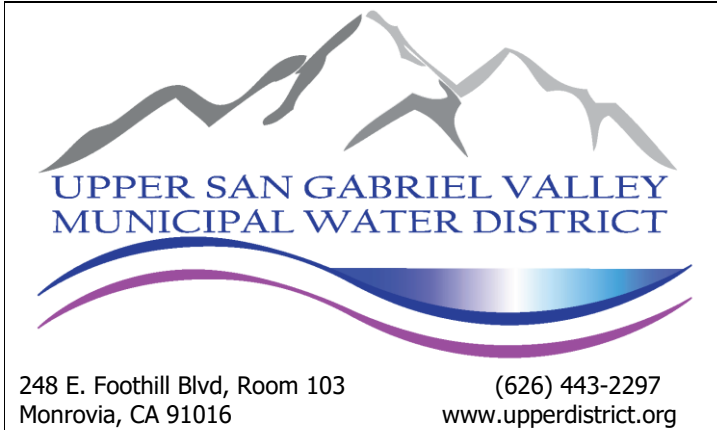


**ADMINISTRATION AND FINANCE
COMMITTEE MEETING
AND
SPECIAL MEETING OF THE
BOARD OF DIRECTORS**

**Tuesday, November 7, 2023
4:00 P.M.**

Committee Members:

Jennifer Santana, Chair
Charles Treviño, Vice-Chair



*The Administration and Finance Committee meeting is noticed as a joint committee meeting with the Board of Directors for the purpose of compliance with the Brown Act. Members of the Board who are not assigned to the Administration and Finance Committee may attend and participate as members of the Board, whether or not a quorum of the Board is present. To preserve the function of the Committee as advisory to the Board, members of the Board who are not assigned to the Administration and Finance Committee will not vote on matters before the Committee.

Communications

1. Call to Order
2. Public Comment

Discussion/ Action

3. Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023. *(A representative from Rogers, Malody & Scott LLP will provide a presentation at the meeting.)*

Oral Reports

4. Financial Report and Quarterly Report on Investments – September 30, 2023

Other Matters

- 5.

Adjournment

Next Meeting: Tuesday, December 5, 2023 at 4:00 p.m.



American Disabilities Act Compliance *(Government Code Section 54954.2(a))*



To request special assistance to participate in this meeting, please contact the Upper District office at (626) 443-2297 or yenessa@usgvmwd.org at least 24 hours prior to meeting.

MEMORANDUM



ITEM 3.

DATE: November 6, 2023
TO: Administration and Finance Committee and the Board of Directors
FROM: General Manager
SUBJECT: Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023

Recommendation

Staff recommends that the Board of Directors receive and file the Annual Comprehensive Financial Report (Attachment) for the fiscal year ended June 30, 2023.

Background

Upper District's independent auditors, Rogers, Anderson, Malody & Scott, LLP (RAMS), have completed their audit of the financial statements for the fiscal year ended June 30, 2023. As in prior years, RAMS expressed an unmodified or clean opinion on the financial statements.

Staff will also be submitting, for the 13th consecutive year, the Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023 to the Government Finance Officers Association of the United States and Canada (GFOA) to participate in the Certificate of Achievement for Excellence in Financial Reporting program.

Attachment

Upper San Gabriel Valley Municipal Water District

Annual Comprehensive Financial Report

For the fiscal year ended June 30, 2023
(With comparative data for prior year)

Prepared by:
Finance and Administration Department

248 E. Foothill Blvd., Suite 200
Monrovia, California 91016

(This page intentionally left blank.)

Upper San Gabriel Valley Municipal Water District

**Annual Comprehensive Financial Report
For the fiscal year ended June 30, 2023
(With comparative data for prior year)**

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	i
GFOA Certificate of Achievement	xiv
Organizational Chart	xv
FINANCIAL SECTION:	
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Statement of Net Position	10
Statement of Revenues, Expenses, and Changes in Net Position	11
Statement of Cash Flows	12
Notes to Financial Statements	14
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date	41
Schedule of Pension Plan Contributions	42
Schedule of Changes in the Net OPEB Liability and Related Ratios	43
Schedule of OPEB Plan Contributions	44
STATISTICAL SECTION (UNAUDITED):	
Statistical Section - Table of Contents	45
Changes in Net Position	46
Net Position by Component	47
Operating Revenues by Major Source	48
Operating Expenses by Activity	49
Imported Water Deliveries	50
Imported Water Rates and Charges	51
Water Rates per Acre Foot	52
Treated Water Sales by Customer	53
Demographics and Economic Statistics - Los Angeles County	54
Ten Largest Employers in Los Angeles County	55
Operating and Capital Indicators - General	56

(This page intentionally left blank.)

Introductory Section

(This page intentionally left blank.)



October XX, 2023

The Honorable Board of Directors
Upper San Gabriel Valley Municipal Water District

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

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, 2023. 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, 2023. 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.

Profile of the Upper District

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

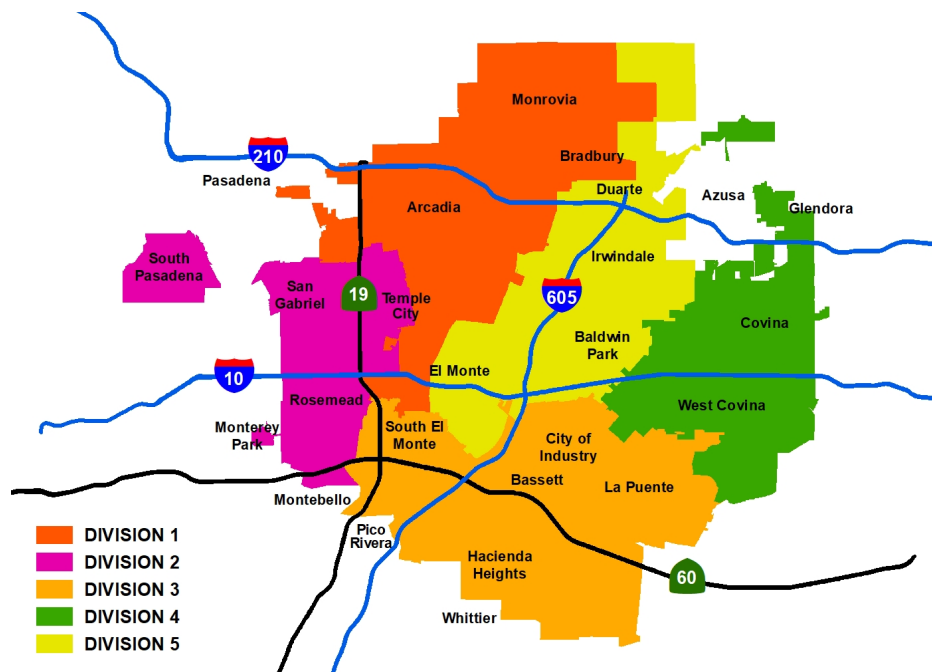
Upper District team, consisting of Board and staff, will embody the following core values in conducting the business of the district:

- 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

During the depths of the pandemic, California's economy followed a more restrictive path and took longer to get back on track. The State's turnaround began in the second half of 2020 and has continued over the past two years. Despite some weakness in economic activity this year, California is expected to see continued growth in jobs and the unemployment rate will be low. In the long run, it faces twin challenges with gaps in both its labor force and housing.

With the sectors of the economy gaining momentum in 2021, the California unemployment rate fell to 5.8% one year later, finally returning to its pre-pandemic rate of 4.1% in late 2022. Similarly, job growth accelerated in 2021 with a 3.6% gain as the economy rebounded and again in 2022 with a 5.1%, the fastest pace of growth in over 20 years. By August 2022, the State recouped all pandemic job losses. Like the nation, this recovery occurred more quickly than the Great Recession.

California's housing situation is both chronic and painful, and given the persistent shortfall of housing supplied relative to housing demanded, high home prices and low affordability have become entrenched in the housing market. The State's labor force will also be constrained in the coming years due to anticipated retirements from the Boomer generation. Addressing both of these issues is critical. California's economy need workers to fuel its growth but because of recent demographics trends made worse by the State's high cost of living, workers will be harder to find in the coming years.

Los Angeles County continues to steer the California economy due to the size of its population and reputation as a center of commerce. Representing about a quarter of all jobs in the State, employment changes in the County mirror those experienced by the State. The growth in the County's real gross county product slowed after its big recovery in 2021, with the forecast for the coming year expecting a slight decrease. While the unemployment rate returned close to its pre-pandemic level, a slight labor market contraction is expected in the coming years. In terms of the housing crisis in California, Los Angeles is considered one of the most troubled areas in this regard.

Over the past two years, the San Gabriel Valley regional economy has made significant progress in recovering from the downturn of the pandemic, with the path of the regional economy depending in part on the direction of the national and state economies.

Following the pandemic-fueled downturn in 2020 and 2021, the San Gabriel Valley economy made large strides in 2022, despite continuing challenges tied to the pandemic, supply chain disruptions, high interest rates, and inflation. The significant growth in employment was led by the leisure and hospitality, health care, and professional and business services sectors, with the region's unemployment rate reaching its lowest level in at least 10 years. While residential and commercial real estate struggled in 2022, the market for industrial space remained strong.

The San Gabriel Valley's industry profile resembles that of Los Angeles County, with few exceptions. Both have large shares of jobs in professional and business services, health care, wholesale trade and logistics, and leisure and hospitality, each of which saw substantial employment growth over the past year. As the region looks ahead to the balance of 2023 and beyond, its future growth prospects depend on the success of industries serving markets outside the San Gabriel Valley.

Sources: San Gabriel Valley Economic Partnership's 2023 Economic Forecast Report, Los Angeles County Economic Development Corporation's Economic Forecast 2023.

Major Initiatives

Consistent with its mission, the Upper District strives to assist local retail water providers to manage 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.

Since 2015, Upper District has been pre-purchasing untreated water for storage. As of June 30, 2023, the District has about 5,700 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 new 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. Metropolitan has about 24,100 acre-feet of water in its cyclic storage account as of June 30, 2023.

As California grappled with yet another historically dry year in 2022, Upper District worked closely with Metropolitan, Watermaster and the producers to develop potential short-term and long-term actions to reduce dependence on State Water Project (SWP) supplies.

A Quagga Mussel Control Plan was developed and submitted for approval by the Department of Fish and Wildlife and the Los Angeles Flood Control District as part of 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.

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. In January 2023, Upper District executed a letter agreement with Watermaster regarding the 15,000 acre-feet of water purchased in December through Metropolitan's RCP. The letter provides for deferred billing of Upper District's surcharge and recognition of related water sales revenue in the year water is actually delivered by Metropolitan. By the end of June 30, 2023, Metropolitan delivered 4,000 acre-feet of the pre-purchased water, leaving 11,000 acre-feet for delivery in the future.

The prolonged drought in 2022 was followed by an exceptionally wet winter, bringing drought relief to the region. With reservoirs nearing capacity and the snowpack being one of the largest on record in California, the Department of Water Resources raised the SWP allocations to 100% in April 2023, a first since 2006. Upper District began working with Watermaster, the County, and Metropolitan to facilitate imported water deliveries into the Basin and address challenges associated with percolation and planned releases and maintenance operation by the County.

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. 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.

Integrated Resources Plan (IRP)

Completed in 2012, Upper District's IRP defines a long-term strategy for investments in a balanced portfolio of water supplies that are reliable and affordable. Upper District is currently implementing the strategy defined in the IRP, which includes the Recycled Water Program described in the next section.

Upper District is working on updating the Integrated Resource Plan to address significant changes regarding potential water resource programs and supply availability and strives to work with all stakeholders to implement innovative conservation, recycling, 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 who have 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.

Rose Hills Memorial Park – In early 2006, Upper District converted about half of the Rose Hills Memorial Park (Rose Hills) to recycled water for irrigation purposes. Prior to using recycled water, Rose Hills used approximately 388 million gallons (1,200 acre-feet) per year or about 1,000,000 gallons per day of drinking water for irrigation. By using recycled water,

Rose Hills reduced their drinking water demand by about 600 acre-feet per year, saving about 500,000 gallons of drinking water per day or enough drinking water to supply about 1,200 average single-family homes each year. As part of this project, an additional 21 million gallons of recycled water per year are provided to Rio Hondo College, Mill Elementary School and Gateway Pointe Industrial Park for irrigation purposes.

In 2014, Upper District assisted Rose Hills in obtaining \$500,000 in Proposition 84 grant funds to expand the recycled water system and serve an additional 600 acre-feet per year. This effort required Rose Hills to contribute \$500,000 towards the needed improvements which were completed in 2016, increasing the use of recycled water by another 600 acre-feet per year. Rose Hills has since disconnected from the Upper District system.

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 is anticipated to begin in October 2023.

Storm Water

MillerCoors Storm Water Capture Project

Upper District facilitated several meetings with Vulcan, MillerCoors, the LAFCD and Watermaster to determine feasible means of including MillerCoors' east pit as part of the LAFCD storm water capture system. LAFCD, Vulcan, and MillerCoors discussed the most feasible means to develop a storm water capture facility that meets the needs of all parties. At this time, no additional discussions are underway.

MS4 Stormwater Permit

Upper District staff participated in extensive discussions with the Council of Government Water Committee members on the MS4 stormwater permit and the potential to use regional facilities to reduce the cost of compliance. A technical study of the Peck Lake Park area was prepared for use by the Flood Control District and cities that currently benefit from the use of Peck Lake.

Water Use Efficiency

The effects of climate change and continuing drought-like conditions have left many groundwater basins at low or near record low levels. Upper District continues to maintain a proactive and innovative conservation outreach program for our residents in the San Gabriel Valley. For FY 22/23, 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.

As a result of ongoing drought in California and limited imported water allocations for State Water Project (SWP) water, MWD executed an Emergency Water Conservation Program (EWCP) in April 2022 to adopt a framework to reduce non-essential water use and preserve available supply for the greatest public benefit in SWP-dependent areas, which included Upper District. As part of the EWCP, MWD estimated that approximately 14,700 AF of SWP supply will be available to Upper District during July 2022 through December 2022.

In response to this action, the Upper District Board also adopted an Emergency Water Conservation Program in May 2022. Under the program, Upper District committed to work with MWD to implement the volumetric option for human health and safety water deliveries. The EWCP called for the implementation of a 20 percent level of conservation and limitation of outdoor irrigation to two days per week for all of Upper District's retail water agencies. The program also authorized Upper District staff to expand public information and education activities throughout its service area to increase awareness about the importance of reducing water use due to dry conditions and preserving existing water supply storage.

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), Hos Bib Irrigation Controllers (HBIC), Rain Barrels, Cisterns, and turf removal. Rebates were paid for 330,441 residential devices during the fiscal year that will produce approximately 844 acre feet (275,018,244 gallons) of lifetime water savings.

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 37,868 CII devices during FY

22/23 that will produce approximately 99 acre feet (32,259,249 gallons) of lifetime water savings.

Water Fill Station Program – During FY 22/23, Upper District completed its Water Filling Station program (WFS) which involves the installation of water bottle filling stations at designated public facilities located within Upper District's service area with high pedestrian traffic or provide recreational activity. The program provides accessibility to tap water, highlighting the quality of tap water while providing an alternative to one-time use plastic bottles. The production, packaging, and transportation of one-time use plastic bottles is both water and energy intensive. The aftermath of using one-time plastics is a long-term negative impact on the environment.

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.

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 of saplings, and trash removal. During FY 22/23, the volunteer events returned with an event in April and May 2023. Both events were designed to restart the program and reinvigorate the partnership between both agencies.

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 22/23, 2,286 students from 9 schools 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 2022-23 academic year. During FY 22/23, Upper District redesigned the booklet given to all 4th and 5th grade students during these assemblies. The booklet contains information related to water efficiency, water quality, watershed restoration, specific details about the San Gabriel Valley water infrastructure, and various activities to engage learning. The curriculum was updated to establish a more regional focus on water awareness and water levels to ensure students receive a personal connection to the lessons.

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. Upper District offered these field trips to any schools that were scheduled and postponed in 2020, but due to continuing restrictions at the schools, they were not able to participate.

Water Efficiency Workshops – Upper District continued offering virtual workshops and a total of 341 individuals virtually attended 14 workshops hosted by Upper District during FY 22/23. One workshop was held in-person at the new headquarters. Upper District is planning on hosting more in-person opportunities through the next fiscal year.

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 22/23.

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 9-12th grade. Upper District hosted the contest using virtual submission and voting of 208 posters submitted from 27 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 24 applications amounting to \$24,660.85 were awarded during the 2022/23 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 63 outreach booths during FY 22/23.

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 22/23, Waterfest returned 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 22/23, Upper District held Conserve-a-palooza in the spring 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 three 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.

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 22/23, 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 through the drought restrictions in FY 22/23. 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.

Drought Advertising – In response to Upper District's EWCP Level 2 alert, Upper District's staff embarked on an aggressive advertising and messaging campaign throughout its service area. The campaign centered on a basic message of "Thank U" for saving water for 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.

In all, the Upper District utilized \$70,000 in Member Agency Administered funds available through MWD to help supplement the extensive advertising buy that continued through the end of FY 22/23. The advertising buy consisted of billboards, digital billboards, bus stop advertisements and Spectrum commercials.

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 2022/23, 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, 2022. This was the 12th 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. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are 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, 2022

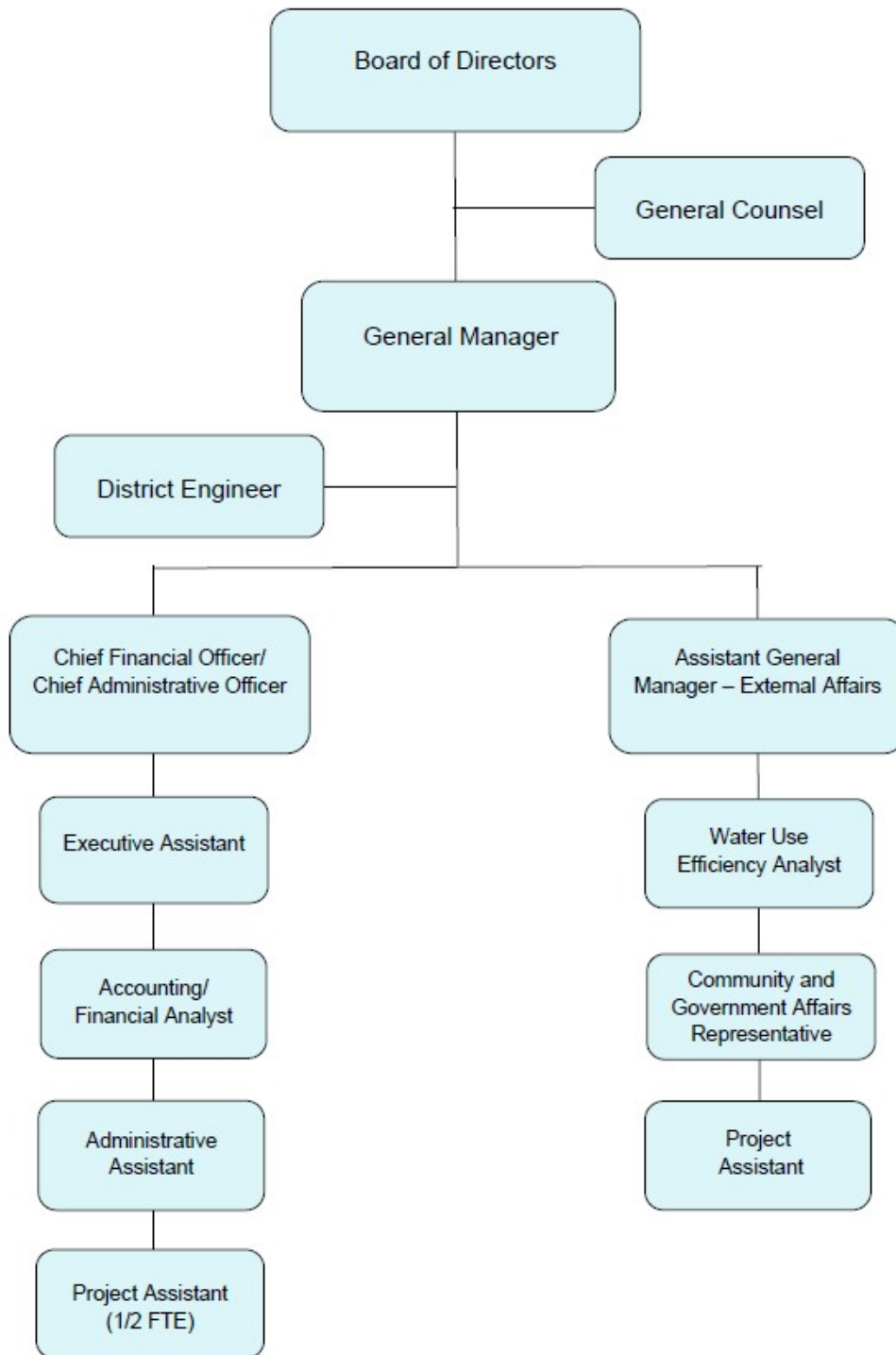
Christopher P. Morrill

Executive Director/CEO

(This page intentionally left blank.)

Upper San Gabriel Valley Municipal Water District

Organizational Chart



(This page intentionally left blank.)

Financial Section

(This page intentionally left blank.)

Independent Auditor's Report

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 accompanying financial statements of the Upper San Gabriel Valley Municipal Water District (Upper District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Upper District'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 Upper District, as of June 30, 2023, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the California State Controller's office and state regulations governing 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, 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 Upper District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Summarized Comparative Information

We have previously audited Upper District's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibility of Management for the Financial Statements

Upper District's 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 Upper District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 Upper District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Upper District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory section and statistical section but does not include the financial statements and our auditor's report thereon. Our opinion on the 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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 October XX, 2023, on our consideration of Upper District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Upper District's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
October XX, 2023

Upper San Gabriel Valley Municipal Water District

Management's Discussion and Analysis For the fiscal year ended June 30, 2023

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial performance and activities of the Upper San Gabriel Valley Municipal Water District (Upper District) for the fiscal years ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes which follow this section.

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 2022/23, the producers and Watermaster made combined imported water purchases of about 44,600 acre feet, a decrease of about 5,100 acre feet compared to prior fiscal year's.
- Under the three-year purchase agreement with Watermaster, about 13,700 acre-feet of untreated water were sold at cost.
- Capital expenditures during the fiscal year consisted mostly of costs associated with the renovation of Upper District's new office amounting to about \$1.37 million.
- In December 2022, Watermaster ordered from Upper District 15,000 acre-feet of water through Metropolitan's RCP equivalent to an \$11.99 million prepayment to Metropolitan and a corresponding unearned revenue. About \$8.78 million of this prepayment and unearned revenue remain as of June 30, 2023

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

Upper San Gabriel Valley Municipal Water District

Management's Discussion and Analysis For the fiscal year ended June 30, 2023

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	
	2023 (in thousands)	2022 (in thousands)	Dollar (in thousands)	Percentage
Assets				
Current assets	\$ 33,745	\$ 26,224	\$ 7,521	28.68%
Noncurrent assets, net	56,125	55,799	326	0.58%
Total assets	<u>89,870</u>	<u>82,023</u>	<u>7,847</u>	9.57%
Deferred outflows of resources	<u>2,193</u>	<u>1,838</u>	<u>355</u>	19.31%
Liabilities				
Current liabilities	11,287	4,145	7,142	172.30%
Noncurrent liabilities	8,987	8,480	507	5.98%
Total liabilities	<u>20,274</u>	<u>12,625</u>	<u>7,649</u>	60.59%
Deferred inflows of resources	<u>1,518</u>	<u>2,026</u>	<u>(508)</u>	-25.07%
Net position				
Net investment in capital assets	49,363	48,485	878	1.81%
Restricted	525	-	525	100.00%
Unrestricted	20,383	20,724	(341)	-1.65%
Total net position	<u>\$ 70,271</u>	<u>\$ 69,209</u>	<u>\$ 1,062</u>	1.53%

As shown above, Upper District's total assets exceeded liabilities and deferred inflows of resources by \$70.27 million and \$69.21 million as of June 30, 2023 and 2022, respectively, or an increase in net position of \$1.06 million between 2023 and 2022.

Assets

To help address the rapidly declining Basin levels, Upper District began pre-purchasing untreated water for cyclic storage in 2015. As of June 30, 2023 and 2022, Upper District's cyclic storage account has about 5,700 and 6,600 acre feet of water, respectively, amounting to \$4.77 million and \$4.15 million, also respectively. These are reported as part of current assets in Upper District's statements of net position. Current assets as of June 30, 2023 also include \$12.9 million worth of prepayment for water purchased by Upper District through Metropolitan's RCP.

Capital assets increased during fiscal year 2022/23 due to renovation costs for the new district headquarters offset by the annual provision for depreciation.

Upper San Gabriel Valley Municipal Water District

Management's Discussion and Analysis For the fiscal year ended June 30, 2023

Liabilities

Upper District's current liabilities as of June 30, 2023 increased by \$7.14 million from the prior fiscal year. This increase is mainly attributable to the unearned revenue associated with untreated water committed to Watermaster through 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. As of June 30, 2023, about 11,000 acre-feet of untreated water amounting to \$8.78 million remains to be delivered at a future date.

Upper District continued paying down its state revolving loan, reducing amount owed to CSWRCB by \$0.66 million and \$0.65 million for fiscal years ended June 30, 2023 and 2022, 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 increase in net investment in capital assets of about \$0.88 million during fiscal year 2022/23 is mainly attributable to renovation costs for the new district headquarters offset by the annual provision for depreciation.

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, 2023 and 2022, Upper District's net position increased by \$1.06 million and \$2.67 million, respectively, as shown by the table below.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	For the year ended		Change	
	2023	2022	Dollar	Percentage
	(in thousands)	(in thousands)	(in thousands)	
Operating revenue				
Water revenue	\$ 45,892	\$ 47,256	\$ (1,364)	-2.89%
Water conservation	313	507	(194)	-38.26%
Other operating revenue	90	1,077	(987)	-91.64%
Total operating revenue	46,295	48,840	(2,545)	-5.21%
Total operating expenses	50,749	50,990	(241)	-0.47%
Operating loss	(4,453)	(2,150)	(2,304)	107.12%
Standby charges	4,065	4,191	-126	-3.01%
Investment earnings, taxes, other	1,124	475	649	136.63%
Net nonoperating revenues	5,189	4,666	523	11.21%
Income before contributions	736	2,516	(1,781)	-70.75%
Capital contributions	325	155	170	109.68%
Change in net position	1,061	2,671	\$ (1,611)	-60.28%
Net position, beginning of year	69,210	66,538		
Net position, end of year	\$ 70,271	\$ 69,209		

Upper San Gabriel Valley Municipal Water District

Management's Discussion and Analysis For the fiscal year ended June 30, 2023

Operating Revenue

Upper District received a one-time reimbursement of \$1 million from Sunny Slope Water Company (SSWC) in fiscal year 2021/22 as repayment for grant funds provided by Upper District in 2011 and 2012 for the construction of SSWC's liquid-phase granular activated carbon treatment vessel. The grant agreement required SSWC's repayment of funds should project costs be recouped from responsible parties.

Upper District also sold less imported and recycled water in fiscal year 2022/23 compared to the previous year due to the recent exceptionally wet winter that brought much needed water into the region.

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 2022/23, 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 \$1.98 million, is used to offset MWD's RTS charge.

Investment earnings for fiscal year 2022/23 also showed some recovery after the global financial volatility in the prior fiscal year.

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 2022/23, Upper District sold less imported and recycled water compared to the previous year due to the recent exceptionally wet winter that brought much needed water into the region.

The remainder of this page left intentionally blank.

Upper San Gabriel Valley Municipal Water District

Management's Discussion and Analysis For the fiscal year ended June 30, 2023

Capital Asset Administration

As of June 30, 2023, and 2022, Upper District's investments in capital assets, net of accumulated depreciation, amounted to \$56.02 million and \$55.80 million, respectively. The following is a summary of capital assets:

	June 30		Change	
	2023 (in thousands)	2022 (in thousands)	Dollar (in thousands)	Percentage
Intangible utility plant	\$ 657	\$ 657	\$ -	0.00%
Construction in progress	8,576	11,098	(2,522)	-22.72%
Water recycling	52,105	52,105	-	0.00%
Building and improvements	7,438	3,548	3,890	109.64%
Furniture and equipment	204	441	(237)	-53.74%
Other	21	116	(95)	-81.90%
Subtotal	69,001	67,965	1,036	1.52%
Less accumulated depreciation	(12,983)	(12,167)	(816)	6.71%
Net capital assets	\$ 56,018	\$ 55,798	\$ 220	0.39%

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

Long-term Debt

Construction activities for the City of Industry Project were partially funded by a State Revolving Fund (SRF) loan from the California State Water Resources Control Board (CSWRCB) which, as of June 30, 2023, and 2022, amounted to \$6,654,484 and \$7,313,702, 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 25, 2022, 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 2022/23. This charge generates about \$2 million in revenues.

On the same date, the Board of Directors approved the water rates and charges for the different classes of water effective January 1, 2023. Upper District's water rates for the last ten fiscal years are presented on page 52 of the statistical section.

Upper San Gabriel Valley Municipal Water District

Management's Discussion and Analysis For the fiscal year ended June 30, 2023

Conditions Affecting Current Financial Position

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. 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 will not carry Upper District's surcharge.

After the three driest years in state history, Metropolitan launched its RCP in 2022 to preserve SWP supplies during low allocation years through deferment of deliveries to a future wet year. Upper District pre-purchased and pre-sold 15,000 acre-feet of water in December 2022 through Metropolitan's RCP. By the end of June 30, 2023, Metropolitan has delivered 4,000 acre-feet of the pre-purchased water, leaving 11,000 acre-feet for delivery at a future date.

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.

Basic Financial Statements

(This page intentionally left blank.)

Upper San Gabriel Valley Municipal Water District

Statement of Net Position

June 30, 2023

(With summarized comparative data for prior year)

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 13,464,783	\$ 12,985,645
Investments	5,557,849	5,514,984
Receivables:		
Water sales	569,846	2,331,242
Grants	216,669	-
Leases (Note 5)	22,325	-
Other	403,374	494,188
Prepurchased water	12,925,729	4,767,823
Prepaid expenses	59,167	129,736
Restricted:		
Restricted cash and investments - Section 115 trust	525,119	-
Total current assets	<u>33,744,861</u>	<u>26,223,618</u>
Noncurrent assets:		
Leases receivable (Note 5)	107,368	-
Capital assets, not being depreciated (Note 4)	9,233,369	11,755,204
Capital assets, net of depreciation (Note 4)	<u>46,784,147</u>	<u>44,043,793</u>
Total noncurrent assets	<u>56,124,884</u>	<u>55,798,997</u>
Total assets	<u>89,869,745</u>	<u>82,022,615</u>
Deferred outflows of resources		
Pension related (Note 8)	1,681,836	1,553,034
OPEB related (Note 10)	<u>511,414</u>	<u>285,067</u>
Total deferred outflows of resources	<u>2,193,250</u>	<u>1,838,101</u>
Liabilities		
Current liabilities:		
Accounts payable:		
Metropolitan Water District	400,462	1,427,442
Other	858,755	1,662,188
Accrued liabilities	505,333	321,419
Unearned revenue	8,808,771	33,750
Due to State Water Resources Control Board, current portion	671,116	659,217
Compensated absences, current portion (Note 6)	<u>43,034</u>	<u>40,812</u>
Total current liabilities	<u>11,287,471</u>	<u>4,144,828</u>
Noncurrent liabilities:		
Net pension liability (Note 8)	2,348,628	1,583,206
Net OPEB liability (Note 10)	613,970	203,341
Due to State Water Resources Control Board, net of current portion	5,983,368	6,654,485
Compensated absences, net of current portion (Note 6)	<u>40,694</u>	<u>39,244</u>
Total noncurrent liabilities	<u>8,986,660</u>	<u>8,480,276</u>
Total liabilities	<u>20,274,131</u>	<u>12,625,104</u>
Deferred inflows of resources		
Lease related (Note 5)	128,554	-
Pension related (Note 8)	1,043,578	1,448,870
OPEB related (Note 10)	<u>345,891</u>	<u>577,009</u>
Total deferred inflows of resources	<u>1,518,023</u>	<u>2,025,879</u>
Net position		
Net investment in capital assets	49,363,032	48,485,295
Section 115 Trust	525,119	-
Unrestricted	<u>20,382,690</u>	<u>20,724,438</u>
Total net position	<u>\$ 70,270,841</u>	<u>\$ 69,209,733</u>

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, 2023
(With summarized comparative data for prior year)

	<u>2023</u>	<u>2022</u>
Operating revenues		
Water revenue	\$ 45,891,558	\$ 47,255,910
Water conservation	313,336	507,026
Other revenues	90,315	1,076,993
	<u>46,295,209</u>	<u>48,839,929</u>
Operating expenses		
Sources of supply	41,001,010	41,556,927
Water quality and supply program	3,507,057	3,443,095
Water recycling	936,095	828,869
Conservation	1,486,652	1,802,740
Depreciation	1,179,295	1,101,531
General and administrative	2,638,737	2,257,145
	<u>50,748,846</u>	<u>50,990,307</u>
Total operating expenses	<u>50,748,846</u>	<u>50,990,307</u>
Operating loss	<u>(4,453,637)</u>	<u>(2,150,378)</u>
Nonoperating revenues (expenses)		
Standby charges	4,065,036	4,191,638
Investment earnings (losses)	376,393	(257,620)
Gain (loss) on disposal of capital assets	(7,316)	-
Taxes	755,305	733,186
	<u>5,189,418</u>	<u>4,667,204</u>
Total nonoperating revenues (expenses)	<u>5,189,418</u>	<u>4,667,204</u>
Income before contributions	735,781	2,516,826
Capital contributions	<u>325,327</u>	<u>155,325</u>
Change in net position	1,061,108	2,672,151
Net position, beginning of year	<u>69,209,733</u>	<u>66,537,582</u>
Net position, end of year	<u>\$ 70,270,841</u>	<u>\$ 69,209,733</u>

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, 2023
(With summarized comparative data for prior year)

	2023	2022
Cash flows from operating activities		
Cash received from customers	\$ 56,704,632	\$ 47,709,411
Cash payments to suppliers for goods and services	(57,301,883)	(46,161,778)
Cash payments for employees for services	(1,813,340)	(3,135,976)
Net cash provided by (used for) operating activities	<u>(2,410,591)</u>	<u>(1,588,343)</u>
Cash flows from noncapital financing activities		
Cash received from property taxes	755,305	733,186
Cash received from standby charges	4,065,036	4,191,638
Net cash provided by (used for) noncapital financing activities	<u>4,820,341</u>	<u>4,924,824</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(1,405,130)	(2,232,733)
Repayment of project finance agreements	(659,218)	(647,528)
Capital contributions	325,327	155,325
Net cash provided by (used for) capital and related financing activities	<u>(1,739,021)</u>	<u>(2,724,936)</u>
Cash flows from investing activities		
Cash received from sale and maturity of investments	1,749,871	495,897
Acquisition of investments	(1,826,044)	-
Investment earnings (losses)	409,701	(106,257)
Net cash provided by (used for) investing activities	<u>333,528</u>	<u>389,640</u>
Net change in cash and cash equivalents	1,004,257	1,001,185
Cash and cash equivalents, beginning of year	<u>12,985,645</u>	<u>11,984,460</u>
Cash and cash equivalents, end of year	<u>\$ 13,989,902</u>	<u>\$ 12,985,645</u>
Reconciliation of cash equivalents and restricted cash and investments:		
Cash and investments	\$ 13,464,783	\$ 12,985,645
Restricted cash and investments - Section 115 trust	<u>525,119</u>	<u>-</u>
Total cash equivalents and restricted cash and investments	<u>\$ 13,989,902</u>	<u>\$ 12,985,645</u>

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, 2023****(With summarized comparative data for prior year), (continued)**

	<u>2023</u>	<u>2022</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:		
Operating loss	\$ (4,453,637)	\$ (2,150,378)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:		
Depreciation	1,179,295	1,101,531
(Increase) decrease in assets and deferred outflows of resources:		
Receivables	1,505,848	(1,133,893)
Prepurchased water	(8,157,906)	981,404
Prepaid expenses	70,569	(832)
Deferred outflows of resources	(355,149)	(83,500)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable and accrued liabilities	(1,646,499)	479,438
Unearned revenue	8,775,021	3,375
Compensated absences	3,672	(11,372)
Deferred inflows of resources	(507,856)	1,688,016
Net pension liability	410,629	(1,293,120)
Net OPEB liability	765,422	(1,169,012)
Net cash provided by (used for) operating activities	<u>\$ (2,410,591)</u>	<u>\$ (1,588,343)</u>
Schedule of non-cash operating, noncapital and capital related financing and investing activities		
Fair value adjustment	\$ (49,714)	\$ (155,406)

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, 2023

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, 2022, 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, 2023**

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, 2023**

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, 2023, 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, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***Risk management (continued)***

Fidelity: Public Employee Dishonesty, Forgery or Alteration, Computer Fraud & ERISA – 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, 2023**

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.

Reclassifications

Upper District has reclassified certain prior year information to conform to current year presentation, with no effect on net position.

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, 2023, all receivables were deemed collectible.

*Upper San Gabriel Valley Municipal Water District***Notes to Financial Statements
For the fiscal year ended June 30, 2023****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	\$ 13,464,783
Investments	<u>6,082,968</u>
Total cash and investments	<u>\$ 19,547,751</u>
Cash and investments as of June 30, 2023 consist of the following:	
Imprest cash on hand	\$ 500
Deposits with financial institutions	431,457
Cash with investment broker	<u>1,914</u>
Total cash	<u>433,871</u>
Local Agency Investment Fund ⁽¹⁾	13,030,912
Money market mutual funds	122,762
Agency Funds	1,634,446
U.S. Treasury Funds	3,245,850
U.S. Corporate Funds	505,888
Supranational	48,903
Investment in Section 115 trust	<u>525,119</u>
Total investments	<u>19,113,880</u>
Total cash and investments	<u>\$ 19,547,751</u>

⁽¹⁾ 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, 2023, the total fair value of LAIF, including accrued interest was approximately \$177 billion. Upper District's proportionate share of that value is \$13.0 million as of June 30, 2023. 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, 2023.

*Upper San Gabriel Valley Municipal Water District***Notes to Financial Statements
For the fiscal year ended June 30, 2023****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 260 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, 2023, were as follows:

Investment Type (including LAIF)	Total	Remaining maturing (in months)			
		12 Months or Less	13 to 36 Months	37 to 60 Months	More than 60 Months
Local Agency Investment Fund	\$ 13,030,912	\$ 13,030,912	\$ -	\$ -	\$ -
Money market mutual funds	122,762	122,762	-	-	-
Agency funds	1,634,446	828,097	806,349	-	-
U.S. Treasury funds	3,245,850	1,069,910	2,175,940	-	-
U.S. Corporate funds	505,888	243,786	262,102	-	-
Supranational	48,903	-	48,903	-	-
Total	<u>\$ 18,588,761</u>	<u>\$ 15,295,467</u>	<u>\$ 3,293,294</u>	<u>\$ -</u>	<u>\$ -</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, 2023, 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, 2023**

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, 2023, Upper District's deposits (bank balances) exceeded the maximum deposit insurance amount by \$298,565, 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, 2023****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, 2023, 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, 2023, were as follows:

<u>Investment Type (including LAIF)</u>	<u>Total</u>	<u>Minimum legal rating</u>	<u>Standard & Poor's Rating as of year end</u>
Local Agency Investment Fund	\$ 13,030,912	N/A	Unrated
Investments:			
Money market mutual funds	122,762	A	AAA
Agency funds	1,634,446	N/A	AA+
U.S. Corporate funds	505,888	N/A	A+
Supranational	<u>48,903</u>	AA	AAA
Subtotal	15,342,911		
U.S. Treasury funds	<u>3,245,850</u>		
Total	<u>\$ 18,588,761</u>		

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, 2023****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	\$ 1,634,446	\$ -	\$ 1,634,446	\$ -
U.S. Treasury funds	3,245,850	-	3,245,850	-
U.S. Corporate funds	505,888	-	505,888	-
Supranational	48,903	-	48,903	-
	5,435,087	\$ -	\$ 5,435,087	\$ -
Investments not subject to fair value measurements:				
LAIF	13,030,912			
Money market mutual funds	122,762			
Total investments	<u>\$ 18,588,761</u>			

Upper District's investments in LAIF as of June 30, 2023 are reported at the Upper District's pro-rata share of the amortized cost provided by LAIF for the entire portfolio.

The remainder of this page left intentionally blank.

*Upper San Gabriel Valley Municipal Water District***Notes to Financial Statements
For the fiscal year ended June 30, 2023****NOTE 4: CAPITAL ASSETS**

Changes in capital assets for the year ended June 30, 2023 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	11,098,330	1,367,879	-	(3,889,714)	8,576,495
Total capital assets, not being depreciated	11,755,204	1,367,879	-	(3,889,714)	9,233,369
Capital assets, being depreciated:					
Buildings and improvements	3,548,056	3,889,714	-	-	7,437,770
Water recycling	52,105,171	-	-	-	52,105,171
Furniture and equipment	440,979	37,251	(274,666)	-	203,564
Other	116,490	-	(95,526)	-	20,964
Total capital assets, being depreciated	56,210,696	3,926,965	(370,192)	-	59,767,469
Less accumulated depreciation for:					
Buildings and improvements	-	(86,774)	-	-	(86,774)
Water recycling	(11,650,222)	(1,072,636)	-	-	(12,722,858)
Furniture and equipment	(408,990)	(17,442)	273,706	-	(152,726)
Other	(107,691)	(2,443)	89,170	-	(20,964)
Total accumulated depreciation	(12,166,903)	(1,179,295)	362,876	-	(12,983,322)
Total capital assets being depreciated, net	44,043,793	2,747,670	(7,316)	-	46,784,147
Total capital assets, net	<u>\$ 55,798,997</u>	<u>\$ 4,115,549</u>	<u>\$ (7,316)</u>	<u>\$ (3,889,714)</u>	<u>\$ 56,017,516</u>

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.

The remainder of this page left intentionally blank.

Upper San Gabriel Valley Municipal Water District

**Notes to Financial Statements
For the fiscal year ended June 30, 2023**

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, 2023, the value of this receivable is \$129,693. 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 \$13,844 during the fiscal year. The value of the related deferred inflow of resources as of June 30, 2023 was \$128,554. The lessee's future payment requirements are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 22,325	\$ 3,663	\$ 25,988
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	8,607	56	8,663
	<u>\$ 127,529</u>	<u>\$ 11,074</u>	<u>\$ 138,603</u>

Lease activity for the year ended June 30, 2023 is summarized as follows:

<u>Deferred Inflow of Resources</u>	<u>Balance as of July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance as of June 30, 2023</u>
Office Lease	\$ -	\$ 142,398	\$ 13,844	\$ 128,554

<u>Lease Receivable</u>	<u>Balance as of July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance as of June 30, 2023</u>
Office Lease	\$ -	\$ 142,398	\$ 12,705	\$ 129,693

NOTE 6: COMPENSATED ABSENCES

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

Balance at beginning of year	\$ 80,056
Earned by employees	73,226
Taken by/paid to employees	(69,554)
Balance at end of year	83,728
Less current portion	43,034
Long-term portion	<u>\$ 40,694</u>

*Upper San Gabriel Valley Municipal Water District***Notes to Financial Statements
For the fiscal year ended June 30, 2023****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, 2023, 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	\$ 7,313,702
Principal payments	<u>(659,218)</u>
Balance at end of year	6,654,484
Less short-term portion	<u>(671,116)</u>
Long-term portion	<u>\$ 5,983,368</u>

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

Fiscal year ending June 30,	Amount
2024	\$ 791,232
2025	791,232
2026	791,232
2027	791,232
2028	791,232
2029-2033	<u>4,118,486</u>
Total	<u>\$ 8,074,646</u>

Upper District repaid \$791,232 during the year ended June 30, 2023, of which \$659,218 is related to principal payments and \$132,014 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, 2023**

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.

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, 2023**

NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)

The Plan's provisions and benefits in effect as of June 30, 2023 are summarized as follows:

Hire date	Prior to January 1, 2013	On or after January 1, 2013
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 employee contribution rates (reporting period)	8.00%	7.50%
Required employer contribution rates (reporting period)	15.90%	8.19%

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, 2023 were \$357,339. The actual employer payments of \$1,322,497 made to CalPERS by the District during the measurement period ended June 30, 2022 differed from the District's proportionate share of the employer's contributions of \$518,378 by \$804,119, 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, 2022, using an annual actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 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, 2023**

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, 2022 measurement period was determined by an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022. The collective total pension liability was based on the following assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
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 ¹	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

¹ 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, 2023****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^{1,2}
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%	

¹ An expected inflation of 2.30% used for this period

² Figures area based on the 2021 Asset Liability Management Study

Change of 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.

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.

*Upper San Gabriel Valley Municipal Water District***Notes to Financial Statements
For the fiscal year ended June 30, 2023**

NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

Subsequent events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

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. 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.

*Upper San Gabriel Valley Municipal Water District***Notes to Financial Statements
For the fiscal year ended June 30, 2023****NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)*****Proportionate share of Net Pension Liability***

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

	Increase (Decrease)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2021 (VD)	\$ 11,441,708	\$ 9,858,502	\$ 1,583,206
Balance at: 6/30/2022 (MD)	12,342,272	9,993,644	2,348,628
Net change during 2021-22	900,564	135,142	765,422
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.

The District's proportionate share of the net pension liability for the Plan (miscellaneous) as of the June 30, 2021 and 2022 measurement dates was as follows:

Proportion share of NPL - MD June 30, 2021	0.08338%
Proportion share of NPL - MD June 30, 2022	0.05019%
Change - Increase (Decrease)	(0.03319%)

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	\$ 4,031,103	\$ 2,348,628	\$ 964,370

*Upper San Gabriel Valley Municipal Water District***Notes to Financial Statements
For the fiscal year ended June 30, 2023**

NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)*Amortization of deferred outflows and deferred inflows of resources*

Under GASB 68, 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 (EARSL) 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 (EARSL) 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 EARSL for PERF C for the measurement period ending June 30, 2022 is 3.7 years, which was obtained by dividing the total service years of 574,665 (the sum of remaining service lifetimes of the active employees) by 153,587 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

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

As of the start of the measurement period (July 1, 2021), the District's net pension liability was \$1,583,206. For the measurement period ending June 30, 2022 (the measurement date), the District incurred a pension expense of \$588,666.

*Upper San Gabriel Valley Municipal Water District***Notes to Financial Statements
For the fiscal year ended June 30, 2023****NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)**

As of June 30, 2023, 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	\$ 47,165	\$ 31,589
Changes in assumptions	240,666	-
Difference between projected and actual investment earnings	430,207	-
Difference between employer's contribution and proportionate share of contributions	586,789	33,855
Change in employer's proportion	19,670	978,134
Pension contributions made subsequent to measurement date	357,339	-
Totals	<u>\$ 1,681,836</u>	<u>\$ 1,043,578</u>

The amounts above are net of outflows and inflows recognized in the 2022-23 measurement period expense. Contributions subsequent to the measurement date of \$357,339 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
2024	\$ 28,239
2025	3,591
2026	(14,039)
2027	263,128
2028	-
Thereafter	-

Payable to the pension plan

As of June 30, 2023, the District reported a payable of \$18,991 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, 2023

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 GASBS 84.

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General information about the OPEB Plan

Plan description

Upper District has an agent multiple employer defined benefit plan administered by CalPERS 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, 2023****NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)***Employees covered by benefit terms*

As of June 30, 2021 (valuation date), the following employees were covered by the benefit terms of the Plan:

Category	Count
Active employees	11
Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefit payments	-
Total	17

Contributions and funding policy

The contribution requirements of plan members and the Upper District 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, 2023, Upper District contributed \$155,240 to the Plan. As the measurement date of June 30, 2022, the Trust account balance was \$2,171,188. 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, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021.

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 30 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, 2023****NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

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

Actuarial Assumptions:

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 2017 CalPERS mortality for miscellaneous and schools employees

The valuation used historic 30-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 25 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%	7.5450%
All Fixed income	25%	4.2500%
Real estate investment trusts	8%	7.2500%
All Commodities	3%	7.5450%
Treasury Inflation Protected Securities (TIPS)	5%	3.0000%
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 30 years. The rate is based on the real rate of return expected for plan assets 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, 2023

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, 2022 (Measurement Date June 30, 2021)	\$ 2,608,408	\$ 2,405,067	\$ 203,341
Changes for the year:			
Service cost	86,658	-	86,658
Interest on the Total OPEB Liability	176,090	-	176,090
Investment gains and losses	-	(321,928)	321,928
Contributions - employer	-	209,650	(209,650)
Benefit payments	(120,992)	(120,992)	-
Administrative expenses	-	(609)	609
Experience gains/losses	34,994	-	34,994
Net Changes	176,750	(233,879)	410,629
Balance at June 30, 2023 (Measurement Date June 30, 2022)	\$ 2,785,158	\$ 2,171,188	\$ 613,970

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	\$ 951,099	\$ 613,970	\$ 333,557
	Trend 1% Lower	Valuation Trend	Trend 1% Higher
Net OPEB Liability	\$ 268,729	\$ 613,970	\$ 1,038,089

Upper San Gabriel Valley Municipal Water District

**Notes to Financial Statements
For the fiscal year ended June 30, 2023**

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, 2023, Upper District recognized OPEB expense of \$108,404 with details as follows:

	<u>Total</u>
Service cost	\$ 86,658
Interest cost	176,090
Expected return in assets	(165,314)
Administration expense	609
Recognition of experience (gain)/loss deferrals	(67,960)
Recognition of assumption change deferrals	10,332
Recognition of investment (gain)/loss deferrals	67,989
Employee contributions	<u>-</u>
Total OPEB Expense	<u>\$ 108,404</u>

As of June 30, 2023, Upper District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
OPEB contributions subsequent to measurement date	\$ 155,240	\$ -
Changes in assumptions	65,085	
Experience gains/losses	-	345,891
Investment gains/losses	291,089	-
Total	<u>\$ 511,414</u>	<u>\$ 345,891</u>

The \$155,240 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the upcoming fiscal year. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as follows:

Fiscal year ended June 30:	<u>Deferred outflows/(inflows) of resources</u>
2024	\$ 10,687
2025	8,736
2026	1,336
2027	39,818
2028	(32,813)
Thereafter	(17,481)

*Upper San Gabriel Valley Municipal Water District***Notes to Financial Statements
For the fiscal year ended June 30, 2023**

NOTE 11: COMMITMENTS AND CONTINGENCIES***Short-term lease***

On July 25, 2018, the lease was amended providing the Upper District an ongoing right to terminate the lease on or after August 1, 2018 with twelve (12) months prior written notice to the lessor. During the current fiscal year, Upper District terminated the lease and incurred rental expense of \$103,755 for the year ended June 30, 2023.

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, 2023.

(This page intentionally left blank.)

Required Supplementary Information

(This page intentionally left blank.)

*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***

<u>Measurement date</u>	<u>Employer's proportion of the collective net pension liability (asset)</u>	<u>Employer's proportionate share of the collective net pension liability¹</u>	<u>Covered payroll</u>	<u>Employer's proportionate share of the collective net pension liability as a percentage of the employer's covered payroll</u>	<u>Pension plan's fiduciary net position as a percentage of the total pension liability</u>
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	0.020330%	2,348,628	1,179,439	199.13%	80.97%

¹ 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.

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

Upper San Gabriel Valley Municipal Water District

Schedule of Pension Plan Contributions Last 10 Years*

Fiscal year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a Percentage of Covered Payroll
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%

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 percent to 7.15 percent. In 2016, there were no changes in the discount rate. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

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

¹ Contributions to the OPEB plan are not based on a measure of pay.

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 ¹	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%

¹ 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 2023 were from the June 30, 2021 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	Market 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: 2017 CalPERS 2.0%@62 rates for Miscellaneous Employees; Hired 2012 and earlier: 2017 CalPERS 2.7%@55 rates for Miscellaneous Employees
Mortality	2017 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)**

(This page intentionally left blank.)

*Upper San Gabriel Valley Municipal Water District***Statistical Section**

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.

Table of Contents

	<u>Page</u>
Financial Trends These schedules contain information to help the reader understand how the Upper District's financial performance and financial condition have changed over time.	46
Revenue Capacity These schedules contain information to help the reader assess the Upper District's most significant own-source revenue, water sales.	48
Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the Upper District's financial activities take place.	54
Operating Information This schedule contains service and infrastructure data to help the reader understand how the information in the Upper District's financial report relates to the service the Upper District provides.	56

Upper San Gabriel Valley Municipal Water District

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

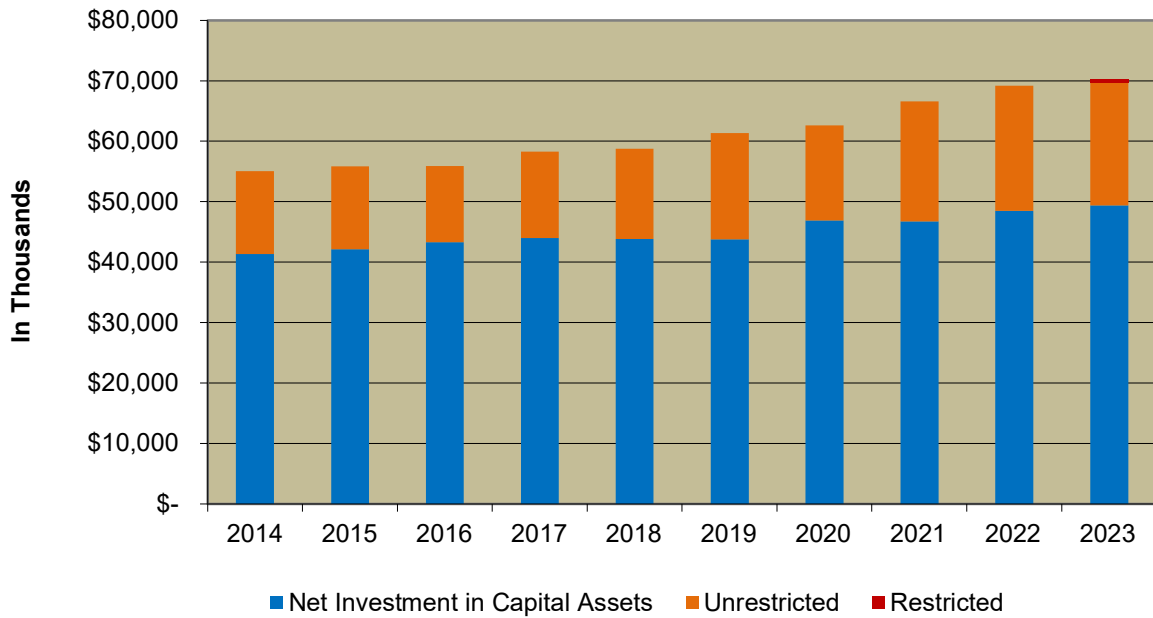
	Fiscal Year Ended June 30									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Changes in net position:										
Operating revenues	\$ 26,691	\$ 37,928	\$ 20,800	\$ 38,154	\$ 22,671	\$ 38,384	\$ 33,388	\$ 55,854	\$ 48,840	\$ 46,295
Operating expenses	(29,801)	(39,849)	(23,770)	(39,557)	(26,900)	(39,515)	(36,290)	(56,057)	(49,888)	(49,569)
Depreciation and amortization	(1,068)	(1,072)	(1,121)	(1,100)	(1,090)	(1,111)	(1,102)	(1,107)	(1,102)	(1,179)
Operating income (loss)	(4,178)	(2,993)	(4,091)	(2,503)	(5,319)	(2,242)	(4,004)	(1,310)	(2,150)	(4,453)
Nonoperating revenues (expenses)										
Standby charges	3,584	3,623	3,541	3,576	3,541	3,648	4,047	4,244	4,192	4,065
Nonoperating program expenses	(524)	(592)	(168)	29	29	-	-	-	-	-
Investment earnings	32	66	91	48	132	422	353	55	(258)	376
Taxes	416	372	441	546	586	613	724	709	733	755
Gain on sale of property and equipment					1,427	-	4	-	-	(7)
Change in fair value of investments	3	2	-	-	-	-	-	-	-	-
Net nonoperating revenues (expenses)	3,511	3,471	3,905	4,199	5,715	4,683	5,128	5,008	4,667	5,189
Net income (loss) before capital contributions	(667)	478	(186)	1,696	396	2,441	1,124	3,698	2,517	736
Contributions for capital acquisition/construction	349	348	208	685	1,329	186	121	249	155	325
Changes in net position	\$ (318)	\$ 826	\$ 22	\$ 2,381	\$ 1,725	\$ 2,627	\$ 1,245	\$ 3,947	\$ 2,672	\$ 1,061

Source: Finance and Administration Department

Upper San Gabriel Valley Municipal Water District

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

<u>June 30</u>	<u>Net Investment in Capital Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
2014	\$ 41,349	\$ -	\$ 13,667	\$ 55,016
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

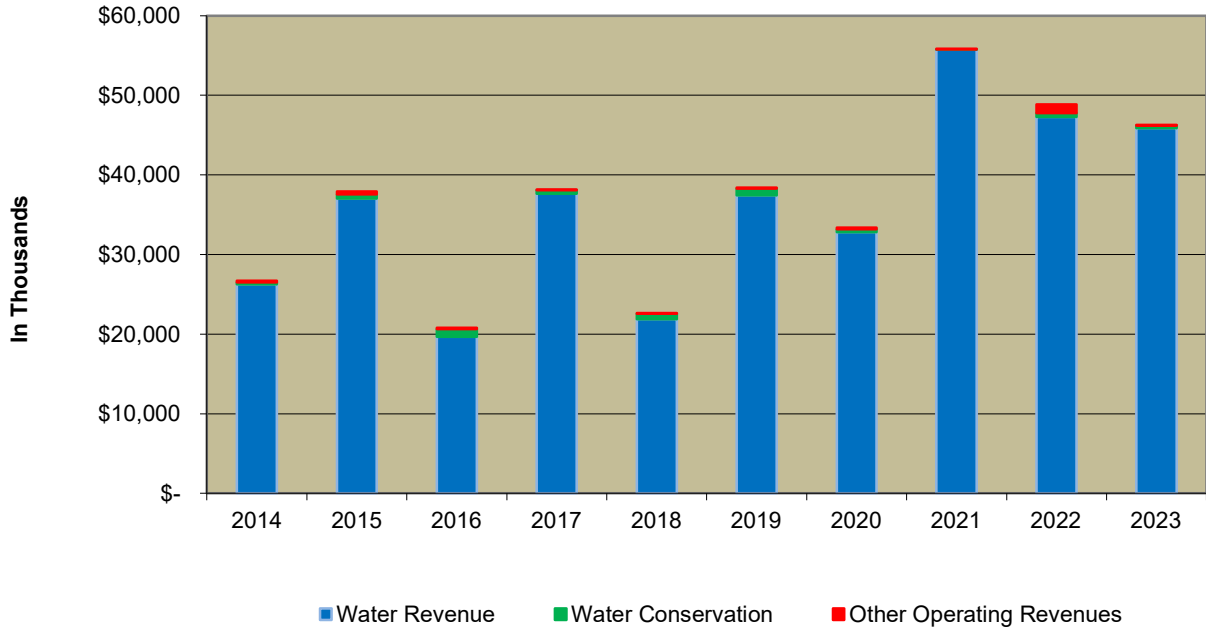


Source: Finance and Administration Department

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
2014	\$ 26,259	\$ 245	\$ 187	\$ 26,691
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

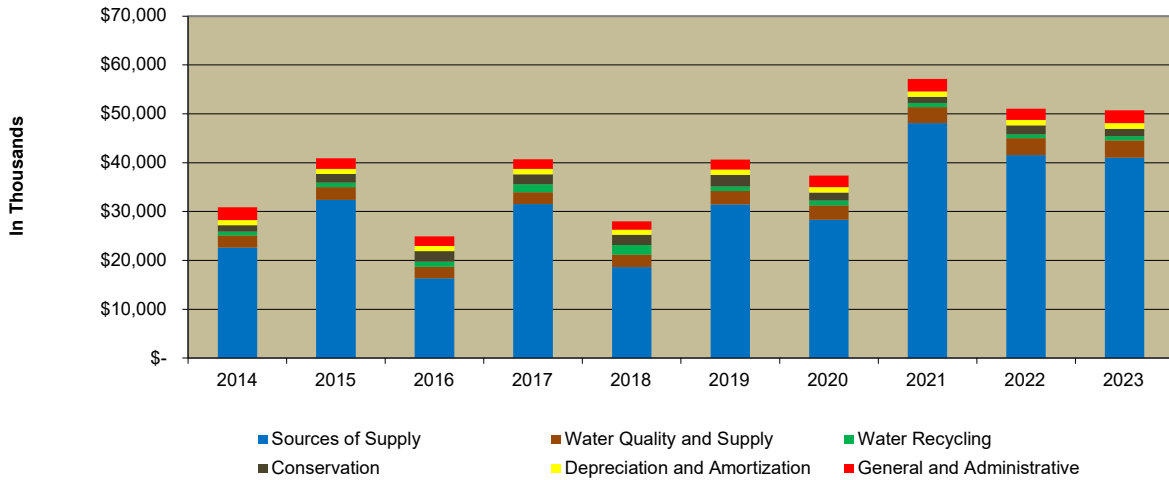


Source: Finance and Administration Department

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
2014	\$ 22,657	\$ 2,439	\$ 781	\$ 1,323	\$ 1,068	\$ 2,601	\$ 30,869
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

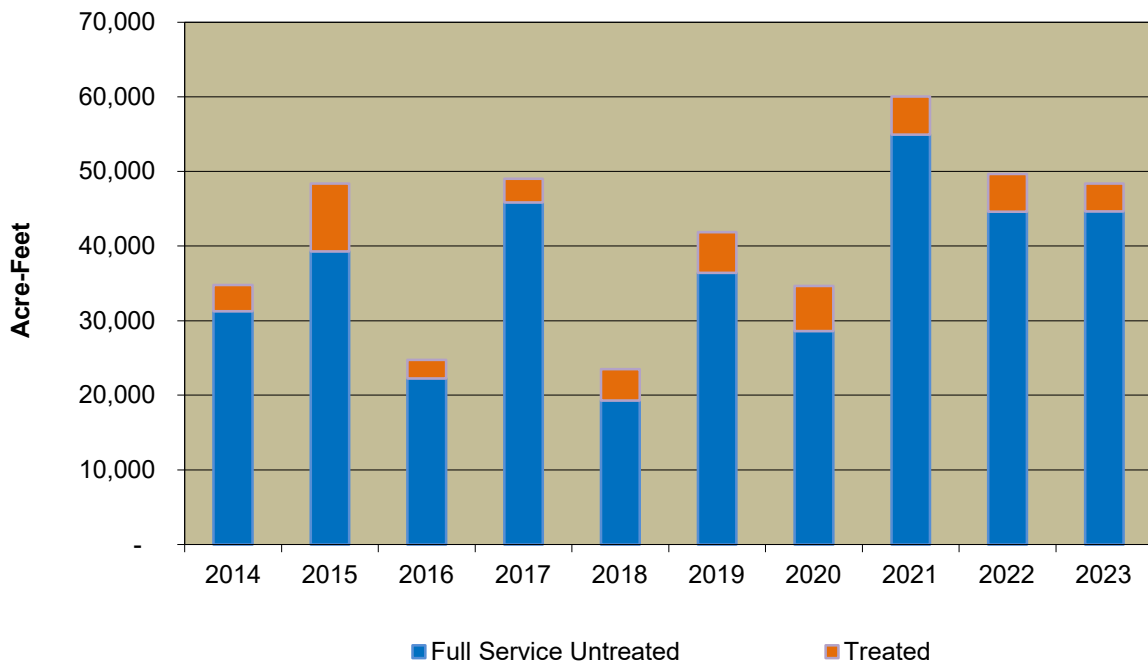


Source: Finance and Administration Department

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
2014	3,490	31,289	34,779
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



Source: Finance and Administration Department

*Upper San Gabriel Valley Municipal Water District***Imported Water Rates and Charges
Fiscal years ended June 30, 2023 and 2022 (Unaudited)**

	Rate per Acre-Foot		
	MWD	Upper District Surcharge	Total
Fiscal Year Ended June 30, 2023			
<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
 Fiscal Year Ended June 30, 2022			
<i>July 1, 2021 to December 31, 2021</i>			
Full Service Treated Tier 1	\$ 1,104	\$ 103	\$ 1,207
Full Service Treated Tier 2	1,146	103	1,249
Full Service Untreated Tier 1	777	103	880
Full Service Untreated Tier 2	819	103	922
 <i>January 1, 2022 to June 30, 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

Source: Finance and Administration Department

*Upper San Gabriel Valley Municipal Water District***Water Rates per Acre Foot
Last Ten Fiscal Years (Unaudited)**

<u>As of June 30</u>	<u>Full Service Treated Tier 1</u>	<u>Full Service Treated Tier 2</u>	<u>Full Service Untreated Tier 1</u>	<u>Full Service Untreated Tier 2</u>
2014	\$ 970	\$ 1,112	\$ 673	\$ 815
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

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
2013	17	196	278	3,037	-	-	-	-	3,528
2014	38	106	361	2,984	1	-	-	-	3,490
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

Source: Finance and Administration Department

*Upper San Gabriel Valley Municipal Water District***Demographics and Economic Statistics – Los Angeles County
Last Ten Calendar Years (Unaudited)**

Fiscal Year	Population (In Millions)	Real GDP Growth	Unemployment Rate
2013	10.1	1.9%	9.8%
2014	10.1	4.1%	8.3%
2015	10.2	4.9%	6.6%
2016	10.2	2.4%	5.3%
2017	10.2	3.5%	4.8%
2018	10.2	3.4%	4.8%
2019	10.2	2.5%	4.7%
2020	10.1	5.8%	4.6%
2021	9.8 (f)	7.8%	12.8%
2022	9.7 (f)	0.1% (f)	4.9% (f)

Notes:

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

*Sources: Los Angeles County Economic Development Corporation's 2023 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, 2021 (Unaudited)**

<u>Employer</u>	<u>Number of Employees</u>
County of Los Angeles	106,200
Los Angeles Unified School District	73,800
City of Los Angeles	61,600
University of California, Los Angeles	50,200
Federal Government (except defense and state)	44,700
Kaiser Permanente	40,800
State of California (non-education)	32,300
University of Southern California	22,400
Target Corp.	20,000
Northrop Grumman Corp.	18,000

Source: Los Angeles Almanac (2021)

Upper San Gabriel Valley Municipal Water District

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

	Fiscal Year Ended June 30									
	2014	2015	2016	2017	2018	2019	2020	2021 #	2022	2023
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	29
Number of Cities/Communities	18	18	18	18	18	18	18	18 #	18	18
Active Employees (FTE)										
	11.5	11.5	10.5	10.5	11.5	11.5	11.5	10.5 #	9.5	9.5
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	74	76	76	76	76	113	113	113 #	113	113
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

(This page intentionally left blank.)