SANTA ANA WATERSHED
PROJECT AUTHORITY

Annual Comprehensive Financial Report

For Fiscal Years Ended June 30, 2023 and 2022

Riverside, California

Santa Ana Watershed Project Authority

Riverside, CA

Annual Comprehensive Financial Report

For the Fiscal Year Ended

June 30, 2023

Prepared by the

Finance Department

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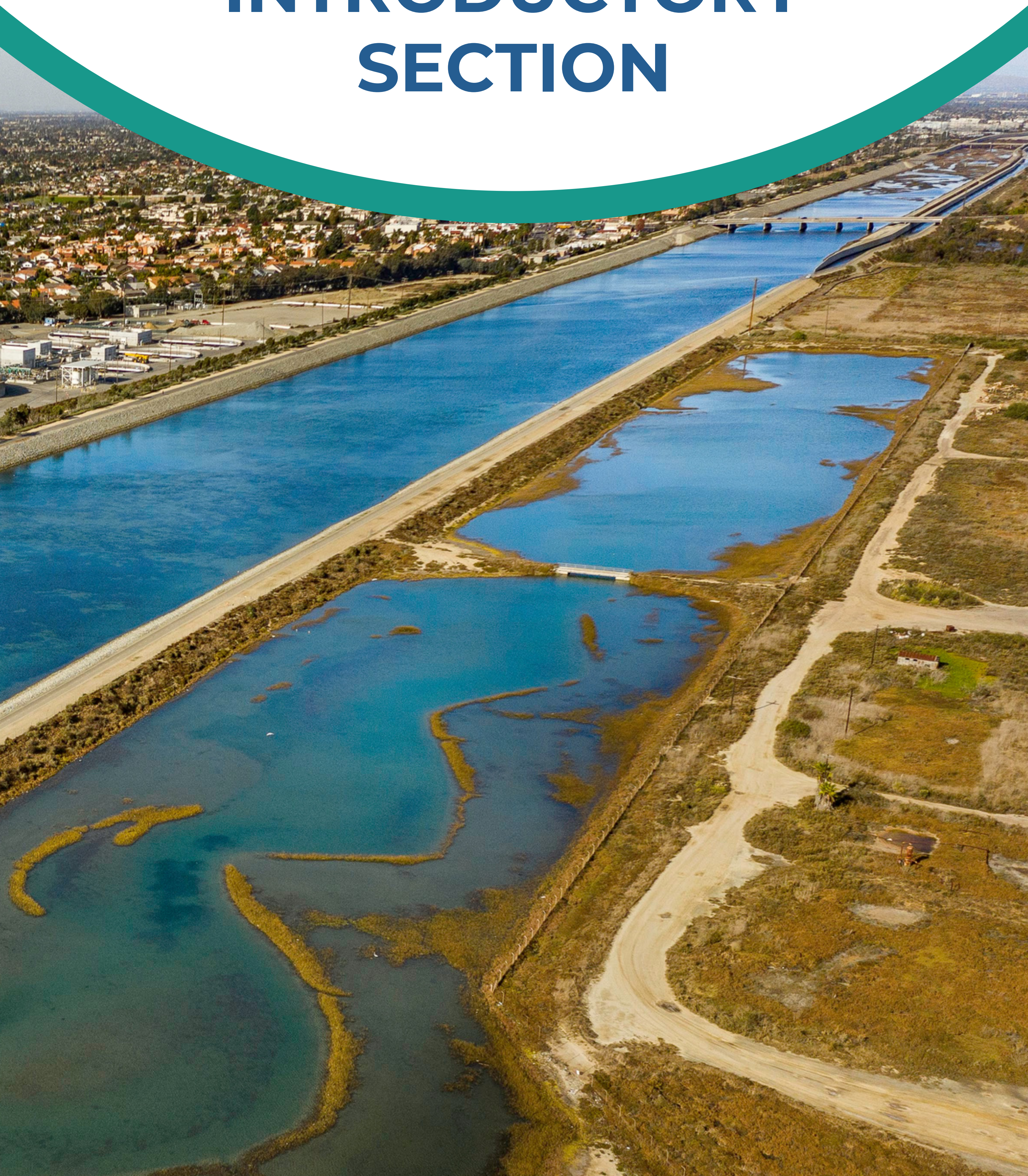
INTRODUCTORY SECTION



Santa Ana Watershed Project Authority

Over 50 Years of Innovation, Vision, and Watershed Leadership

SAWPA

December 19, 2023

To the Chair of the Board of Commissioners, Members of the Commission, and Member Agencies of the Santa Ana Watershed Project Authority (SAWPA):

We are pleased to present the Santa Ana Watershed Project Authority's (hereinafter referred to as "the Authority") Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023.

The report was prepared by the Authority's Finance Department following the guidelines recommended by the Governmental Accounting Standards Board (GASB) and generally accepted accounting principles (GAAP). Responsibility for both the accuracy of the data presented, and the completeness and fairness of the presentation, including disclosures, rests with the Authority's management. We believe the data, as presented, is accurate in all material respects, and that it is presented in a manner that provides a fair representation of the financial position and results of operation of the Authority. Included are all disclosures we believe necessary to enhance your understanding of the financial condition of the Authority.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The letter transmittal is designed to complement the MD&A and should be read in conjunction with it. The Authority's MD&A can be found immediately following the Independent Auditors' Report.

The Authority's financial statements have been audited by C.J. Brown & Company CPAs, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Authority for the fiscal year ended June 30, 2023, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Authority's financial statements for the fiscal year ended June 30, 2023, are fairly presented in conformity with GAAP. The Independent Auditor's Report is presented as the first component of the financial section of this report.

Reporting Entity and Its Services

Governmental Structure

The Authority was first formed in 1968 as a planning agency, and reformed in 1972, with a mission to plan and build facilities to protect the water quality of the Santa Ana River Watershed (hereinafter referred to as "the Watershed"). The Authority is a Joint Powers Authority (JPA), comprised of the five largest water agencies in the Watershed: Eastern Municipal Water District (EMWD), Inland Empire Utilities Agency (IEUA), Orange County Water District (OCWD), San Bernardino Valley Municipal Water District (SBVMWD), and Western Municipal Water District (WMWD).

Service Area

The Watershed spans approximately 2,840 square miles and includes the western portion of San Bernardino and Riverside Counties, the northern portion of Orange County, as well as a small eastern sliver of Los Angeles County. It is home to over 6 million people. The Watershed, and the State as a whole, is facing many challenges in guaranteeing sufficient, high-quality water for the ever-growing population of the region. The Authority works with planners, scientists, water experts, design and construction engineers, and other government agencies to identify issues and develop innovative solutions to resolve many water-related problems.

Vision

The Authority's vision is a sustainable Santa Ana River Watershed that provides clean and reliable water resources for a vibrant economy and high quality of life for all, while maintaining healthy ecosystems and open space opportunities.

A successful Authority provides value to its member agencies and to the Watershed as a whole, by facilitating collaboration across boundaries to address common goals and tackle problems that are larger than any individual entity.

Mission

The Authority strives to make the Santa Ana River Watershed sustainable through fact-based planning and informed decision-making; regional and multi-jurisdictional coordination; and the innovative development of policies, programs, and projects. Our mission is accomplished through a number of specific functions:

- Maintaining peace in the Watershed;
- Facilitating conflict resolution through collaborative processes;
- Preparing an integrated watershed-wide water management plan that provides a unified vision for the Watershed;
- Operating the Inland Empire Brine Line to convey salt out of the Watershed and support economic development;
- Developing water-related initiatives, particularly those that require the participation of several entities;
- Identifying, pursuing, securing, and administering supplemental funds for the Watershed; and,
- Influencing legislation for the benefit of the Watershed.

Our Values

Our strategy and day-to-day operations are guided by values strongly held by our member agencies, management, and staff:

Leadership in the development and advancement of a vision and plan for a sustainable Watershed, and in the incorporation of new paradigms for water and watershed planning.

Collaboration and cooperation among member agencies and other stakeholders in the Watershed toward the formulation and implementation of solutions to watershed-wide, multi-jurisdictional problems.

Creativity in the pursuit of new approaches to watershed planning, the use of new technologies, and the enhancement of a new water ethic in the Watershed.

Fact-based decision-making to identify neutral and transparent solutions that maximize the benefit to the entire Watershed.

Respect for all voices and perspectives in the Watershed to develop sound solutions and maximize consensus building.

Transparency, integrity and professionalism to maintain the respect and trust of our partners, and to attract and retain talented and committed individuals to our organization.

The Authority uses a three-pronged approach to accomplish our mission with the services it offers, which are listed below.

Inland Empire Brine Line

The Authority's enterprise includes ownership and operation of the Inland Empire Brine Line (Brine Line). The 73-mile long regional brine line is designed to convey 30 million gallons per day of non-reclaimable wastewater from the upper Santa Ana River Basin to the Pacific Ocean for disposal, after treatment. The Brine Line is currently used for: 1) the disposal of high Total Dissolved Solids (TDS) brine from brackish groundwater desalter operations and power plants within the region; 2) the disposal of industrial wastewater that is unacceptable for discharge into local wastewater treatment facilities, usually because of high concentrations of TDS from commercial and industrial facilities; and 3) the disposal of domestic or industrial wastewater that is managed by public agencies and which meets standards of local treatment facilities. Some users of the Brine Line have temporary or emergency needs and connect to the system for a fixed term. The Brine Line protects the water quality of the Santa Ana River, a major water source for Orange County groundwater basins.

This 52-year old utility was built as the fundamental method of salt export for the region. Historic import of water for agricultural purposes has increased the salinity of many groundwater basins within the Watershed. Removing salt by means of the Brine Line allows the Watershed to work towards achieving salt balance – a key Watershed goal and indicator of sustainability. Salt is removed from brackish groundwater by reverse osmosis desalters, which discharge the concentrated brine into the Brine Line. The treated water from the desalters is delivered for consumption as potable water. Brine disposal will be essential to support water recycling efforts and economic growth within the Watershed.

Integrated Regional Watershed Planning (IRWP)
SAWPA has been involved in watershed and regional integrated water resource planning since its formation. The Santa Ana River Watershed Integrated Regional Water Management Plan (IRWMP) called the One Water One Watershed (OWOW) 2.0 Plan was adopted in February 2014. An update to the OWOW 2.0 plan, OWOW Plan Update 2018, was adopted by the SAWPA Commission on February 19, 2019. Using a decentralized stakeholder involvement process as well as involving experts from all fields and areas within the Watershed, an extraordinarily collaborative and visionary plan was prepared to address water challenges over the next two decades. The Plan addresses climate change; water supply reliability; water and land use; water quality improvement; flood control and storm water runoff; water use efficiency; water recycling; parks, recreation and open space; disadvantaged and tribal communities; and environment and habitat. Through this integration of water resource management strategies along with workgroups (or pillars) designated for each strategy, scarce resources will be leveraged, and cost-effective solutions will be developed to address a multiplicity of water challenges using an integrated multi-beneficial approach.

Roundtables
The Authority has taken the lead role in establishing effective regional partnerships with the Regional Water Quality Control Board and other stakeholders in the Watershed to solve water quality problems, as well as water and natural resource problems. The Authority serves as the administrator/facilitator and creates a neutral venue for a number of efforts bringing together many agencies and organizations to address and solve a multiplicity of problems through integration and innovation.

Economic Conditions and Outlook

Local Economy
The economic outlook for the Inland Empire is posed for both challenges and opportunities in the coming year. With a diverse economic landscape encompassing industries such as logistics, manufacturing, healthcare, and technology, the region has shown resilience in the face of economic uncertainties. Factors such as population growth, housing trends, and the development of key infrastructure projects are likely to play crucial roles in shaping the economic trajectory. The Inland Empire's strategic location as a transportation hub and its proximity to major ports position it favorably for continued growth in logistics and distribution. However, potential headwinds, including global economic conditions and the evolving nature of work in the post-pandemic era, may introduce complexities. Stakeholders, including policymakers, businesses, and residents, will need to collaborate to navigate these challenges and leverage opportunities for sustainable economic development in the Inland Empire. Monitoring key indicators such as employment rates, real estate trends, and industry-specific developments will be essential for a comprehensive understanding of the region's economic outlook.

Sound Financial Policies
The Authority continues to manage funds to ensure financial stability and demonstrate responsible stewardship by sustaining reasonable rates for customers, containing costs

through careful planning, preserving investments, safeguarding reserves, and active debt management.

Financial Planning

The Commission approves a biennial operating budget as a management tool. The budget is developed with input from the various departments within the organization and adopted prior to the start of each fiscal year. Monthly comparison reports of budget to actual are prepared, and quarterly budget to actual results by fund type are provided to and discussed with the Commission, along with financial position and other key performance information.

Reserves Policy

The Authority adopted a reserve policy, which states the purpose, source, and funding targets for each of its designated reserves. The reserves are essential for maintaining liquidity in the marketplace, which enables the Authority to access the lowest cost-of-capital borrowing opportunities.

Investment Policy

The Authority invests its funds in instruments permitted by California Government Code sections 53601 et seq., and in accordance with its investment policy. The investment objectives of the Authority are to first preserve capital, followed by maintaining liquidity, and finally, maximizing the rate of return without compromising the first two objectives.

Debt Administration

The Authority actively manages its debt portfolio, seeking to minimize its total debt costs. This goal is met by the use of state revolving fund (SRF) loans to fund part of its capital projects. Reserves will also be used to fund capital projects.

Major Initiatives and Accomplishments

Fiscal year ending 2023 was another busy year for the Authority. While the Authority administered the day-to-day operations of the JPA, operated the Brine Line Enterprise and Capital Improvement Program, administered the OWOW Program, including several grant programs, served as the Lake Elsinore & San Jacinto Watersheds Authority administrator, conducted regional planning activities, and facilitated many stakeholder task force work groups all while dealing with the aftermath of a global pandemic. The Authority also began work on two new projects, Weather Modification and a PFAS Study. Some of the major accomplishments for fiscal year 2023 are listed on the following pages.

Brine Line Enterprise

Engineering

- Updated the Brine Line Reserve Policy.
- Commenced work on the Brine Line Master Plan including meeting with member and other agencies.
- Commenced work on the Reach IV-B and Reach IV condition assessment. Conducted the Reach IV-B field inspection work.

- Completed work on modifying 14 maintenance access structures (MAS) within Prado Basin to be watertight.
- Completed design and received bids for the Agua Mansa Lateral Project.
- Continued to implement the Pretreatment Program (PTP). Performed 60 on-site discharger inspections, 92 monitoring (or sampling) events at discharger locations, 65 monitoring (or sampling) events at the Santa Ana Regional Interceptor (SARI) Metering Station, issued 1 new permit, and reissued 21 existing permits.
- Submitted 14 reports (Monthly, Quarterly, Semi-Annual and Annual) to Orange County Sanitation District (OC San) detailing, at a minimum, pretreatment program activities and industrial compliance.
- Coordinated with OC San, reviewed, and accepted the conceptual plan for the WRCRWA South Regional Pump Station to install backup bypass pumping to ensure flows are not diverted to the Brine Line without prior authorization.
- Prepared individual agency audits to be conducted in fiscal year 2024.
- Continued to coordinate efforts that represent SAWPA's interests with OC San through the Joint Policy Committee and the Joint Operations Committee.

Operations
- Prepared RFP and awarded contracts for on-call services for various activities on the Brine Line.
- Updated the Sewer Emergency Response Plan (SERP) to meet the new Waste Discharge Requirements. Conducted a workshop with member agencies and the Regional Water Quality Control Board to review the SERP.
- Received 2,675 USA Dig Alert tickets. Of those, 197 tickets were marked in the field. The remaining tickets were"no conflict" and did not require field markings.
- Installed five (5) new frame and cover assemblies on Reach IV-A Upper.
- Installed nine (9) new frame and cover assemblies on Reach IV-D.
- Installed two (2) new frame and cover assemblies on Reach V and replaced two (2) valve cans.
- Rehabilitated 3 MAS on Reach IV-A Upper to address corrosion issues.
- Completed 37,565 feet of right-of-way maintenance.
- Inspected 31 MAS on Reach IV-B.
- Inspected 15 MAS on Reach IV-A Upper.
- Inspected 18 MAS on Reach IV-A Lower.
- Inspected 14 MAS on Reach IV-D.
- Maintained Brine Line Operations Center (BLOC).
- Overhauled a total of 54 air release and vacuum valves.
- Completed inspection of 2,000 linear feet of pipeline on Reach IV-A Upper.
- Completed line cleaning and inspection of 8,000 linear feet of pipeline on Reach IV-B Lower.

OWOW Program

Project Agreement (PA) 22 Committee – Water Use Efficiency
- Through the Santa Ana River Conservation and Conjunctive Use Program (SARCCUP), worked with 8 retail water agencies to create efficiency budgets for dedicated irrigation meter customers. Work is scheduled for completion in FYE 2024.

- Completed updates to support Geographical Information Systems (GIS) data layers including meter service area boundaries for the Enhanced Landscape Measurement Tool.
- Initiated efforts to develop a process to validate the results of U.S. Bureau of Reclamation's (Reclamation) landscape model and verify that these data meet or exceed the quality standards of the State's data.
- Worked with Reclamation to complete efforts to automate landscape classification using area training data to model outdoor landscape features for Orange County using GIS-based deep learning tools. Reclamation began the process to apply this automated GIS-based landscape modeling process to retail water agency service areas in Orange County.

Disadvantaged Community Involvement (DACI) Grant Program

- Finalized Grant Agreement and grant sub-agreements with all project proponents for an award of $5 million in grant funding from the Department of Water Resources (DWR) through the 2021 Urban and Multi-benefit Drought Relief Grant Program.
- Coordinated with each of the project proponents on the implementation of their projects. These include:
    - Box Springs Mutual Water Company - Reservoir Improvement Project,
    - City of Colton - Production Well Rehabilitation Project,
    - Devore Mutual Water Company - Booster Pump Station and Valve Vault Project,
    - Marygold Mutual Water Company - Well 7 Rehabilitation and Systems Upgrade Project, and
    - City of Fullerton - Well 6 Rehabilitation Project.

Santa Ana River Conservation and Conjunctive Use Program (SARCCUP)

- Executed task order with Woodard & Curran for continued programmatic support of SARCCUP.
- Held PA 23 Committee meetings throughout the fiscal year, as well as bi-weekly staff-level SARCCUP planning meetings. Submitted amendment number 3 to DWR which moved the scheduled grant end date from December 2023 to July 2025.
- Worked with the SARCCUP planning managers to develop amendment number 4. This request included changes to the Western Municipal Water District conjunctive use component, as well as changes to the San Bernardino Valley Municipal Water District Santa Ana sucker habitat component.

OWOW and IRWM Support

- Held several participatory budgeting workshops for the Call for Projects for Proposition 1 Round 2 IRWM Implementation grant program.
- Submitted Proposition 1 Round 2 IRWM Implementation grant application.
- Received funding of $29 million for 13 projects under Round 2 of Proposition 1 Implementation grant program.
- Managed Roundtable of Regions contract with WSC, Inc. and served on the Roundtable of Regions Steering Committee. Successfully managed this project by ensuring the 12 funding partners are kept apprised of the contract and ensuring WSC, Inc. completed tasks on time and within budget.
- Engaged with DWR to influence future grant solicitation under Proposition 1 IRWM Implementation to best serve the OWOW Program and the watershed wide stakeholders.

Proposition 1 IRWM Implementation Grants

Santa Ana River Watershed Weather Modification (Cloud Seeding) Pilot Project

- Awarded contract to North American Weather Consultants Inc. to conduct the Santa Ana River Watershed Weather Modi ication Pilot operations.
- Awarded contract to Board of Regents of the Nevada System of Higher Education on behalf of the Desert Research Institute (DRI) for the independent validation of the Santa Ana River Watershed Weather Modi ication Pilot Project.
- Completed site access agreements with 11 project sponsors to locate the 15 ground-based cloud seeding units.
- Received a $861,400 grant under the Proposition 1 Round 2 Implementation Grant Program.

Box Springs Mutual Water Company Well Improvement Project

- Received confirmation of approval from DWR for 100% funding for the project from the funding available for disadvantaged communities.

Lake Elsinore Algae Harvesting and Nutrient Removal Pilot Project

- Received confirmation of approval from DWR for $1.5M in funding for the project.

Stakeholder Partnering (Roundtables)

Santa Ana Fish Conservation Team

- Conducted Riverwalk in November 2022 with approximately 40 volunteers. Riverwalk is the longest running voluntary annual habitat assessment conducted in Southern California for an aquatic species.
- Compiled and tabulated all historical Riverwalk data including an analysis of the past years' data sets. Worked on updating the Riverwalk ranking methodology that is used to score each of the Riverwalk data points' habitat quality.
- Worked with Santa Ana Watershed Association (SAWA) to replant/manage 0.3 acres of vegetation as part of the mitigation for the habitat project constructed by the team near the Van Buren Boulevard Bridge.

Water Energy Community Action Network (WECAN)

- Finalized an agreement with EcoTech for the WECAN Phase 3 Turf Removal and Replacement Project to implement the removal and replacement of up to 75,000 sq. ft. of turf grass from the Eastside Climate Collaborative project area located with the City of Riverside.
- Coordinated with EcoTech on the removal and replacement of turf grass for residents within the Eastside Climate Collaborative project area located with the City of Riverside.

Basin Monitoring Program Task Force

- Finalized the groundwater and surface water work plans in March 2023 to make any updates to the ambient groundwater calculations and surface water monitoring along the Santa Ana River.
- Submitted letter to the State Water Board describing the Task Force's concerns with some of the components of the Integrated Report, including the Chino Creek determination of impairment for the following constituents - chloride, sulfates, and total dissolved solids (TDS).

- Released a request for proposals and selected CWE to monitor quarterly at three sites along the Santa Ana River.
- Developed a data gap report, per the 2019 Recycled Water Policy, that included the following:
  - Identified the potential data gaps in each of the 35 groundwater management zones (GMZ),
  - Defined the criteria to prioritize the timeframe for resolving potential data gaps, and
  - Recommended the agencies to resolve potential gaps in each GMZ.
- Prepared the draft (and final) 2022 Annual Report of Santa Ana River Water Quality and sent the report to stakeholders and Regional Board staff.

<u>Southern California Salinity Coalition (SCSC)</u>
- Attended quarterly Board meetings, the One Water Salinity Innovation Summit, and the Multi-State Salinity Coalition Summit.
- Awarded fellowship grants for continued research on salinity management technologies as part of the SCSC student fellowship grant of $10,000 per year.

<u>Lake Elsinore and San Jacinto Watersheds Authority (LESJWA)</u>
- Prepared and submitted the 2021-2022 Annual Lake Elsinore and Canyon Lakes (LE & CL) total maximum daily load (TMDL) Water Quality Monitoring Report to the Regional Board.
- Implemented successful alum application to Canyon Lake in October 2022 and March 2023 to reduce the phosphorus content, reduce algae, and help meet the TMDL targets for the lake.
- Prepared and approved the FY 2023-24 budget for the Lake Elsinore & Canyon Lake TMDL Task Force.
- Completed LESJWA grant application form for the Lake Elsinore Algae Harvesting and Nutrient Removal Pilot Project to secure 50% funding for the two-year pilot project to be conducted by AECOM. The project will be included among 12 other projects that will be submitted to DWR for grant funding under Proposition 1 Round 2 IRWM Implementation grant program.

<u>Middle Santa Ana River (MSAR) TMDL Task Force</u>
- Prepared and approved the FY 2023-24 budget for the Task Force.
- Completed FY 2022-23 MSAR TMDL Compliance monitoring and submitted a final report to Regional Board.
- Continued effort to prepare the 2023 MSAR Triennial Report, due to the Regional Board in February 2024.
- Initiated efforts to prepare for approval by Regional Board limited revisions to MSAR Basin Plan Amendment to update the MSAR TMDLs to extend the wet weather implementation due date, currently set as December 31, 2025.

<u>Regional WQ Monitoring Task Force</u>
- Completed the Dry Weather monitoring component of the 2022 Santa Ana River Bacteria Water Quality Monitoring Program.

- Prepared and submitted the 2022 Final Santa Ana River Bacteria Water Quality Monitoring Program to the Regional Board.

Emerging Constituents Program Task Force

- Tracked the State Water Board Constituents of Emerging Concern (CEC) Aquatic Ecosystems Panel and SAR Watershed CEC/Bioassay Study Status Report. Southern California Coastal Water Research Project's representative, Dr. Charles Wong, reported that the California Aquatic Ecosystems 2012 Report has been released. The report will be finalized in March 2023.
- Regulatory reports were provided quarterly by Tess Dunham of KSC, including items such as the State Water Board's policy handbook for testing of microplastics in drinking water. Ms. Dunham tracked legislative spot bills about microplastics, although none have been passed.
- Prepared and posted blog articles to the Your So Cal Tap Water website, as well as social media sites Facebook, Instagram, and Twitter.
- Executed a task order with JPW Communications for FYE 2024 and 2025. The task order included work to create videos and track social media metric.

Forest First

- Conferred with the US Forest Service hydrologist about a planned feasibility study to investigate weather augmentation of water supply through cloud seeding.
- Coordinated with SBVMWD on a partnership with the agency regarding the Headwaters Resiliency Partnership Task Force. SAWPA worked with SBVMWD to draft programmatic goals and long-term objectives for the task force.
- Worked with the Cleveland and San Bernardino National Forests to resign the Forest First Memorandum of Understanding (MOU).

Arundo Removal and Habitat Management

- Coordinated with Riverside County Regional Park and Open-Space District on exploring options to certify the Santa Ana River Mitigation Bank under the new California mitigation banking rules.
- Implemented year one of the five-year Inland Empire Resource Conservation District $150,000 project to treat and remove Arundo Donax from various waterways in the upper Santa Ana River Watershed (Headwaters Project). 10,000 acres were surveyed in this first year, and Arundo removal was conducted in the Redlands and Yucaipa areas.

PFAS Regional Analysis Phase I

- Finalized task order with CDM Smith to conduct Phase 1 of the PFAS Regional Analysis for Upper Santa Ana River Watershed Project. The goals of the Phase 1 analysis were to:
    - Characterize and quantify PFAS in surface waters of the upper watershed,
    - Using predictive models, assess the potential impacts of PFAS surface water concentrations on the watershed, and
    - Develop Phase 2 Scope – Modify model and conduct scenario analysis.
- Key work tasks completed by CDM Smith through their Phase 1 scope of services included the following:
    - Development of a data inventory from multiple sources,
    - Mapping PFAS Sources,

    - Development of a data library (for models),
    - Assessment of available PFAS analytical data quality,
    - Integration of available PFAS datasets into a project database,
    - Identification, evaluation, and selection of a preferred surface water model, and
    - Identification of gaps in the datasets to support model development.

Technology

- Server hardware and software refresh – worked with Managed Services Provide (MSP) with design, testing, and implementation of new server hardware and operating systems.
- Designed and implementation of new core computing systems for the following:
    - Upgrading all server Operating Systems.
    - Calendar year-end update for all applications (Great Plains, OnBase, etc.) to most current, supported version.
    - Refreshing of servers/SAN hardware.
    - Upgraded Active Directory from 2012 to 2019 (or newer) for improved security and support.
- Improved SAWPA websites by upgrading to most current versions of software to increase security and editing abilities.
- Improved network security by penetration tests and internal phishing campaigns.
- Continued improvements in OnBase workflow by adding additional documents to support office efficiency.
- Provided Planning with maps and data to support the various task groups and projects.
- Supported Finance through updates to Great Plains (GP) financial accounting system and Journyx, the timekeeping system.
- Updated geographic information system (GIS) server software.
- Upgraded Dig-Alert app with new email reading software and improved Microsoft security protocols.
- Created an online map of Brine Line Dischargers to help Operations track contaminant spikes.
- Created and updated ArcGIS Online Dashboards, Maps, Field apps and Story Maps.
- Stabilized and standardized SAWPA's IT Policies and Procedures.

Administration

- Completed implementation of Greenshades human resources information system (HRIS) software to replace manual human resources and payroll/accounting processes for employee onboarding, benefit administration, employee data and file management, and documentation workflow.
- Completed recruitment and onboarding for several full-time and part-time positions.
- Completed installation of an automated gate to improve the security and aesthetics of the SAWPA campus.
- Enrolled in the California DMV Employer Pull Notice Program for select employees.
- Hosted quarterly All-hands staff meetings and teambuilding events to promote communication and engagement throughout the agency.
- Implemented records destruction according to established policy.
- Executed multiple Communications events for Earth Day and to support WECAN grant program.
- Updated the Personnel Handbook to comply with new laws and policies.

- Began implementation of NEOGOV recruitment and applicant tracking software.
- Provided non-routine reports and analysis of Brine Line flows and water quality data to Engineering/Pretreatment.
- Prepared monthly flow data of Brine Line dischargers for billing purposes.
- Prepared, maintained, and reviewed data of water quality data from Brine Line dischargers.
- Provided administrative assistance during the Brine Line Audit.

Accounting System

The Finance Department is responsible for providing financial services for the Authority, including financial accounting and reporting, payroll, accounts payable and receivable, custody and investment of funds, billing and collection of wastewater charges, and other revenues. The Authority accounts for its activities as an enterprise fund and prepares its financial statements on the accrual basis of accounting, under which revenues are recognized when earned and expenses are recorded when incurred. It is the intent of the Board of Commissioners to manage the Authority's operations as a business, thus matching revenues against the cost of providing services.

Internal Controls

The Authority operates within a system of internal accounting controls established and continually reviewed by management to provide reasonable assurance that assets are adequately safeguarded, and transactions are recorded in accordance with Authority policies and procedures. When establishing and reviewing controls, management must consider the cost of the control and the value of the benefit derived from its utilization. Management normally maintains or implements only those controls for which its value adequately exceeds its cost. Recent audits have not noted any weaknesses in internal controls.

Audit and Financial Reporting

State Law requires the Agency to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm, C.J. Brown & Company CPAs, has conducted the audit of the Authority's financial statements. Their unmodified (clean) Independent Auditor's Report appears in the Financial Section.

Awards

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its annual comprehensive financial report for the fiscal year ended June 30, 2022. This was the fourteenth year that the Authority has achieved this prestigious award. To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both

GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of only one year.

We believe that our current annual comprehensive financial report continues to meet the program requirements and will submit our current June 30, 2023, report to the GFOA to determine its eligibility for a certificate.

The GFOA presented a Distinguished Budget Presentation Award to the Authority for the two-year budget beginning July 1, 2021. In order to receive this award, a government unit must publish a budget document that meets program criteria as a policy document, as an operating guide, as a financial plan, and as a communication device.

Acknowledgements

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Authority's Finance Department. We also would like to express our appreciation to the other Authority Departments for their cooperation, assistance, and support.

We further acknowledge the thorough and professional manner in which our auditors, C.J. Brown & Company CPAs, conducted the audit.

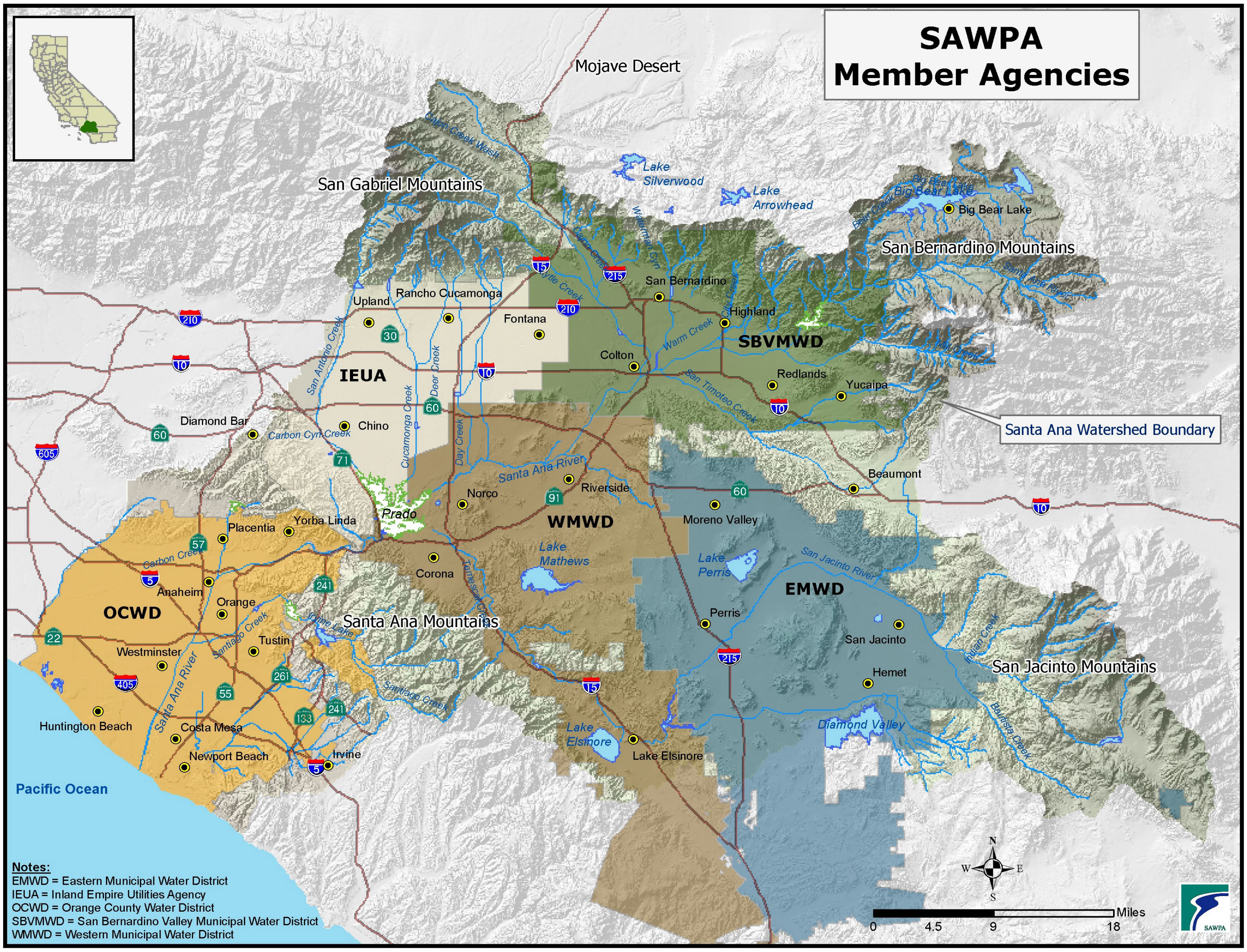
Additionally, we would like to acknowledge the Board of Commissioners for their continued support of the Authority's goal of sound accountable financial management, and for maintaining the highest standards of professionalism in the management of the Authority's finances. We truly appreciate their unfailing interest and support.

Respectfully submitted,

Jeffrey Mosher
General Manager

Karen Williams
Deputy General Manager/Chief Financial Officer

Santa Ana Watershed Project Authority
Authority Service Area Map



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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Santa Ana Watershed Project Authority
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

Santa Ana Watershed Project Authority
Authority Officials

Board of Commissioners

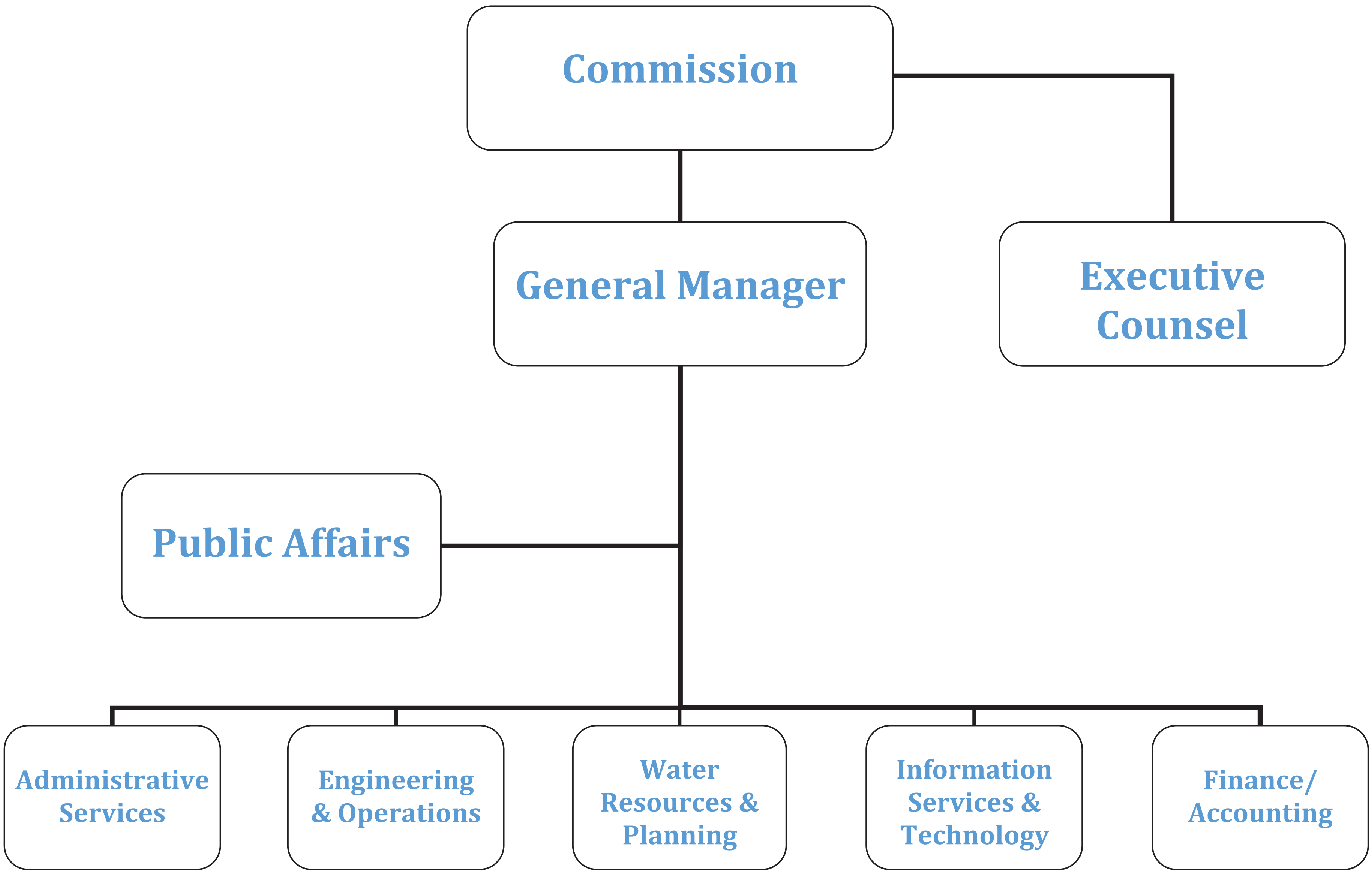
Bruce Whitaker	Chair	OCWD
Mike Gardner	Vice Chair	WMWD
T. Milford Harrison	Secretary/Treasurer	SBVMWD
David J. Slawson	Commission Member	EMWD
Jasmin A. Hall	Commission Member	IEUA

Management Staff

Jeffrey Mosher	General Manager
Karen Williams	Deputy General Manager/Chief Financial Officer
David Ruhl	Executive Manager of Engineering & Operations
Rachel Gray	Water Resources and Planning Manager
Edina Goode	Administrative Services Manager
Dean Unger	IS and Technology Manager
Lagerlof LLP	Executive Counsel

Santa Ana Watershed Project Authority

Organizational Chart



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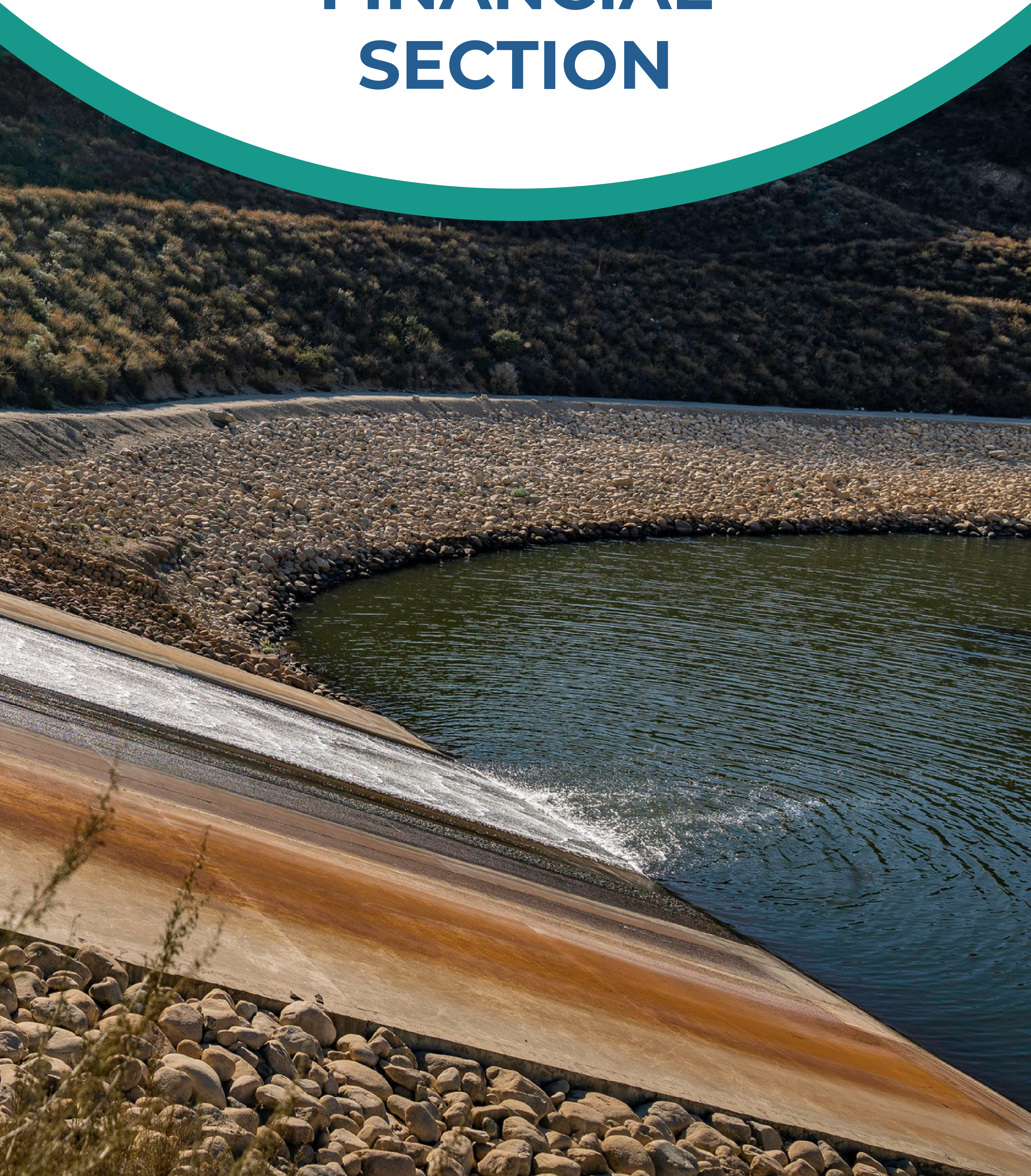
FINANCIAL SECTION



C.J. Brown & Company CPAs
An Accountancy Corporation

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Independent Auditor's Report

Board of Commissioners
Santa Ana Watershed Project Authority
Riverside, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Santa Ana Watershed Project Authority (Authority) as of and for the years ended June 30, 2023 and 2022, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Santa Ana Watershed Project Authority as of June 30, 2023 and 2022, and the changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audit 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 Authority's. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. We believe that our audit and the report of the other auditors provide a reasonable basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority'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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, the supplementary information of combining schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information of combining schedules is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 19, 2023, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance. This report can be found at the end of this report.

C.J. Brown & Company, CPAs

C.J. Brown & Company CPAs
Cypress, California
December 19, 2023

The intent of the Management Discussion and Analysis is to provide highlights of the financial activities for the fiscal year ended June 30, 2023 and 2022, of the Santa Ana Watershed Project Authority (the "Authority"). Readers are encouraged to read this section in conjunction with the transmittal letter and the accompanying basic financial statements.

The Authority

The Authority was formed in 1972 pursuant to the provisions of Article 1, Chapter 5, Division 7, Title 1 of the Government Code of the State of California relating to the joint exercise powers common to public agencies. The Authority was formed for the purpose of undertaking projects for water quality control and protection as well as pollution abatement in the Santa Ana River Watershed.

The Authority's five member agencies are Eastern Municipal Water District (EMWD), Inland Empire Utilities Agency (IEUA), Orange County Water District (OCWD), San Bernardino Valley Municipal Water District (SBVMWD), and Western Municipal Water District (WMWD).

Overview of the Financial Statements

The Authority is a special purpose government (special district) engaged only in activities that support themselves through user charges and member contributions. Accordingly, the accompanying financial statements are presented in the format prescribed for proprietary funds by the Governmental Accounting Standards Board (GASB).

These financial statements consist of three interrelated statements designed to provide the reader with relevant, understandable data about the Authority's financial condition and operating results. They are the (1) Statement of Net Position; (2) Statement of Revenues, Expenses, and Changes in Net Position; and (3) Statement of Cash Flows.

The Statement of Net Position presents information on all the Authority's assets, deferred inflow of resources, liabilities, and deferred outflow of resources, with the differences between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

The Statement of Cash Flows conveys to financial statement users how the Authority managed cash resources during the year. This statement converts the change in net position presented on the Statement of Revenues, Expenses, and Changes in Net Position into actual cash provided by and used for operations. The Statement of Cash Flows also details how the Authority obtains cash through financing and investing activities, and how cash is spent for these purposes.

Summary Financial Information and Analysis

While fiscal year 2023 continued to be challenging with the global pandemic COVID-19, the Authority's financial operations remained sound. The Statement of Net Position remains strong, providing a foundation for continued growth within the Authority's service area. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $80.0 million at June 30, 2023, by $78.4 million at June 30, 2023, and by $73.3 million at June 30, 2021.

Statements of Net Position

For the Fiscal Years Ended June 30, 2023, 2022, and 2021

	Fiscal Year End June 30,				
	2023	2022	Increase/ (Decrease)	As Restated 2021	Increase/ (Decrease)
Assets					
Current	$77,062,238	$82,300,170	($5,237,932)	$74,685,030	$7,615,140
Non-current	824,407	1,293,019	(468,612)	-	1,293,019
Capital	93,314,330	96,912,667	(3,598,337)	102,321,074	(5,408,407)
Total Assets	171,200,975	180,505,856	(9,304,881)	177,006,104	3,499,752
Deferred Outflows	2,984,563	2,592,450	392,113	2,600,028	(7,578)
Liabilities					
Current	10,610,023	20,660,188	(10,050,165)	15,769,785	4,890,403
Non-current	83,297,932	82,891,595	406,337	88,892,726	(6,001,131)
Total Liabilities	93,907,955	103,551,783	(9,643,828)	104,662,511	(1,110,728)
Deferred Inflows	289,195	1,153,595	(864,400)	1,618,116	(464,521)
Net Position					
Net investment in capital assets	70,815,204	73,427,321	(2,612,117)	76,739,960	(3,312,639)
Restricted	2,960,560	4,253,579	(1,293,019)	2,960,560	1,293,019
Unrestricted (Deficit)	6,212,624	712,028	5,500,596	(6,375,015)	7,087,043
Total Net Position	$79,988,388	$78,392,928	$1,595,460	$73,325,505	$5,067,423

The following denotes explanations on some of the changes between fiscal years 2023 and 2022, as compared in the table on the previous page.

- The $5.2 million decrease in Current Assets is primarily due to a decrease in Accounts Receivable. In FYE 2023, many of the Proposition 84 Round II projects were completed and the retention for the projects was released by Department of Water Resources (DWR).

- The $3.6 million decrease in Capital Assets is due to maturing depreciable/amortizable assets during fiscal year 2023.

- The $10.1 million decrease in Current Liabilities is due to the payment of retention for Proposition 84 Round II projects.

The following denotes explanations on some of the changes between fiscal years 2022 and 2021, as compared in the table on the previous page.

- The $7.6 million increase in Current Assets is primarily due to increases in cash and cash equivalents and accounts receivable grants. The increase in cash is primarily due to an increase in net position of $5.1 million in 2022. The grant agreement for Proposition 1 Round I projects, which included eight projects, was signed at the end of fiscal year 2021. By fiscal year 2022 many of the projects were well under way and project proponents started invoicing for project costs.

- The $1.3 million increase in Non-current Assets is due to current year changes in the pension and other post-employment benefit related to balances.

- The $5.4 million decrease in Capital Assets is due to maturing depreciable/amortizable assets during fiscal year 2022.

- The $4.9 million increase in Current Liabilities is due to program implementation of Proposition 1 Round I projects. With the grant agreement being signed at the end of fiscal year 2021, many of the eight new projects began construction and started billing those costs.

- The $6.0 million decrease in Non-current Liabilities is due primarily to the amortization of pipeline and wastewater treatment rights combined with a decrease in long-term debt from scheduled debt service payments.

Category of Net Position

The Authority is required to present its net position in three categories: (1) Net Investment in Capital Assets; (2) Restricted; and (3) Unrestricted.

Net Investment in Capital Assets

At June 30, 2023, 2022, and 2021, Net Investment in Capital Assets consisted of the following:

Net Investment in Capital Assets

(In Millions)

	2023	2022	As Restated 2021
Property, Plant & Equipment	$159.9	$159.7	$159.7
Accumulated Depreciation	(87.6)	(84.6)	(81.0)
Wastewater Treatment & Disposal Rights	55.6	55.6	55.6
Accumulated Amortization	(35.1)	(34.2)	(32.4)
Construction in Process	0.5	0.4	0.4
Related Payables and Loans, Net of Discounts	(22.5)	(23.5)	(25.6)
Total	$70.8	$73.4	$76.7

Restricted

At June 30, 2023, Restricted Net Position of $3.0 million is legally restricted by contract to fund additional Arundo Management and Habitat Restoration projects within the Santa Ana River Watershed and by the State Water Resources Control Board (SWRCB) for the State Revolving Fund (SRF) reserve requirement. Please see Note 7 of the Notes to Financial Statements for further information.

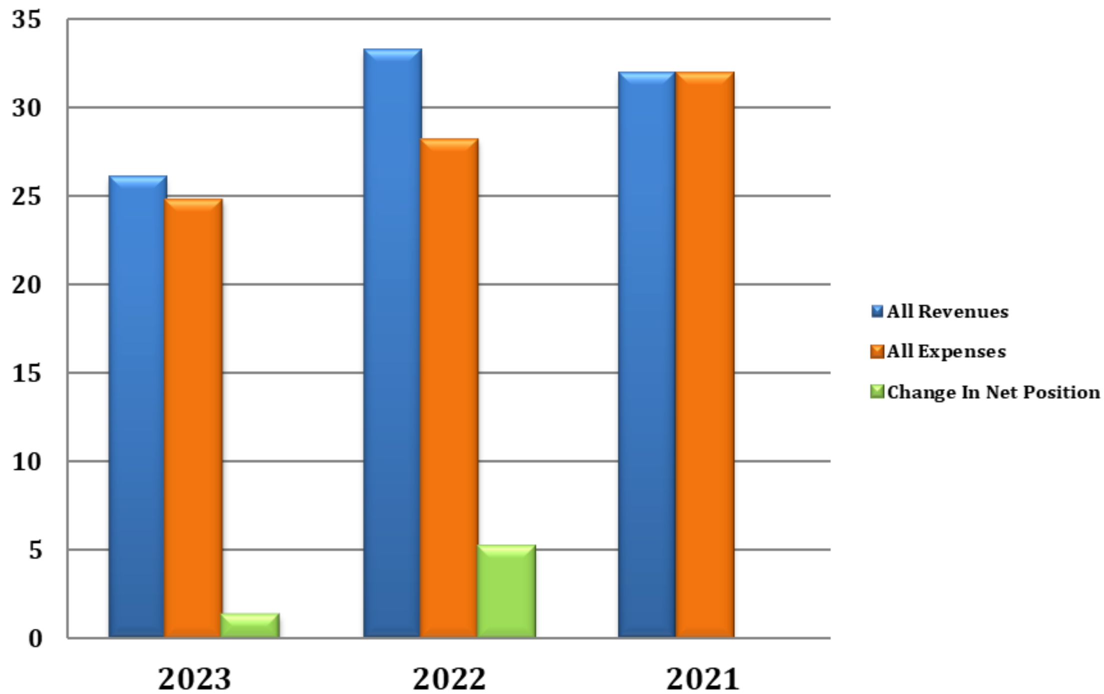
Unrestricted

At June 30, 2023, the Authority had an unrestricted net position of $6.2 million. The Authority possesses $59.0 million in unearned revenue being realized over a 50-year period of approximately $2.5 million per year.

Change in Net Position

In the fiscal year ended June 30, 2023, net position increased by $1.6 million primarily due to an increase in Investment Earnings.

Change in Net Position
(in millions)



Statements of Revenues, Expenses, and Changes in Net Position

For the Fiscal Years Ended June 30, 2023, 2022, and 2021

	Fiscal Year End June 30,				
	2023	2022	Increase/ (Decrease)	As Restated 2021	Increase/ (Decrease)
Operating Revenues:					
WWT & Disposal	$12,319,657	$12,040,521	$279,136	$12,476,856	($436,335)
WWT & Disposal Capacity Rights	2,510,154	2,510,154	-	2,510,154	-
Program Administration	203,714	191,841	11,873	201,354	(9,513)
Other Operating Revenues	7,708	5,716	1,992	3,832	1,884
Total Operating Revenues	15,041,233	14,748,232	293,001	15,192,196	(443,964)
Non-operating Revenues:					
Member Contributions	2,069,760	1,581,845	487,915	1,993,632	(411,787)
Intergovernmental	10,525,569	13,673,784	(3,148,215)	14,765,698	(1,091,914)
Pension Income – GASB 68	-	3,816,733	(3,816,733)	-	3,816,733
OPEB Income – GASB 75	235,127	204,395	30,732	-	204,395
Investment Earnings, net of fair value	1,134,643	(724,549)	1,859,192	73,038	(797,587)
Total Non-operating Revenues	13,965,099	18,552,208	(4,587,109)	16,832,368	1,719,840
Total Revenues	29,006,332	33,300,440	(4,294,108)	32,024,564	1,275,876
Operating Expenses:					
WWT and Disposal	6,957,971	6,863,027	94,944	7,055,339	(192,312)
General, Admin, and Overhead	692,402	523,272	169,130	762,713	(239,441)
Studies and Planning Costs	3,405,256	2,578,723	826,533	5,020,667	(2,441,944)
Depreciation	3,069,476	3,693,764	(624,288)	3,840,251	(146,487)
Amortization of WWT and Disposal Rights	927,886	1,714,643	(786,757)	1,556,010	158,633
Total Operating Expenses	15,052,991	15,373,429	(320,438)	18,234,980	(2,861,551)
Non-operating Expenses:					
Interest Expense	503,989	537,720	(33,731)	588,663	(50,943)
Pension Expense – GASB 68	2,912,634	-	2,912,634	-	-
Grant Program Expenses	9,201,690	12,321,868	(3,120,178)	13,201,124	(879,256)
Total Non-operating Expenses	12,618,313	12,859,588	(241,275)	13,789,787	(930,199)
Total Expenses	27,671,304	28,233,017	(561,713)	32,024,767	(3,791,750)
Capital Contributions	260,432	-	260,432	-	-
Change in Net Positions	1,595,460	5,067,423	(3,471,963)	(203)	5,067,626
Beginning Net Position	78,392,928	73,325,505	5,067,423	73,325,708	(203)
Ending Net Position	$79,988,388	$78,392,928	$1,595,460	$73,325,505	$5,067,423

<u>Revenues</u>

Combined revenues for the fiscal year 2023 totaled $29.0 million, a decrease of $4.3 million, or 12.9%, less than the prior fiscal year. The following denotes explanations on some of the changes between fiscal years 2023 and 2022.

- The $3.1 million decrease in Intergovernmental is due to the competition of Proposition 84 Round II grant projects and slow implementation of Proposition 1 Round I and II projects.

- The $3.8 million decrease in Pension Income – GASB 68 is due to realized investment losses in the CalPERS pension fund cost-sharing pools which were allocated proportionally across the agencies in the Pool.

- The $1.9 million increase in Investment Income is due to an increase in interest rates and the current unrealized market value of investments.

Combined revenues for the fiscal year 2022 totaled $33.3 million, an increase of $1.3 million, or 3.9%, more than the prior fiscal year. The following denotes explanations on some of the changes between fiscal years 2022 and 2021.

- The $0.4 million decrease in Waste Water Treatment and Disposal is due to lower biochemical oxygen demand (BOD) and total suspended solids (TSS) concentrations which resulted in lower costs from the prior year.

- The $1.1 million decrease in Intergovernmental is due to the Proposition 1 DACI grant and Proposition 84 Round II grant projects being completed in fiscal year 2021.

- The $3.8 million increase in Pension Income – GASB 68 is due to realized investment gains in the CalPERS pension fund cost-sharing pools which were allocated proportionally across the agencies in the Pool.

- The $0.8 million decrease in Investment Income is due to a decrease in the current unrealized market value of investments.

<u>Expenses</u>

Combined expenses for the fiscal year 2023 totaled $27.7 million, a decrease of $0.6 million, or 2.0% less than the prior fiscal year. The following denotes explanations on some of the changes between fiscal years 2023 and 2022.

- The $0.8 million increase in Studies and Planning Costs is due to a the new projects, Weather Modification, PFAS Study, and the DACI Drought Relief Grant.

- The $2.9 million increase in Pension Expense – GASB 68 is due to the realized investment losses in the CalPERS pension fund cost sharing pools and the decrease in the discount rate which were allocated proportionately across all agencies within the pool.

- The $0.6 million decrease in Depreciation is due to the annual depreciation of capital assets.

- The $0.8 million decrease in Amortization is due to the annual amortization of pipeline and wastewater treatment rights.

- The $3.1 million decrease in Grant Program Expenses is due to the competition of Proposition 84 Round II grant projects and slow implementation of Proposition 1 Round I and II grant projects.

Combined expenses for the fiscal year 2022 totaled $28.2 million, a decrease of $3.8 million, or 11.8% less than the prior fiscal year. The following denotes explanations on some of the changes between fiscal years 2022 and 2021.

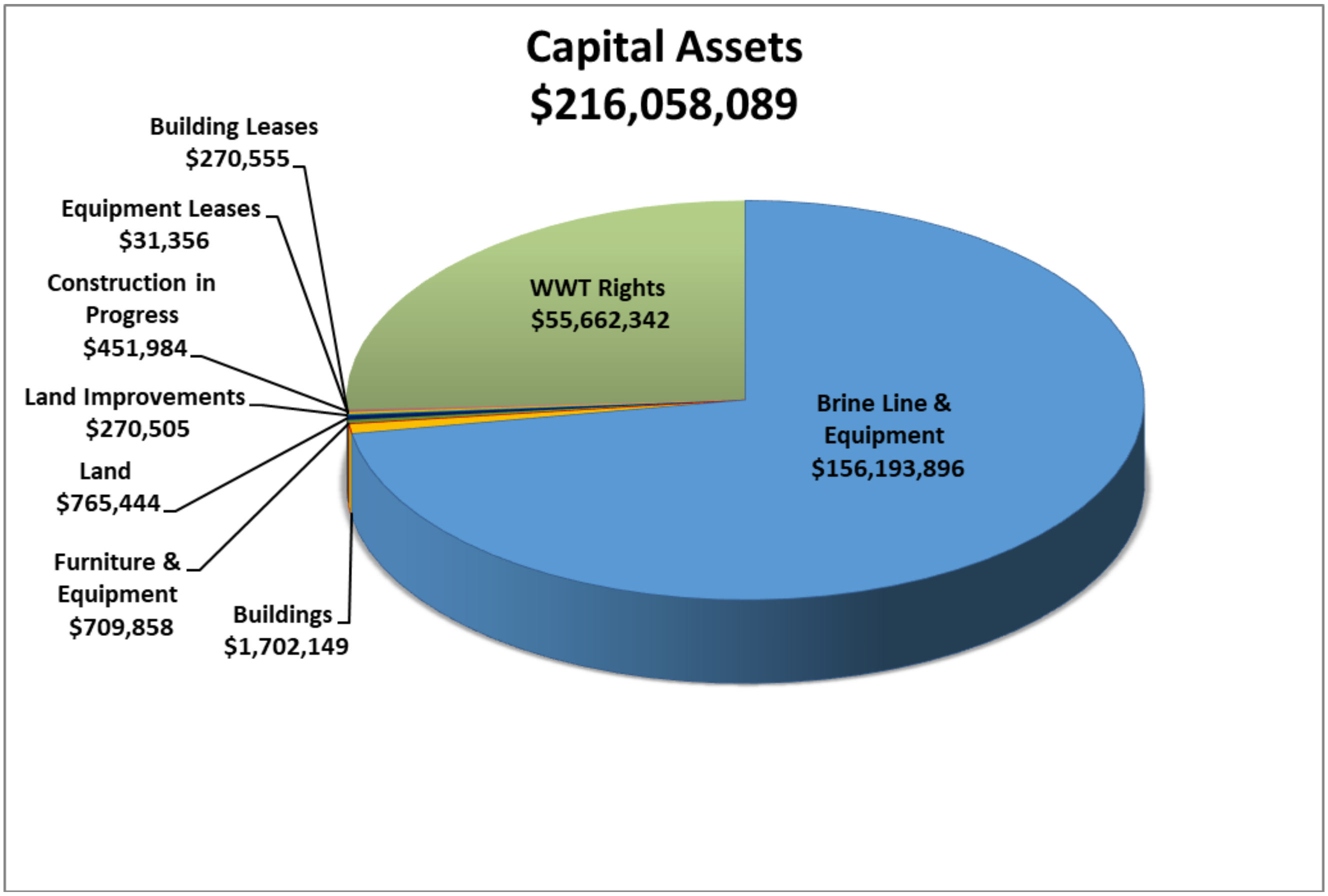
- The $2.4 million decrease in Studies and Planning Costs is due to the completion of the Rock Removal Project completed by Orange County Sanitation District in fiscal year 2021 and the completion of the Proposition DACI grant. Capital project costs for the Brine Line in fiscal year 2022 were minimal resulting in the difference between the two years.

- The $0.9 million decrease in Grant Program Expenses is due to the Proposition 1 DACI Grant and Proposition 84 Round II grant projects being completed in fiscal year 2021.

Capital Assets

Existing Capital Assets

The following chart is the composition of the Authority's total capital assets, not including depreciation and amortization, as of June 30, 2023; additional information can be found in Note 5 of the Notes to Financial Statements.



A comparison of the changes by major category between the current and prior fiscal years is provided in the Category of Net Position section on page 7 and 8 of this report.

Future Capital Improvements

The capital improvements program (CIP) includes annual capital repairs to correct pipeline and MAS defects identified during closed circuit television (CCTV) and direct visual inspection. The repairs include items such as sealing pipe joints with major groundwater infiltration, repairing MAS and pipe corrosion protection (plastic "T-Lok" type liner), and completing repairs where structure corrosion has occurred.

The Brine Line Reach 4D was constructed in the early 1990's and runs from the intersection with Reach 4A in the City of Chino approximately 21 miles East to the intersection with Reach 4E in the City of Rialto. About 7 miles of the Brine Line Reach 4D consists of T-Lok Lined 42-inch reinforced concrete pipe (RCP). The T-Lok lining is a polyvinyl chloride (PVC) lining on the interior circumference of the pipe that provides a protective corrosion barrier between the flow and concrete pipe. The T-Lok lining on this portion of the Brine Line was installed on the upper 270 degrees of the pipeline leaving the invert or bottom 90 degrees of the pipe unlined. Low flows during the initial years of operation placed the flow line below the termination of the T-Lok liner and exposed the concrete to corrosion and uplifting of the T-Lok liner. A consultant was hired in March 2018 to conduct a pipeline condition assessment, evaluate the condition and remaining useful life of this portion of the Reach 4D pipeline, and prepare the Reach 4D Work Plan. The pipeline field investigation work was completed in May 2018. The Work Plan completed in mid-2019 includes an evaluation of potential repair methods, near, mid- and long-term recommended actions to monitor the condition of the Brine Line and provide repairs as necessary in the future, and a schedule and cost estimate for the proposed recommendations. The near term recommended field investigation work was completed in May 2019. The Near-Term Recommended Inspections Data Analysis and Summary Report was completed in fiscal year 2020. The Near-Term Actions Summary Report concluded that the findings presented in the Reach 4D Work Plan remain valid and the recommendations provided remain unchanged. An RFP for the mid-term recommended actions was issued in August 2023 and a contract to complete the work was issued in September 2023. The mid-term recommended field investigation is planned for February 2024. The Mid-Term Recommendation Final Report will be completed by the end of fiscal year 2024. The long-term solution is anticipated to begin around fiscal year 2027 through 2030.

Reach IV was constructed in 1975 and is the oldest part of the system. A condition assessment is necessary to understand the reliability and performance of Reach IV. An assessment can identify potential issues and actions needed to extend the remaining useful life of the system. An RFP for the Reach IV condition assessment was issued in November 2022 and a contract to complete the work was issued in February 2023. The field work and condition assessment report are anticipated to be complete in the fiscal year 2024.

A portion of Reach IV-B was constructed with 36-inch cement-mortar lined ductile iron pipe (DIP) in the late 1990s and is over 20 years old. A condition assessment is necessary to understand the reliability and performance of Reach IV-B. Corrosion (both external and internal) is the main factor that can affect the structural integrity of the pipe. Over time defects in the lining system can develop due to excessive wear, scaling, water chemistry, and various cleaning methods. An assessment of the condition of the lining system and pipe can identify potential issues and actions needed to extend the remaining useful life of the system. An RFP for the Reach IV-B condition assessment was issued in November 2022 and a contract to complete the work was issued in February 2023. The field investigation work was completed in May 2023. The condition assessment final report will be completed in the fiscal year 2024.

The Agua Mansa Lateral is a 12-inch diameter pipeline located in the Cities of Rialto and Colton. The lateral connects to the existing Rialto Bioenergy Facility (RBF) pipeline and runs westerly along Agua Mansa Road approximately 4,550 feet and connects into Reach IV-E just east of Riverside Avenue. The Agua Mansa Lateral will allow RBF to connect to the Brine Line downstream of a long siphon, provide opportunities for future dischargers to connect to the Brine Line and other benefits to the operation and maintenance of the Brine Line, such as operational flexibility, avoided maintenance costs and increased reliability by minimizing disruptions to upstream dischargers during maintenance or emergency events. A notice inviting bids was issued in March 2023. A construction contract was awarded in August 2023. Construction commenced in September 2023. All construction work will be completed in the fiscal year 2024.

Long-Term Debt

The Authority's long-term debt consists of four loans from the SWRCB for construction of Reach V of the Brine Line, a loan from the SWRCB for repairs of Reach IV-A and IV-B, a loan from the SWRCB for the Reach V Capital Repairs project, and leases payable.

During the fiscal years ended June 30, 2023, 2022, and 2021, the Authority made all of the scheduled principal payments on these debts as follows:

Debt Service	2023	2022	As Restated 2021
SWRCB TVRI Line	$-	$875,862	$1,074,263
SWRCB Reach IV-A & IV-B	787,396	767,442	747,995
SWRCB Reach V Capital Repairs	407,779	400,176	392,714
Leases Payable	61,599	52,288	43,631

These payments decreased the outstanding balance in long-term debt by $1.3 million. For more detailed information refer to Note 7 of the Notes to Financial Statements.

Fiscal Year 2024-2025 Budget

Economic and Financial Factors

As the Inland Empire moves past the economic pressures brought on by the COVID-19 downturn, forecasts show that we are poised for steady economic growth in the coming years. As one of California's fastest growing population and economic centers before the pandemic, the strength, resilience, and diversity of the regional economy helped avoid a far more serious recession. While there are still significant challenges ahead, there are also many opportunities. The strength of the logistics sector has and will continue to provide a competitive advantage, with the surge in e-commerce and goods movement generally since the start of the pandemic. The sector continues to add thousands of jobs each year. The Inland Empire has outperformed all other regions in Southern California in adding jobs. The booming labor market is reflected in the relatively low employment rate for the region. Some of the challenges facing the region are high inflation, increases in interest rates, and housing shortages.

In preparing the fiscal year 2024 and 2025 budget, inflation has had an impact on costs. With that in mind, staff will look for ways to reduce our budget while remaining effective and efficient. By optimizing operational processes and implementing a number of cost-cutting measures, we hope to reduce costs and pass those savings on to our member agencies through reduced fees and member contributions.

The approved budget is the Authority's ninth biennial budget and will help to continue the long-range planning effort for Agency operations. The total combined budget for both years is $47.4 million, which consists of $33.5 million or 71% for operating expenses, $3.4 million or 7% for debt service, $4.7 million or 10% for reserve contributions and $5.8 million or 12% in Capital Program expenses. Available to cover those expenses are revenues of $46.0 million and $1.4 million from fund balances.

The Authority is confronted with a substantial $70.0 million Capital Improvement Program spanning the next 25 years. To guarantee the availability of funds for program implementation, the Authority has undertaken a comprehensive long-term financial plan and rate model specifically tailored for the Brine Line. This model serves as a pivotal financial planning tool. Meticulously designed to ascertain that revenues are not only adequate for meeting day-to-day operational requirements but also for fulfilling capital needs. Furthermore, the model plays a crucial role in establishing a robust financial foundation for the creation and maintenance of a long-term capital repair and replacement reserve.

In essence, the financial plan and rate model serve as strategic instruments, aligning revenue generation with both immediate operational necessities and the imperative to accumulate funds for sustaining the integrity of the Brine Line infrastructure over an extended period. This proactive approach ensures that the Authority remains well-positioned to address not only current obligations but also future challenges, thereby fostering resilience and sustainability in the face of evolving capital demands.

Management is unaware of any other conditions that could have a significant past, present, or future impact on the Authority's current financial position, net position, or operating results.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances for the Board of Commissioners, customers, investors, creditors, and other interested parties. Questions concerning any information provided in the report or requests for additional information should be addressed to the Authority's Finance Department, 11615 Sterling Avenue, Riverside, CA 92503.

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Basic Financial Statements

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Santa Ana Watershed Project Authority
Statements of Net Position – Proprietary Funds
June 30, 2023 and 2022

		Business-type Activities Enterprise Fund	
		2023	2022
Current assets:			
Cash and cash equivalents (note 2)	$	50,268,261	53,398,185
Cash and cash equivalents – held for mitigation (note 2)		808,607	856,186
Investments (note 2)		12,218,364	6,450,116
Interest receivable		404,329	96,874
Accounts receivable		2,304,788	2,206,951
Accounts receivable – grants		8,443,639	16,921,886
Accounts receivable – other		28,638	9,469
Loan receivable (note 3)		260,432	-
Prepaid expenses and other assets		414,620	449,943
Mitigation credits (note 4)		1,910,560	1,910,560
Total current assets		77,062,238	82,300,170
Non-current assets:			
Loan receivable (note 3)		824,407	-
Capital assets not being depreciated (note 5)		1,217,428	1,154,918
Depreciable capital assets, net (note 5)		92,096,902	95,757,749
Net OPEB asset (note 8)		-	187,301
Net pension asset (note 9)		-	1,105,718
Total non-current assets		94,138,737	98,205,686
Total assets		171,200,975	180,505,856
Deferred outflows of resources:			
Deferred OPEB outflows of resources (note 8)		380,982	283,933
Deferred pension outflows of resources (note 9)		2,603,581	2,308,517
	$	2,984,563	2,592,450

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See accompanying notes to the basic financial statements.

Santa Ana Watershed Project Authority
Statements of Net Position – Proprietary Funds, continued
June 30, 2023 and 2022

	Business-type Activities Enterprise Fund	
	2023	2022
Current liabilities:		
Accounts payable and accrued expenses	$ 8,823,028	18,817,339
Accrued salaries and wages	81,966	195,397
Accrued interest payable	180,774	192,970
Customer deposits	14,385	15,628
Long-term liabilities – due within one year:		
Compensated absences (note 6)	196,543	200,307
Leases payable (note 7)	89,932	43,372
Loans payable (note 7)	1,223,395	1,195,175
Total current liabilities	10,610,023	20,660,188
Non-current liabilities:		
Unearned revenue (note 10)	59,012,531	60,177,414
Long-term liabilities due in more than one year:		
Compensated absences (note 6)	458,601	467,382
Leases payable (note 7)	175,880	13,485
Loans payable (note 7)	21,009,919	22,233,314
Net OPEB liability (note 8)	43,722	-
Net pension liability (note 9)	2,597,279	-
Total non-current liabilities	83,297,932	82,891,595
Total liabilities	93,907,955	103,551,783
Deferred inflows of resources:		
Deferred OPEB inflows of resources (note 8)	166,396	535,497
Deferred pension inflows of resources (note 9)	122,799	618,098
	289,195	1,153,595
Net position: (note 11)		
Net Investment in capital assets	70,815,204	73,427,321
Restricted for:		
SRF Reach IV-A & IV-B reserve requirement	1,050,000	1,050,000
Mitigation	1,910,560	1,910,560
Net OPEB asset	-	187,301
Net pension asset	-	1,105,718
Unrestricted	6,212,624	712,028
Total net position	$ 79,988,388	78,392,928

See accompanying notes to the basic financial statements.

Santa Ana Watershed Project Authority
Statements of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
For the Fiscal Years Ended June 30, 2023 and 2022

	Business-type Activities Enterprise Fund	
	2023	2022
Operating revenues:		
Wastewater treatment and disposal	$ 12,319,657	12,040,521
Wastewater treatment and disposal – capacity rights	2,510,154	2,510,154
Program administration	203,714	191,841
Other	7,708	5,716
Total operating revenues	15,041,233	14,748,232
Operating expenses:		
Wastewater treatment and disposal	6,957,971	6,863,027
General and administrative	692,402	523,272
Studies and planning costs	3,405,256	2,578,723
Total operating expenses:	11,055,629	9,965,022
Operating income before depreciation and amortization	3,985,604	4,783,210
Depreciation and amortization expense	(3,069,476)	(3,693,764)
Amortization of disposal rights	(927,886)	(1,714,643)
Total depreciation and amortization	(3,997,362)	(5,408,407)
Operating loss	(11,758)	(625,197)
Non-operating revenues (expenses):		
Member contributions	2,069,760	1,581,845
Intergovernmental	10,525,569	13,673,784
Pension (expense) income – GASB 68 (note 8)	(2,912,634)	3,816,733
OPEB income – GASB 75 (note 9)	235,127	204,395
Investment earnings, net of fair value	1,134,643	(724,549)
Grant program expenses	(9,201,690)	(12,321,868)
Interest expense	(503,989)	(537,720)
Total non-operating revenues, net	1,346,786	5,692,620
Capital contributions:		
Rialto BioEnergy	260,432	-
Total capital contributions	260,432	-
Change in net position	1,595,460	5,067,423
Net position – beginning of year, as restated – (note 12)	78,392,928	73,325,505
Net position – end of year	$ 79,988,388	78,392,928

See accompanying notes to the basic financial statements.

Santa Ana Watershed Project Authority
Statements of Cash Flows – Proprietary Funds
For the Years Ended June 30, 2023 and 2022

		Business-type Activities Enterprise Fund	
		2023	2022
Cash flows from operating activities:			
Cash received from customers	$	13,758,101	12,231,113
Cash payments to employees		(4,165,719)	(3,407,764)
Cash payments to suppliers		(14,297,367)	(4,900,643)
Cash (used in) provided by operating activities		(4,704,985)	3,922,706
Cash flows from non-capital financing activities:			
Member contributions		2,069,760	1,581,845
Other governments		19,003,816	9,667,254
Grant program expenses		(9,201,690)	(12,321,868)
Cash provided by (used in) non-capital financing activities		11,871,886	(1,072,769)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets		(399,025)	-
Proceeds from capital contributions		260,432	-
Proceeds from acquisition of long-term debt		270,554	-
Principal payments on long-term debt		(1,256,774)	(2,095,768)
Interest paid on long-term debt		(516,185)	(566,601)
Cash used in capital and related financing activities		(1,640,998)	(2,662,369)
Cash flows from investing activities:			
Purchase of investments		(9,436,482)	(2,226,857)
Proceeds from sale of investments		990,727	7,069,116
Principal issued on loan receivable		(1,605,703)	-
Principal received on loan receivable		520,864	-
Interest received		827,188	288,362
Cash (used in) provided by investing activities		(8,703,406)	5,130,621
Net (decrease) increase in cash and cash equivalents		(3,177,503)	5,318,189
Cash and cash equivalent – beginning of year		54,254,371	48,936,182
Cash and cash equivalent – end of year	$	51,076,868	54,254,371
Reconciliation of cash and cash equivalents to the Statements of Net Position			
Cash and cash equivalents		50,268,261	53,398,185
Cash and cash equivalents – restricted		808,607	856,186
Total cash and cash equivalemts	$	51,076,868	54,254,371

Continued on next page

See accompanying notes to the basic financial statements.

Santa Ana Watershed Project Authority
Statements of Cash Flows – Proprietary Funds, continued
For the Years Ended June 30, 2023 and 2022

		Business-type Activities Enterprise Fund	
		2023	2022
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	$	(11,758)	(625,197)
Adjustments to reconcile operating loss to net cash provided by operating activities			
Depreciation and amortization		3,069,476	3,693,764
Amortization of disposal rights		927,886	1,714,643
Changes in assets and liabilities:			
(Increase) decrease in assets			
Accounts receivable		(97,837)	(25,193)
Accounts receivable – other		(19,169)	2,600
Prepaid expenses and other assets		35,323	(101,870)
Net OPEB asset		187,301	(187,301)
Net pension asset		1,105,718	(1,105,718)
(Increase) decrease in deferred OPEB outflows		(97,049)	1,555
(Increase) decrease in deferred pension outflows		(295,064)	6,023
Increase (decrease) in liabilities			
Accounts payable and accrued expenses		(9,994,311)	5,728,775
Accrued salaries and wages		(113,431)	24,072
Customer deposits		(1,243)	15,628
Compensated absences		(12,545)	26,766
Unearned revenue		(1,164,883)	(2,510,154)
Net OPEB liability		43,722	(400,332)
Net pension liability		2,597,279	(1,870,834)
Increase (decrease) in deferred OPEB inflows		(369,101)	381,683
Increase (decrease) in deferred pension inflows		(495,299)	(846,204)
Cash (used in) provided by operating activities	$	(4,704,985)	3,922,706
Non-cash investing, capital, and financing transactions:			
Change in fair value of investments	$	320,764	1,071,944

See accompanying notes to the basic financial statements.

Santa Ana Watershed Project Authority
Statements of Fiduciary Net Position
Fiduciary Fund
June 30, 2023 and 2022

		Custodial Fund	
		Legal Defense Fund	
		2023	2022
Assets:			
Cash and cash equivalents	$	482,135	467,289
Interest receivable		1,914	312
Total assets		484,049	467,601
Liabilities:			
Other liabilities		-	-
Total liabilities		-	-
Net position:			
Restricted for:			
Legal defense		484,049	467,601
Total net position	$	484,049	467,601

See accompanying notes to the basic financial statements.

Santa Ana Watershed Project Authority
Statements of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Years Ended June 30, 2023 and 2022

	Custodial Fund	
	Legal Defense Fund	
	2023	2022
Additions:		
Investment earnings	$ 16,448	529
Total additions	$ 16,448	529
Deductions:		
Administrative expenses	-	-
Total deductions	-	-
Net increase in fiduciary net position	16,448	529
Net position – beginning of year	467,601	467,072
Net position – end of year	$ 484,049	467,601

See accompanying notes to the basic financial statements.

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Santa Ana Watershed Project Authority (Authority) was reformed in 1972 pursuant to the provisions of Article 1, Chapter 5, Division 7, Title 1 of the Government Code of the State of California relating to the joint exercise of powers common to public agencies, for the purpose of undertaking projects for water quality control and protection and pollution abatement in the Santa Ana River Watershed. The five member agencies are the Orange County Water District, Inland Empire Utilities Agency (formerly Chino Basin Municipal Water District), Eastern Municipal Water District, San Bernardino Valley Municipal Water District, and Western Municipal Water District. The Board of Commissioners is the governing body of the Authority. Each member of the Authority appoints, by Resolution of its governing body, one member of its governing body to act as its Commissioner on the Board.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standard Board (GASB) Statements have been considered and there are no agencies or entities which should be presented with the Authority.

The Authority's operations are accounted for on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenses. Authority resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The Authority's various funds are grouped as follows:

Capital Project Activities – Record the activity of the various capital improvement projects undertaken by the Authority.

Internal Administration – Reflect the grouping of general and administration expenses and department overhead costs. Reported amounts are net of allocations made in support of capital project and enterprise activities.

Enterprise Activities – Reflect operations of the Inland Empire Brine Line System (Brine Line) pipelines.

The Authority also has the following Fiduciary Funds:

Custodial Funds – Custodial funds are utilized to record monies held on behalf of others in a fiduciary capacity. The Authority has one custodial fund:

The Legal Defense Custodial Fund – This fund was established in conjunction with the Environmental Protection Agency in connection with potential third-party lawsuits arising from the discharge of effluent which originates from the Stringfellow Hazardous Waste Site, while the facility is operated by the Environmental Protection Agency or its agents under the use permit.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Measurement Focus

The Authority reports its activities as an enterprise fund, which is a proprietary type fund used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Authority is that the cost of providing services on a continuing basis be financed or recovered primarily through user charges, capital grants, and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

C. Financial Reporting

Operating revenues and expenses, such as wastewater treatment and wastewater disposal, capacity rights, and contractual services, result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses. Non-operating revenues and expenses, such as grant funding, investment income, and interest expense, result from non-exchange transactions, in which, the Authority gives (receives) value without directly receiving (giving) value in exchange.

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

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

Governmental Accounting Standards Board Statement No. 91

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

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

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting

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

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

Governmental Accounting Standards Board Statement No. 93

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

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

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting

Governmental Accounting Standards Board Statement No. 94

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

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

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

Governmental Accounting Standards Board Statement No. 96

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

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

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting

Governmental Accounting Standards Board Statement No. 97

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

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

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

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

1. Use of Estimates

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

2. Cash and Cash Equivalents

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

3. Investments and Investment Policy

The Authority has adopted an investment policy directing the Authority's Chief Financial Officer to deposit funds in financial institutions.

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

4. Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

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

5. Restricted Assets

Restricted assets are financial resources generated for a specific purpose such as capital projects or debt service. These assets are for the benefit of a specified purpose and, as such, are legally or contractually restricted by an external third-party agreement.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

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

6. Accounts Receivable

The Authority extends credit in the normal course of operations. Management deems all accounts receivable as collectible at year-end. Accordingly, an allowance for doubtful accounts has not been recorded.

7. Prepaid Expenses

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

8. Mitigation Credits

Mitigation credits are purchased and used by those agencies or businesses needing habitat mitigation within the Watershed for specific development projects.

9. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. Authority policy has set the capitalization threshold for capitalizing equipment purchases at $5,000. Donated assets are recorded at acquisition value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

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

- Building and improvements — 40 years
- Land improvements — 15 – 20 years
- Furniture and office equipment — 3 years
- Brine Line and equipment — 25 years

The Authority capitalizes a portion of general and administration expenses and interest expense relating to certain long-term projects.

Wastewater treatment and disposal rights are included as capital assets and are capitalized at cost. Amortization is computed using the straight-line method over the remaining life of the Authority's contract with the Orange County Sanitation District for the acquisition of the rights at the time the right was acquired. The current contract expires April 26, 2046.

Leased building and equipment right-to-use assets are amortized on straight-line basis over the life of the lease term.

10. Deferred Outflows of Resources

The statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents an acquisition of net assets applicable to future periods and, therefore, will *not* be recognized as an outflow of resources (expenditure) until that time.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

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

10. Deferred Outflows of Resources continued

The Authority has the following items that qualify for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net OPEB liability. This amount will be amortized-in-full against the net OPEB liability in the next fiscal year.
- Deferred outflow for the net differences between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with post-employment benefits.
- Deferred outflow for the net difference between the projected and actual earnings on investments of the other post-employment benefits plan's fiduciary net position. This amount is amortized over a five-year period.

Pensions

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net pension liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year.
- Deferred outflow for the net difference between the actual and expected experience which will be amortized over a closed period equal to the expected average remaining service lives of all employees that are provided with pension.
- Deferred outflow for the net change in assumptions which will be amortized over a closed period equal to the expected average remaining service lives of all employees that are provided with pension.
- Deferred outflow for the net difference between the projected and actual earnings on investments of the pension plan's fiduciary net position. This amount is amortized over a five-year period.
- Deferred outflow as a result of the net change in proportions of the net pension liability which will be amortized over a closed period equal to the expected average remaining service lives of all employees that are provided with pension.

11. Compensated Absences

The Authority's policy is to pay out sick leave time accrued upon retirement, death or termination on a variable scale of 15% to 60% based on years of service. Each full-time employee accrues 96 hours of sick time per year. The liability for this benefit has been accrued in these financial statements.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

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

11. Compensated Absences, continued

Employees of the Authority are entitled to paid vacation depending on length of service. Vacation is accrued for full-time employees beginning on the first day of full-time employment, and ranges from 12 to 22 days per year based on longevity with the Authority. Part-time employees accrue vacation on a pro-rated basis based on the actual number of hours worked.

Authority policy requires employees to pass a probationary period prior to payment for accrued vacation hours. Employees cannot accrue more than 36 vacation days (324 hours) total.

12. Postemployment Benefits Other than Pensions (OPEB)

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

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

- Valuation dates: June 30, 2021 and 2021
- Measurement dates: June 30, 2022 and 2021
- Measurement periods: July 1, 2021 to June 30, 2022 and July 1, 2020 to June 30, 2021

13. Pensions

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

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

- Valuation Dates: June 30, 2021 and 2020
- Measurement Date: June 30, 2022 and 2021
- Measurement Period: July 1, 2021 to June 30, 2022 and July 1, 2020 to June 30, 2021

14. Unearned Revenue

Unearned revenue represents wastewater treatment and disposal capacity rights sold, which are being recognized as revenue as the services are provided.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

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

15. Leases Payable

Leases payable are measured at the present value of payments expected to be paid during the lease term.

16. Deferred Inflows of Resources

The of statement of net position will sometimes report a separate section for deferred inflows of resources. This financial statement element, *deferred inflows of resources,* represents an acquisition of net assets applicable to future periods and, therefore, will *not* be recognized as an inflow of resources (revenue) until that time.

The Authority has the following items that qualify for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred inflow for the net change in assumptions which will be amortized over a closed period equal to the expected average remaining service lives of all employees that are provided with post-employment benefits.

Pensions

- Deferred inflow for the net difference between actual contributions and the proportionate share of employer contribution which will be amortized over a closed period equal to the expected average remaining service lives of all employees that are provided with pension.

17. Capital Contributions

Capital contributions consist of grants awarded and contributions received for the acquisition and/or construction of capital assets. Contributions received for studies, planning, administration, and other non-capital assets are considered non-operating revenue.

18. Capital and Operating Grants

When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a capital or operating grant receivable on the statement of net position and as capital grant contribution or operating grant revenue, as appropriate, on the Statement of Revenues, Expenses, and Changes in Net Position.

19. Budgetary Policies

The Authority adopts a biennial non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparison of actual revenue and expense with planned revenue and expense for the period.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

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

20. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction, or improvement of those assets.
- **Restricted Net Position** – This component of net position consists of constraints placed on net position use imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This component of net position consists of net position that do not meet the definition of *restricted* or *net investment in capital assets*.

(2) Cash and Investments

Cash and investments as of June 30 are classified in the Statements of Net Position as follows:

	2023	2022
Statements of Net Position:		
Cash and cash equivalents	$ 50,268,261	53,398,185
Cash and investments – restricted	808,607	856,186
Investments	12,218,364	6,450,116
Total cash and investments	$ 63,295,232	60,704,487
Statements of Fiduciary Net Position:		
Cash and investments	482,135	467,289
Total cash and investments	$ 63,777,367	61,171,776

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

	2023	2022
Cash on hand	$ 500	500
Deposits with financial institutions	1,213,736	3,656,761
Investments	62,563,131	57,514,515
Total cash and investments	$ 63,777,367	61,171,776

(2) Cash and Investments, continued

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

The table below identifies the investment types that are authorized by the Authority in accordance with the California Government Code (or the Authority's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Authority's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States Treasury Bills, Notes, and Bonds	5 years	None	N/A
U.S. Government Sponsored Agency Securities	5 years	None	None
Mutual Funds	90 days	15%	None
Municipal Bonds	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	15%	*
Negotiable Certificates of Deposit	5 years	30%	$250,000
Repurchase Agreements	1 year	None	None
Medium-Term Corporate Notes	5 years	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	N/A
Collateralized Bank Deposits	5 years	25%	None

N/A - Not applicable
* 10% of outstanding paper of an issuing corporation.

Investment in State Investment Pool

The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Amounts held with LAIF are highly liquid, as deposits can be converted to cash within a twenty-four-hour period without loss of accrued interest. LAIF detail may be obtained from the State of California Treasurer's website at www.treasurer.ca.gov/pmia-laif/index.asp.

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

(2) Cash and Investments, continued

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits, or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit), and, the Authority's investment policy that requires no more than two-thirds of the Authority's deposits in a depository shall be collateralized by mortgage-backed securities, with the remainder to be secured by non-mortgage-backed securities.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the Agency's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF and the Pool).

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Authority manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio matures, or comes close to maturity evenly over time, as necessary to provide requirements for cash flow and liquidity needed for operations.

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balances, up to $250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the Authority's name.

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

(2) Cash and Investments, continued

Investment maturities as of June 30, 2023, were as follows:

		Remaining Maturity (in Months)			
Investment Types	Total	12 Months or Less	13 to 24 Months	25-60 Months	60 Months or More
U.S. Treasury Notes	$ 1,816,797	-	914,609	902,188	-
U.S. Government Sponsored Agency Securities	6,782,574	973,852	3,417,110	909,511	1,482,101
LAIF	50,344,767	50,344,767	-	-	-
Medium-Term Corporate Notes	497,326	497,326	-	-	-
Negotiable Certificates of Deposit	3,121,667	-	239,330	964,648	1,917,689
	$ 62,563,131	51,815,945	4,571,049	2,776,347	3,399,790

Investment maturities as of June 30, 2022, were as follows:

		Remaining Maturity (in Months)			
Investment Types	Total	12 Months or Less	13 to 24 Months	25-60 Months	60 Months or More
U.S. Treasury Notes	$ 1,829,571	-	-	919,805	909,766
U.S. Government Sponsored Agency Securities	2,884,103	-	992,026	976,707	915,370
LAIF	51,064,399	51,064,399	-	-	-
Medium-Term Corporate Notes	997,552	497,037	500,515	-	-
Negotiable Certificates of Deposit	738,890	495,549	-	-	243,341
	$ 57,514,515	52,056,985	1,492,541	1,896,512	2,068,477

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Per the Authority's investment policy, credit risk is mitigated by investing in safe securities, and diversifying the investment portfolio so the failure of one issuer would not materially affect the Authority's cash flow. Presented below is the minimum rating required by (where applicable) the California Government Code, the Authority's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

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

		Minimum Legal	Rating as of Year End			Not
Investment Types	Total	Rating	AAA	AA+	A+	Rated
U.S. Treasury Notes	$ 1,816,797	N/A	-	-	-	1,816,797
U.S. Government Sponsored Agency Securities	6,782,574	N/A	6,782,574	-	-	-
LAIF	50,344,767	N/A	-	-	-	50,344,767
Medium-Term Corporate Notes	497,326	N/A	-	-	497,326	-
Negotiable Certificates of Deposit	3,121,667	AAA	-	-	-	3,121,667
	$ 62,563,131		6,782,574	-	497,326	55,283,231

(2) Cash and Investments, continued

Credit ratings of investments as of June 30, 2022, were as follows:

Investment Types	Total	Minimum Legal Rating	Rating as of Year End AAA	AA+	A+	Not Rated
U.S. Treasury Notes	$ 1,829,571	N/A	-	-	-	1,829,571
U.S. Government Sponsored Agency Securities	2,884,103	N/A	2,884,103	-	-	-
LAIF	51,064,399	N/A	-	-	-	51,064,399
Medium-Term Corporate Notes	997,552	N/A	-	497,037	500,515	-
Negotiable Certificates of Deposit	738,890	AAA	-	-	-	738,890
	$ 57,514,515		2,884,103	497,037	500,515	53,632,860

Concentration of Credit Risk

The Authority's investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The Authority's deposit portfolio with governmental agencies, LAIF, is 80% and 89% as of June 30, 2023 and 2022, respectively, of the Authority's total depository and investment portfolio.

Fair Value Measurements

The Authority 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; Level 3 inputs are significant unobservable inputs.

Investments measured at fair value on a recurring and non-recurring basis, are as follows:

Investment Types	Total	Fair Value Measurement at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
U.S. Treasury Notes	$ 1,816,797	1,816,797	-	-
U.S. Government Sponsored Agency Securities	6,782,574	-	6,782,574	-
Medium-Term Corporate Notes	497,326	-	497,326	-
Negotiable Certificates of Deposit	3,121,667	-	3,121,667	-
	12,218,364	1,816,797	10,401,567	-
Investments not subject to fair value hierarchy:				
Local Agency Investment Fund	50,344,767			
Total	$ 62,563,131			

(2) Cash and Investments, continued

Fair Value Measurements, continued

The Authority has the following recurring fair value measurements as of June 30, 2023:

- U.S. treasury note securities of $1,816,797 are valued using quoted market prices (Level 1 inputs).
- U.S. governmental sponsored agency securities of $6,782,574 are valued using a matrix pricing model (Level 2 inputs).
- Medium-term corporate note obligations of $497,326 are valued using a matrix pricing model (Level 2 inputs).
- Negotiable certificates-of-deposit of $3,121,667 are valued using a matrix pricing model (Level 2 inputs).
- Local agency investment funds of $50,344,767 are valued at amortized cost and are not subject to fair value hierarchy.

		Fair Value Measurement at Reporting Date Using:		
Investment Types	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
U.S. Treasury Notes	$ 1,829,571	1,829,571	-	-
U.S. Government Sponsored Agency Securities	2,884,103	-	2,884,103	-
Medium-Term Corporate Notes	997,552	-	997,552	-
Negotiable Certificates of Deposit	738,890	-	738,890	-
	6,450,116	1,829,571	4,620,545	-
Investments not subject to fair value hierarchy:				
Local Agency Investment Fund	51,064,399			
Total	$ 57,514,515			

The Authority has the following recurring fair value measurements as of June 30, 2022:

- U.S. treasury note securities of $1,829,571 are valued using quoted market prices (Level 1 inputs).
- U.S. governmental sponsored agency securities of $2,884,103 are valued using a matrix pricing model (Level 2 inputs).
- Medium-term corporate note obligations of $997,552 are valued using a matrix pricing model (Level 2 inputs).
- Negotiable certificates-of-deposit of $738,890 are valued using a matrix pricing model (Level 2 inputs).
- Local agency investment funds of $51,064,399 are valued at amortized cost and are not subject to fair value hierarchy.

(3) Loan Receivable

Changes in the loan receivable for the year ended June 30, 2023 was as follows:

	2022	Additions	Principal Pmts Amortization	2023
Loan Receivable:				
Rialto BioEnergy	$ -	1,605,703	(520,864)	1,084,839
Total loan receivable	-	1,605,703	(520,864)	1,084,839
Less: current portion	-			(260,432)
Long-term portion	$ -			824,407

On June 23, 2022, the Authority entered into the Inland Empire Brine Line New Lateral Construction and Cost Share agreement with San Bernardino Valley Municipal Water District and Rialto BioEnergy Facility, LLC to fund the construction of brine line laterals.

The District provided funding to Rialto BioEnergy to finance the cost of construction of $1,605,703. The loan bears an interest rate of 3.00% and matures on July 25, 2026. Principal and interest payments are due annually on July 25. At June 30, 2023, the Authority had received $520,864 in principal and $31,252 in interest payments.

Future payments to be received under the agreement as of June 30, 2023, are as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 260,432	32,545	292,977
2025	260,432	24,732	285,164
2026	563,975	16,919	580,894
Total	1,084,839	74,196	1,159,035
Less current portion	(260,432)		
Total non-current	$ 824,407		

(4) Mitigation Credits

On March 17, 2000, the State of California voted to approve, Proposition 13, the Costa-Machado Water Act of 2000 containing the Southern California Integrated Watershed Program (SCIWP), providing $235 million for local grant assistance. The State Legislature appropriated the funds to the State Water Resource Control Board (SWRCB) to be allocated to the Authority for projects to rehabilitate and improve the Santa Ana River Watershed.

On April 23, 2003, as part of the SCIWP, the Authority purchased 100 acres of mitigation credits from the Riverside County Regional Park and Open Space District. These credits are purchased and used by those needing habitat mitigation within the Watershed for specific development projects.

The changes to mitigation credits at June 30 were as follows:

Balance 2022	Additions	Deletions	Balance 2023
$ 1,910,560	-	-	1,910,560

(4) Mitigation Credits, continued

The changes to mitigation credits at June 30 were as follows:

Balance 2021	Additions	Deletions	Balance 2022
$ 1,910,560	-	-	1,910,560

(5) Capital Assets

Changes in capital assets for 2023 were as follows:

	2022	Additions	Disposals	2023
Capital assets not being depreciated:				
Land	$ 765,444	-	-	765,444
Construction-in-progress	389,474	62,510	-	451,984
Total capital assets not being depreciated	1,154,918	62,510	-	1,217,428
Capital assets being depreciated and amortized:				
Land improvements	212,139	58,366	-	270,505
Buildings	1,702,149	-	-	1,702,149
Furniture and equipment	709,858	-	-	709,858
Brine Line and equipment	156,186,303	7,593	-	156,193,896
Wastewater treatment and disposal rights	55,662,342	-	-	55,662,342
Building leases	148,632	270,556	(148,633)	270,555
Equipment leases	31,356	-	-	31,356
Total capital assets being depreciated and amortized	214,652,779	336,515	(148,633)	214,840,661
Less accumulated depreciation and amortization:				
Land improvements	(126,246)	(19,319)	-	(145,565)
Buildings	(1,123,438)	(53,283)	-	(1,176,721)
Furniture and equipment	(431,435)	(64,339)	-	(495,774)
Brine Line and equipment	(82,887,458)	(2,871,894)	-	(85,759,352)
Wastewater treatment and disposal rights	(34,200,915)	(927,886)	-	(35,128,801)
Building leases	(115,739)	(52,802)	148,633	(19,908)
Equipment leases	(9,799)	(7,839)	-	(17,638)
Total accumulated depreciation and amortization	(118,895,030)	(3,997,362)	148,633	(122,743,759)
Depreciable capital assets, net	95,757,749	(3,660,847)	-	92,096,902
Total capital assets, net	$ 96,912,667	(3,598,337)	-	93,314,330

Major depreciable / amortizable capital asset additions during the fiscal year ended 2023 consist of additions to the following categories: construction-in-progress, land improvements, wastewater disposal rights. The Authority's disposals consisted of building leases and related amortization. There were no transfers from construction-in-process for the year.

(5) Capital Assets, continued

Changes in capital assets for 2022 were as follows:

	As Restated 2021	Additions	Disposals	2022
Capital assets not being depreciated:				
Land	$ 765,444	-	-	765,444
Construction-in-progress	389,474	-	-	389,474
Total capital assets not being depreciated	1,154,918	-	-	1,154,918
Capital assets being depreciated and amortized:				
Land improvements	212,139	-	-	212,139
Buildings	1,702,149	-	-	1,702,149
Furniture and equipment	709,858	-	-	709,858
Brine Line and equipment	156,186,303	-	-	156,186,303
Wastewater treatment and disposal rights	55,662,342	-	-	55,662,342
Building leases	148,632	-	-	148,632
Equipment leases	31,356	-	-	31,356
Total capital assets being depreciated and amortized	214,652,779	-	-	214,652,779
Less accumulated depreciation and amortization:				
Land improvements	(111,116)	(15,130)	-	(126,246)
Buildings	(1,070,155)	(53,283)	-	(1,123,438)
Furniture and equipment	(364,845)	(66,590)	-	(431,435)
Brine Line and equipment	(79,380,308)	(3,507,150)	-	(82,887,458)
Wastewater treatment and disposal rights	(32,486,272)	(1,714,643)	-	(34,200,915)
Building leases	(71,967)	(43,772)	-	(115,739)
Equipment leases	(1,960)	(7,839)	-	(9,799)
Total accumulated depreciation and amortization	(113,486,623)	(5,408,407)	-	(118,895,030)
Depreciable capital assets, net	101,166,156	(5,408,407)	-	95,757,749
Total capital assets, net	$ 102,321,074	(5,408,407)	-	96,912,667

There were no major non-depreciable or depreciable / amortizable capital asset additions or deletions during the fiscal year ended 2022.

(6) Compensated Absences

Compensated absences comprise unpaid vacation and sick leave which is accrued as earned.

The changes to compensated absences balances at June 30 were as follows:

Balance 2022	Earned	Taken	Balance 2023	Current Portion	Long-term Portion
$ 667,689	523,715	(536,260)	655,144	196,543	458,601

Balance 2021	Earned	Taken	Balance 2022	Current Portion	Long-term Portion
$ 640,923	452,232	(425,466)	667,689	200,307	467,382

(7) Long-term Debt

Changes in long-term debt for the year ended June 30, were as follows:

	2022	Additions	Principal Pmts Amortization	2023	Current Portion	Long-Term Portion
State Revolving Fund Loan:						
Reach IV-A & IV-B	$ 9,879,895	-	(787,396)	9,092,499	807,868	8,284,631
SWRCB Inland Empire Brine Line:						
Reach V Loans:						
Loan I	13,548,594	-	(407,779)	13,140,815	415,527	12,725,288
Total loans payable	23,428,489	-	(1,195,175)	22,233,314	1,223,395	21,009,919
Leases payable:						
Konica Minolta	21,285	-	(7,800)	13,485	7,950	5,535
Building 1	23,734	76,799	(23,734)	76,799	27,153	49,646
Building 2	11,838	107,621	(25,870)	93,589	29,184	64,405
Building 3	-	86,134	(4,195)	81,939	25,645	56,294
Total leases payable	56,857	270,554	(61,599)	265,812	89,932	175,880
Total long-term debt	$ 23,485,346	270,554	(1,256,774)	22,499,126	1,313,327	21,185,799

(7) Long-term Debt, continued

Changes in long-term debt for the year ended June 30, were as follows:

		As Restated 2021	Additions	Principal Pmts Amortization	2022	Current Portion	Long-Term Portion
SWRCB Brine Line Reach V Loans:							
Loan I	$	329,048	-	(329,048)	-	-	-
Loan II & III		264,710	-	(264,710)	-	-	-
Loan V		282,104	-	(282,104)	-	-	-
Total SWRCB Brine Line Reach V Loans		875,862	-	(875,862)	-	-	-
State Revolving Fund Loan:							
Reach IV-A & IV-B		10,647,337	-	(767,442)	9,879,895	787,396	9,092,499
SWRCB Inland Empire Brine Line: Reach V Loans:							
Loan I		13,948,770	-	(400,176)	13,548,594	407,779	13,140,815
Total loans payable		25,471,969	-	(2,043,480)	23,428,489	1,195,175	22,233,314
Leases payable:							
Konica Minolta	$	28,939	-	(7,654)	21,285	7,800	13,485
Building 1		45,736	-	(22,002)	23,734	23,734	-
Building 2		34,470	-	(22,632)	11,838	11,838	-
Total leases payable		109,145	-	(52,288)	56,857	43,372	13,485
Total long-term debt	$	25,581,114	-	(2,095,768)	23,485,346	1,238,547	22,246,799

State Water Resources Control Board - Brine Line Reach V Loan No. I

This loan, in the amount of $5,089,798, was for the construction of Reach V of the Brine Line Pipeline. Annual principal and interest payments of $338,065, at the rate of 2.70%, commenced on October 5, 2002, and matured on October 5, 2021. The loan was paid in full as of the end of fiscal year 2022.

State Water Resources Control Board - Brine Line Reach V Loan No. II and III

This loan, in the amount of $4,187,933, was for the construction of Reach V of the Brine Line Pipeline. Annual principal and interest payments of $271,592, at the rate of 2.60%, commenced on October 5, 2002, and matured on October 5, 2021. The loan was paid in full as of the end of fiscal year 2022.

State Water Resources Control Board - Brine Line Reach V Loan No. V

This loan, in the amount of $4,455,792, was for the construction of Reach V of the Brine Line Pipeline. Annual principal and interest payments of $289,439, at the rate of 2.90%, commenced on October 5, 2004, and matured on October 5, 2021. The loan was paid in full as of the end of fiscal year 2022.

(7) Long-term Debt, continued

State Revolving Fund Loan - Reach IV-A and IV-B

On April 13, 2011, the Authority entered into a loan agreement to receive up to $16,850,337 from the California State Water Resources Control Board to repair the existing brine disposal pipeline to extend its useful life of the Inland Empire Brine Line upstream of Prado Dam. Terms of the loan call for annual principal and interest payments of $1,044,273 based on the net loan amount of $16,850,337, at the rate of 2.60%, commenced on December 29, 2013, and matures on December 29, 2032.

Future principal and interest obligations on the loan as of June 30, are as follows:

Fiscal Year		Principal	Interest	Total
2024	$	807,868	236,405	1,044,273
2025		828,873	215,400	1,044,273
2026		850,424	193,850	1,044,274
2027		872,535	171,739	1,044,274
2028		895,220	149,053	1,044,273
2029-2033		4,837,579	383,786	5,221,365
Total		9,092,499	1,350,233	10,442,732
Less current portion		(807,868)		
Total non-current	$	8,284,631		

SWRCB Inland Empire Brine Line Reach V Loans - Loan 1

On May 14, 2014, the Authority entered into a loan agreement to receive up to $15,000,000 from the California State Water Resources Control Board to repair the existing brine disposal pipeline to extend the useful life of the Inland Empire Brine Line. Terms of the loan call for annual principal and interest payments of $665,202 commencing on March 31, 2019, at the rate of 1.90%, and matures on March 31, 2048.

Future principal and interest obligations on the loan as of June 30, are as follows:

Fiscal Year		Principal	Interest	Total
2024	$	415,527	249,675	665,202
2025		423,422	241,780	665,202
2026		431,467	233,735	665,202
2027		439,665	225,538	665,203
2028		448,019	217,184	665,203
2029-2033		2,371,059	954,953	3,326,012
2034-2038		2,605,034	720,979	3,326,013
2039-2043		2,862,096	463,916	3,326,012
2044-2048		3,144,526	181,487	3,326,013
Total		13,140,815	3,489,247	16,630,062
Less current portion		(415,527)		
Total non-current	$	12,725,288		

(7) Long-term Debt, continued

Konica Minolta Lease

In January 2021, the Authority entered into an agreement with Konica Minolta, to lease copier equipment for use in the Authority's administrative office. Terms of the agreement commenced on January 1, 2021, for a period of 48 months, with rent due monthly at $678 per month for the entire lease term.

Following the guidelines set forth by GASB Statement No. 87, the Authority has recorded a right-to-use asset and a lease payable at present value with an implicit rate of 1.90%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Annual lease principal and interest obligations on the lease as of June 30, are as follows:

Fiscal Year		Principal	Interest	Total
2024	$	7,950	187	8,137
2025		5,535	41	5,576
Total		13,485	228	13,713
Less current portion		(7,950)		
Total non-current	$	5,535		

Building 1 Lease

In June 2023, the Authority renewed an agreement with Biltmore Riverside I, LLC to rent building space for the purpose of providing a headquarters building for Authority operations. Terms of the agreement commence on July 1, 2023, for a period of 36 months, with base rent due monthly at $2,447 per month, for months 1-12, $2,057 per month, for months 13-24, and $2,165 for months 25-36.

Following the guidelines set forth by GASB Statement No. 87, the Authority has recorded a right-to-use asset and a lease payable at present value with an implicit rate of 1.90%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Annual lease principal and interest obligations on the lease as of June 30, are as follows:

Fiscal Year		Principal	Interest	Total
2024	$	27,153	860	28,013
2025		23,944	508	24,452
2026		25,702	184	25,886
Total		76,799	1,552	78,351
Less current portion		(27,153)		
Total non-current	$	49,646		

(7) Long-term Debt, continued

Building 2 Lease

In January 2023, the Authority renewed an agreement with Biltmore Riverside I, LLC to rent building space for the purpose of providing a separate operations building. Terms of the agreement commence on January 1, 2023, for a period of 42 months, with base rent due monthly at $2,500 per month, for months 1-12, $2,619 per month, for months 13-24, $2,738 for months 25-36, and $2,857 for months 38-42.

Following the guidelines set forth by GASB Statement No. 87, the Authority has recorded a right-to-use asset and a lease payable at present value with an implicit rate of 1.90%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Annual lease principal and interest obligations on the lease as of June 30, are as follows:

Fiscal Year		Principal	Interest	Total
2024	$	29,184	1,528	30,712
2025		31,183	957	32,140
2026		33,222	346	33,568
Total		93,589	2,831	96,420
Less current portion		(29,184)		
Total non-current	$	64,405		

Building 3 Lease

In May 2023, the Authority entered into an agreement with Biltmore Riverside I, LLC to rent building space for the purpose of providing a separate operations building. Terms of the agreement commence on May 1, 2023, for a period of 38 months, with base rent due monthly at $2,232 per month, for months 1-12, $2,328 per month, for months 13-24, $2,425 for months 25-36 and $2,521 for months 37-38.

Following the guidelines set forth by GASB Statement No. 87, the Authority has recorded a right-to-use asset and a lease payable at present value with an implicit rate of 1.90%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Annual lease principal and interest obligations on the lease as of June 30, are as follows:

Fiscal Year		Principal	Interest	Total
2024	$	25,645	1,336	26,981
2025		27,303	834	28,137
2026		28,991	324	29,315
Total		81,939	2,494	84,433
Less current portion		(25,645)		
Total non-current	$	56,294		

(8) Other Post-Employment Benefits (OPEB) Plan

Plan Description

The Authority defined benefit post-employment healthcare plan, SAWPA Post Employment Healthcare Plan (SPHP), provides medical benefits to eligible retired Authority employees and spouses. SHPHP is part the Public Agency portion of the California Employers' Retiree Trust Fund (CERBT), an agent multiple-employer plan administered by California Public Employees' Retirement System.

CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. SPHP selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Authority resolution. CalPERS issues an Annual Comprehensive Financial Report (ACFR). The ACFR is issued in aggregate and includes the sum of all CalPERS plans. Copies of the CalPERS ACFR may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Benefits Provided

The Authority's employees hired prior to July 1, 2005, who retire at age 58 or older with a minimum of ten years of service with the Authority are eligible for lifetime medical benefits. Benefits are also provided to spouses. Employees hired on or after July 1, 2005, are not eligible to receive employer subsidized post-employment medical benefits. The Authority contributes the entire premium cost up to a predetermined cap. The cap is defined as the Kaiser Family premium rate.

Funding Policy

The contribution requirements of plan members and the Authority are established and may be amended by the Authority. The Authority contributes the entire premium cost up to a predetermined cap. The 2023 and 2022 monthly cap per retiree amounted to $1,944, respectively. Employees hired on or after July 1, 2005, are not eligible to receive employer subsidized postemployment medical benefits.

Employees Covered by Benefit Terms

Membership in the OPEB plan consisted of the following members as of June 30:

	2023	2022
Inactive employees or beneficiaries currently receiving benefit payments	7	7
Inactive employees entitled to but not yet receiving benefit payments	-	-
Active employees	7	7
Total plan membership	14	14

(8) Other Post-Employment Benefits (OPEB) Plan, continued

Contributions

The annual contribution is based on the actuarially determined contribution. For the fiscal years ended June 30, 2023 and 2022, the Authority's cash contributions were $102,379 and $46,871, respectively in payments to the trust.

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

		2023	**2022**
Contributions to trust by – employer	$	102,379	46,871
Total employer paid contributions	$	102,379	46,871

Actuarial Assumptions and Other Inputs

The net OPEB liability in the June 30, 2022 and 2021, actuarial valuations, which were measured at June 30, 2021 and 2020, respectively, were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.39 percent
Salary increases	3.25 percent, average, including inflation
Discount rate	6.73 percent
Mortality Rate(1)	Derived using CalPERS Membership Data for all funds
Pre-Retirement Turnover(2)	Derived using CalPERS Membership Data for all funds
Healthcare cost trend rates	5.00% Medicare and 7.75% Non-Medicare

Notes:

(1) Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

(2) The pre-retirement turnover information was developed based on CalPERS specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

(8) Other Post-Employment Benefits (OPEB) Plan, continued

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset are summarized in the following table for measurement periods June 30, 2022 and 2021:

Asset class	Target Allocation	Long-term Expected Real Rate of Return
Equity	44.00%	4.84%
Fixed income	48.00%	2.54%
REITS	8.00%	5.34%
Total	100.00%	

Discount Rate

As of June 30, 2023 and 2022, the discount rate used to measure the net OPEB liability was 6.73 percent, respectively. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates.

Changes in the Net OPEB Liability

Changes in the net OPEB liability for the year ended June 30, were as follows:

	Total OPEB (Asset) Liability	Plan Fiduciary Net Position	Net OPEB (Asset) Liability
Balance at June 30, 2022	$ 1,891,606	2,078,907	(187,301)
Changes for the year:			
Service cost	16,098	-	16,098
Interest	124,628	-	124,628
Differences between expected and actual experience	(15,341)	-	(15,341)
Changes in assumptions or other inputs	-	-	-
Employer contributions	-	160,466	(160,466)
Net investment income	-	(265,576)	265,576
Benefit payments	(113,595)	(113,595)	-
Administrative expenses	-	(528)	528
	11,790	(219,233)	231,023
Balance at June 30, 2023	$ 1,903,396	1,859,674	43,722

(8) Other Post-Employment Benefits (OPEB) Plan, continued

Changes in the Net OPEB Liability, continued

Changes in the net OPEB liability for the year ended June 30, were as follows:

		Total OPEB Liability (Asset)	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2021	$	2,090,421	1,690,089	400,332
Changes for the year:				
Service cost		20,942	-	20,942
Interest		138,454	-	138,454
Differences between expected and actual experience		176,449	-	176,449
Changes in assumptions or other inputs		(424,697)	-	(424,697)
Employer contributions		-	164,101	(164,101)
Net investment income		-	335,301	(335,301)
Benefit payments		(109,963)	(109,963)	-
Administrative expenses		-	(621)	621
		(198,815)	388,818	(587,633)
Balance at June 30, 2022	$	1,891,606	2,078,907	(187,301)

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

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

As of June 30, 2023, the discount rate comparison was the following:

		Discount Rate 1% Lower	Valuation Discount Rate	Discount Rate 1% Higher
Net OPEB liability (asset)	$	283,667	43,722	(136,474)

As of June 30, 2022, the discount rate comparison was the following:

		Discount Rate 1% Lower	Valuation Discount Rate	Discount Rate 1% Higher
Net OPEB liability (asset)	$	38,955	(187,301)	(376,192)

(8) Other Post-Employment Benefits (OPEB) Plan, continued

Sensitivity of the net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

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

	Trend 1% Lower	Valuation Trend	Trend 1% Higher
Net OPEB liability (asset)	$ (148,321)	43,722	299,050

As of June 30, 2022, the healthcare cost trend rate comparison was the following:

	Trend 1% Lower	Valuation Trend	Trend 1% Higher
Net OPEB liability (asset)	$ (387,898)	(187,301)	54,155

For the year ended June 30, 2023 and 2022, the Authority recognized OPEB income of $132,748 and $157,524, respectively.

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

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

	June 30, 2023		June 30, 2022	
Description	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
OPEB contributions subsequent to the measurement date	$ 102,379	-	46,871	-
Change of assumptions	-	(166,396)	-	(371,565)
Difference between expected and actual experience	77,837	-	237,062	-
Net difference between projected and actual earnings on investments	200,766	-	-	(163,932)
Total	$ 380,982	(166,396)	283,933	(535,497)

As of June 30, 2023 and 2022, employer OPEB contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of $102,379 and $46,871 will be/were recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2024 and 2023, respectively.

(8) Other Post-Employment Benefits (OPEB) Plan, continued

As of June 30, 2023, there were amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB which are required to be recognized in OPEB expense over future periods, respectively. OPEB related amounts will be recognized as pension expense as follows.

Fiscal Year Ending June 30,		Deferred Net Outflows(Inflows) of Resources
2024	$	(42,743)
2025		36,100
2026		37,445
2027		81,405

Schedules of Changes in the Authority's Net OPEB Liability and Related Ratios

Schedules of Other Post-Employment Benefits Plan Contributions

See the Required Supplementary Information section for the Required Supplementary Schedules.

(8) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Authority's separate Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Local Government 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 or may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. Classic Plan members are eligible for one-year final compensation and a 3.0% cost of living adjustment.

(9) Defined Benefit Pension Plan, continued

Benefits Provided, continued

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the Authority's CalPERS 2.0% at 55 Risk Pool Retirement Plan to new employee entrants effective December 31, 2013. All employees hired after January 1, 2013, are eligible for the Authority's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The Plans' provision and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous	
	Classic	**PEPRA**
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.4% to 2.0%	1.0% to 2.0%
Required employee contribution rates	6.92%	7.25%
Required employer contribution rates	11.65%	7.65%

Contributions

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

For the fiscal years ended June 30, the contributions were as follows:

	2023	2022
Contributions – employer	$ 622,000	567,850

(9) Defined Benefit Pension Plan, continued

Net Pension Liability

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

		2023	2022
Proportionate share of net pension (asset)	$	2,597,279	(1,105,718)

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022 and 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 and 2020, rolled forward to June 30, 2022 and 2021, respectively, using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The Authority's change in the proportionate share of the pension liability for the Plan as of the fiscal year end June 30, was as follows:

	Proportionate Share	
Proportion – June 30, 2022	(0.02044)	%
Change in proportion	0.06337	
Proportion – June 30, 2023	0.04293	%

	Proportionate Share	
Proportion – June 30, 2021	0.01719	%
Change in proportion	(0.03763)	
Proportion – June 30, 2022	(0.02044)	%

As a result of the adjustment for the GASB 68 pronouncement at June 30, 2023 and 2022, the Authority recognized pension expense and income of $3,534,637 and $3,248,883, respectively.

(9) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources

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

	June 30, 2023		June 30, 2022	
Description	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Pension contributions subsequent to measurement date at June 30	$ 622,000	-	567,850	-
Net, differences between actual and expected experience	17,225	-	-	(123,995)
Net, changes in assumptions	266,148	-	-	-
Net, differences between projected and actual earnings on plan investments	475,756	-	965,233	-
Net, differences between actual contributions and proportionate share of contributions	-	(122,799)	775,434	-
Net, change due to differences in proportion of net pension liability	1,222,452	-	-	(494,103)
Total	$ 2,603,581	(122,799)	2,308,517	(618,098)

As of June 30, 2023 and 2022, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of $622,000 and $567,850 will be/were recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2024 and 2023, respectively.

As a result of the current year actuarial valuation changes for GASB 68 at June 30, 2023, the Authority recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the pension liability. Pension related amounts will be recognized as pension expense (income) as follows.

Fiscal Year Ending June 30,	Deferred Net Outflows(Inflows) of Resources
2024	$ 730,899
2025	681,130
2026	507,927
2027	(61,174)

(9) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liabilities were determined as of June 30, 2021 and 2020, which were rolled forward to June 30, 2022 and 2021, respectively, using the following actuarial assumptions:

Valuation dates	June 30, 2021 and 2020
Measurement dates	June 30, 2022 and 2021
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	2022 – 6.90% 2021 – 7.15%
Inflation	2022 – 2.30% 2021 – 2.50%
Salary increase	Varies by Entry Age and Service
Investment Rate of Return	6.90 % Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Period upon which actuarial Experience Survey assumptions were based	2022 and 2021 – 1997–2015
Post Retirement Benefit	2022 and 2021 – Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

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

Discount Rate

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

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

(9) Defined Benefit Pension Plan, continued

Discount Rate, continued

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

As of June 30, 2023, the target allocation and the long-term expected real rate of return by asset class were as follows:

Asset Class	Target Allocation	Real Return Years 1-10
Global equity - cap-weighted	30.00 %	4.45 %
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	100.00 %	

(9) Defined Benefit Pension Plan, continued

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

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

As of June 30, 2023, the discount rate comparison was the following:

	Discount Rate - 1% 5.90%	Current Discount Rate 6.90%	Discount Rate + 1% 7.90%
Authority's net pension liability (asset)	$ 6,013,398	2,597,279	(213,339)

As of June 30, 2022, the discount rate comparison was the following:

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
Authority's net pension liability (asset)	$ 1,958,829	(1,105,718)	(3,639,136)

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

As of June 30, 2023 and 2022, the Authority reported no payables for the outstanding amount of contribution to the pension plan, respectively.

(10) Unearned Revenue

The changes to deferred revenue at June 30 were as follows:

Balance 2022	Additions	Deletions	Balance 2023
$ 60,177,414	-	(1,164,883)	59,012,531

Balance 2021	Additions	Deletions	Balance 2022
$ 62,687,568	-	(2,510,154)	60,177,414

(11) Net Position

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

		2023	2022
Net investment in capital assets:			
Capital assets – not being depreciated	$	1,217,428	1,154,918
Depreciable capital assets, net		92,096,902	95,757,749
State Revolving Fund Reach IV-A & IV-B loan payable		(9,092,499)	(9,879,895)
SWRCB Brine Line Reach V Loans Payable		(13,140,815)	(13,548,594)
Konica Minolta		(13,485)	(21,285)
Building 1		(76,799)	(23,734)
Building 2		(93,589)	(11,838)
Building 3		(81,939)	-
Total net investment in capital assets		70,815,204	73,427,321
Restricted net position:			
SRF Reach IV-A & IV-B Reserve Requirement		1,050,000	1,050,000
Mitigation		1,910,560	1,910,560
Net OPEB asset		-	187,301
Net pension asset		-	1,105,718
Total net investment in capital assets		2,960,560	4,253,579
Unrestricted net position:		6,212,624	712,028
Total net position	$	79,988,388	78,392,928

(12) Adjustments to Net Position

In fiscal year 2022, the Authority implemented GASB Statement No. 87 to recognize its lessee arrangements. The Authority did not have any lessor arrangements which required restatement. As a result of the implementation, the Authority recognized the lease assets, lease payables, amortization expense, interest expense, and recorded prior period adjustments, an increase and decrease to net position, of $602 and $2,097 at July 1, 2020 and July 1, 2021, respectively.

(12) Adjustments to Net Position, continued

The adjustments to net position are as follows:

	Total Capital Project Funds	Internal Administration	Brine Line Enterprise	Total Enterprise Activities
Net position at July 1, 2020	$ 5,235,964	2,537,207	65,551,935	73,325,106
Effect of adjustment to establish right-to-use asset and lease payables as a result of GASB 87	-	-	602	602
Net position at July 1, 2020, as adjusted	5,235,964	2,537,207	65,552,537	73,325,708
Change in net position at June 30, 2021	990,282	(199,267)	(789,119)	1,896
Net position at July 1, 2021, as adjusted	6,226,246	2,337,940	64,763,418	73,327,604
Effect of adjustment for 2021 to remove previously recorded lease expense as a result of GASB 87	-	7,908	37,822	45,730
Effect of adjustment for 2021 to record interest expense – leases as a result of GASB 87	-	(414)	(1,683)	(2,097)
Effect of adjustment for 2021 to record lease amortization expense – leases as a result of GASB 87	-	(7,464)	(38,268)	(45,732)
Subtotal adjustments	-	30	(2,129)	(2,099)
Net position at June 30, 2021, as restated	$ 6,226,246	2,337,970	64,761,289	73,325,505

(13) Joint Ventures

Lake Elsinore & San Jacinto Watersheds Authority (LESJWA)

The Authority is a member of LESJWA, a Joint Powers Authority created on March 8, 2000, for the purpose of implementing projects and programs to improve the two watersheds in order to preserve agricultural land, protect wildlife habitat, protect and enhance recreational resources, and improve lake water quality, for the benefit of the general public. Other members include the City of Canyon Lake, the City of Lake Elsinore, Elsinore Valley Municipal Water District, and the County of Riverside. Each member agency appoints one Director and one alternate to serve on the Board, with both also on the member's agency's board. Each member agency has agreed to make contributions for construction and operations, if necessary.

Upon dissolution of LESJWA, each member agency will receive its proportionate or otherwise defined share of the assets, and each member agency will contribute its proportionate or otherwise defined share of any enforceable liabilities incurred.

The Authority conducts the administrative function of LESJWA, which reimburses the Authority based on invoices for administrative services provided. During the years ended June 30, 2023, and 2022, administrative services provided to LESJWA totaled $203,714 and $191,841, respectively, which are included in operating revenue.

(13) Joint Ventures, continued

The financial statements for LESJWA are available at the Authority.

		2023	2022
Total assets	$	317,315	307,760
Total liabilities	$	161,977	171,182
Total net position	$	155,338	136,578

(14) Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases commercial insurance policies from independent third parties. Settled claims have been immaterial and have not exceeded insurance coverage for the past three years.

On February 22, 1986, the Authority became self-insured with respect to its comprehensive liability coverage for toxic waste handling as allowed under California Government Code, Section 990. Coverage includes occurrences and incidents resulting in liability to the Authority, its commissioners, officers, employees, and agents. There are no outstanding claims pending.

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

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

Governmental Accounting Standards Board Statement No. 99

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

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

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

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

Governmental Accounting Standards Board Statement No. 100

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

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

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

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

Governmental Accounting Standards Board Statement No. 101

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

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

Governmental Accounting Standards Board Statement No. 101, continued

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

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

(16) Commitments and Contingencies

Grant Awards

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

Litigation

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

Other Commitments and Contingencies

The Authority is contractually obligated to pay a pro-rata share of capital costs associated with the Santa Ana Regional Interceptor (SARI) Pipeline owned by Orange County Sanitation District. Within the SARI pipeline, the Authority's portion is referred to as the Inland Empire Brine Line. The percentage varies with each Reach of the SARI.

(17) Subsequent Events

Events occurring after June 30, 2023, have been evaluated for possible adjustment to the financial statements or disclosure as of December 19, 2023, which is the date the financial statements were available to be issued.

Required Supplementary Information

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Santa Ana Watershed Project Authority
Schedules of Changes in the Net OPEB Liability and Related Ratios
As of June 30, 2023
Last Ten Years*

	Measurement Dates					
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB liability						
Service cost	$ 16,098	20,942	19,944	28,540	27,181	26,828
Interest	124,628	138,454	135,129	127,527	122,126	108,355
Employer contributions	-	-	-	-	-	-
Changes of benefit terms	-	-	-	-	-	-
Difference between expected	-	-	-	-	-	-
and actual experience	(15,341)	176,449	(4,080)	298,861	(4,383)	22,281
Changes of assumptions						
or other inputs	-	(424,697)	-	(248,125)	-	103,114
Benefit payments	(113,595)	(109,963)	(95,452)	(75,336)	(57,035)	(55,611)
Net change in total OPEB liability	11,790	(198,815)	55,541	131,467	87,889	204,967
Total OPEB liability – beginning	1,891,606	2,090,421	2,034,880	1,903,413	1,815,524	1,610,557
Total OPEB liability – ending	1,903,396	1,891,606	2,090,421	2,034,880	1,903,413	1,815,524
Plan fiduciary net position						
Contribution – employer	160,466	164,101	169,930	149,059	129,352	121,424
Net investment income	(265,576)	335,301	84,799	100,148	73,974	79,164
Benefit payments	(113,595)	(109,963)	(95,452)	(75,336)	(57,035)	(55,611)
Administrative expense	(528)	(621)	(759)	(298)	(643)	(572)
Net change in plan fiduciary net position	(219,233)	388,818	158,518	173,573	145,648	144,405
Plan fiduciary net position – beginning	2,078,907	1,690,089	1,531,571	1,357,998	1,212,350	1,067,945
Plan fiduciary net position – ending	1,859,674	2,078,907	1,690,089	1,531,571	1,357,998	1,212,350
Net OPEB (asset) liability	$ 43,722	(187,301)	400,332	503,309	545,415	603,174
Covered payroll	$ 977,174	1,182,249	1,379,767	1,336,336	1,238,555	1,156,128
Total OPEB liability as a percentage of covered payroll	4.47%	-15.84%	29.01%	37.66%	44.04%	52.17%

Notes to Schedule

Valuation dates	June 30, 2021	June 30, 2021	June 30, 2021	June 30, 2019	June 30, 2017	June 30, 2017
Methods and assumptions used to determine contribution rates:						
Single and agent employers	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market value	Market value	Market value	Market value	Market value	Market value
Inflation	2.39%	2.39%	2.39%	2.26%	2.26%	2.25%
Salary increases	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
Investment rate of return	6.73%	6.73%	6.73%	6.73%	6.73%	6.73%
Mortality, retirement, disability Termination	(3)	(3)	(3)	(3)	(2)	(2)
Other information	(4)	(4)	(4)	(4)	(4)	(4)

(1) Level percentage of payroll, closed 30 year period.
(2) Pre-retirement mortality based on CalPERS 2014 Employee Mortality Tables, Post-retirement mortality rates based on CalPERS 2014 Employee Mortailty Tables.
(3) Pre-retirement mortality probability based on 2017 CalPERS Experience Study covering CalPERS participants. Post-retirement mortality probability based on CalPERS Experience Study 2007-2011 covering participants in CalPERS.
(4) N/A

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

Santa Ana Watershed Project Authority
Schedules of OPEB Plan Contributions
As of June 30, 2023
Last Ten Years*

Description		Fiscal Years Ended					
		June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Actuarially determined contribution	$	88,991	99,262	60,264	73,723	72,317	65,813
Contributions in relation to the actuarially determined contribution		(113,595)	(109,963)	(169,930)	(149,059)	(129,352)	(121,424)
Contribution deficiency(excess)	$	(24,604)	(10,701)	(109,666)	(75,336)	(57,035)	(55,611)
District's covered payroll	$	977,174	1,217,716	1,182,249	1,379,767	1,336,336	1,238,555
Contribution's as a percentage of covered payroll		11.62%	9.03%	14.37%	10.80%	9.68%	9.80%

Santa Ana Watershed Project Authority
Schedules of Proportionate Share of the Net Pension Liability
As of June 30, 2023
Last Ten Years*

Description		Measurement Dates								
		June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Authority's proportion of the net pension liability		0.04293%	-0.02044%	0.01719%	0.03983%	0.03788%	0.03755%	0.03588%	0.03274%	0.03487%
Authority's proportionate share of the net pension liability (asset)	$	2,597,279	(1,105,718)	1,870,834	4,081,229	3,649,848	3,724,430	3,104,742	2,247,501	2,169,716
Authority's covered payroll	$	3,177,937	3,244,053	3,277,860	3,166,203	3,065,932	3,098,371	2,795,885	2,560,510	2,294,398
Authority's proportionate share of the net pension liability as a percentage of its covered payroll		81.73%	-34.08%	57.07%	128.90%	119.05%	120.21%	111.05%	87.78%	94.57%
Plan's fiduciary net position as a percentage of the total pension liability		89.64%	104.76%	77.71%	77.73%	75.26%	73.31%	74.06%	78.40%	79.82%

Notes to schedule:
There were no changes in benefits.

Changes in assumptions:
From fiscal year June 30, 2015 to June 30, 2016:
GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan adminsitrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses.
The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.
From fiscal year June 30, 2016 to June 30, 2017:
There were no changes in assumptions.
From fiscal year June 30, 2017 to June 30, 2018:
The discount rate was reduced from 7.65% to 7.15%
From fiscal year June 30, 2018 to June 30, 2019:
The inflation rate was reduced from 2.75% to 2.50%
From fiscal year June 30, 2019 to June 30, 2020:
There were no changes in assumptions.
From fiscal year June 30, 2020 to June 30, 2021:
There were no changes in assumptions.
From fiscal year June 30, 2021 to June 30, 2022:
There were no changes in assumptions.
From fiscal year June 30, 2022 to June 30, 2023:
The discount rate was reduced from 7.15% to 6.90%
The inflation rate was reduced from 2.50% to 2.30%

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

Santa Ana Watershed Project Authority
Schedules of Pension Plan Contributions
As of June 30, 2023
Last Ten Years*

	Fiscal Years Ended								
Description	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contribution	$ 529,378	486,186	618,033	552,495	485,329	422,430	388,896	339,020	273,547
Contributions in relation to the actuarially determined contribution	(529,378)	(486,186)	(618,033)	(3,104,168)	(485,329)	(422,430)	(388,896)	(339,020)	(273,547)
Contribution deficiency(excess)	$ -	-	-	(2,551,673)	-	-	-	-	-
Authority's covered payroll	$ 3,043,474	3,177,937	3,244,053	3,277,860	3,166,203	3,065,932	3,098,371	2,795,885	2,560,510
Contribution's as a percentage of covered payroll	17.39%	15.30%	19.05%	94.70%	15.33%	13.78%	12.55%	12.13%	10.68%
Notes to schedule:									
Valuation date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Methods and assumptions used to determine contribution rates:									
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	15 year Smoothed Market Method
Inflation	2.30%	2.50%	2.50%	2.50%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	6.90% (3)	7.15% (3)	7.00% (3)	7.25% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level of percentage payroll, closed.
(2) Depending on age, service, and type of employment.
(3) Net of pension plan investment expense, including inflation.
(4) 50 for all plans with exception of 52 for Miscellaneous 2% @ 62.
(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

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

Supplemental Information

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Santa Ana Watershed Project Authority
Combining Schedule of Net Position
Enterprise Funds
June 30, 2023
with Comparative Information for the Fiscal Year Ended June 30, 2022

	Capital Project Activities	Internal Administration	Enterprise Activities	Totals 2023	Totals 2022
Current assets:					
Cash and cash equivalents	$ 3,042,978	2,233,757	44,991,526	50,268,261	53,398,185
Cash and cash equivalents – restricted	808,607	-	-	808,607	856,186
Investments	-	-	12,218,364	12,218,364	6,450,116
Interest receivable	21,354	32,233	350,742	404,329	96,874
Accounts receivable	-	3,268	2,301,520	2,304,788	2,206,951
Accounts receivable – grants	7,777,993	665,646	-	8,443,639	16,921,886
Accounts receivable – other	28,638	-	-	28,638	9,469
Loan receivable – current portion	-	-	260,432	260,432	-
Prepaid expenses and other assets	-	169,401	245,219	414,620	449,943
Mitigation credits	1,910,560	-	-	1,910,560	1,910,560
Due from other funds	-	83,012	-	83,012	12,072
Total current assets	13,590,130	3,187,317	60,367,803	77,145,250	82,312,242
Non-current assets:					
Loan receivable	-	-	824,407	824,407	-
Capital assets not being depreciated	432,430	464,990	320,008	1,217,428	1,154,918
Depreciable capital assets, net	-	839,911	91,256,991	92,096,902	95,757,749
Net OPEB asset	-	-	-	-	187,301
Net pension asset	-	-	-	-	1,105,718
Total non-current assets	432,430	1,304,901	92,401,406	94,138,737	98,205,686
Total assets	14,022,560	4,492,218	152,769,209	171,283,987	180,517,928
Deferred outflows of resources:					
Deferred OPEB outflows of resources	-	380,982	-	380,982	283,933
Deferred pension outflows of resources	-	2,603,581	-	2,603,581	2,308,517
	$ -	2,984,563	-	2,984,563	2,592,450

Continued on next page.

See accompanying notes to the basic financial statements

Santa Ana Watershed Project Authority
Combining Schedule of Net Position - Continued
Enterprise Funds
June 30, 2023
with Comparative Information for the Fiscal Year Ended June 30, 2022

	Capital Project Activities	Internal Administration	Enterprise Activities	Totals 2023	Totals 2022
Current liabilities:					
Accounts payable and accrued expenses	$ 7,945,534	41,998	835,496	8,823,028	18,817,339
Accrued salaries and wages	-	81,966	-	81,966	195,397
Accrued interest payable	-	-	180,774	180,774	192,970
Customer deposits	-	-	14,385	14,385	15,628
Due to other funds	83,012	-	-	83,012	12,072
Long-term liabilities – due within one year:					
Compensated absences	-	196,543	-	196,543	200,307
Leases payable	-	14,930	75,002	89,932	43,372
Loans payable	-	-	1,223,395	1,223,395	1,195,175
Total current liabilities	8,028,546	335,437	2,329,052	10,693,035	20,672,260
Non-current liabilities:					
Unearned revenue	-	-	59,012,531	59,012,531	60,177,414
Long-term liabilities due in more than one year:					
Compensated absences	-	458,601	-	458,601	467,382
Leases payable	-	20,881	154,999	175,880	13,485
Loans payable	-	-	21,009,919	21,009,919	22,233,314
Net OPEB liability	-	43,722	-	43,722	-
Net pension liability	-	2,597,279	-	2,597,279	-
Total non-current liabilities	-	3,120,483	80,177,449	83,297,932	82,891,595
Deferred inflows of resources:					
Deferred OPEB inflows of resources	-	166,396	-	166,396	535,497
Deferred pension inflows of resources	-	122,799	-	122,799	618,098
	-	289,195	-	289,195	1,153,595
Net position:					
Net investment in capital assets	432,430	1,269,090	69,113,684	70,815,204	73,427,321
Restricted for:					
SRF Reach IV-A & IV-B reserve requirement	-	-	1,050,000	1,050,000	1,050,000
Mitigation	1,910,560	-	-	1,910,560	1,910,560
Net OPEB asset	-	-	-	-	187,301
Net pension asset	-	-	-	-	1,105,718
Unrestricted	3,651,024	2,462,576	99,024	6,212,624	712,028
Total net position	$ 5,994,014	3,731,666	70,262,708	79,988,388	78,392,928

See accompanying notes to the basic financial statements

Santa Ana Watershed Project Authority
Combining Schedule of Revenues, Expenses, and Changes in Net Position
Enterprise Funds
For the Year Ended June 30, 2023
with Comparative Information for the Fiscal Year Ended June 30, 2022

	Capital Project Activities	Internal Administration	Enterprise Activities	Totals 2023	Totals 2022
Operating revenues:					
Wastewater treatment and disposal	$ -	-	12,319,657	12,319,657	12,040,521
Wastewater treatment and disposal - capacity rights	-	-	2,510,154	2,510,154	2,510,154
Program administration	203,714	-	-	203,714	191,841
Other	-	7,708	-	7,708	5,716
Total operating revenues	203,714	7,708	14,829,811	15,041,233	14,748,232
Operating expenses:					
Wastewater treatment and disposal	-	-	6,957,971	6,957,971	6,863,027
General and administrative and overhead	-	692,402	-	692,402	523,272
Studies and planning costs	3,405,256	-	-	3,405,256	2,578,723
Total operating expenses:	3,405,256	692,402	6,957,971	11,055,629	9,965,022
Operating (loss) income before depreciation and amortization	(3,201,542)	(684,694)	7,871,840	3,985,604	4,783,210
Depreciation and amortization	-	(154,555)	(2,914,921)	(3,069,476)	(3,693,764)
Amortization – disposal rights	-	-	(927,886)	(927,886)	(1,714,643)
Net (loss) income	(3,201,542)	(839,249)	4,029,033	(11,758)	(625,197)
Non-operating revenues (expenses):					
Member contributions	1,344,325	725,435	-	2,069,760	1,581,845
Intergovernmental	9,858,978	666,591	-	10,525,569	13,673,784
Pension (expense) income – GASB 68	-	(2,912,634)	-	(2,912,634)	3,816,733
OPEB income – GASB 75	-	235,127	-	235,127	204,395
Investment earnings, net of fair value	68,250	91,492	974,901	1,134,643	(724,549)
Grant program expenditures	(8,535,119)	(666,571)	-	(9,201,690)	(12,321,868)
Interest expense	-	(397)	(503,592)	(503,989)	(537,720)
Other	-	-	-	-	-
Total non-operating (expense) revenues, net	2,736,434	(1,860,957)	471,309	1,346,786	5,692,620
Capital contributions:					
Rialto BioEnergy	-	-	260,432	260,432	-
Total capital contributions	-	-	260,432	260,432	-
Total (loss) income before transfers	(465,108)	(2,700,206)	4,760,774	1,595,460	5,067,423
Transfers	212,742	-	(212,742)	-	-
Change in net position	(252,366)	(2,700,206)	4,548,032	1,595,460	5,067,423
Net position – beginning of year, as restated – (note 12)	6,246,380	6,431,872	65,714,676	78,392,928	73,325,505
Net position – end of year, as restated	$ 5,994,014	3,731,666	70,262,708	79,988,388	78,392,928

See accompanying notes to the basic financial statements

Santa Ana Watershed Project Authority
Combining Schedule of Net Position
Capital Projects Activities
June 30, 2023

	Brine Line Protection Project	Reach IV-D Corrosion Repair	Aqua Mansa Lateral Project	Basin Planning
Current assets:				
Cash and cash equivalents	$ -	-	-	144,133
Cash and cash equivalents – restricted	-	-	-	-
Interest receivable	-	-	-	1,444
Accounts receivable – member contributions	-	-	-	-
Accounts receivable – grants	-	-	-	-
Accounts receivable – other	-	-	-	-
Mitigation credits	-	-	-	-
Total current assets	-	-	-	145,577
Non-current assets:				
Capital assets not being depreciated	-	389,474	42,956	-
Total assets	-	389,474	42,956	145,577
Current liabilities:				
Accounts payable	113,878	-	29,822	-
Accrued interest payable	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	113,878	-	29,822	-
Net position:				
Net investment in capital assets	-	389,474	42,956	-
Restricted	-	-	-	-
Unrestricted	(113,878)	-	(29,822)	145,577
Total net position	$ (113,878)	389,474	13,134	145,577

Continued on next page.

See accompanying notes to the basic financial statements

Watershed Management Plan	Basin Monitoring Program Task Force	PFAS Study	Weather Modification	Santa Ana River Fish Conservation	MSAR TMDL Task Force
224,429	490,180	2,033	64,193	105,493	289,054
-	-	-	-	-	-
2,520	4,420	104	601	871	2,442
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	5,000	-	-
-	-	-	-	-	-
226,949	494,600	2,137	69,794	106,364	291,496
-	-	-	-	-	-
226,949	494,600	2,137	69,794	106,364	291,496
27,151	113,232	14,336	2,855	739	3,733
-	-	-	-	-	-
-	-	-	-	-	-
27,151	113,232	14,336	2,855	739	3,733
-	-	-	-	-	-
-	-	-	-	-	-
199,798	381,368	(12,199)	66,939	105,625	287,763
199,798	381,368	(12,199)	66,939	105,625	287,763

Continued on next page.

See accompanying notes to the basic financial statements

Santa Ana Watershed Project Authority
Combining Schedule of Net Position - Continued
Capital Project Activities
June 30, 2023

	Regional Water Quality Monitoring Task Force	Arundo Management & Habitat Restoration	Emerging Constituents Task Force	Energy Water DAC Grant Project
Current assets:				
Cash and cash equivalents	$ 149,352	-	137,246	-
Cash and cash equivalents – restricted	-	808,607	-	-
Interest receivable	1,246	6,539	1,167	-
Accounts receivable – member contributions	-	-	-	-
Accounts receivable – grants	-	-	-	76,837
Accounts receivable – other	-	-	-	-
Mitigation credits	-	1,910,560	-	-
Total current assets	150,598	2,725,706	138,413	76,837
Non-current assets:				
Capital assets not being depreciated	-	-	-	-
Total assets	150,598	2,725,706	138,413	76,837
Current liabilities:				
Accounts payable	80,190	532	2,917	7,518
Accrued interest payable	-	-	-	-
Due to other funds	-	-	-	43,504
Total liabilities	80,190	532	2,917	51,022
Net position:				
Net investment in capital assets	-	-	-	-
Restricted	-	1,910,560	-	-
Unrestricted	70,408	814,614	135,496	25,815
Total net position	$ 70,408	2,725,174	135,496	25,815

Continued on next page.

See accompanying notes to the basic financial statements

Prop 1 DACI Grant	Lake Elsinore Management	Prop 84 Grant Projects	Prop 1 Grant Projects	Total 2023	Total 2022
-	-	1,346,837	90,028	$ 3,042,978	4,938,503
-	-	-	-	808,607	856,186
-	-	-	-	21,354	5,765
-	-	-	-	-	-
208,884	-	5,607,644	1,884,628	7,777,993	16,259,113
-	23,638	-	-	28,638	9,469
-	-	-	-	1,910,560	1,910,560
208,884	23,638	6,954,481	1,974,656	13,590,130	23,979,596
-	-	-	-	432,430	389,474
208,884	23,638	6,954,481	1,974,656	14,022,560	24,369,070
191,508	176	5,488,624	1,868,323	7,945,534	18,110,618
-	-	-	-	-	-
17,376	22,132	-	-	83,012	12,072
208,884	22,308	5,488,624	1,868,323	8,028,546	18,122,690
-	-	-	-	432,430	389,474
-	-	-	-	1,910,560	1,910,560
-	1,330	1,465,857	106,333	3,651,024	3,946,346
-	1,330	1,465,857	106,333	$ 5,994,014	6,246,380

See accompanying notes to the basic financial statements

Santa Ana Watershed Project Authority
Combining Schedule of Revenues, Expenses, and Changes in Net Position
Capital Project Activities
For the Fiscal Year Ended June 30, 2023

		Brine Line Protection Project	Reach IV-D Corrosion Repair	Aqua Mansa Lateral Project	Basin Planning
Operating revenues:					
Other		-	-	-	-
Total operating revenues		-	-	-	-
Operating expenses:					
Studies and planning costs		313,486	-	-	471,557
Total operating expenses		313,486	-	-	471,557
Net income (loss)		(313,486)	-	-	(471,557)
Non-operating revenues (expenses):					
Member contributions		-	-	-	420,000
Intergovernmental		-	-	-	-
Investment earnings, net of fair value		-	-	-	6,823
Grant program expenditures		-	-	-	-
Total non-operating revenues (expense)		-	-	-	426,823
Total income (loss) before transfers		(313,486)	-	-	(44,734)
Transfers		199,608	-	13,134	-
Changes in net position		(113,878)	-	13,134	(44,734)
Net position – beginning of year		-	389,474	-	190,311
Net position – end of year	$	(113,878)	389,474	13,134	145,577

Continued on next page.

See accompanying notes to the basic financial statements

Watershed Management Plan	Basin Monitoring Program Task Force	PFAS Study	Weather Modification	Santa Ana River Fish Conservation	MSAR TMDL Task Force
-	-	-	-	-	-
-	-	-	-	-	-
628,549	460,876	377,857	136,221	34,747	175,716
628,549	460,876	377,857	136,221	34,747	175,716
(628,549)	(460,876)	(377,857)	(136,221)	(34,747)	(175,716)
400,000	-	363,825	140,500	10,000	-
82,900	500,017	-	61,000	19,000	227,903
9,961	13,570	1,944	1,955	2,391	7,419
-	-	-	-	-	-
492,861	513,587	365,769	203,455	31,391	235,322
(135,688)	52,711	(12,088)	67,234	(3,356)	59,606
-	-	-	-	-	(145,964)
(135,688)	52,711	(12,088)	67,234	(3,356)	(86,358)
335,486	328,657	(111)	(295)	108,981	374,121
199,798	381,368	(12,199)	66,939	105,625	287,763

Continued on next page.

See accompanying notes to the basic financial statements

Santa Ana Watershed Project Authority
Combining Schedule of Revenues, Expenses, and Changes in Net Position - Continued
Capital Project Activities
For the Fiscal Year Ended June 30, 2023

	Regional Water Quality Monitoring Task Force	Arundo Management & Habitat Restoration	Emerging Constituents Task Force	Energy Water DAC Grant Project
Operating revenues:				
Other	$ -	-	-	-
Total operating revenues	-	-	-	-
Operating expenses:				
Studies and planning costs	387,641	61,957	64,793	58,746
Total operating expenses	387,641	61,957	64,793	58,746
Net income (loss)	(387,641)	(61,957)	(64,793)	(58,746)
Non-operating revenues (expenses):				
Member contributions	-	-	-	-
Intergovernmental	278,226	-	113,009	84,561
Investment earnings, net of fair value	2,194	18,591	3,402	-
Grant program expenditures	-	-	-	-
Total non-operating revenues (expense)	280,420	18,591	116,411	84,561
Total income (loss) before transfers	(107,221)	(43,366)	51,618	25,815
Transfers	145,964	-	-	-
Changes in net position	38,743	(43,366)	51,618	25,815
Net position – beginning of year	31,665	2,768,540	83,878	-
Net position – end of year	$ 70,408	2,725,174	135,496	25,815

Continued on next page.

See accompanying notes to the basic financial statements

Prop 1 DACI Grant	Lake Elsinore Management	Prop 84 Grant Projects	Prop 1 Grant Projects	Total	
				2023	2022
-	203,714	-	-	203,714	191,841
-	203,714	-	-	203,714	191,841
19,395	213,715	-	-	3,405,256	2,578,723
19,395	213,715	-	-	3,405,256	2,578,723
(19,395)	(10,001)	-	-	(3,201,542)	(2,386,882)
-	10,000	-	-	1,344,325	865,000
300,749	-	2,257,594	5,934,019	9,858,978	13,087,951
-	-	-	-	68,250	18,463
(281,354)	-	(2,319,747)	(5,934,018)	(8,535,119)	(11,736,023)
19,395	10,000	(62,153)	1	2,736,434	2,235,391
-	(1)	(62,153)	1	(465,108)	(151,491)
-	-	-	-	212,742	171,625
-	(1)	(62,153)	1	(252,366)	20,134
-	1,331	1,528,010	106,332	6,246,380	6,226,246
-	1,330	1,465,857	106,333	5,994,014	6,246,380

See accompanying notes to the basic financial statements

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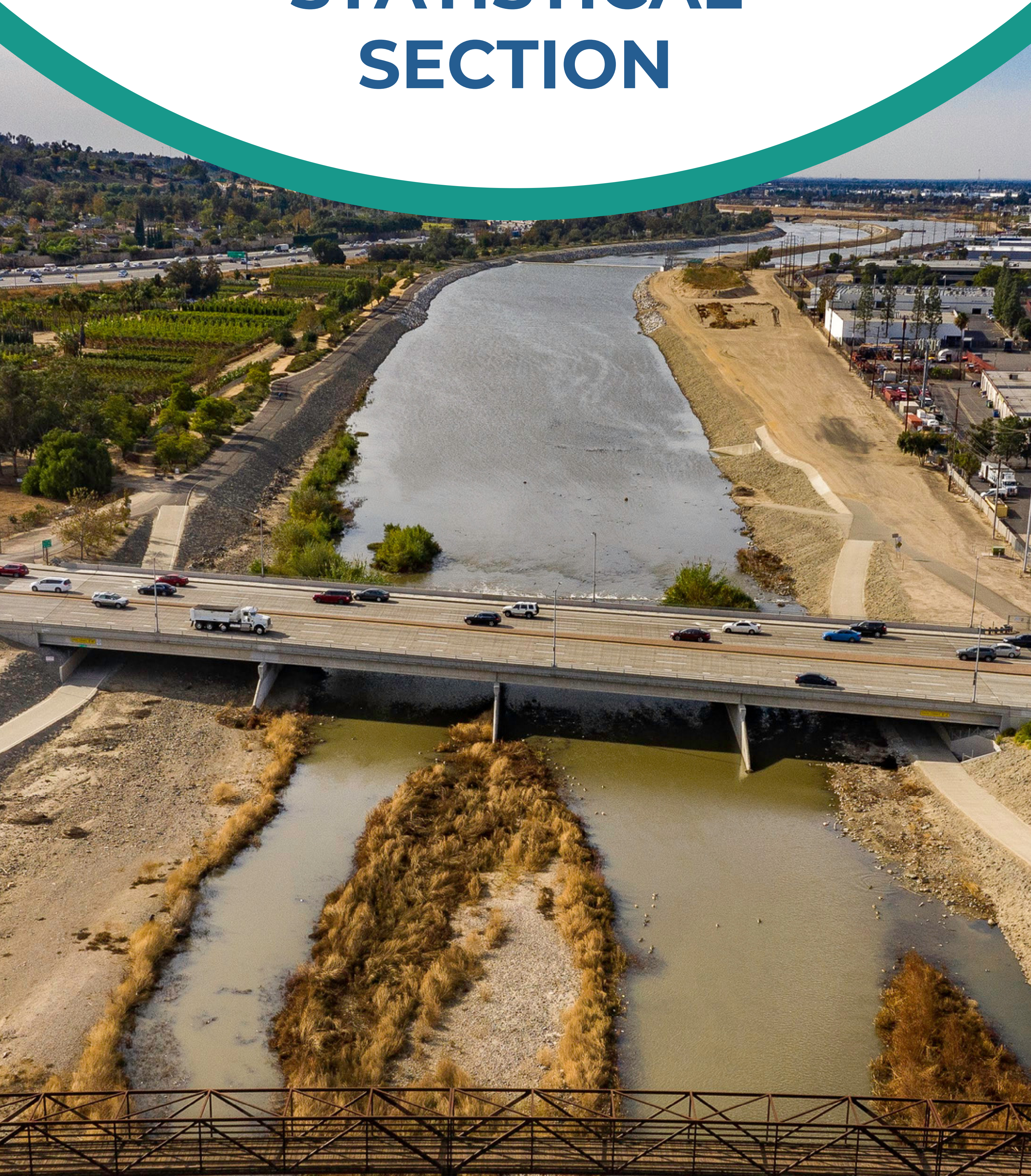
STATISTICAL SECTION



Statistical Section

This part of the Authority'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 Authority's overall financial health.

Contents **Page No.**

Financial Trends .... 89 - 90

These schedules contain information to help the reader understand how the Authority's financial performance and well-being have changed over time.

Revenue Capacity .... 91 - 96

These schedules contain information to help the reader assess the factors affecting the Authority's ability to generate revenues.

Debt Capacity .... 97 - 101

These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.

Demographic and Economic Information 102

This schedule offers demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

Operating Information .... 103 - 104

This schedule contains service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the service the Authority provides.

Table I – Net Position by Component
Last Ten Fiscal Years

	2023	2022	2021(1)	2020(1)	2019	2018	2017	2016	2015	2014
Net Investment in Capital Assets	$70,815,204	$73,427,321	$76,739,960	$79,824,095	$82,216,012	$85,226,499	$90,622,870	$84,798,833	$82,709,425	$80,456,568
Restricted	2,960,560	4,253,579	2,960,560	2,960,560	2,960,560	2,960,560	3,921,155	3,923,403	3,969,074	4,167,861
Unrestricted	6,212,624	712,028	(6,375,015)	(9,458,946)	(13,617,096)	(19,510,100)	(24,155,787)	(21,554,491)	(21,643,941)	(20,734,190)
Total Net Position	$79,988,388	$78,392,928	$73,325,505	$73,325,708	$71,559,476	$68,676,959	$70,388,238	$67,167,745	$65,034,558	$63,890,239

(1) As restated for GASB Statement No. 87 Leases.

Source: Santa Ana Watershed Project Authority

Table II – Changes in Net Position
Last Ten Fiscal Years

Fiscal Year	Operating Revenue (2)	Operating Expense (3)	Operating Income/(Loss)	Total Non-Operating Revenue/ (Expense)	Income/(Loss) Before Capital Contributions	Special Items (4)(5)	Capital Contributions	Change in Net Position
2023	$15,041,233	$15,052,991	($11,758)	$4,024,293	$4,012,535	($2,677,507)	$260,432	$1,595,460
2022	14,748,232	15,373,429	(625,197)	1,671,492	1,046,295	4,021,128	-	5,067,423
2021(1)	15,192,196	18,234,980	(3,042,784)	3,042,581	(203)	-	-	(203)
2020(1)	14,251,066	17,228,552	(2,977,486)	4,743,719	1,766,233	-	-	1,766,233
2019	15,050,312	17,097,853	(2,047,541)	4,930,058	2,882,517	-	-	2,882,517
2018	13,665,500	19,212,739	(5,547,239)	4,763,383	(783,856)	(927,423)	-	(1,711,279)
2017	13,997,461	14,881,490	(884,029)	4,104,522	3,220,493	-	-	3,220,493
2016	12,049,027	12,762,714	(713,687)	2,846,874	2,133,187	-	-	2,133,187
2015	11,731,196	13,057,424	(1,326,228)	2,470,547	1,144,319	-	-	1,144,319
2014	11,243,430	14,527,075	(3,283,645)	2,219,169	(1,064,476)	(2,705,729)	-	(3,770,205)

(1) As restated for GASB Statement No. 87 Leases.
(2) See Table III for details of revenues.
(3) See Table IV for details of expenses.
(4) Reduction of net position from implementation of GASB 68 and GASB 75.
(5) Pension and Other Post-Employment Benefits related adjustments sourcing from current year valuations prepared by CalPERS and the Authority's OPEB actuaries and are due to CalPERS realized gains on investments and actuarial determined changes which affected the pension cost share pool and CERBT OPEB trust participants.

Source: Santa Ana Watershed Project Authority

Table III – Revenues by Source
(Excluding Capital Contributions and Special Items)
Last Ten Fiscal Years

	Operating Revenues				Non-Operating Revenues						
Fiscal Year	WWT & Disposal	WWT & Disposal Capacity Rights	Other Operating	Total Operating Revenue	Member Contributions	Inter Governmental	Pension/ OPEB Income	Investment Income/Expense, net of fair value	Gain on Disposal of Asset	Total Non-Operating Income	Combined Revenue
2023	$12,319,657	$2,510,154	$211,422	$15,041,233	$2,069,760	$10,525,569	$235,127	$1,134,643	$-	$13,965,099	$29,006,332
2022	12,040,521	2,510,154	197,557	14,748,232	1,581,845	13,673,784	4,021,128	(724,549)	-	18,552,208	33,300,440
2021(1)	12,476,856	2,510,154	205,186	15,192,196	1,993,632	14,765,698	-	73,038	-	16,832,368	32,024,564
2020(1)	11,547,220	2,510,154	193,692	14,251,066	2,105,955	9,466,587	-	1,496,354	-	13,068,896	27,319,962
2019(2)	12,334,346	2,510,154	205,812	15,050,312	1,909,415	29,011,794	-	1,660,061	-	32,581,270	47,631,582
2018	10,935,848	2,510,154	219,498	13,665,500	2,303,325	3,413,408	-	326,487	-	6,043,220	19,708,720
2017	11,273,024	2,519,533	204,904	13,997,461	2,307,624	4,795,478	-	193,157	-	7,296,259	21,293,720
2016	9,323,505	2,519,748	205,774	12,049,027	1,730,491	2,765,270	-	567,709	1,123	5,064,593	17,113,620
2015	8,958,914	2,510,154	262,128	11,731,196	1,806,745	1,257,581	-	432,179	1,123	3,497,628	15,228,824
2014	8,575,085	2,510,154	158,191	11,243,430	1,771,587	843,283	-	457,867	13,021	3,085,758	14,329,188

(1) As Restated for GASB Statement No. 87 Leases.
(2) GASB Statement No. 84 implemented in FYE 2021. FYE 2020 and 2019 were restated, however, prior years were not restated as the information was not readily available.

Source: Santa Ana Watershed Project Authority

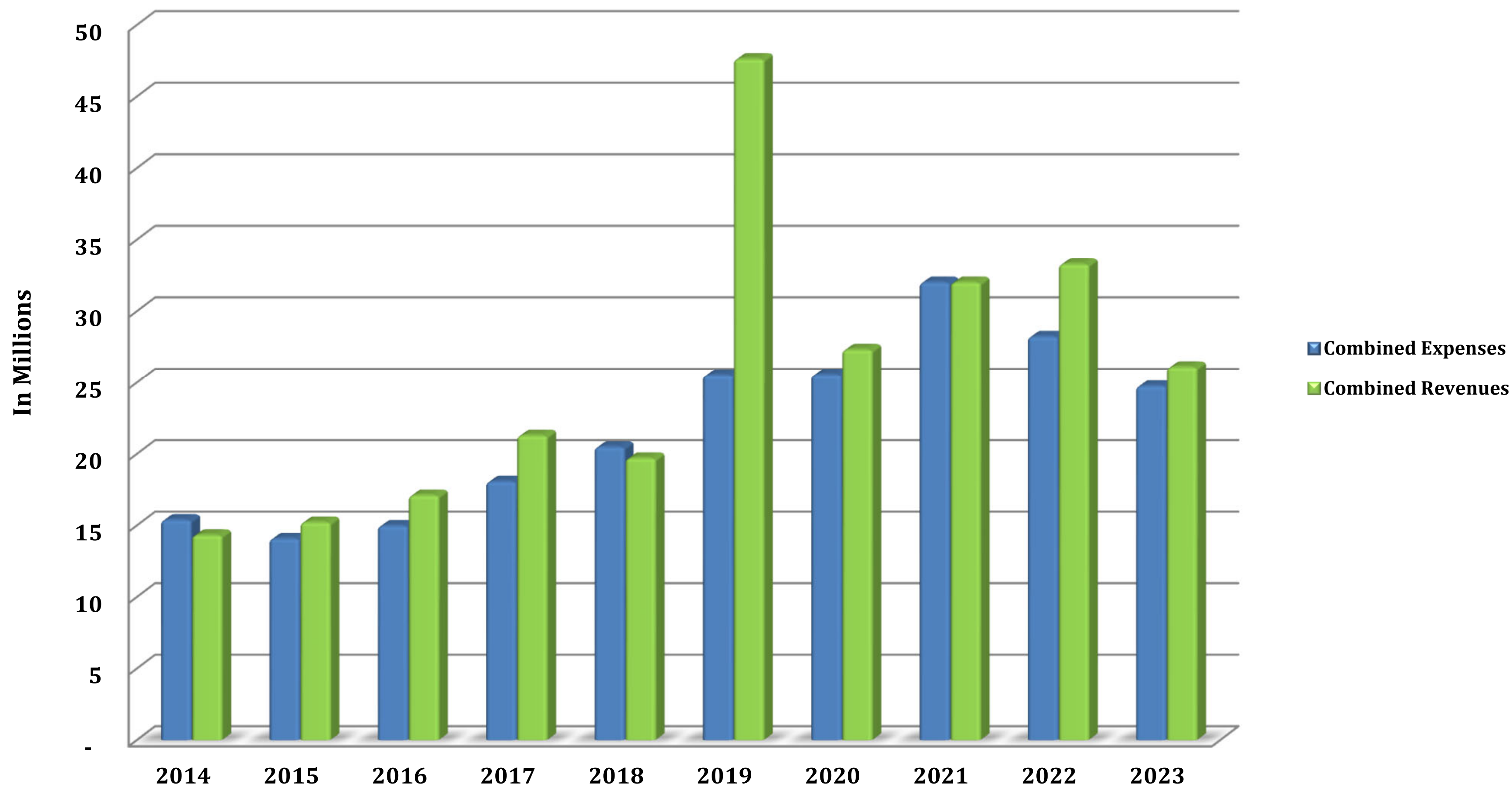
Table IV – Expenses by Function
Last Ten Fiscal Years

	Operating Expenses							
Fiscal Year	WWT & Disposal	General & Admin	Studies & Planning Costs	Depreciation	Amortization of WWT Rights	Total Operating Expenses	Total Non-Operating Expenses	Combined Expenses
2023	$6,957,971	$692,402	$3,405,256	$3,069,476	$927,886	$15,052,991	$12,618,313	$27,671,304
2022	6,863,027	523,272	2,578,723	3,693,764	1,714,643	15,373,429	12,859,588	28,233,017
2021*(1)(2)*	7,055,339	762,713	5,020,667	3,840,251	1,556,010	18,234,980	13,789,787	32,024,767
2020*(1)(2)*	6,670,902	989,568	4,396,714	3,770,450	1,400,918	17,228,552	8,325,177	25,553,729
2019*(2)*	6,545,654	1,326,428	4,082,052	3,742,801	1,400,918	17,097,853	8,423,326	25,521,179
2018	5,841,074	1,429,043	7,186,572	3,355,132	1,400,918	19,212,739	1,279,837	20,492,576
2017	6,421,150	591,686	3,293,487	3,174,253	1,400,914	14,881,490	3,191,737	18,073,227
2016	6,434,652	270,613	1,485,977	3,170,554	1,400,918	12,762,714	2,217,719	14,980,433
2015	6,222,868	678,992	1,604,703	3,149,943	1,400,918	13,057,424	1,027,081	14,084,505
2014	6,864,435	487,308	2,636,556	3,137,858	1,400,918	14,527,075	866,589	15,393,664

(1) As restated for GASB Statement No. 87 Leases.
(2) GASB Statement No. 84 implemented in FYE 2021. FYE 2020 and 2019 were restated, however, prior years were not restated as the information was not readily available.

Source: Santa Ana Watershed Project Authority

Chart I - Combined Expenses and Revenues
Last Ten Fiscal Years



Source: Santa Ana Watershed Project Authority

Table V - Wastewater Discharge by Type
Last Ten Fiscal Years

Discharge Type	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Industrial *	205.6453	222.0080	187.3816	181.3119	146.2297	142.6609	182.3629	176.0173	149.1266	149.7733
Domestic *	390.9324	459.4311	372.6175	345.2252	365.5703	571.6977	605.6648	539.1186	686.9780	817.2502
Power Plant *	143.2049	136.2439	159.5573	174.6108	182.3315	168.1869	211.0939	203.7717	255.9079	238.1875
Water Supply/Desalter *	3,742.1344	3,169.4397	3,206.6906	3,286.5031	2,977.7296	2,862.8002	2,832.6086	2,789.4969	2,894.5452	2,698.2170
Temp/Emergency *	1.6801	1.5160	2.4556	5.4886	13.8265	0.0000	12.9104	4.7210	6.9285	10.6266
Truck Discharge *	43.4240	46.6620	40.6385	31.8486	32.1043	36.2431	29.9249	34.3066	27.2869	23.3557
Total	4,527.0211	4,035.3007	3,969.3411	4,024.9882	3,717.7919	3,781.5888	3,874.5655	3,747.4321	4,020.7731	3,937.4103

* MGD = million gallons per day

Source: Santa Ana Watershed Project Authority

Table VI - Summary of Wastewater Treatment Rates
Last Ten Fiscal Years

Fiscal Year	Flow per MGD*	BOD Charge (1,000 lbs)	TSS Charge (1,000 lbs)	Minimum Flow Charge	Monthly Fixed Pipeline Charge	Monthly Fixed Treatment Charge	Truck – Non-Brine (per gallon)	Truck – Tier 1 (per gallon)	Truck – Tier 2 (per gallon)	Truck – Tier 3 (per gallon)	Truck – Brine (per gallon)
2023	$1,049	$353	$520	$150	$6,654	$13,505	*(1)*	n/a	n/a	n/a	$0.016
2022	1,018	329	460	150	6,654	13,505	*(2)*	n/a	n/a	n/a	$0.016
2021*(3)*	1,018	329	460	150	6,654	13,505	*(5)*	n/a	n/a	n/a	$0.016
2021*(4)*	979	316	442	150	6,398	12,985	*(6)*	n/a	n/a	n/a	0.015
2020	979	316	442	150	6,398	12,985	*(7)*	n/a	n/a	n/a	0.015
2019	946	307	429	150	6,217	12,607	*(7)*	n/a	n/a	n/a	0.015
2018	901	307	429	150	5,921	12,007	*(8)*	0.017	0.035	*(9)*	0.012
2017	858	307	429	150	5,639	11,433	*(8)*	0.016	0.033	*(10)*	0.011
2016	817	301	420	150	5,370	10,888	*(8)*	0.015	0.032	*(11)*	0.010
2015	777	295	411	150	5,114	10,369	*(8)*	0.015	0.031	*(12)*	0.010
2014	736	266	395	150	4,870	9,875	*(8)*	0.015	0.031	*(13)*	0.010

* MGD – million gallons per day

1) *Fiscal year 2023 rates from July 1, 2022 through June 30, 2023. Non-brine truck rate dischargers will be charged based on actual BOD and TSS concentrations over 100 mg/l using the following components: $0.016 per gallon, $0.78/pound of BOD, and $0.745/pound of TSS.*
2) *Fiscal year 2022 rates from July 1, 2021 through June 30, 2022. Non-brine truck rate dischargers will be charged based on actual BOD and TSS concentrations over 100 mg/l using the following components: $0.016 per gallon, $0.78/pound of BOD, and $0.745/pound of TSS.*
3) *Fiscal year 2021 rates from January 1, 2021 through June 30, 2021.*
4) *Fiscal year 2021 rates from July 1, 2020 through December 31, 2020.*
5) *Fiscal year 2021 January 1, 2021 through June 30, 2021. - Non-brine truck rate dischargers will be charged based on actual BOD and TSS concentrations over 100 mg/l using the following components: $0.016 per gallon, $0.78/pound of BOD, and $0.745/pound of TSS.*
6) *Fiscal year 2021 July 1, 2020 through December 31, 2020. - Non-brine truck rate dischargers will be charged based on actual BOD and TSS concentrations over 100 mg/l using the following components: $0.015 per gallon, $0.75/pound of BOD, and $0.716/pound of TSS.*
7) *Fiscal year 2019 and fiscal year 2020 - Non-brine truck rate dischargers will be charged based on actual BOD and TSS concentrations over 100 mg/l using the following components: $0.015 per gallon, $0.75/pound of BOD, and $0.716/pound of TSS.*
8) *Non-brine truck rate was divided into three tiers based on BOD and TSS Concentrations. Tier 1 = 100 to 999 mg/l, Tier 2 = 1,000 to 2,499 mg/l, and Tier 3 = 2,500 mg/l and higher.*
9) *Fiscal year 2018 – Tier 3 dischargers will be charged based on actual concentrations of the waste discharged using the following components: $0.0029/gallon, $0.729/pound of BOD, and $0.695/pound of TSS.*
10) *Fiscal year 2017 – Tier 3 dischargers will be charged based on actual concentrations of the waste discharged using the following components: $0.0027/gallon, $0.695/pound of BOD, and $0.662/pound of TSS.*
11) *Fiscal year 2016 – Tier 3 dischargers will be charged based on actual concentrations of the waste discharged using the following components: $0.0026/gallon, $0.694/pound of BOD, and $0.661/pound of TSS.*
12) *Fiscal year 2015 – Tier 3 dischargers will be charged based on actual concentrations of the waste discharged using the following components: $0.0026/gallon, $0.687/pound of BOD, and $0.652/pound of TSS.*
13) *Fiscal year 2014 – Tier 3 dischargers will be charged based on actual concentrations of the waste discharged using the following components: $0.0026/gallon, $0.658/pound of BOD, and $0.636/pound of TSS.*

Source: Santa Ana Watershed Project Authority

Table VII - Principal Sewer Customers
Current Fiscal Year and Nine Years Prior

Fiscal Year 2022-23

Customer Name	Discharge in MG (1)	Percentage of Total Discharge
Chino Desalter I	835.6691	18.5%
Temescal Desalter	640.4150	14.1%
Perris Desalter II	513.0777	11.3%
Perris Desalter I	472.9036	10.4%
Chino Desalter II	428.1382	9.5%
Menifee Desalter	285.6575	6.3%
JCSD – Etiwanda (2)	273.8720	6.0%
Arlington Desalter	250.9074	5.5%
Yucaipa Valley Water District	194.2179	4.3%
Mountainview Power Plant	135.3919	3.0%
Total Principal Customers	4,030.2503	89.0%
Other Customers	496.7708	11.0%
Total Discharge	4,527.0211	100.0%

Fiscal Year 2013-14

Customer Name	Discharge in MG (1)	Percentage of Total Discharge
Chino Desalter I	700.0474	17.8%
Temescal Desalter	593.7199	15.1%
Chino Desalter II	468.1660	11.9%
Arlington Desalter	411.6732	10.5
Perris Desalter	309.5459	7.9%
JCSD – Etiwanda (2)	286.3833	7.3%
Menifee Desalter	201.9270	5.1%
Mountainview Power Plant	155.0744	3.9%
Chino Institute for Women	154.0242	3.9%
California Rehabilitation Center	150.3972	3.8%
Total Principal Customers	3,430.9585	87.1%
Other Customers	506.4518	12.9%
Total Discharge	3,937.4103	100.00%

(1) MG – million gallons
(2) Jurupa Community Services District (JCSD) connections.
Source: Santa Ana Watershed Project Authority

Table VIII - Debt Coverage Ratio
Last Ten Fiscal Years

		Debt Service Requirements				
Fiscal Year	Combined Expenses	SRF Loans (3)	Member Loans (4)	Leases Payable (1)	Total Debt	Debt to Expense Ratio
2023	$27,671,304	$1,709,476	$-	$265,812	$1,975,288	7.1%
2022	28,233,017	2,608,439	-	56,857	2,661,673	9.4%
2021(1)(2)	32,024,767	2,835,753	-	53,601	2,889,354	9.0%
2020(1)(2)	25,553,729	2,835,753	-	28,957	2,864,710	11.2%
2019(1)	25,521,179	2,835,753	-	-	2,835,753	11.1%
2018	20,492,576	2,704,270	356,250	-	3,060,520	14.9%
2017	18,073,226	2,704,475	356,250	-	3,060,725	16.9%
2016	14,980,433	3,618,242	356,250	-	3,974,492	26.5%
2015	14,084,505	4,152,560	356,250	-	4,508,810	32.0%
2014	15,393,664	4,222,260	356,250	-	4,578,510	29.7%

The Authority does not receive property tax. All revenues are collected through rates and fees or agency contributions.

The Authority does not have any outstanding Revenue Bonds. The only debt of the Authority is SRF and member agency loans.

Notes:

(1) As restated for GASB Statement No. 87 Leases.
(2) GASB Statement No. 84 implemented in FYE 2021. FYE 2020 and 2019 were restated, however, prior years were not restated as the information was not readily available. Combined Expenses includes Proposition 1 and 84 pass throughs for those years.
(3) State Revolving Fund (SRF) Loans for construction of the Brine Line.
(4) Repurchase of Pipeline Capacity from Orange County Water District.

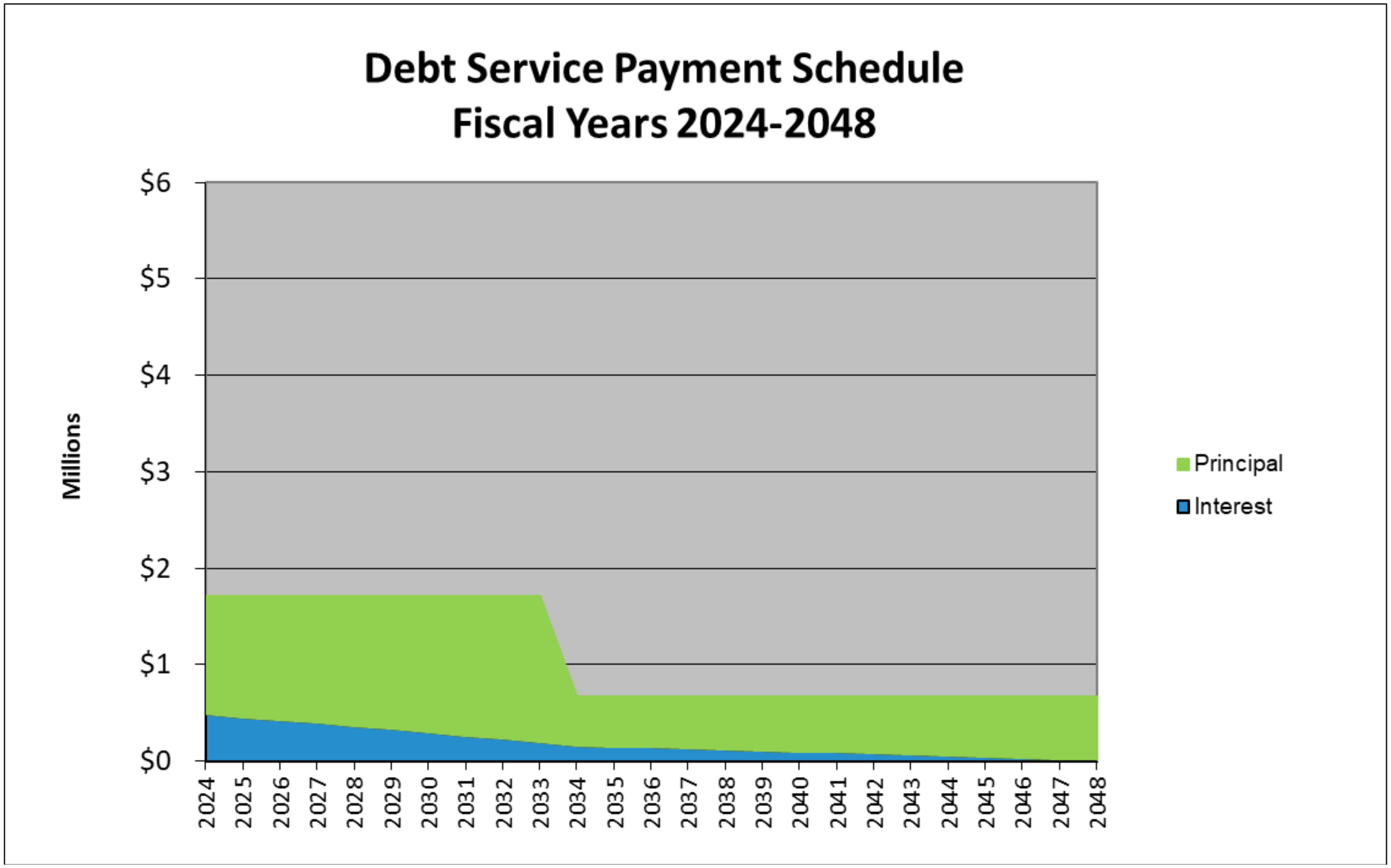
Source: Santa Ana Watershed Project Authority

Table IX - Debt Service Payment Schedule
Fiscal Years 2024 – 2048

Fiscal Year	Interest	Principal	Total Payment	Remaining Principal
2024	486,080	1,223,395	1,709,476	21,009,919
2025	457,181	1,252,295	1,709,476	19,757,624
2026	427,585	1,281,891	1,709,476	18,475,734
2027	397,276	1,312,199	1,709,476	17,163,534
2028	366,237	1,343,239	1,709,476	15,820,295
2029	334,449	1,375,027	1,709,476	14,445,268
2030	301,894	1,407,582	1,709,476	13,037,686
2031	268,553	1,440,923	1,709,476	11,596,763
2032	234,407	1,475,068	1,709,476	10,121,695
2033	199,437	1,510,039	1,709,476	8,611,656
2034	163,621	501,581	665,203	8,110,075
2035	154,091	511,111	665,203	7,598,964
2036	144,380	520,822	665,203	7,078,142
2037	134,485	530,718	665,203	6,547,424
2038	124,401	540,801	665,203	6,006,622
2039	114,126	551,077	665,203	5,455,546
2040	103,655	561,547	665,203	4,893,999
2041	92,986	572,217	665,203	4,321,782
2042	82,114	583,089	665,203	3,738,693
2043	71,035	594,167	665,203	3,144,526
2044	59,746	605,457	665,203	2,539,069
2045	48,242	616,960	665,203	1,922,109
2046	36,520	628,682	665,203	1,293,427
2047	24,575	640,627	665,203	652,799
2048	12,403	652,799	665,203	0

Does not include future lease payments.
Source: Santa Ana Watershed Project Authority

Chart II – Debt Service Payment Schedule



Source: Santa Ana Watershed Project Authority

Table X – Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	SRF Loans	Member Loans	Leases Payable (1)	Total Debt	Percentage of Personal Income (2)	Debt Per Capita (3)
2023	$22,233,314	$-	$265,812	$22,499,126	0.35%	$9.22
2022	23,428,489	-	56,857	23,485,346	0.38%	9.64
2021 (1)	25,471,969	-	109,145	25,581,114	0.42%	10.42
2020 (1)	27,686,941	-	55,379	27,742,320	0.47%	11.36
2019	29,847,481	-	-	29,847,481	0.52%	12.23
2018	31,849,863	-	-	31,849,863	0.57%	13.18
2017	26,087,852	855,267	-	26,943,119	0.50%	11.30
2016	24,184,502	1,677,567	-	25,862,069	0.50%	11.02
2015	22,740,274	2,468,160	-	25,208,434	0.49%	10.92
2014	25,629,872	3,228,436	-	28,858,308	0.58%	12.66

(1) As restated for GASB Statement No. 87 Leases.
(2) Based upon Riverside County personal income amounts.
See the personal income amounts on the Demographics and Economic Statistics schedule. Amounts for prior years are updated with the most recent available information.
(3) Based upon approximate population of Riverside County. See the Demographics and Economic Statistics schedule for amounts.

Chart III – Outstanding Debt Per Capita
Last Ten Fiscal Years

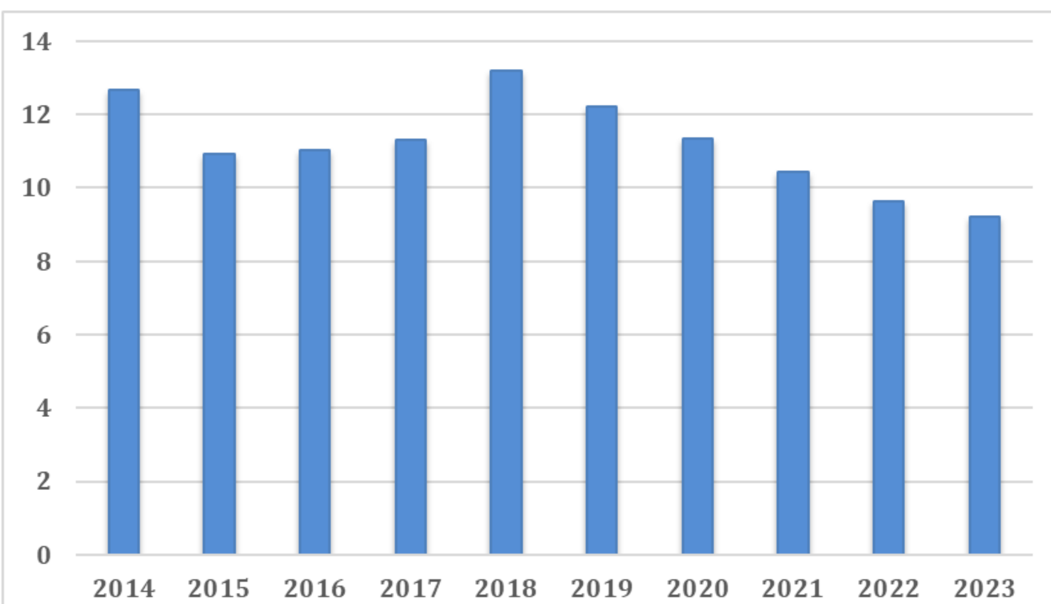


Chart IV – Capital Spending
Last Ten Fiscal Years

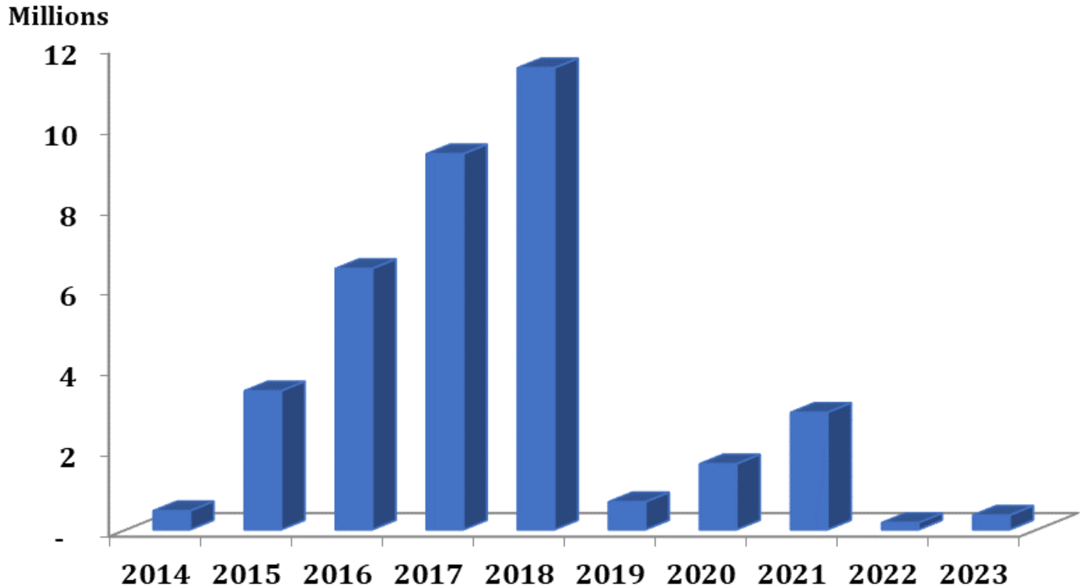
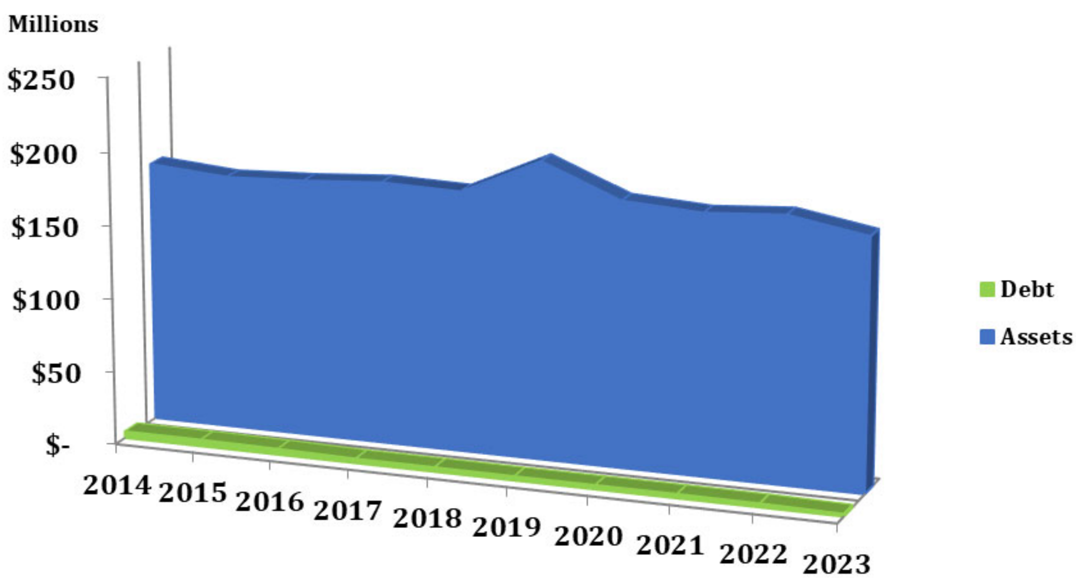


Chart V – Total Debt to Assets
Last Ten Fiscal Years



Source: Santa Ana Watershed Project Authority

Table XI - Demographic and Economic Statistics
Last Ten Calendar Years

Fiscal Year	Population County *(3)*	Personal Income *(1)*	County Per Capita Personal Income	Unemployment Rate (June)*4* County	State
2023	2,439,234	$6,364,055,714	$40,769 *(2)*	5.0%	4.9%
2022	2,435,525	6,224,569,480	39,850 *(2)*	4.0%	4.0%
2021	2,454,453	6,089,509,285	38,822 *(5)*	7.9%	8.0%
2020	2,442,304	5,905,881,400	37,951 *(5)*	14.8% *(6)*	15.1% *(6)*
2019	2,440,124	5,693,835,260	37,074 *(5)*	3.6%	4.1%
2018	2,415,955	5,547,654,496	36,149 *(5)*	4.8%	4.5%
2017	2,384,783	5,363,874,000	35,286 *(5)*	5.7%	4.7%
2016	2,347,828	5,203,504,800	34,506 *(5)*	6.7%	5.4%
2015	2,308,441	5,122,926,900	34,359 *(5)*	6.6%	6.3%
2014	2,279,967	4,994,193,600	33,836 *(5)*	8.4%	7.4%

(1) Projected personal income based on Riverside County Per Capita Personal Income.
(2) Projected based on a ten-year average.
(3) Source: January Revised Estimates, State Department of Finance.
(4) Source: CA Employment Development Department and US Dept. of Labor. County data as of June 2023.
(5) Source: County of Riverside Comprehensive Annual Financial Report.
(6) Unemployment rate spiked during fiscal year 2020 due to the economic impact of COVID-19.

Table XII - Principal Employers
Last Ten Fiscal Years

June 30, 2022 *(1)*

Employer	No of Employees	% of Total Labor Force
County of Riverside	23,772	2.1%
Amazon	14,500	1.3%
March Air Reserve Base	9,600	0.9%
University of California, Riverside	8,593	0.8%
Moreno Valley Unified School District	6,020	0.5%
Kaiser Permanente	5,817	0.5%
Corona-Norco Unified School District	5,478	0.5%
Riverside Unified School District	5,431	0.5%
Stater Bros	4,699	0.4%
Mt. San Jacinto Community College District	4,638	0.4%
Total	88,548	7.9%

June 30, 2013 *(1)*

Employer	No of Employees	% of Total Labor Force
County of Riverside	18,728	2.2%
March Air Reserve Base	9,000	1.1%
Stater Brothers Markets	6,900	0.8%
Wal-Mart	5,681	0.7%
University of California Riverside	5,497	0.7%
Riverside Unified School District	5,000	0.6%
Corona-Norco Unified School District	4,633	0.5%
Kaiser Permanente	4,500	0.5%
Moreno Valley Unified School District	3,355	0.4%
Hemet Unified School District	3,270	0.4%
Total	66,564	7.9%

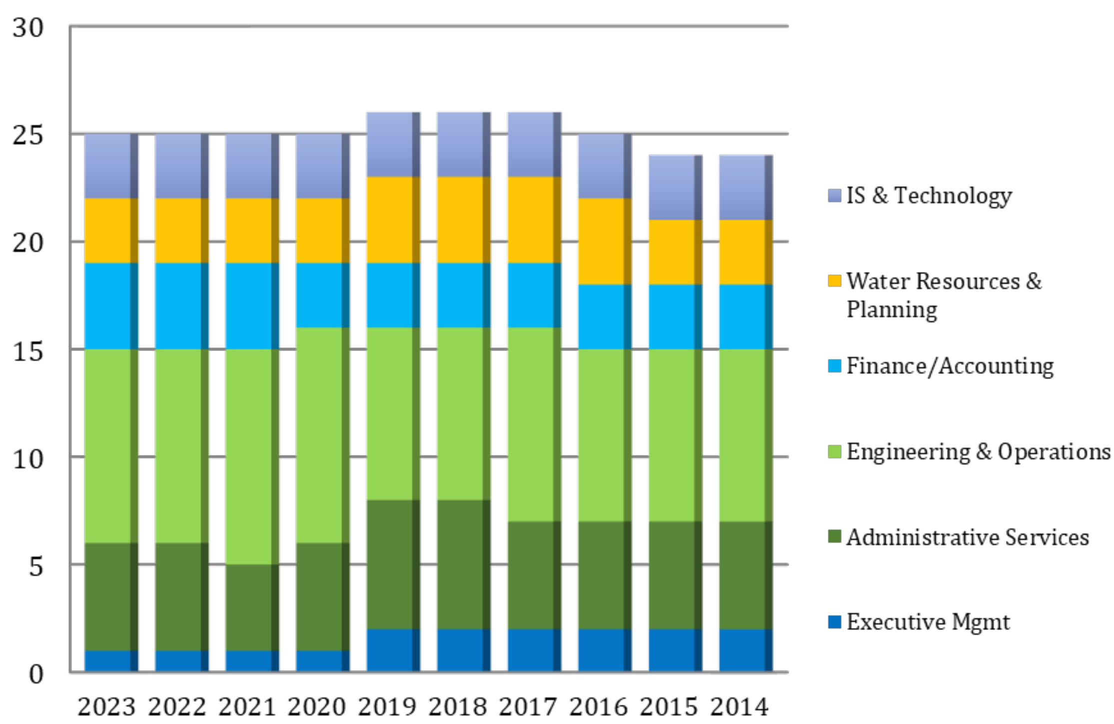
Sources: (1) County of Riverside Annual Consolidated Financial Report. Data presented is the most current available at the time of preparation of this report.

Table XIII - Number of Employees
Last Ten Fiscal Years

Department	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Executive Management	1	1	1	1	2	2	2	2	2	2
Administrative Services	5	5	4	5	6	6	5	5	5	5
Engineering & Operations	9	9	10	10	8	8	9	8	8	8
Finance/Accounting	4	4	4	3	3	3	3	3	3	3
Water Resources & Planning	3	3	3	3	4	4	4	4	3	3
Information Systems & Technology	3	3	3	3	3	3	3	3	3	3
Total	25	25	25	25	26	26	26	25	24	24

Notes: All managers are included with their divisions. Temporary and Interns are not included.

Chart VI – Total Employees
Last Ten Fiscal Years



Source: Santa Ana Watershed Project Authority

Table XIV - Operating and Capital Indicators
Last Ten Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Meter Connections	43	43	43	43	40	41	51	48	48	50
Number of Air Release Valves	63	63	63	63	63	63	63	65	65	65
Miles of Sewer Lines	73	73	73	73	73	73	73	73	73	73
Total Flows for Fiscal Years (MG)	4,527.0211	4,035.30	3,969.34	4,024.99	3,717.79	3,781.59	3,874.56	3,747.43	4,020.77	3,937.41
Owned Treatment Capacity (MGs)	17	17	17	17	17	17	17	17	17	17

Miscellaneous Statistics

Year of Formation:	1972
Governing Body:	5-Member Board of Commissioners (1 from each Member Agency elected Board of Directors)
Form of Government:	Joint Powers Authority
Staff:	25 full-time equivalent employees
Authority:	Section 6500 et. Seq. Government Code
Service:	Waste Disposal, Watershed Planning, Task Force Facilitation
Service Area (square miles):	2,840
Total Population Served:	Approximately 6 million

Source: Santa Ana Watershed Project Authority

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SANTA ANA WATERSHED PROJECT AUTHORITY

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