/inflows of resources***

Deferred outflows of resources represent a consumption of net assets that applies to future periods. Deferred inflows of resources represent an acquisition of net assets that applies to future periods. Deferred outflows of resources increase net position, similar to assets, and deferred inflows of resources decrease net position, similar to liabilities.

# *Upper San Gabriel Valley Municipal Water District*

## **Notes to Financial Statements For the fiscal year ended June 30, 2024**

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

#### ***Postemployment benefits other than pensions (OPEB)***

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the Upper District's OPEB Plan and additions to/deductions from the Plan's 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. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

#### ***Use of estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

#### ***Risk management***

Upper District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters. It is a member of the Association of California Water Agencies Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is a risk-pooling, self-insurance authority, created under the provisions of California Government Code Sections 6500 et. seq. The purpose of the Insurance Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

On June 30, 2024, Upper District participated in the self-insurance program of the Insurance Authority as follows:

*Property Loss* – The Insurance Authority has pooled self-insurance up to \$10,000,000 per occurrence and has purchased excess insurance coverage up to \$500,000,000, with deductibles ranging from \$2,500 to \$50,000.

*General, Auto and Public Officials Errors and Omissions Liability* – The Insurance Authority has pooled self-insurance up to \$5,000,000 and has purchased excess insurance coverage up to \$55,000,000.

*Cyber Liability* – The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence subject to a \$5,000,000 aggregate limit.

# *Upper San Gabriel Valley Municipal Water District*

## **Notes to Financial Statements For the fiscal year ended June 30, 2024**

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

#### ***Risk management (continued)***

*Crime* – The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence, with \$1,000 deductible.

*Workers' Compensation* – The Insurance Authority has pooled self-insurance up to \$2,000,000 each for workers' compensation and employers' liability. The Insurance authority purchases excess coverage up to the statutory limit of \$4,000,000.

There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

#### ***Cash and cash equivalents***

For purposes of the statements of cash flows, cash and cash equivalents have been defined as deposits and highly liquid investments with maturity of 90 days or less at the date of purchase.

#### ***Investments***

Investments are stated at fair value (the value at which financial instruments could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale). 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.

#### ***Capital assets and depreciation***

Capital assets are recorded at cost. If applicable, donated assets are stated at acquisition value on the date donated. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets. Upper District uses differing capitalization thresholds for the classes of assets based on materiality. Upper District's policy is to review for capitalization those expenditures greater than \$500 that have a useful life of more than one year. Estimated service lives for Upper District's classes of assets are as follows:

Distribution system	50 years
Building	50 years
Building improvements	10 - 15 years
Furniture and equipment	2 - 10 years



# *Upper San Gabriel Valley Municipal Water District*

## **Notes to Financial Statements For the fiscal year ended June 30, 2024**

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

#### ***Unearned revenue***

Unearned revenue is water revenue paid by customers, as well as rental revenue paid by a lessee in the current period but is yet to be earned by Upper District.

#### ***Compensated absences***

Upper District's policy is to permit employees to accumulate a limited amount of earned vacation and sick leave. Accumulated vacation time is accrued at year-end to account for Upper District's obligation to the employees for the amount owed. It is management's belief that the majority of the obligation will be utilized during the course of the next fiscal year. Vacation pay is payable to employees at the time a vacation is taken, cashed out, or upon termination of employment. Normally, an employee cannot accrue more than thirty days of vacation each year. Sick leave is payable when an employee is unable to work because of illness. Upon retirement, an employee will be paid for 50% of unused sick leave.

#### ***Overhead absorption***

Certain operating expenses are allocated to capital assets using management's allocation of manpower and service estimates that are directly related to the construction of capital assets.

#### ***Contributions for capital acquisitions/construction***

Contributions for capital acquisitions/construction represent cash and capital asset additions contributed to Upper District by federal, state, and local granting agencies.

#### ***Budgetary policies***

Upper 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.

#### ***Allowance for doubtful accounts***

Upper District recognizes bad debt expense relating to receivables when it is probable that the accounts will be uncollectible. As of June 30, Error! **Unknown switch argument.**, all receivables were deemed collectible.

# Upper San Gabriel Valley Municipal Water District

## Notes to Financial Statements For the fiscal year ended June 30, 2024

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Property taxes*

The County bills and collects property taxes on behalf of numerous special districts and incorporated cities, including Upper District. The Upper District's current year tax collection is received through periodic apportionments from the County. The County's tax calendar is from July 1 to June 30. Property taxes attach as a lien on the property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively.

#### *Prepurchased water*

Pre-purchased water consists of groundwater purchased from the Metropolitan Water District and not immediately sold to client agencies. It is valued based upon purchase cost and consumed on a first in first out basis.

### NOTE 2: CASH AND INVESTMENTS

Cash and investments are presented in the accompanying financial statements as follows:

Cash and cash equivalents	\$ 9,693,179
Investments	<u>7,367,160</u>
Total cash and investments	<u>\$ 17,060,339</u>

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

Imprest cash on hand	\$ 500
Deposits with financial institutions	860,338
Cash with investment broker	<u>3,278</u>
Total cash	<u>864,116</u>
Local Agency Investment Fund <sup>(1)</sup>	8,829,062
Money market mutual funds	77,216
Agency Funds	1,880,701
U.S. Treasury securities	3,441,216
U.S. Corporate Funds	201,059
Supranational	<u>203,944</u>
Total unrestricted investments	<u>14,633,198</u>
Investment in Section 115 trust	<u>1,563,025</u>
Total investments	<u>16,196,223</u>
Total cash and investments	<u>\$ 17,060,339</u>

<sup>(1)</sup> Upper District is a voluntary participant in the Local Agency Investment Fund (LAIF), a special fund regulated by the California State Treasury through which each city, district or agency may invest up to \$75 million. As of June 30, 2024, the total fair value of LAIF, including accrued interest was approximately \$178 billion. Upper District's proportionate share of that value is \$8.83 million as of June 30, 2024. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. LAIF has a minimum \$5,000 transaction amount in increments of \$1,000 with a maximum of 15 transactions (combination of deposits and withdrawals) per month. LAIF requires a one-day prior notice for deposits and withdrawals of \$10 million or more. As regards to credit rating, LAIF is unrated as of June 30, 2024.

# Upper San Gabriel Valley Municipal Water District

## Notes to Financial Statements For the fiscal year ended June 30, 2024

### NOTE 2: CASH AND INVESTMENTS (CONTINUED)

#### *Investment policy*

The Upper District's investment policy outlines the guidelines required to be used in effectively managing Upper District's available cash in accordance with the California Government Code. To address interest rate risk, the Upper District's existing policy limits the maturity of investments to five years, with the exception of special trust funds which shall not be subject to this limitation. To mitigate credit risks associated with its investments, the Upper District's investment policy limits investments to large institutions and requires diversification to ensure that failure of one issuer will not significantly affect the Upper District's cash flow.

#### *Interest rate risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Upper District's investments in LAIF have a weighted average maturity of 217 days, generally consistent with its cash flow and liquidity needs. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

Information about the sensitivity of the fair values of the Upper District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Upper District's investments by maturity.

Maturities of investments as of June 30, , were as follows:

Investment Type (including LAIF)	Total	Remaining maturing (in months)		
		12 Months or Less	13 to 36 Months	37 to 60 Months
Local Agency Investment Fund	\$ 8,829,062	\$ 8,829,062	\$ -	\$ -
Money market mutual funds	77,216	77,216	-	-
Agency funds	1,880,701	552,856	1,178,349	149,496
U.S. Treasury securities	3,441,216	1,428,221	2,012,995	-
U.S. Corporate funds	201,059	49,144	151,915	-
Supranational	203,944	50,000	153,944	-
Total	<u>\$ 14,633,198</u>	<u>\$ 10,986,499</u>	<u>\$ 3,497,203</u>	<u>\$ 149,496</u>

#### *Concentration of credit risk*

A concentration of credit risk is the risk of loss attributable to the magnitude of the Upper District's investment in a single issuer. The Upper District's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, , there were no investments in any one issuer (other than U.S. Treasury securities, agency funds, corporate funds, and external investment pools) that represent 5% or more of total Upper District investments.

# *Upper San Gabriel Valley Municipal Water District*

## **Notes to Financial Statements For the fiscal year ended June 30, 2024**

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

#### ***Custodial credit risk***

Custodial credit risk is the risk that the Upper District will not be able to (a) recover deposits if the depositor financial institution fails, or (b) recover the value of investments or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails.

#### ***Deposits***

The California Government Code requires California banks and savings and loan associations to secure a local governmental agency's (agency) deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150% of an agency's total deposits. The agency may waive collateral requirements for deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

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

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

As of June 30, , Upper District's deposits (bank balances) exceeded the maximum deposit insurance amount by \$548,193, which is collateralized as described above.

#### ***Investments***

The California Government Code authorizes Upper District to invest in obligations of the United States Treasury, agencies, and instrumentalities; prime commercial paper; bankers' acceptances; repurchase and reverse repurchase agreements; financial futures or financial option contracts; negotiable certificates of deposit; obligations of the State of California; and obligations of local agencies within California.

Investments are exposed to custodial credit risk if they are uninsured, unregistered and held by either:

- a. Counterparty;
- b. The counterparty's trust department or agent but not in the government's name.

# Upper San Gabriel Valley Municipal Water District

## Notes to Financial Statements For the fiscal year ended June 30, 2024

### NOTE 2: CASH AND INVESTMENTS (CONTINUED)

#### *Credit risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Upper District's investment policy limits eligible investments to large institutions. As of June 30, , Upper District had the majority of its investments in LAIF.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of year-end for each investment type.

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

Investment Type (including LAIF)	Total	Minimum legal rating	Standard & Poor's Rating as of year end
Local Agency Investment Fund	\$ 8,829,062	N/A	Unrated
U.S. Treasury securities	3,441,216	N/A	Unrated
Investments:			
Money market mutual funds	77,216	A	AAA
Agency funds	1,880,701	N/A	AA+
U.S. Corporate funds	201,059	N/A	A+
Supranational	203,944	AA	AAA
Subtotal	2,362,920		
Total	\$ 14,633,198		

### NOTE 3: FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Upper District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs, while Level 3 inputs are significant unobservable inputs;

- Level 1 inputs are quoted prices for identical assets or liabilities in active markets that government can access at the measurement date.

# Upper San Gabriel Valley Municipal Water District

## Notes to Financial Statements For the fiscal year ended June 30, 2024

### NOTE 3: FAIR VALUE MEASUREMENTS (CONTINUED)

- Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive market; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 inputs are unobservable inputs for an asset or liability.

The following table represent the Upper District's fair value hierarchy for its financial assets measured at fair value on a recurring basis:

Investment by fair value level	Fair value measurement using			
	Total	Level 1	Level 2	Level 3
Agency funds	\$ 1,880,701	\$ -	\$ 1,880,701	\$ -
U.S. Treasury securities	3,441,216	-	3,441,216	-
U.S. Corporate funds	201,059	-	201,059	-
Supranational	203,944	-	203,944	-
	5,726,920	\$ -	\$ 5,726,920	\$ -
Investments not subject to fair value measurements:				
LAIF	8,829,062			
Money market mutual funds	77,216			
Total investments	\$ 14,633,198			

Upper District's investments in LAIF as of June 30, are reported at the Upper District's pro-rata share of the amortized cost provided by LAIF for the entire portfolio.

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# Upper San Gabriel Valley Municipal Water District

## Notes to Financial Statements For the fiscal year ended June 30, 2024

### NOTE 4: CAPITAL ASSETS

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

	Beginning balance	Increases	Decreases	Transfers	Ending balance
Capital assets, not being depreciated					
Intangible utility plant	\$ 656,874	\$ -	\$ -	\$ -	\$ 656,874
Construction in progress	8,576,495	131,641	-	(131,641)	8,576,495
Total capital assets, not being depreciated	9,233,369	131,641	-	(131,641)	9,233,369
Capital assets, being depreciated:					
Buildings and improvements	7,437,770	-	-	131,641	7,569,411
Water recycling	52,105,171	-	-	-	52,105,171
Furniture and equipment	203,564	-	-	-	203,564
Other	20,964	-	-	-	20,964
Total capital assets, being depreciated	59,767,469	-	-	131,641	59,899,110
Less accumulated depreciation for:					
Buildings and improvements	(86,774)	(152,673)	-	-	(239,447)
Water recycling	(12,722,858)	(1,072,636)	-	-	(13,795,494)
Furniture and equipment	(152,726)	(18,689)	-	-	(171,415)
Other	(20,964)	-	-	-	(20,964)
Total accumulated depreciation	(12,983,322)	(1,243,998)	-	-	(14,227,320)
Total capital assets being depreciated, net	46,784,147	(1,243,998)	-	131,641	45,671,790
Total capital assets, net	\$ 56,017,516	\$ (1,112,357)	\$ -	\$ -	\$ 54,905,159

Major capital asset additions during the year include work on various stages of construction projects. A significant portion of these additions were constructed by the Upper District and/or subcontractors.

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# Upper San Gabriel Valley Municipal Water District

## Notes to Financial Statements For the fiscal year ended June 30, 2024

### NOTE 5: LEASE RECEIVABLE

On February 10, 2022, Upper District entered into a 5-year lease as lessor for the use of an office space. The agreement, which was amended on November 30, 2022 to have a commencement date of December 1, 2022, allows for additional one-year term extensions. A lease receivable in the amount of \$142,398 was initially recorded. As of June 30, , the value of this receivable is \$107,368. The lease has an interest rate of 3.12% and requires the lessee to make fixed monthly payments of \$2,166. Upper District recognized lease revenue of \$23,733 during the fiscal year. The lessee's future payment requirements are as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 23,032	\$ 2,956	\$ 25,988
2026	23,761	2,227	25,988
2027	24,514	1,474	25,988
2028	25,290	698	25,988
2029	10,771	56	10,827
	<u>\$ 107,368</u>	<u>\$ 7,411</u>	<u>\$ 114,779</u>

Lease activity for the year ended June 30, , is summarized as follows:

<b>Deferred Inflow of Resources</b>	Balance as of July 1, 2023	Additions	Reductions	Balance as of June 30, 2024
Office Lease	<u>\$ 128,554</u>	<u>\$ -</u>	<u>\$ 23,733</u>	<u>\$ 104,821</u>

<b>Lease Receivable</b>	Balance as of July 1, 2023	Additions	Reductions	Balance as of June 30, 2024
Office Lease	<u>\$ 129,693</u>	<u>\$ -</u>	<u>\$ 22,325</u>	<u>\$ 107,368</u>

### NOTE 6: COMPENSATED ABSENCES

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

Balance at beginning of year	\$ 83,728
Earned by employees	81,713
Taken by/paid to employees	<u>(77,161)</u>
Balance at end of year	88,280
Less current portion	<u>48,988</u>
Long-term portion	<u>\$ 39,292</u>



# Upper San Gabriel Valley Municipal Water District

## Notes to Financial Statements For the fiscal year ended June 30, 2024

### NOTE 7: AGREEMENTS WITH STATE WATER RESOURCES CONTROL BOARD

#### *Project finance agreements (direct borrowing)*

In December 2009, Upper District entered into four (4) project finance agreements with the California State Water Resources Control Board (CSWRCB) for a total amount of \$17.02 million for the purpose of financing the planning, design, acquisition, construction, and installation of the Water Recycling Pipeline and Pump Station Project Phase IIB. Principal payments range from \$75,541 to \$527,409 varying by loan. These project funds shall be repaid in annual installments commencing on the date that is one year after completion of construction and payable up to 21 years at zero interest rate. In addition, the Upper District has pledged all net revenues for repayment of the debt. As of June 30, Error! **Unknown switch argument.**, Upper District has drawn down a total of \$13,171,937 under this agreement. Construction activities funded by the CSWRCB loans were completed as of June 30, 2013.

Balance at the beginning of year	\$	6,654,484
Principal payments		<u>(671,116)</u>
Balance at end of year		5,983,368
Less short-term portion		<u>(683,231)</u>
Long-term portion	\$	<u><u>5,300,137</u></u>

Amounts due under the agreements, which include imputed interest, are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2025	\$ 683,231	\$ 108,001	\$ 791,232
2026	695,564	95,668	791,232
2027	708,119	83,113	791,232
2028	720,901	70,331	791,232
2029	733,914	57,318	791,232
2030-2033	<u>2,441,639</u>	<u>94,382</u>	<u>2,536,021</u>
Total	<u><u>\$ 5,983,368</u></u>	<u><u>\$ 508,813</u></u>	<u><u>\$ 6,492,181</u></u>

Upper District repaid \$791,232 during the year ended June 30, , of which \$671,116 is related to principal payments and \$120,116 is related to imputed interest.

In the event of a termination, Upper District has agreed, upon demand, to immediately repay to the State Water Board an amount equal to installment payments due hereunder, including accrued interest, and all penalty assessments due. In the event of termination, interest shall accrue on all amounts due at the highest legal rate of interest from the date that notice of termination is mailed to the Upper District to the date of full repayment by the Upper District.

# *Upper San Gabriel Valley Municipal Water District*

## **Notes to Financial Statements For the fiscal year ended June 30, 2024**

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### **NOTE 8: DEFINED BENEFIT PENSION PLAN**

#### ***General information about the Pension Plan***

##### *Plan description*

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors a cost sharing multiple employer defined benefit pension plan. Benefit provisions under the Plan are established by State statute and District 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, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

##### *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 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures, and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

# Upper San Gabriel Valley Municipal Water District

## Notes to Financial Statements For the fiscal year ended June 30, 2024

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### NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensations	2.0% to 2.7%	1.0% to 2.5%
Required employer contribution rates (reporting period)	17.55%	8.48%

#### *Contributions*

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2024 were \$1,300,977. The actual employer payments of \$357,339 made to CalPERS by the District during the measurement period ended June 30, 2023 differed from the District's proportionate share of the employer's contributions of \$463,674 by \$106,336, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

#### *Net Pension Liability*

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2023, using an annual actuarial valuation as of June 30, 2022, rolled forward to June 30, 2023, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

# Upper San Gabriel Valley Municipal Water District

## Notes to Financial Statements For the fiscal year ended June 30, 2024

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### NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### *Actuarial methods and assumptions used to determine Total Pension Liability*

The collective total pension liability for the June 30, 2023 measurement period was determined by an actuarial valuation as of June 30, 2022, with update procedures used to roll forward the total pension liability to June 30, 2023. The collective total pension liability was based on the following assumptions:

Measurement Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal Cost Method
Asset Valuation Method:	Fair Value of Assets
Discount Rate	6.90%
Inflation	2.30%
Salary Increase	Varies by Entry Age and Service
Mortality Rate Table <sup>1</sup>	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until purchasing power protection allowance floor on purchasing power applies, 2.30% thereafter

<sup>1</sup> The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

#### *Long-term expected rate of return*

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

# Upper San Gabriel Valley Municipal Water District

## Notes to Financial Statements For the fiscal year ended June 30, 2024

### NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)

The expected real rates of return by asset class are as follows:

Asset Class	Assumed Asset Allocation	Real Return <sup>1,2</sup>
Global equity - cap-weighted	30.00%	4.54%
Global equity - non-cap-weighted	12.00%	3.84%
Private equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment grade corporates	10.00%	1.56%
High yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)
Total	100.0%	

<sup>1</sup> An expected inflation of 2.30% used for this period

<sup>2</sup> Figures are based on the 2021 Asset Liability Management Study

#### *Change of assumptions*

There were no assumption changes in 2023. Effective with the June 30, 2021 valuation date (June 30, 2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017 through June 30, 2021, 7.65% for measurement dates June 30, 2015 through June 30, 2016, and 7.50% for measurement date June 30, 2014.

#### *Discount rate*

The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# Upper San Gabriel Valley Municipal Water District

## Notes to Financial Statements For the fiscal year ended June 30, 2024

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### NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### *Subsequent events*

There were no subsequent events that would materially affect the results presented in this disclosure.

#### *Pension Plan Fiduciary Net Position*

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov). The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

#### ***Proportionate share of Net Pension Liability***

The following table shows the District's proportionate share of the net pension liability over the measurement period.

	Increase (Decrease)		
	Plan Total Pension	Plan Fiduciary Net	Plan Net Pension
Balance at: 6/30/2022 (VD)	\$ 12,342,272	\$ 9,993,644	\$ 2,348,628
Balance at: 6/30/2023 (MD)	13,711,299	11,153,601	2,557,698
Net change during 2022-23	<u>\$ 1,369,027</u>	<u>\$ 1,159,957</u>	<u>\$ 209,070</u>
Valuation Date (VD), Measurement Date (MD)			

The District's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

The District's proportionate share of the net pension liability for the Plan (miscellaneous) as of the June 30, 2022 and 2023 measurement dates was as follows:

Proportion share of NPL - MD June 30, 2022	0.05019%
Proportion share of NPL - MD June 30, 2023	0.05115%
Change - Increase (Decrease)	0.00096%

# Upper San Gabriel Valley Municipal Water District

## Notes to Financial Statements For the fiscal year ended June 30, 2024

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### NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### *Sensitivity of the proportionate share of the Net Pension Liability to changes in the discount rate*

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

	Discount Rate - 1% (5.90%)	Current Discount Rate (6.9%)	Discount Rate + 1% (7.90%)
Miscellaneous Plan's Net Pension Liability	\$ 4,412,093	\$ 2,557,698	\$ 1,031,372

#### *Amortization of deferred outflows and deferred inflows of resources*

Under generally accepted accounting principles, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expenses.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining services lives (EARS�) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARS�) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARS� for PERF C for the measurement period ending June 30, 2023 is 3.8 years, which was obtained by dividing the total service years of 600,538 (the sum of remaining service lifetimes of the active employees) by 160,073 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

# Upper San Gabriel Valley Municipal Water District

## Notes to Financial Statements For the fiscal year ended June 30, 2024

### NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### ***Pension expense and deferred outflows and deferred inflows of resources related to pensions***

As of the start of the measurement period (July 1, 2022), the District's net pension liability was \$2,348,628. For the measurement period ending June 30, 2023 (the measurement date), the District incurred a pension expense of \$482,276.

As of June 30, 2024, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 130,661	\$ 20,269
Changes in assumptions	154,420	-
Difference between projected and actual investment earnings	414,114	-
Difference between employer's contribution and proportionate share of contributions	369,460	88,834
Change in employer's proportion	21,361	615,861
Pension contributions made subsequent to measurement date	1,300,977	-
Totals	<u>\$ 2,390,993</u>	<u>\$ 724,964</u>

The amounts above are net of outflows and inflows recognized in the 2023-24 measurement period expense. Contributions subsequent to the measurement date of \$1,300,977 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal year ended June 30,	Deferred outflows/(inflows) of resources, net
2025	\$ 38,166
2026	19,212
2027	295,791
2028	11,883
2029	-
Thereafter	-

#### ***Payable to the pension plan***

As of June 30, 2024, the District reported a payable of \$16,906 for the outstanding amount of contributions to the pension plan required for the year then ended.



# *Upper San Gabriel Valley Municipal Water District*

## **Notes to Financial Statements For the fiscal year ended June 30, 2024**

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### **NOTE 9: DEFERRED COMPENSATION AGREEMENT**

Upper District offers its employees a deferred compensation plan (DC Plan) created in accordance with Internal Revenue Code Section 457. The DC Plan, available to all of the Upper District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

All amounts of compensation deferred under the DC Plan are held in trust, not controlled by the District and are not subject to the creditors of the Upper District. Accordingly, the assets and liabilities of the DC Plan are not reflected in these financial statements in accordance with GASB 84.

### **NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

#### ***General information about the OPEB Plan***

##### *Plan description*

Upper District provides postretirement medical benefits to employees who retire directly from Upper District under a single employer defined benefit postemployment benefits plan. In March 2014, the Board of Directors authorized the prefunding of OPEB through an irrevocable trust, the California Employer's Retiree Benefit Trust (CERBT). The CalPERS Board of Administration has sole and exclusive control and power over the administration and investment of the CERBT. The plan itself does not issue a separate set of financial statements. The CERBT plan does issue a separate set of financial statements that can be obtained from the CalPERS website.

Upper District's postemployment healthcare benefits provided to certain qualified employees, directors and their dependents based on resolutions by the Board of Directors are as follows:

- A Health & Accident and Major Medical Payments Insurance Policy, as selected and approved by the Board.
- A combined maximum of up to \$12,000 per calendar year, depending on date of hire and applicable plan, for retirees and their dependents for medical costs not covered by the insurance policy above and for eligible costs of dental, vision and/or hearing.

These benefits are provided to each retired employee, hired full-time before July 1, 2021, who has served the Upper District for more than ten years before terminating employment at age 55 years or older and each retired director who served in office after January 1, 1981, was elected to the board prior to January 1, 1995, has served not less than twelve years or three full terms of office and has attained the age of 50 years.

Officers and full-time employees who began service with the Upper District, on or after July 1, 2021, and has served the Upper District continuously for a period of ten (10) years or more and is either (a) deceased while employed full-time with the Upper District, or (b) has reached the normal retirement age set by CalPERS while employed full-time with Upper District, but has not yet attained the age of 65 years or eligibility for Medicare (Medicare Age) shall receive the same or equivalent medical benefits to that offered to active employees of the same tier.

# Upper San Gabriel Valley Municipal Water District

## Notes to Financial Statements For the fiscal year ended June 30, 2024

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### NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

#### *Employees covered by benefit terms*

As of June 30, 2023 (valuation date), the following employees were covered by the benefit terms of the Plan:

Category	Count
Active employees	10
Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefit payments	-
<b>Total</b>	<b>17</b>

#### *Contributions and funding policy*

The Plan and its contribution requirements are established and may be amended by the Board of Directors. In March 2014, the Board of Directors authorized the execution of the prefunding agreement with the CERBT and fully funding the annual required contributions (contractually determined) for OPEB.

During fiscal year ended June 30, , Upper District contributed \$131,628 to the Plan. As the measurement date of June 30, 2023, the Trust account balance was \$2,353,206. The Trust assets are dedicated to providing benefits to retirees and are legally protected from the creditors of the Upper District and the plan members. The Trust assets are not reported in the Upper District's financial statements.

#### ***Net OPEB Liability***

Upper District's net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023.

#### *Actuarial assumptions*

This valuation assumes that the Upper District will fund the Plan on an ad hoc basis, in an amount sufficient to fully fund the obligation over a period not to exceed 29 years. The Normal Cost is the portion of the Actuarial Present Value of benefits allocated to a valuation year. The UAAL is the excess of the Entry Age Normal Actuarial Accrued Liability over the Market Value of Assets.

# Upper San Gabriel Valley Municipal Water District

## Notes to Financial Statements For the fiscal year ended June 30, 2024

### NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

The total OPEB liability for the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

#### Actuarial Assumptions:

Actuarial cost method	Entry age actuarial cost method
Asset valuation method	Fair value of assets
Inflation	2.50%
Salary Increases	2.75% per year
Investment Rate of Return	6.75% per year of net expenses; based on assumed long-term return on plan assets assuming 100% funding through CERBT using the Building Block Method
Healthcare cost trend rates	4.00% per year
Mortality rates	Based on 2021 CalPERS mortality for miscellaneous and schools employees

The valuation used historic 29-year real rates of return for each class along with the assumed long-term inflation assumption to set the discount rate. It offsets the expected investment return by investment expenses of 50 basis points. Following is the assumed asset allocation and assumed rate of return for each asset class:

Asset Class	Percentage of Portfolio	Assumed Growth Return
All Equities	59%	7.55%
All Fixed income	25%	4.25%
Real estate investment trusts	8%	7.25%
All Commodities	3%	7.55%
Treasury Inflation Protected Securities (TIPS)	5%	3.00%
Total	100%	

#### Discount rate

The discount rate used to measure the total OPEB liability was 6.75%. This assumes that contributions would be sufficient to fully fund the obligation over a period not to exceed 29 years. The rate is based on the real rate of return expected for plan assets plans plus long-term inflation assumption.

#### Change in assumptions

There were no assumption changes since the prior measurement date.

# Upper San Gabriel Valley Municipal Water District

## Notes to Financial Statements For the fiscal year ended June 30, 2024

### NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

#### *Change in the Net OPEB Liability*

	Increases (Decreases)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2023 (Measurement Date June 30, 2022)	\$ 2,785,158	\$ 2,171,188	\$ 613,970
Changes for the year:			
Service cost	89,041	-	89,041
Interest on the Total OPEB Liability	187,316	-	187,316
Investment gains and losses	-	138,349	(138,349)
Contributions - employer	-	155,240	(155,240)
Benefit payments	(110,941)	(110,941)	-
Administrative expenses	-	(630)	630
Experience gains/losses	(503,114)	-	(503,114)
Changes in assumptions	(125)	-	(125)
Net Changes	(337,823)	182,018	(519,841)
Balance at June 30, 2024 (Measurement Date June 30, 2023)	\$ 2,447,335	\$ 2,353,206	\$ 94,129

#### *Sensitivity of the net OPEB liability to changes in the discount rate*

The net OPEB liability of the Upper District, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) follows:

	Discount rate 1% Lower	Valuation Discount Rate	Discount rate 1% Higher
Net OPEB Liability	\$ 375,081	\$ 94,129	\$ (139,419)
	Trend 1% Lower	Valuation Trend	Trend 1% Higher
Net OPEB Liability	\$ (172,422)	\$ 94,129	\$ 419,980

# Upper San Gabriel Valley Municipal Water District

## Notes to Financial Statements For the fiscal year ended June 30, 2024

### NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

#### *OPEB expense and deferred inflows and outflows of resources related to OPEB*

For the year ended June 30, , Upper District recognized OPEB expense of \$68,646 with details as follows:

	Total
Service cost	\$ 89,041
Interest cost	187,316
Expected return in assets	(148,029)
Administration expense	630
Recognition of experience (gain)/loss deferrals	(140,876)
Recognition of assumption change deferrals	10,313
Recognition of investment (gain)/loss deferrals	70,251
Total OPEB Expense	<u>\$ 68,646</u>

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

	Deferred outflows of resources	Deferred inflows of resources
OPEB contributions subsequent to measurement date	\$ 131,628	\$ -
Changes in assumptions	54,753	106
Experience gains/losses	-	708,129
Investment gains/losses	230,518	-
Total	<u>\$ 416,899</u>	<u>\$ 708,235</u>

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

Fiscal year ended June 30:	Deferred outflows/(inflows) of resources
2025	\$ (62,263)
2026	(69,663)
2027	(31,181)
2028	(103,812)
2029	(89,565)
Thereafter	(66,480)

# *Upper San Gabriel Valley Municipal Water District*

## **Notes to Financial Statements For the fiscal year ended June 30, 2024**

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### **NOTE 11: COMMITMENTS AND CONTINGENCIES**

#### ***Grant awards***

Upper District has received funds for specific purposes that are subject to review and audit by the grantors. Although such audits could generate expenditure disallowances under terms of the grants or contracts, management believes that any required reimbursements will not be material.

#### ***Litigation***

Legal claims and lawsuits arise from time to time in the normal course of business, which, in the opinion of management, will have no material effect on the Upper District's financial position.

#### ***Construction activities***

Upper District has a variety of agreements with private contractors relating to the construction of water recycling projects. Upper District has no commitments from open construction contracts as of June 30, 2024.

## **Required Supplementary Information**

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# Upper San Gabriel Valley Municipal Water District

## Schedule of the District's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date Last 10 Years

Measurement date	Employer's proportion of the collective net pension liability (asset)	Employer's proportionate share of the collective net pension liability <sup>1</sup>	Covered payroll	Employer's proportionate share of the collective net pension liability as a percentage of the employer's covered payroll	Pension plan's fiduciary net position as a percentage of the total pension liability
June 30, 2014	0.020400%	\$ 1,269,653	\$ 1,087,130	116.79%	83.23%
June 30, 2015	0.022304%	1,528,941	1,188,341	128.66%	79.89%
June 30, 2016	0.023155%	2,003,628	1,191,276	168.19%	75.87%
June 30, 2017	0.023753%	2,355,668	943,618	249.64%	75.44%
June 30, 2018	0.024108%	2,323,090	1,127,628	206.02%	75.50%
June 30, 2019	0.024778%	2,539,000	1,310,022	193.81%	74.39%
June 30, 2020	0.025300%	2,752,218	1,423,225	193.38%	74.39%
June 30, 2021	0.029270%	1,583,206	1,361,709	116.27%	86.16%
June 30, 2022	0.020333%	2,348,628	1,179,439	199.13%	80.97%
June 30, 2023	0.020502%	2,557,698	1,191,332	214.69%	80.85%

<sup>1</sup> Proportion of the collective net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

# Upper San Gabriel Valley Municipal Water District

## Schedule of Pension Plan Contributions Last 10 Years

<u>Fiscal year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2015	\$ 204,555	\$ (708,613)	\$ (504,058)	\$ 1,188,341	59.63%
June 30, 2016	228,626	(228,626)	-	1,191,276	19.19%
June 30, 2017	203,040	(203,040)	-	943,618	21.52%
June 30, 2018	217,448	(217,448)	-	1,127,628	19.28%
June 30, 2019	270,063	(270,063)	-	1,310,122	20.61%
June 30, 2020	313,575	(313,575)	-	1,423,225	22.03%
June 30, 2021	332,348	(332,348)	-	1,361,709	24.41%
June 30, 2022	1,322,497	(322,497)	1,000,000	1,179,439	112.13%
June 30, 2023	357,339	(357,339)	-	1,191,332	29.99%
June 30, 2024	1,300,977	(300,977)	1,000,000	1,371,111	94.88%

### Notes to Schedule:

*Change in benefit terms:* There were no changes to benefit terms that applied to all members of the Public Agency Pool. Additionally, the figures above do not include any liability impact that may have resulted from Golden Handshakes that occurred after the June 30, 2021 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

*Changes in Assumptions:* Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. There were no assumption changes for 2021. For 2020, the Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019. There were no changes in assumptions in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate in 2019. In 2017, the accounting discount rate was reduced from 7.65% to 7.15%. In 2016, there were no changes in the discount rate. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5% discount rate.

# Upper San Gabriel Valley Municipal Water District

## Schedule of Changes in the Net OPEB Liability and Related Ratios Last 10 Years\*

Measurement date	2017	2018	2019	2020	2021	2022	2023
<b>Total OPEB Liability</b>							
Service cost	\$ 52,554	\$ 53,999	\$ 55,484	\$ 77,388	\$ 79,516	\$ 86,658	\$ 89,041
Interest on the Total OPEB Liability	171,159	177,712	183,972	171,028	184,605	176,090	187,316
Actual and expected experience difference	-	-	-	-	-	-	-
Experience gains/losses	-	-	(307,813)	-	(222,423)	34,994	(504,795)
Changes in assumptions	-	-	-	-	85,749	-	(125)
Expected less actual benefit payments	-	-	-	4,851	(38,244)	-	1,681
Benefit payments	(120,998)	(142,099)	(143,959)	(115,900)	(78,249)	(120,992)	(110,941)
<b>Net change in Total OPEB Liability</b>	102,715	89,612	(212,316)	137,367	10,954	176,750	(337,823)
<b>Total OPEB Liability - beginning</b>	2,480,076	2,582,791	2,672,403	2,460,087	2,597,454	2,608,408	2,785,158
<b>Total OPEB Liability - ending (a)</b>	2,582,791	2,672,403	2,460,087	2,597,454	2,608,408	2,785,158	2,447,335
<b>Plan Fiduciary Net Position</b>							
Contribution - employer	433,842	261,275	247,902	226,843	1,078,249	209,650	155,240
Net investment income	43,890	46,053	58,540	33,812	304,496	(321,928)	148,029
Investment gains and losses	-	1,650	(9,766)	-	-	-	(9,680)
Benefit payments	(120,998)	(142,099)	(104,446)	(115,900)	(78,249)	(120,992)	(110,941)
Administrative expense	(232)	(1,112)	(164)	(468)	(422)	(609)	(630)
<b>Net change in Plan Fiduciary Net Position</b>	356,502	165,767	192,066	144,287	1,304,074	(233,879)	182,018
<b>Plan Fiduciary Net Position - beginning</b>	242,371	598,873	764,640	956,706	1,100,993	2,405,067	2,171,188
<b>Plan Fiduciary Net Position - ending (b)</b>	598,873	764,640	956,706	1,100,993	2,405,067	2,171,188	2,353,206
<b>Net OPEB Liability - ending (a) - (b)</b>	<b>\$ 1,983,918</b>	<b>\$ 1,907,763</b>	<b>\$ 1,503,381</b>	<b>\$ 1,496,461</b>	<b>\$ 203,341</b>	<b>\$ 613,970</b>	<b>\$ 94,129</b>
Plan fiduciary net position as a percentage of the total OPEB liability	23.19%	28.61%	38.89%	42.39%	92.20%	77.96%	96.15%
Covered-employee payroll <sup>1</sup>	\$ 1,107,374	\$ 1,294,561	\$ 1,366,231	\$ 1,449,600	\$ 1,077,504	\$ 1,465,990	\$ 1,356,363
Net OPEB liability as a percentage of covered-employee payroll <sup>1</sup>	179.16%	147.37%	110.04%	103.23%	18.87%	41.88%	6.94%

<sup>1</sup> Contributions to the OPEB plan are not based on a measure of pay.

\* Historical information is required only for measurement periods for which it is applicable. Future years' information will be displayed up to 10 years as information becomes available.

# Upper San Gabriel Valley Municipal Water District

## Schedule of OPEB Plan Contributions Last 10 Years\*

Fiscal year	Contractually determined contribution	Contributions in relation to the contractually determined contribution	Contribution deficiency (excess)	Covered- employee payroll <sup>1</sup>	Contributions as a percentage of employee covered payroll
June 30, 2018	\$ 120,856	\$ (240,032)	\$ (119,176)	\$ 1,294,561	18.54%
June 30, 2019	104,446	(247,902)	(143,456)	1,366,231	18.14%
June 30, 2020	226,843	(226,843)	-	1,449,600	15.65%
June 30, 2021	230,663	(1,078,249)	(847,586)	1,077,504	100.07%
June 30, 2022	107,828	(209,650)	(101,822)	1,465,990	14.30%
June 30, 2023	155,391	(155,240)	151	1,356,363	11.45%
June 30, 2024	83,082	(131,628)	(48,546)	1,396,210	9.43%

<sup>1</sup> Contributions to the OPEB plan are not based on a measure of pay.

### Notes to schedule:

Actuarial methods and assumptions used to set actuarially determined contributions for fiscal year 2024 were from the June 30, 2023 actuarial valuation.

### Methods and assumptions used to determine contributions:

Actuarial cost method	Entry age actuarial cost method
Amortization methodology	Straight-line recognition over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits as of the beginning of the Measurement Period. In determining the EARSL, all active, retired, and inactive (vested) members are counted, with the latter two groups having 0 remaining service years
Asset valuation method	Fair value of assets
Inflation	2.50%
Payroll growth	2.75% per year
Investment rate of return	6.75% per year of net expenses
Healthcare trend	4.0% per year
Retirement age	Hired 2013 and later: 2021 CalPERS 2.0%@62 rates for Miscellaneous Employees; Hired 2012 and earlier: 2021 CalPERS 2.7%@55 rates for Miscellaneous Employees
Mortality	2021 CalPERS Mortality for Miscellaneous and Schools Employees

\* Historical information is required only for measurement periods for which it is applicable. Future years' information will be displayed up to 10 years as information becomes available.

**Statistical Section  
(Unaudited)**

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# *Upper San Gabriel Valley Municipal Water District*

## **Statistical Section**

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This part of the Upper District's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Upper District's overall financial health.

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## Upper San Gabriel Valley Municipal Water District

### Changes in Net Position Last Ten Fiscal Years (Unaudited) (In Thousands)

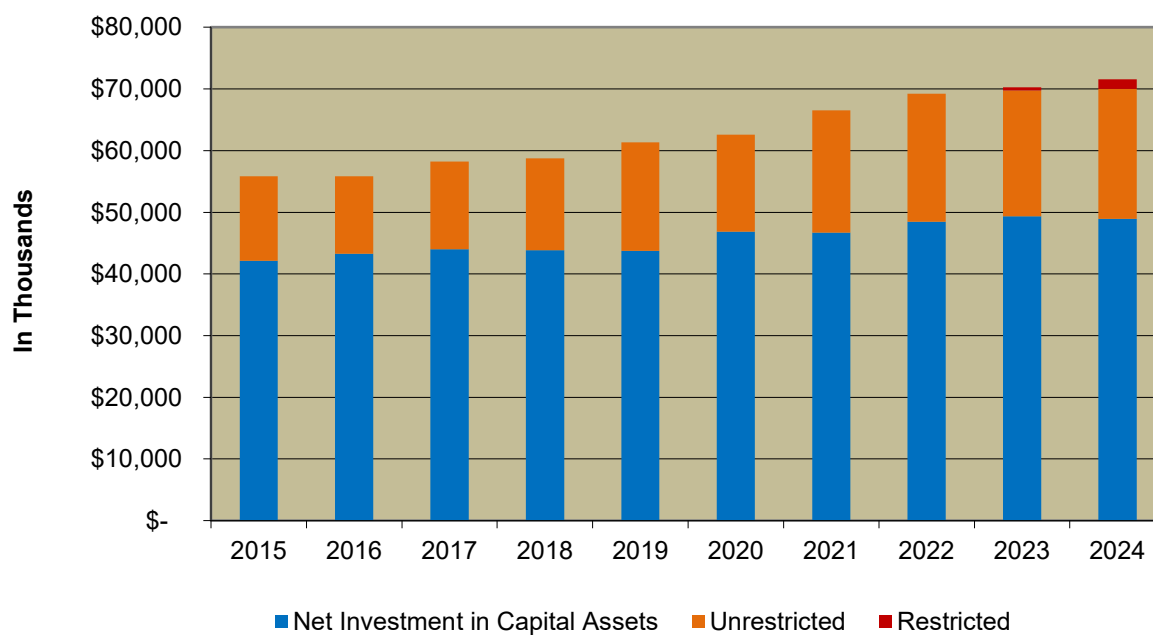
	Fiscal Year Ended June 30									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Changes in net position:										
Operating revenues	\$ 37,928	\$ 20,800	\$ 38,154	\$ 22,671	\$ 38,384	\$ 33,388	\$ 55,854	\$ 48,840	\$ 46,295	\$ 62,497
Operating expenses	(39,849)	(23,770)	(39,557)	(26,900)	(39,515)	(36,290)	(56,057)	(49,888)	(49,569)	(66,087)
Depreciation and amortization	(1,072)	(1,121)	(1,100)	(1,090)	(1,111)	(1,102)	(1,107)	(1,102)	(1,179)	(1,244)
<b>Operating income (loss)</b>	<b>(2,993)</b>	<b>(4,091)</b>	<b>(2,503)</b>	<b>(5,319)</b>	<b>(2,242)</b>	<b>(4,004)</b>	<b>(1,310)</b>	<b>(2,150)</b>	<b>(4,453)</b>	<b>(4,834)</b>
Nonoperating revenues (expenses)										
Standby charges	3,623	3,541	3,576	3,541	3,648	4,047	4,244	4,192	4,065	4,055
Nonoperating program expenses	(592)	(168)	29	29	-	-	-	-	-	-
Investment earnings	66	91	48	132	422	353	55	(258)	376	1,034
Taxes	372	441	546	586	613	724	709	733	755	921
Gain on sale of property and equipment				1,427	-	4	-	-	(7)	-
Change in fair value of investments	2	-	-	-	-	-	-	-	-	-
<b>Net nonoperating revenues (expenses)</b>	<b>3,471</b>	<b>3,905</b>	<b>4,199</b>	<b>5,715</b>	<b>4,683</b>	<b>5,128</b>	<b>5,008</b>	<b>4,667</b>	<b>5,189</b>	<b>6,010</b>
<b>Net income (loss) before capital contributions</b>	<b>478</b>	<b>(186)</b>	<b>1,696</b>	<b>396</b>	<b>2,441</b>	<b>1,124</b>	<b>3,698</b>	<b>2,517</b>	<b>736</b>	<b>1,176</b>
Contributions for capital acquisition/construction	348	208	685	1,329	186	121	249	155	325	109
<b>Changes in net position</b>	<b>\$ 826</b>	<b>\$ 22</b>	<b>\$ 2,381</b>	<b>\$ 1,725</b>	<b>\$ 2,627</b>	<b>\$ 1,245</b>	<b>\$ 3,947</b>	<b>\$ 2,672</b>	<b>\$ 1,061</b>	<b>\$ 1,285</b>

Source: Finance and Administration Department

## Upper San Gabriel Valley Municipal Water District

### Net Position by Component Last Ten Fiscal Years (Unaudited) (In Thousands)

Fiscal Year Ended June 30	Net Investment in Capital Assets	Restricted	Unrestricted	Total
2015	\$ 42,128	\$ -	\$ 13,714	\$ 55,842
2016	43,278	-	12,587	55,865
2017	44,009	-	14,237	58,246
2018	43,847	-	14,872	58,719
2019	43,768	-	17,578	61,346
2020	46,885	-	15,706	62,591
2021	46,707	-	19,831	66,538
2022	48,485	-	20,725	69,210
2023	49,363	525	20,382	70,270
2024	48,922	1,563	21,071	71,556

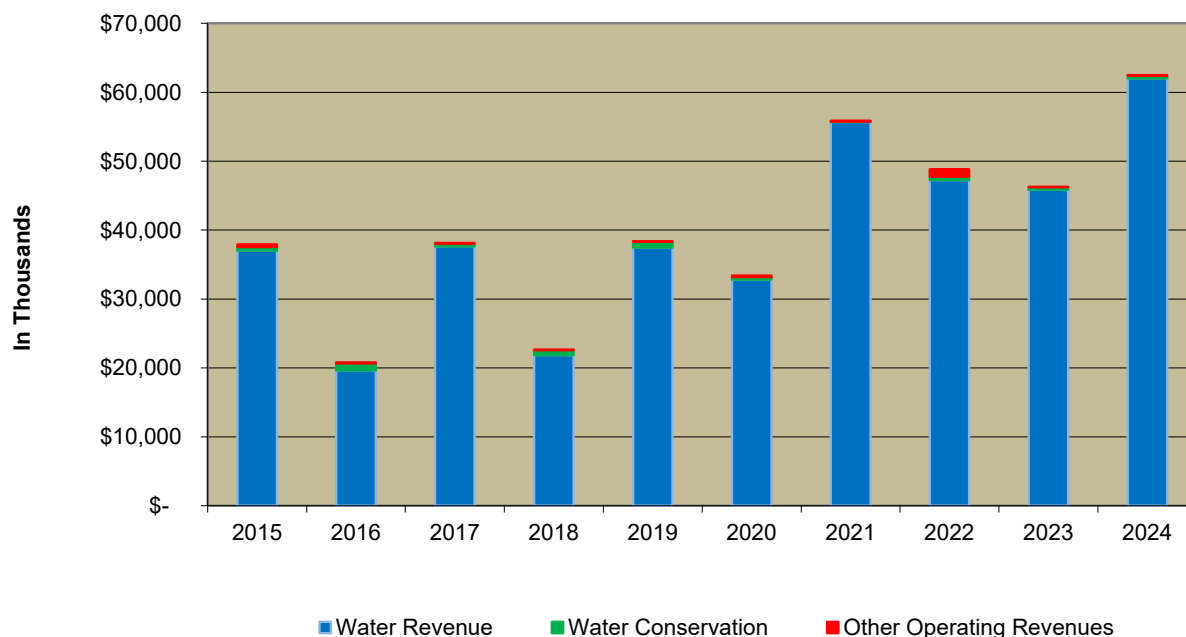


Source: Finance and Administration Department

## Upper San Gabriel Valley Municipal Water District

### Operating Revenues by Major Source Last Ten Fiscal Years (Unaudited) (In Thousands)

Fiscal Year Ended June 30	Water Revenue	Water Conservation	Other Operating Revenues	Total Operating Revenues
2015	\$ 37,021	\$ 545	\$ 362	\$ 37,928
2016	19,670	996	134	20,800
2017	37,646	430	78	38,154
2018	21,880	713	77	22,670
2019	37,459	837	88	38,384
2020	32,810	372	206	33,388
2021	55,708	31	115	55,854
2022	47,256	507	1,077	48,840
2023	45,892	313	90	46,295
2024	62,016	377	104	62,497

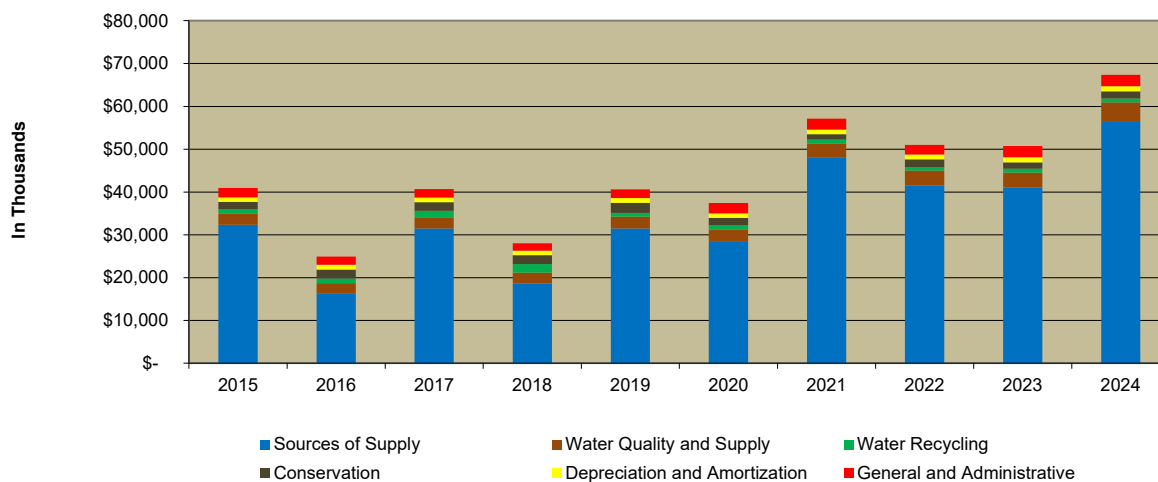


Source: Finance and Administration Department

# Upper San Gabriel Valley Municipal Water District

## Operating Expenses by Activity Last Ten Fiscal Years (Unaudited) (In Thousands)

Fiscal Year Ended June 30	Sources of Supply	Water Quality and Supply	Water Recycling	Conservation	Depreciation and Amortization	General and Administrative	Total Operating Expenses
2015	\$ 32,366	\$ 2,623	\$ 927	\$ 1,767	\$ 1,072	\$ 2,166	\$ 40,921
2016	16,345	2,342	1,066	2,127	1,121	1,890	24,891
2017	31,502	2,441	1,650	2,020	1,100	1,944	40,657
2018	18,590	2,569	2,008	2,049	1,090	1,684	27,990
2019	31,458	2,782	883	2,335	1,111	2,057	40,626
2020	28,321	2,962	939	1,695	1,102	2,373	37,392
2021	48,111	3,217	895	1,265	1,107	2,569	57,164
2022	41,557	3,443	828	1,803	1,102	2,257	50,990
2023	41,001	3,507	936	1,487	1,179	2,638	50,748
2024	56,579	4,342	904	1,678	1,244	2,584	67,331

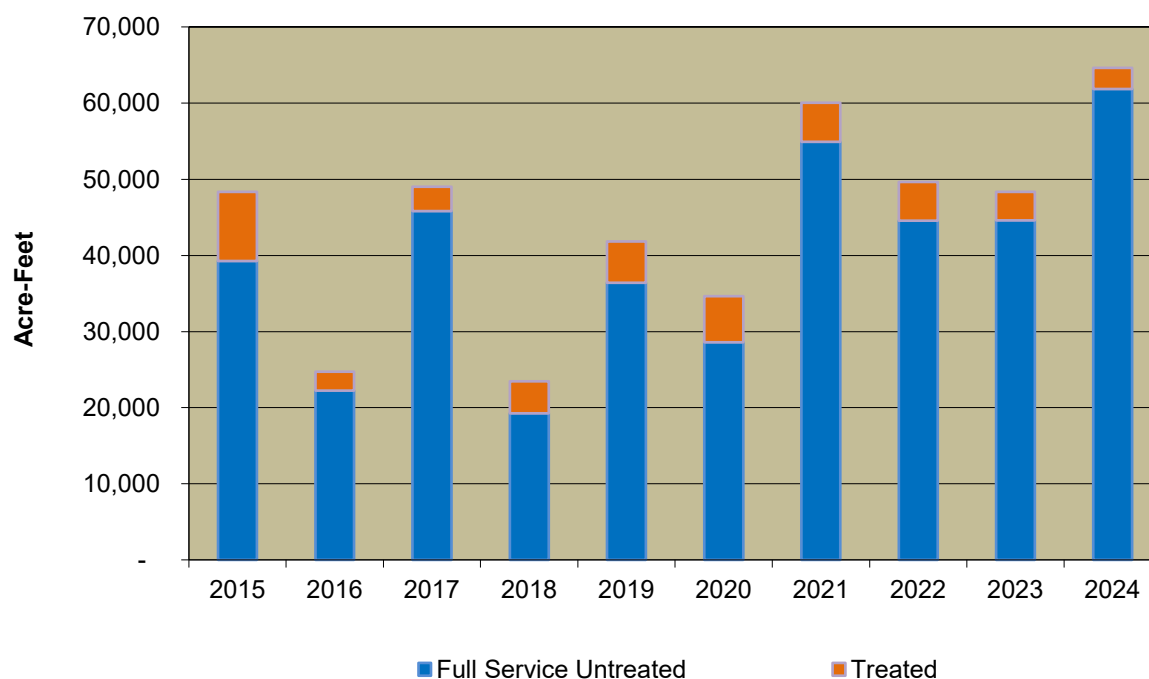


Source: Finance and Administration Department

# Upper San Gabriel Valley Municipal Water District

## Imported Water Deliveries Last Ten Fiscal Years (Unaudited) (In Acre Feet)

Fiscal Year Ended June 30	Treated	Full Service Untreated	Total
2015	9,069	39,287	48,356
2016	2,495	22,254	24,749
2017	3,197	45,813	49,010
2018	4,204	19,273	23,477
2019	5,420	36,421	41,841
2020	6,026	28,616	34,642
2021	5,146	54,895	60,041
2022	5,069	44,582	49,651
2023	3,734	44,614	48,348
2024	2,784	61,851	64,635



Source: Finance and Administration Department

# Upper San Gabriel Valley Municipal Water District

## Imported Water Rates and Charges

Fiscal years ended June 30, 2024 and 2023 (Unaudited)

	Rate per Acre-Foot		
	MWD	Upper District Surcharge	Total
<b>Fiscal Year Ended June 30, 2024</b>			
<i>July 1, 2023 to December 31, 2023</i>			
Full Service Treated Tier 1	\$ 1,209	\$ 103	\$ 1,312
Full Service Treated Tier 2	1,418	103	1,521
Full Service Untreated Tier 1	855	103	958
Full Service Untreated Tier 2	1,064	103	1,167
<i>January 1, 2024 to June 30, 2024</i>			
Full Service Treated Tier 1	\$ 1,256	\$ 103	\$ 1,359
Full Service Treated Tier 2	1,455	103	1,558
Full Service Untreated Tier 1	903	103	1,006
Full Service Untreated Tier 2	1,102	103	1,205
<b>Fiscal Year Ended June 30, 2023</b>			
<i>July 1, 2022 to December 31, 2022</i>			
Full Service Treated Tier 1	\$ 1,143	\$ 103	\$ 1,246
Full Service Treated Tier 2	1,185	103	1,288
Full Service Untreated Tier 1	799	103	902
Full Service Untreated Tier 2	841	103	944
<i>January 1, 2023 to June 30, 2023</i>			
Full Service Treated Tier 1	\$ 1,209	\$ 103	\$ 1,312
Full Service Treated Tier 2	1,418	103	1,521
Full Service Untreated Tier 1	855	103	958
Full Service Untreated Tier 2	1,064	103	1,167

Source: Finance and Administration Department

## *Upper San Gabriel Valley Municipal Water District*

### **Water Rates per Acre Foot Last Ten Fiscal Years (Unaudited)**

---

<b>Fiscal Year Ended June 30, 2024</b>	<b>Full Service Treated Tier 1</b>	<b>Full Service Treated Tier 2</b>	<b>Full Service Untreated Tier 1</b>	<b>Full Service Untreated Tier 2</b>
2015	\$ 1,014	\$ 1,146	\$ 673	\$ 805
2016	1,045	1,179	697	831
2017	1,082	1,176	769	863
2018	1,118	1,204	798	884
2019	1,153	1,239	834	920
2020	1,181	1,268	858	945
2021	1,207	1,249	880	922
2022	1,246	1,288	902	944
2023	1,312	1,521	958	1,167
2024	1,359	1,558	1,006	1,205

*Source: Finance and Administration Department*

## Upper San Gabriel Valley Municipal Water District

### Treated Water Sales by Customer Last Ten Fiscal Years (Unaudited) (In Acre Feet)

Fiscal Year Ended June 30	Golden State Water Company	City of South Pasadena	Suburban Water Systems	Watermaster/ City of Alhambra	City of Arcadia	City of Monrovia	City of Azusa	Valley County Water District	Total
2015	5	145	6,208	2,711	-	-	-	-	9,069
2016	2	2	4	2,487	-	-	-	-	2,495
2017	22	4	294	2,877	-	-	-	-	3,197
2018	21	1,134	62	2,987	-	-	-	-	4,204
2019	125	1,577	773	2,944	1	-	-	-	5,420
2020	16	173	2,848	2,983	6	-	-	-	6,026
2021	30	246	1,884	2,986	-	-	-	-	5,146
2022	298	342	1,428	2,992	-	-	9	-	5,069
2023	4	160	802	2,768	-	-	-	-	3,734
2024	80	-	171	2,531	-	2	-	-	2,784

Source: Finance and Administration Department



## *Upper San Gabriel Valley Municipal Water District*

### **Demographics and Economic Statistics – Los Angeles County Last Ten Calendar Years (Unaudited)**

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<b>Fiscal Year Ended June 30</b>	<b>Population (In Millions)</b>	<b>Real GDP Growth</b>	<b>Unemployment Rate</b>
2015	10.2	4.9%	6.6%
2016	10.2	2.4%	5.3%
2017	10.2	3.5%	4.8%
2018	10.1	3.4%	4.8%
2019	10.2	3.6%	4.5%
2020	10.0	-5.0%	12.3%
2021	10.0 <sup>(e)</sup>	6.2%	8.9%
2022	9.8 <sup>(e)</sup>	2.1%	4.9%
2023	9.8 <sup>(e)</sup>	2.1%	5.1%
2024	9.8 <sup>(e)</sup>	1.4% <sup>(f)</sup>	5.4% <sup>(f)</sup>

**Notes:**

*Upper District believes that trends shown by these data are indicative of conditions within its service area.*

*(e) Estimate*

*(f) Forecast*

*Sources: Los Angeles County Economic Development Corporation's 2024 Economic Forecast  
Census Bureau Data and the Los Angeles Almanac*

## *Upper San Gabriel Valley Municipal Water District*

### **Ten Largest Employers in Los Angeles County June 30, 2024 (Unaudited)**

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<u>Employer</u>	<u>Number of Employees</u>
County of Los Angeles	100,800
Los Angeles Unified School District	90,900
City of Los Angeles	68,300
University of California, Los Angeles	51,700
Federal Government (except defense and state)	44,600
Kaiser Permanente	37,400
State of California (non-education)	33,900
University of Southern California	21,000
Northrop Grumman Corp.	16,600
Amazon	16,200

*Source: Los Angeles Almanac (2023)*

## Upper San Gabriel Valley Municipal Water District

### Operating and Capital Indicators - General Last Ten Fiscal Years (Unaudited)

	Fiscal Year Ended June 30										
	2015	2016	2017	2018	2019	2020	2021	#	2022	2023	2024
Service Area											
Approximate Service Area (in sq. miles)	144	144	144	144	144	144	144		144	144	144
Number of Member Agencies	29	29	29	29	29	29	29		29	29	26
Number of Cities/Communities	18	18	18	18	18	18	18		18	18	18
Active Employees (FTE)	12	11	11	12	12	12	11		10	10	10
Imported Water System											
Number of Service Connections	9	9	9	9	9	9	9		9	9	9
Peak System Capacity (Imported)											
Cubic feet per second	323	323	323	323	323	323	323		323	323	323
Million gallons per day	208	208	208	208	208	208	208		208	208	208
Recycled Water System											
Number of Pump Stations	2	2	2	2	2	2	2		2	2	2
Number of Reservoirs	2	2	2	2	2	2	2		2	2	2
Number of Service Connections	76	76	76	76	113	113	113		113	113	81
Length of Pipeline (in miles)	22	22	22	22	22	22	22		22	22	22

Sources: Finance and Administration Department  
Government Affairs and Community Outreach Department  
Planning, Engineering and Resources Department  
Metropolitan Water District of Southern California

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