

# BOARD OF COMMISSIONERS MEETING AGENDA

9. PBWA Legislative Activities
  - A. CA Water for All Campaign Update Mr. Macias
  - B. SB 1330 (Archuleta) Urban Retail Water Supplier: Water Use Mr. Coleman
10. Regional Water Supply Reliability Program
  - A. Puente Basin Groundwater Management Plan Mr. Macias
  - B. California Domestic Water Company Mr. Coleman
  - C. Central Basin Mr. Coleman
  - D. Pomona Basin Regional Groundwater Project Mr. Macias
    - i. Six Basins Groundwater Project Update
    - ii. Proposition 84 Grant
  - E. Regional Water Supply Reliability Program Update Mr. Macias
  - F. Advanced Water Treatment Facility Mr. Macias
11. Attorney's Report Mr. Ciampa
12. Commission Follow-Up Mr. Macias
13. Commissioner Comments
14. Items for Future Discussion/Review Chair Lewis
15. Adjournment



December 12, 2024

TO: Board of Commissioners  
FROM: Myra Malner, Treasurer  
RE: 2023-24 Audited Financial Statements Prepared by Fedak & Brown LLP

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### **Recommendation**

That the Commissioners receive, approve, and file:

- A. 2023-24 Audited Financial Statements; and
- B. Summary of Audit Results (SAS) 114 Letter

### **Background**

A Fedak & Brown, LLP, representative will present the audited 2023-24 financial statements. The representative will review the firm's findings and will be available to answer any questions.



**Puente Basin Water Agency**

**Annual Financial Report**

**For the Fiscal Years Ended June 30, 2024 and 2023**

## **Our Focus**

***“Achieving a sustainable and reliable local water supply through innovative planning and regionally-beneficial projects”***

### **Puente Basin Water Agency Board of Commissioners as of June 30, 2024**

<b>Name</b>	<b>Title</b>	<b>Member Agency</b>	<b>Elected*/ Appointed</b>
Robert W. Lewis	Chair	Rowland Water District	Appointed
Henry Woo	Vice-Chair	Walnut Valley Water District	Appointed
Anthony J. Lima	Commissioner	Rowland Water District	Appointed
Theresa Lee	Commissioner	Walnut Valley Water District	Appointed

**Puente Basin Water Agency  
Jared Macias, Administrative Officer  
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Walnut, California 91789  
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**Puente Basin Water Agency**

**Annual Financial Report**

**For the Fiscal Years Ended June 30, 2024 and 2023**

**Puente Basin Water Agency  
Annual Financial Report  
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## **Financial Section**

Financial Statements Draft Subject to Board Approval





## **Independent Auditor's Report**

Board of Commissioners  
Puente Basin Water Agency  
Walnut, California

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Puente Basin Water Agency (Agency), as of and for the years ended, June 30, 2024 and 2023, and the related statements of revenues, expenses, and changes in net position for the years then ended, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, as of June 30, 2024 and 2023, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal 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 Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Independent Auditor's Report, continued**

### ***Auditor's Responsibilities for the Audits 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 audits.
- 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 audits 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 Agency'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 Agency's ability to continue as a going concern for a reasonable period of time.

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

## **Independent Auditor's Report, continued**

### ***Other-Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2024, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Agency's internal control over financial reporting and compliance. This report can be found on pages 28 and 29.

**C.J. Brown & Company, CPAs**

Cypress, California

December 12, 2024

**Puente Basin Water Agency**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Puente Basin Water Agency (Agency) provides an introduction to the financial statements of the Agency for the fiscal years ended June 30, 2024 and 2023. We encourage readers to consider the information presented here with additional information that we have furnished in the accompanying basic financial statements and related notes, which follow this section.

**Financial Highlights**

Fiscal Year 2024

- The Agency's net position as of June 30, 2024, was \$45,865,381, an increase of \$1,266,060, or 2.84% from the prior year.
- Operating revenues amounted to \$14,087,691 for the year, a decrease of \$2,484,827 from the prior year.
- Beginning in July 2014, in order to account for the costs and benefits of water produced from the water reliability projects, which are funded jointly by the Walnut Valley Water District (WVWD) and the Rowland Water District (RWD), imported water purchased from Three Valleys Municipal Water District (TVMWD) was invoiced through the Agency. For fiscal year 2024, the total of these pass-through costs were reflected in both the revenues amounting to \$12,539,526 and expenses amounting to \$12,537,466 of the Agency.
- Operating expenses including depreciation for the year totaled \$14,876,134 for the year, these costs include the pass-through water costs from TVMWD.
- The La Habra Heights water reliability project produced no water for the year. Although no water was produced, internal costs of \$3,681, were incurred related to the maintenance and management of the project facilities.
- During the year, the Cal Domestic water reliability project produced 1,060 acre-feet of water. The costs related to the production of water totaled \$1,492,524 for the year. These costs included the use of stored water in the amount of \$602,111, that was purchased and paid for in prior years.
- In 2024, the Agency recorded an additional \$1,560,527 in construction costs related to the Pomona Basin project which is currently being constructed. These construction costs are reflected in the Agency's construction-in-process account. As of June 30, 2024, the ending balance of the Pomona Basin project totaled \$10,476,271.
- In 2018, the Agency entered a 20-year lease with the City of La Verne for land and a well site, which was recorded as a capital lease. As of June 30, 2024, the value of the lease liability is recorded at the value of the future minimum lease payments in the amount of \$1,572,335.

Fiscal Year 2023

- The Agency's net position as of June 30, 2023, was \$44,599,321, an increase of \$3,135,477, or 7.56% from the prior year.
- Operating revenues amounted to \$16,572,518 for the year, a decrease of \$2,604,164 from the prior year.

**Puente Basin Water Agency  
Management's Discussion and Analysis, continued  
For the Fiscal Years Ended June 30, 2024 and 2023**

**Financial Highlights, continued**

Fiscal Year 2023, continued

- Beginning in July 2014, in order to account for the costs and benefits of water produced from the water reliability projects, which are funded jointly by the Walnut Valley Water District (WVWD) and the Rowland Water District (RWD), imported water purchased from Three Valleys Municipal Water District (TVMWD) was invoiced through the Agency. For fiscal year 2023, the total of these pass-through costs were reflected in both the revenues amounting to \$14,949,929 and expenses amounting to \$14,947,869 of the Agency.
- Operating expenses including depreciation for the year totaled \$17,543,703 for the year, these costs include the pass-through water costs from TVMWD.
- The La Habra Heights water reliability project produced no water for the year. Although no water was produced, internal costs of \$2,895, were incurred related to the maintenance and management of the project facilities.
- During the year, the Cal Domestic water reliability project produced 1,390 acre-feet of water. The costs related to the production of water totaled \$1,883,237 for the year. These costs included the use of stored water in the amount of \$778,655, that was purchased and paid for in prior years.
- In 2023, the Agency recorded an additional \$2,063,479 in construction costs related to the Pomona Basin project which is currently being constructed. These construction costs are reflected in the Agency's construction-in-process account. As of June 30, 2023, the ending balance of the Pomona Basin project totaled \$8,915,744.
- In 2018, the Agency entered a 20-year lease with the City of La Verne for land and a well site, which was recorded as a capital lease. As of June 30, 2023, the value of the lease liability is recorded at the value of the future minimum lease payments in the amount of \$1,623,819.

**Required Financial Statements**

The financial statements report information about the Agency using accounting methods similar to those used by private sector companies. The financial statements, comprised of the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows, offer short-term and long-term financial information about the Agency's activities. Each financial statement is identified and defined in this section and analyzed in subsequent sections of MD&A.

Statements of Net Position

The Statements of Net Position present the Agency's financial position (assets, deferred outflows of resources, liabilities, and deferred inflows of resources) as of June 30, 2024 and 2023. The Statements of Net Position include all the Agency's investments in resources (assets) and the obligations to creditors (liabilities). They also provide the basis for evaluating the capital structure of the Agency and assessing the liquidity and financial flexibility of the Agency. As of June 30, 2024 and 2023, assets plus deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$45,865,381 and \$44,599,321, respectively.

**Puente Basin Water Agency  
Management's Discussion and Analysis, continued  
For the Fiscal Years Ended June 30, 2024 and 2023**

**Required Financial Statements, continued**

Statements of Revenues, Expenses & Changes in Net Position

All the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. These statements measure the success of the Agency's operations and can be used to determine whether the Agency has successfully recovered all of its costs through member assessments and other revenues. Revenues are recognized (recorded) when services are provided, and expenses are recognized when incurred. Operating revenues and expenses are related to the Agency's core activities. The changes in net position for the years ending June 30, 2024 and 2023, were \$1,266,060 and \$3,135,477, respectively.

Statements of Cash Flows

The final required financial statements are the Statements of Cash Flows. The primary purpose of these statements is to provide information about the Agency's cash receipts and cash payments during the fiscal year. The statements report cash receipts, cash payments, and net changes in cash and cash equivalents resulting from operations, investing, and financing activities and provides answers to such questions as where cash came from, what was cash used for, and what was the change in cash balance during the year.

As of June 30, 2024, cash and cash equivalents totaled \$460,682, an increase of \$105,710 from the previous fiscal year. As of June 30, 2023, cash and cash equivalents totaled \$354,972, a decrease of \$768,066 from the previous fiscal year.

**Financial Analysis of the Agency**

One of the most important questions to ask about the Agency's finances is, "Whether the Agency, as a whole, is better off or worse off as a result of the year's activities?" The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information about the Agency's finances in a way that will help answer that question. Measuring the change in the Agency's *net position*, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources, is one way to measure financial health or financial position. Over time, increases or decreases in the Agency's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

**Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 15 through 28.

**Puente Basin Water Agency**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

**Statements of Net Position**

**Condensed Statements of Net Position**

	<u>2024</u>	<u>2023</u>	<u>Change</u>	<u>2022</u>	<u>Change</u>
<b>Assets:</b>					
Cash & investments	\$ 460,682	354,972	105,710	1,123,038	(768,066)
Accrued interest receivable	106,465	2,049	104,416	1,292	757
Accounts receivable	2,997,156	2,591,658	405,498	3,855,973	(1,264,315)
Grants receivable	278,029	278,029	-	278,029	-
Water-in-storage inventory	14,918,620	14,977,731	(59,111)	13,127,717	1,850,014
Installment purchase receivable	33,266,792	-	33,266,792	-	-
Capital assets, net	31,774,553	30,643,311	1,131,242	29,009,117	1,634,194
<b>Total assets</b>	<u>83,802,297</u>	<u>48,847,750</u>	<u>34,954,547</u>	<u>47,395,166</u>	<u>1,452,584</u>
<b>Liabilities:</b>					
Accounts payable	2,994,381	2,624,610	369,771	4,261,296	(1,636,686)
Accrued interest payable	103,408	-	103,408	-	-
Long-term debt	34,839,127	1,623,819	33,215,308	1,670,026	(46,207)
<b>Total liabilities</b>	<u>37,936,916</u>	<u>4,248,429</u>	<u>33,688,487</u>	<u>5,931,322</u>	<u>(1,682,893)</u>
<b>Net position:</b>					
Net investment in capital assets	30,202,218	29,019,492	1,182,726	27,339,091	1,680,401
Unrestricted	15,663,163	15,579,829	83,334	14,124,753	1,455,076
<b>Total net position</b>	<u>\$ 45,865,381</u>	<u>44,599,321</u>	<u>1,266,060</u>	<u>41,463,844</u>	<u>3,135,477</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As seen from the table above, the Agency's net position exceeded liabilities by \$45,865,381 and \$44,599,321 for the fiscal years ending June 30, 2024 and 2023, respectively.

By far, the largest component of net position is the Agency's net investment in capital assets. As of June 30, 2024 and 2023, net investment in capital assets increased by \$1,182,726 and \$1,680,401, from the prior year, respectively. These increases were due primarily to the recognition of capital costs, attributable to the water supply reliability projects. As of June 30, 2024 and 2023, the balance in construction-in-process amounted to \$10,476,271 and \$8,915,744, respectively.

In 2024, the Agency issued \$30,740,000 of Series 2024A Water Revenue Bonds related to capital facilities of WVWD with an additional \$2,526,792 recorded as bond premium. In accordance with the installment purchase agreement, WVWD is obligated to pay the interest and principal payments related to the bonds and the premium. To account for the debt and installment purchase agreement, a liability and corresponding asset was recorded. As of June 30, 2024, the balance of the installment purchase receivable and related liability was \$33,266,792. The Series 2024A Water Revenue Bonds are reported in the fiscal year ending June 30, 2024 financial statements of Walnut Valley Water District.



**Puente Basin Water Agency**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

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

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

	<u>2024</u>	<u>2023</u>	<u>Change</u>	<u>2022</u>	<u>Change</u>
<b>Operating revenues:</b>					
Sale of water (TVMWD)	\$ 12,539,526	14,949,929	(2,410,403)	18,324,933	(3,375,004)
Sale of water (Project)	1,015,535	1,224,669	(209,134)	583,439	641,230
Member assessments	330,505	250,628	79,877	173,810	76,818
Other revenue	202,125	147,292	54,833	94,500	52,792
<b>Total operating revenues</b>	<u>14,087,691</u>	<u>16,572,518</u>	<u>(2,484,827)</u>	<u>19,176,682</u>	<u>(2,604,164)</u>
<b>Non-operating revenues:</b>					
Investment income, net of fair market value	13,922	10,588	3,334	-	10,588
<b>Total non-operating revenues</b>	<u>13,922</u>	<u>10,588</u>	<u>3,334</u>	<u>-</u>	<u>10,588</u>
<b>Total revenues</b>	<u>14,101,613</u>	<u>16,583,106</u>	<u>(2,481,493)</u>	<u>19,176,682</u>	<u>(2,593,576)</u>
<b>Operating expenses:</b>					
Water supply (TVMWD)	12,537,466	14,947,869	(2,410,403)	18,322,873	(3,375,004)
Water supply (Project)	1,497,818	1,887,194	(389,376)	807,255	1,079,939
Engineering	1,500	1,200	300	1,200	-
Professional services	320,738	187,962	132,776	122,600	65,362
Legal	8,655	6,873	1,782	5,553	1,320
Administrative	71,606	75,058	(3,452)	69,280	5,778
Accounting	9,066	8,262	804	9,237	(975)
Depreciation and amortization	429,285	429,285	-	414,968	14,317
<b>Total operating expenses</b>	<u>14,876,134</u>	<u>17,543,703</u>	<u>(2,667,569)</u>	<u>19,752,966</u>	<u>(2,209,263)</u>
<b>Non-operating expenses:</b>					
Investment expense, net of fair market value	-	-	-	3,440	(3,440)
Interest expense	63,046	62,973	73	64,859	(1,886)
<b>Total non-operating expenses</b>	<u>63,046</u>	<u>62,973</u>	<u>73</u>	<u>68,299</u>	<u>(5,326)</u>
<b>Total expenses</b>	<u>14,939,180</u>	<u>17,606,676</u>	<u>(2,667,496)</u>	<u>19,821,265</u>	<u>(2,214,589)</u>
<b>Net loss before capital contributions</b>	(837,567)	(1,023,570)	186,003	(644,583)	(378,987)
<b>Capital contributions</b>	<u>2,103,627</u>	<u>4,159,047</u>	<u>(2,055,420)</u>	<u>634,247</u>	<u>3,524,800</u>
<b>Changes in net position</b>	1,266,060	3,135,477	(1,869,417)	(10,336)	3,145,813
<b>Net position, beginning of year</b>	<u>44,599,321</u>	<u>41,463,844</u>	<u>3,135,477</u>	<u>41,474,180</u>	<u>(10,336)</u>
<b>Net position, end of year</b>	<u>\$ 45,865,381</u>	<u>44,599,321</u>	<u>1,266,060</u>	<u>41,463,844</u>	<u>3,135,477</u>

**Puente Basin Water Agency  
Management's Discussion and Analysis, continued  
For the Fiscal Years Ended June 30, 2024 and 2023**

**Statements of Revenues, Expenses, and Changes in Net Position, continued**

Fiscal Year 2024 – Revenues and Expenses

For fiscal year 2024, the Agency had total operating revenues of \$14,087,691, a decrease of \$2,484,827 from the prior year. The largest source of revenue for the year is member payments for water purchased from TVMWD. Beginning in 2014, water purchased by the WVWD and RWD from TVMWD is invoiced through the Agency. For the year, revenues collected for water purchased from TVMWD totaled \$12,539,526, a decrease of \$2,410,403 from the prior year. In addition, the Cal Domestic project produced 1,060 acre-feet of water during the year. The total costs related to the production of this water source totaled \$1,771,890, an increase of \$602,111 from prior year. Member assessments vary from year to year and represent payments received from the Districts to cover the other general and administrative costs incurred by the Agency. For the year, member assessments totaled \$330,505, an increase of \$79,877 over the prior year.

For fiscal year 2024, the Agency had total operating expenses (including depreciation) of \$14,876,134, a decrease of \$2,667,569 from the prior year. As discussed above, the most significant costs were attributable to the purchase and production of water, which totaled \$14,035,284 for the year, a decrease of \$2,799,779 from the prior year.

Capital contributions for the year totaled \$2,103,627, a decrease of \$2,055,420 from the prior year, which was primarily due to decreases of \$2,085,669 in contributions sourcing from stored water from member agencies, offset by an increase of \$30,249 in capital contributions from member agency assessments. Capital contributions included the money paid by each member agency and grant revenue for alternative water supply projects.

Fiscal Year 2023 – Revenues and Expenses

For fiscal year 2023, the Agency had total operating revenues of \$16,572,518, a decrease of \$2,604,164 from the prior year. The largest source of revenue for the year is member payments for water purchased from TVMWD. Beginning in 2014, water purchased by the WVWD and RWD from TVMWD is invoiced through the Agency. For the year, revenues collected for water purchased from TVMWD totaled \$14,949,929, a decrease of \$3,375,004 from the prior year. In addition, the Cal Domestic project produced 1,390 acre-feet of water during the year. The total costs related to the production of this water source totaled \$1,883,237, an increase of \$968,221 from prior year. Member assessments vary from year to year and represent payments received from the Districts to cover the other general and administrative costs incurred by the Agency. For the year, member assessments totaled \$250,628, an increase of \$76,818 over the prior year.

For fiscal year 2023, the Agency had total operating expenses (including depreciation) of \$17,543,703, a decrease of \$2,209,263 from the prior year. As discussed above, the most significant costs were attributable to the purchase and production of water, which totaled \$16,835,063 for the year, a decrease of \$2,295,065 from the prior year.

Capital contributions for the year totaled \$4,159,047, an increase of \$3,524,800 from the prior year, which was primarily due to increases of \$2,148,069 in contributions sourcing from stored water from member agencies and \$1,376,731 in capital contributions from member agency assessments. Capital contributions included the money paid by each member agency and grant revenue for alternative water supply projects.

**Puente Basin Water Agency**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

**Capital Asset Administration**

Changes in capital assets for 2024, were as follows:

	<u>Balance 2023</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2024</u>
Capital assets:				
Non-depreciable assets	\$ 19,318,698	1,560,527	-	20,879,225
Depreciable and amortizable assets	13,854,616	-	-	13,854,616
Accumulated depreciation and amortization	<u>(2,530,003)</u>	<u>(429,285)</u>	<u>-</u>	<u>(2,959,288)</u>
Total capital assets, net	<u>\$ 30,643,311</u>	<u>1,131,242</u>	<u>-</u>	<u>31,774,553</u>

Changes in capital assets for 2023, were as follows:

	<u>Balance 2022</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2023</u>
Capital assets:				
Non-depreciable assets	\$ 17,255,219	2,063,479	-	19,318,698
Depreciable and amortizable assets	13,854,616	-	-	13,854,616
Accumulated depreciation and amortization	<u>(2,100,718)</u>	<u>(429,285)</u>	<u>-</u>	<u>(2,530,003)</u>
Total capital assets, net	<u>\$ 29,009,117</u>	<u>1,634,194</u>	<u>-</u>	<u>30,643,311</u>

As of June 30, 2024 and 2023, the Agency's cumulative investment in capital assets was \$31,774,553 and \$30,643,311, respectively. As of June 30 2024 and 2023, additions were \$1,560,527 and \$2,063,479, respectively. These assets were comprised of construction-in-process capital assets related to several alternative water supply projects.

**Debt Administration**

	<u>2024</u>	<u>2023</u>	<u>Change</u>	<u>2022</u>	<u>Change</u>
Long-term debt:					
2024 Series A Water Revenue Bonds (WVWD Project)	\$ 33,266,792	-	33,266,792	-	-
Capital lease payable	<u>1,572,335</u>	<u>1,623,819</u>	<u>(51,484)</u>	<u>1,670,026</u>	<u>(46,207)</u>
Total	<u>\$ 34,839,127</u>	<u>1,623,819</u>	<u>33,215,308</u>	<u>1,670,026</u>	<u>(46,207)</u>

As of June 30, 2024, the Agency's long-term debt amounted to \$34,839,127, an increase from issued bonds of \$33,266,792 offset by a decrease due to lease payments of \$51,484 as compared to the prior fiscal year.

As of June 30, 2023, the Agency's long-term debt amounted to \$1,623,819, a decrease from lease payments of \$46,207 as compared to the prior fiscal year.

**Puente Basin Water Agency  
Management's Discussion and Analysis, continued  
For the Fiscal Years Ended June 30, 2024 and 2023**

**Conditions Affecting Current Financial Position**

Management is unaware of any conditions which could have a significant impact on the Agency's current financial position, net position, or operating results in terms of past, present, and future.

**Requests for Information**

This financial report is designed to provide the Agency's present users, including funding sources, customers, stakeholders, and other interested parties with a general overview of the Agency's finances and to demonstrate the Agency's accountability with an overview of the Agency's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Agency's Treasurer, Myra Malner, 3021 Fullerton Road, Rowland Heights, California, 91748 or (562) 697-1726.

## **Basic Financial Statements**

Financial Statements Draft Subject to Board Approval

**Puente Basin Water Agency**  
**Statements of Net Position**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Current assets:</b>		
Cash and cash equivalents (note 2)	\$ 460,682	354,972
Accrued interest receivable	106,465	2,049
Accounts receivable	2,997,156	2,591,658
Grants receivable	278,029	278,029
Water-in-storage inventory	14,918,620	14,977,731
<b>Total current assets</b>	<u>18,760,952</u>	<u>18,204,439</u>
<b>Non-current assets:</b>		
Long-term assets – due after one year:		
Installment purchase receivable (note 3)	33,266,792	-
Capital assets – not being depreciated and amortized (note 4)	20,879,225	19,318,698
Capital assets – being depreciated and amortized, net (note 4)	10,895,328	11,324,613
<b>Total non-current assets</b>	<u>65,041,345</u>	<u>30,643,311</u>
<b>Total assets</b>	<u>83,802,297</u>	<u>48,847,750</u>
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	2,994,381	2,624,610
Accrued interest payable	103,408	-
Long-term liabilities – due in one year:		
Capital lease payable (note 5)	57,076	51,484
<b>Total current liabilities</b>	<u>3,154,865</u>	<u>2,676,094</u>
<b>Non-current liabilities:</b>		
Long-term liabilities – due in more than one year:		
Bond payable (note 5)	33,266,792	-
Capital lease payable (note 5)	1,515,259	1,572,335
<b>Total non-current liabilities</b>	<u>34,782,051</u>	<u>1,572,335</u>
<b>Total liabilities</b>	<u>37,936,916</u>	<u>4,248,429</u>
<b>Net position: (note 6)</b>		
Net investment in capital assets	30,202,218	29,019,492
Unrestricted	15,663,163	15,579,829
<b>Total net position</b>	<u>\$ 45,865,381</u>	<u>44,599,321</u>

See accompanying notes to the basic financial statements

**Puente Basin Water Agency**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Operating revenues:</b>		
Sale of water to member agencies – TVMWD	\$ 12,539,526	14,949,929
Sale of water to member agencies – Project	1,015,535	1,224,669
Member assessments	330,505	250,628
Water leases	123,125	120,625
Other water service charges	79,000	26,667
<b>Total operating revenues</b>	<u>14,087,691</u>	<u>16,572,518</u>
<b>Operating expenses:</b>		
Water supply – TVMWD	12,537,466	14,947,869
Water supply – Project	1,497,818	1,887,194
Engineering	1,500	1,200
Professional services	320,738	187,962
Legal	8,655	6,873
Administrative	71,606	75,058
Accounting	9,066	8,262
<b>Total operating expenses</b>	<u>14,446,849</u>	<u>17,114,418</u>
<b>Operating loss before depreciation and amortization expense</b>	(359,158)	(541,900)
Depreciation and amortization expense	(429,285)	(429,285)
<b>Operating loss</b>	<u>(788,443)</u>	<u>(971,185)</u>
<b>Non-operating revenue(expense):</b>		
Investment income, net of fair market value	13,922	10,588
Interest expense – long-term debt	(63,046)	(62,973)
<b>Total non-operating revenue(expense), net</b>	<u>(49,124)</u>	<u>(52,385)</u>
<b>Net loss before capital contributions</b>	<u>(837,567)</u>	<u>(1,023,570)</u>
<b>Capital contributions:</b>		
Capital contributions – member agency assessments	1,560,627	1,530,378
Contributions – stored water purchases from member agencies	543,000	2,628,669
<b>Total capital contributions</b>	<u>2,103,627</u>	<u>4,159,047</u>
<b>Changes in net position</b>	1,266,060	3,135,477
<b>Net position, beginning of the year</b>	<u>44,599,321</u>	<u>41,463,844</u>
<b>Net position, end of year</b>	<u>\$ 45,865,381</u>	<u>44,599,321</u>

See accompanying notes to the basic financial statements

**Puente Basin Water Agency**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities:</b>		
Cash received for water sales and assessments	\$ 13,682,193	17,836,833
Cash paid to vendors and suppliers for materials and services	<u>(14,017,967)</u>	<u>(20,601,118)</u>
<b>Net cash used in operating activities</b>	<u>(335,774)</u>	<u>(2,764,285)</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(1,560,527)	(2,063,479)
Capital contributions	2,103,627	4,159,047
Payments received for loans receivable	(33,266,792)	-
Principal paid on debt service	33,215,308	(46,207)
Interest paid on debt	<u>40,362</u>	<u>(62,973)</u>
<b>Net cash provided by capital and related financing activities</b>	<u>531,978</u>	<u>1,986,388</u>
<b>Cash flows from investing activities:</b>		
Interest and investment earnings	<u>(90,494)</u>	<u>9,831</u>
<b>Net cash (used in) provided by investing activities</b>	<u>(90,494)</u>	<u>9,831</u>
<b>Net increase(decrease) in cash and cash equivalents</b>	105,710	(768,066)
<b>Cash and cash equivalents, beginning of year</b>	<u>354,972</u>	<u>1,123,038</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 460,682</u></u>	<u><u>354,972</u></u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	<u>\$ (788,443)</u>	<u>(971,185)</u>
<b>Adjustments to reconcile operating loss to net cash used in operating activities:</b>		
Depreciation and amortization expense	429,285	429,285
(Increase)Decrease in assets:		
Accounts receivable	(405,498)	1,264,315
Inventory – water	59,111	(1,850,014)
Increase in liabilities:		
Accounts payable and accrued expenses	<u>369,771</u>	<u>(1,636,686)</u>
Total adjustments	<u>452,669</u>	<u>(1,793,100)</u>
<b>Net cash used in operating activities</b>	<u><u>\$ (335,774)</u></u>	<u><u>(2,764,285)</u></u>

See accompanying notes to the basic financial statements



**Puente Basin Water Agency**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

**(1) Reporting Entity and Summary of Significant Accounting Policies**

**A. Organization and Operations of the Reporting Entity**

The Puente Basin Water Agency (the Agency) was created April 1, 1971, by the execution of a Joint Powers Agreement between Rowland Water District (RWD) and Walnut Valley Water District (WVWD). The Agreement was made pursuant to Article 1, Chapter 5, Division 7, Title 1 of the Government Code of the State of California. The Agency's purpose is to achieve a sustainable and reliable local water supply through innovative planning and the development of regionally beneficial projects. The Agency was organized for the purpose of protection and utilization of the local, imported, and reclaimed water supply within the Puente Basin. The Agency is governed by an appointed Board of Commissioners consisting of four members.

**B. Basis of Accounting and Measurement Focus**

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

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the Agency. Exchange transactions are those in which each party receives and gives up essentially equal value. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

**C. Financial Reporting**

The Agency'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 Agency solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the Agency's proprietary fund.

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

*Governmental Accounting Standards Board Statement No. 99*

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

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

**Puente Basin Water Agency**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

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

**C. Financial Reporting, continued**

*Governmental Accounting Standards Board Statement No. 99, continued*

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

*Governmental Accounting Standards Board Statement No. 100*

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

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

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

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

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

**1. Use of Estimates**

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

**2. Cash and Cash Equivalents**

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

**Puente Basin Water Agency**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

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

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

**3. Investments and Investment Policy**

The Agency's investment policy authorizes investments in certificates-of-deposit and the California Local Agency Investment Fund (LAIF). The Agency's investment policy does contain specific provisions intended to limit its exposure to interest rate risk, credit risk, custodial risk, and concentration of credit risk.

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. Accounts Receivable and Allowance for Uncollectible Accounts**

The Agency extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the Agency uses the allowance method for the reservation and write-off of those accounts. As of June 30, 2024 and 2023, the Agency had no allowance for uncollectible accounts as management believes all accounts will be collected.

**5. Water-In-Storage Inventory**

Water-in-storage inventory consists primarily of water purchased, contributed, and held in storage with the Main San Gabriel Basin Watermaster, which administers the Main San Gabriel Basin Judgment under which such storage is authorized.

In 2024, the Agency received 600 acre-feet of water from Rowland Water District and Walnut Valley Water District and is held in storage with the Main San Gabriel Basin Watermaster. As of June 30, 2024, the Agency had a total of 22,817 acre-feet of water-in-storage valued using an average cost of \$645 per acre-foot.

In 2023, the Agency received 600 acre-feet of water from Rowland Water District and Walnut Valley Water District and is held in storage with the Main San Gabriel Basin Watermaster. In addition, the Agency received 2,400 acre-feet from Rowland Water District and Walnut Valley Water District and is held in storage with the Six Basins Watermaster. As of June 30, 2023, the Agency had a total of 21,666 acre-feet of water-in-storage valued using an average cost of \$606 per acre-foot.

**6. 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.

**7. Capital Assets**

Capital assets acquired and/or constructed are capitalized at historical cost. Agency policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at acquisition value at the date of the donation. Capital assets received in service concession arrangements are reported at acquisition value. 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 recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Water mains – 60 years
- Pipelines and improvements – 20 years

Leased right-to-use assets are amortized on a straight-line basis over the life of the lease.

**Puente Basin Water Agency**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

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

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

**8. Unearned Revenue**

Unearned revenue consists of cash received prior to services being performed. A liability will be recognized on the financial statements until the services are rendered and completed.

**9. Net Position**

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

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

**10. Water Sales and Services**

Water sales are billed on a monthly cyclical basis and recognize the respective revenues when they are earned.

**11. Capital Contributions**

Capital contributions represent cash contributed to the Agency by member agencies and by the State.

**12. Budgetary Policies**

The Agency adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

**(2) Cash and Cash Equivalents**

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

	<u>2024</u>	<u>2023</u>
Cash and investments		
Deposits with financial institutions	\$ 190,713	97,918
Deposits in Local Agency Investment Fund (LAIF)	<u>269,969</u>	<u>257,054</u>
Total cash and investments	<u>\$ 460,682</u>	<u>354,972</u>

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

	<u>2024</u>	<u>2023</u>
Deposits in Local Agency Investment Fund (LAIF)	<u>217 days</u>	<u>260 days</u>

**Puente Basin Water Agency**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

**(2) Cash and Cash Equivalents, continued**

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

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

<b>Authorized Investment Type</b>	<b>Maximum Maturity</b>	<b>Maximum Percentage Of Portfolio</b>	<b>Maximum Investment in One Issuer</b>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations - CA and Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Collateralized Bank Deposits	5 years	None	None
Corporate debt - Short and Long Term	5 years	None	None
Commercial Paper - Pooled Funds	270 days	40% of the Agency's money	None
Commercial Paper - Non-Pooled Funds (< \$100,000,000 investments)	270 days	25% of the Agency's money	None
Repurchase agreements	1 year	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

***Investment in State Investment Pool***

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code Section 16429 and is under the management of the Treasurer of the State of California with oversight provided by the Local Agency Investment Advisory Board. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency'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. Bank balances are secured by the pledging of a pool of eligible securities to collateralize the Agency's deposits with the bank in accordance with the Code.

The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB 79 for external investment 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.

**Puente Basin Water Agency**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

**(2) Cash and Cash Equivalents, 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 Agency'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). 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 Agency 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 Agency's name.

***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 Agency 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.

***Credit Risk***

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

***Concentration of Credit Risk***

The Agency'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. As of June 30, 2024 and 2023, the Agency's deposit portfolio with a government-sponsored agency, LAIF, is 59% and 72%, respectively, of the Agency's total depository and investment portfolio. There were no investments in any one non-governmental issuer that represent 5% or more of the Agency's total investments.

**Puente Basin Water Agency**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

**(3) Installment Purchase Receivable**

In fiscal year 2024, the Agency entered into an Installment Purchase Contracts with Walnut Valley Water District (WVWD) related to the issuing of Bonds. WVWD received the proceeds of the Bonds and are required to make semi-annual installment purchase payments that are equal in amount and timing to the principal and interest payments that are paid on a semi-annual basis by the Agency to the holders of the Bonds. Please see note 5 for further detail.

**(4) Capital Assets**

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

	<u>Balance 2023</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2024</u>
Non-depreciable assets:				
Water rights	\$ 10,402,954	-	-	10,402,954
Construction-in-Process	<u>8,915,744</u>	<u>1,560,527</u>	<u>-</u>	<u>10,476,271</u>
Total non-depreciable assets	<u>19,318,698</u>	<u>1,560,527</u>	<u>-</u>	<u>20,879,225</u>
Depreciable and amortizable assets:				
Old Baldy well – facility lease	1,841,213	-	-	1,841,213
Pumping plant and equipment	<u>12,013,403</u>	<u>-</u>	<u>-</u>	<u>12,013,403</u>
Total depreciable and amortizable assets	<u>13,854,616</u>	<u>-</u>	<u>-</u>	<u>13,854,616</u>
Accumulated depreciation and amortization:				
Old Baldy well – facility lease	(471,349)	(88,378)	-	(559,727)
Pumping plant and equipment	<u>(2,058,654)</u>	<u>(340,907)</u>	<u>-</u>	<u>(2,399,561)</u>
Total accumulated depreciation and amortization	<u>(2,530,003)</u>	<u>(429,285)</u>	<u>-</u>	<u>(2,959,288)</u>
Total depreciable and amortizable assets, net	<u>11,324,613</u>	<u>(429,285)</u>	<u>-</u>	<u>10,895,328</u>
Total capital assets, net	<u>\$ 30,643,311</u>	<u>1,131,242</u>	<u>-</u>	<u>31,774,553</u>

For the fiscal year ending June 30, 2024, the Agency had additions of \$1,560,527 in construction-in-process.

**Puente Basin Water Agency**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

**(4) Capital Assets, continued**

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

	<u>Balance 2022</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2023</u>
Non-depreciable assets:				
Water rights	\$ 10,402,954	-	-	10,402,954
Construction-in-process	<u>6,852,265</u>	<u>2,063,479</u>	<u>-</u>	<u>8,915,744</u>
Total non-depreciable assets	<u>17,255,219</u>	<u>2,063,479</u>	<u>-</u>	<u>19,318,698</u>
Depreciable and amortizable assets:				
Old Baldy well – facility lease	1,841,213	-	-	1,841,213
Pumping plant and equipment	<u>12,013,403</u>	<u>-</u>	<u>-</u>	<u>12,013,403</u>
Total depreciable and amortizable assets	<u>13,854,616</u>	<u>-</u>	<u>-</u>	<u>13,854,616</u>
Accumulated depreciation and amortization:				
Old Baldy well – facility lease	(382,971)	(88,378)	-	(471,349)
Pumping plant and equipment	<u>(1,717,747)</u>	<u>(340,907)</u>	<u>-</u>	<u>(2,058,654)</u>
Total accumulated depreciation and amortization	<u>(2,100,718)</u>	<u>(429,285)</u>	<u>-</u>	<u>(2,530,003)</u>
Total depreciable and amortizable assets, net	<u>11,753,898</u>	<u>(429,285)</u>	<u>-</u>	<u>11,324,613</u>
Total capital assets, net	<u>\$ 29,009,117</u>	<u>1,634,194</u>	<u>-</u>	<u>30,643,311</u>

For the fiscal year ending June 30, 2023, the Agency had additions of \$2,063,479 in construction-in-process.

***Construction-in-Process***

The Agency has been involved in various construction projects throughout the year. The projects that comprise the construction-in-process balances at June 30 are as follows:

	<u>2024</u>	<u>2023</u>
Six Basins Groundwater Project	\$ <u>10,476,271</u>	<u>8,915,744</u>
Total construction-in-process	<u>\$ 10,476,271</u>	<u>8,915,744</u>



**Puente Basin Water Agency**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

**(5) Long-Term Debt**

Changes in long-term debt for the year ended June 30, 2024, are as follows:

	<u>Balance 2023</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance 2024</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Bonds payable:						
Series 2024A Water Revenue Bonds:						
WVWD - Principal	\$ -	30,740,000	-	30,740,000	-	30,740,000
WVWD - Bond Premium	-	2,526,793	(1)	2,526,792	-	2,526,792
Total bonds payable	-	33,266,793	(1)	33,266,792	-	33,266,792
Capital lease payable	1,623,819	-	(51,484)	1,572,335	57,076	1,515,259
Total	1,623,819	33,266,793	(51,485)	34,839,127	57,076	34,782,051
Current portion	(51,484)			(57,076)		
Non-current portion	\$ 1,572,335			34,782,051		

Changes in long-term debt for the year ended June 30, 2023, are as follows:

	<u>Balance 2022</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance 2023</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Capital lease payable	1,670,026	-	(46,207)	1,623,819	51,484	1,572,335
Total	1,670,026	-	(46,207)	1,623,819	51,484	1,572,335
Current portion	(46,207)			(51,484)		
Non-current portion	\$ 1,623,819			1,572,335		

**Series 2024A Water Revenue Bonds – Walnut Valley Water District**

On June 1, 2024, the Agency issued \$30,740,000 of Series 2024A Water Revenue Bonds. The Bonds will be used to finance certain capital facilities of Walnut Valley Water District (WVWD), a member agency. WVWD is obligated under terms of the Installment Purchase Contract associated with the Bonds, to make semiannual installment purchase payments that are equal in amount and timing to the principal and interest payments that are paid on a semiannual basis by the Agency to the holders of the Bonds. The Bonds were issued at a premium of \$2,526,793, which is being recorded and amortized over the life of the debt service by WVWD, since WVWD received the proceeds and premium. Interest and principal are payable on December 1st and June 1st of each year beginning December 1, 2025 with an interest only payment due on June 1, 2025, interest rates will range from 5% to 4%. The Bonds are scheduled to mature on June 1, 2054. The rate covenants of the Bonds require that net revenues of WVWD for each fiscal year be equal to at least 125% of the annual debt service payments required for that fiscal year.

**Puente Basin Water Agency**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

**(5) Long-Term Debt, continued**

Future annual bond payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ -	1,345,649	1,345,649
2026	495,000	1,450,400	1,945,400
2027	520,000	1,425,650	1,945,650
2028	545,000	1,399,650	1,944,650
2029	575,000	1,372,400	1,947,400
2030-2034	3,340,000	6,400,500	9,740,500
2035-2039	4,255,000	5,477,950	9,732,950
2040-2044	5,425,000	4,303,750	9,728,750
2045-2049	6,925,000	2,804,500	9,729,500
2050-2054	8,660,000	1,066,400	9,726,400
Total	30,740,000	<u>27,046,849</u>	<u>57,786,849</u>
Premium	2,526,792		
Current	-		
Non-current	\$ <u>33,266,792</u>		

***Lease Payable***

On January 24, 2018, the Agency entered into a lease agreement for the use of a well. This lease has been recorded at the value of the future minimum lease payments as of the inception date in the amount of \$1,841,213. The lease is payable in semi-annual payments of \$50,000, adjusted every July 1 for the Consumer Price Index for All Urban Consumers for the Los Angeles-Riverside-Orange County, California Area published by the Bureau of Labor Statistics for the preceding year, through July 31, 2038, at an annual interest rate of 4%.

Future annual lease payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 57,076	62,329	119,405
2026	63,001	59,986	122,987
2027	69,273	57,404	126,677
2028	75,909	54,568	130,477
2029	82,930	51,462	134,392
2030-2034	534,742	200,167	734,909
2035-2039	689,404	72,251	761,655
Total	1,572,335	<u>558,167</u>	<u>2,130,502</u>
Current	(57,076)		
Non-current	\$ <u>1,515,259</u>		

**Puente Basin Water Agency**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

**(6) Net Position**

Calculation of net position as of June 30, were as follows:

	<u>2024</u>	<u>2023</u>
Net investment in capital assets:		
Capital assets, net	\$ 31,774,553	30,643,311
Capital lease, current	(57,076)	(51,484)
Capital lease, non-current	(1,515,259)	(1,572,335)
Total investment in capital assets	<u>30,202,218</u>	<u>29,019,492</u>
Unrestricted net position	<u>15,663,163</u>	<u>15,579,829</u>
Total net position	<u>\$ 45,865,381</u>	<u>44,599,321</u>

**(7) Risk Management**

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

On June 30, 2024, the Agency participated in the ACWA/JPIA pooled programs for liability, property, programs as follows:

- General and auto liability, public officials and employees' errors and omissions: The ACWA/JPIAs total risk financing self-insurance limits of \$5,000,000 per occurrence. The ACWA/JPIA purchased additional excess coverage layers: \$55 million for general, auto and public officials' liability, which increases the limits on the insurance coverage noted above.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$500 million per loss, subject to the following deductibles per occurrence; \$2,500 deductible for buildings, fixed equipment, and personal property; \$1,000 deductible for mobile equipment and \$500 for vehicles. Scheduled vehicles and mobile equipment are covered on an actual cash basis at the time of loss
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to various deductibles depending on the type of equipment, on file.
- Crime coverage up to \$100,000 per loss includes public employee dishonesty, depositor's forgery or alteration, theft, computer, and funds transfer fraud coverages. subject to \$1,000 deductible per loss.

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

- Cyber liability including cyber security up to \$2,000,000 per member and \$5,000,000 aggregate limit. Cyber liability deductible varies from \$10,000 to \$50,000 depending on Agency scheduled total values.

**Puente Basin Water Agency**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

**(7) Risk Management, continued**

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the Agency's insurance coverage during the fiscal years ended June 30, 2024, 2023, and 2022. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There was no IBNR claims payable as of June 30, 2024, 2023, and 2022.

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2024, that have effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 101***

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

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

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

***Governmental Accounting Standards Board Statement No. 102***

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

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

**Puente Basin Water Agency**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

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

***Governmental Accounting Standards Board Statement No. 103***

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

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

***Governmental Accounting Standards Board Statement No. 104***

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

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

**(9) Commitments and Contingencies**

***Grant Awards***

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

***Construction Contracts***

The Agency has a variety of agreements with private parties relating to the installation, improvement or modification of water and wastewater facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the Agency's member capital contributions.

***Litigation***

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

**Puente Basin Water Agency**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2024 and 2023**

**(10) Subsequent Events**

Events occurring after June 30, 2024, have been evaluated for possible adjustment to the financial statements or disclosure as of December 12, 2024, which is the date the financial statements were available to be issued.

Financial Statements Draft Subject to Board Approval

# **Report on Internal Controls and Compliance**

Financial Statements Draft Subject to Board Approval





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

Board of Commissioners  
Puente Basin Water Agency  
Walnut, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Puente Basin Water Agency (Agency) as of and for the fiscal years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprises the Agency's basic financial statements, and have issued our report thereon dated December 12, 2024.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**C.J. Brown & Company, CPAs**

Cypress, California

December 12, 2024

**Puente Basin Water Agency**

**Management Report**

**June 30, 2024**

**Puente Basin Water Agency**

**Management Report**

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## **CONFIDENTIAL**

Board of Commissioners  
Puente Basin Water Agency  
Walnut, California

### **Dear Commissioners of the Board:**

In planning and performing our audit of the financial statements of the Puente Basin Water Agency (Agency) as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

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

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

### **Current Year Comment and Recommendation**

#### **Disclosure of Audit Adjustments and Reclassifications**

As your external auditor, we assume that the books and records of the Agency are properly adjusted before the audit begins. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the Agency's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Executive Committee to gain a full and complete understanding and appreciation of the scope and extent of the audit process, we have presented these audit adjustments and reclassifications as an attachment to this letter.

**Current Year Comment and Recommendation, continued**

Disclosure of Audit Adjustments and Reclassifications, continued

There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Executive Committee with a better understanding of the scope of the audit.

*Management's Response*

We have reviewed and approved the audit adjustment entries provided by the auditor and have entered the entries into the Agency's accounting system.

**Prior Year Comment and Recommendation**

**None noted**

\* \* \* \* \*

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

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

**C.J. Brown & Company, CPAs**  
Cypress, California  
December 12, 2024

## **APPENDIX**

**Puente Basin Water Agency**

**Audit/Finance Committee Letter**

**June 30, 2024**

Board of Commissioners  
Puente Basin Water Agency  
Walnut, California

We have audited the financial statements of the business-type activities of the Puente Basin Water Agency (Agency) for the year ended June 30, 2024, and have issued our report thereon dated December 12, 2024. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated April 24, 2024, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

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

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

If any, we have provided our findings regarding significant control deficiencies over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated December 12, 2024.

### **Planned Scope and Timing of the Audit**

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

### **Compliance with All Ethics Requirements Regarding Independence**

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

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



### **Required Risk Assessment Procedures per Auditing Standards:**

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

- Management override of controls
- Revenue recognition

### **Qualitative Aspects of the Entity's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Agency is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Significant Accounting Estimates*

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

Management's estimate of the fair value of cash and cash equivalents is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of cash and cash equivalents in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements were:

The disclosure of fair value of cash and cash equivalents in Note 2 to the financial statements represents amounts susceptible to market fluctuations.

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

### **Significant Unusual Transactions**

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

### **Identified or Suspected Fraud**

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

### **Significant Difficulties Encountered during the Audit**

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

### **Uncorrected and Corrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

There were no uncorrected misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The attached schedule on page 5 discloses all material misstatements that we identified as a result of our audit procedures that we brought to the attention of, and corrected by, management.

### **Disagreements with Management**

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

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

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

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated December 12, 2024.

### **Management's Consultations with Other Accountants**

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

### **Other Significant Matters, Findings, or Issues**

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

### **Conclusion**

We appreciate the cooperation extended us by Jared Macias, Administrative Officer, Myra Malner, Treasurer, and the Agency's staff, in the performance of our audit testwork. We will be pleased to respond to any question you have about the foregoing. We appreciate the opportunity to continue to be of service to the Agency.

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

**C.J. Brown & Company, CPAs**  
Cypress, California  
December 12, 2024

**Puente Basin Water Agency  
 Schedule of Audit Adjusting Entries  
 June 30, 2024**

Account	Description	Debit	Credit
<b>Adjusting Journal Entries</b>			
<b>Adjusting Journal Entries JE # 1</b>			
CPE- To record the bond issued in PBWA's name to be reimbursed by Walnut Valley Water District.			
1901-W	Long Term Receivable - WVWD	30,740,000.00	
1910-W	Bond Premium Deferral- WVWD	2,526,793.00	
2210-W	Bond Premium- WVWD	1.00	
1910-W	Bond Premium Deferral- WVWD		1.00
2203-W	Long Term Debt - WVWD		30,740,000.00
2210-W	Bond Premium- WVWD		2,526,793.00
<b>Total</b>		<b><u>33,266,794.00</u></b>	<b><u>33,266,794.00</u></b>
<b>Adjusting Journal Entries JE # 2</b>			
CPE- To record accrued interest on water bond to be paid by Walnut Valley through PBWA.			
1401-W	Interest Receivable - WVWD	103,408.15	
2101-W	Interest Payable - WVWD		103,408.15
<b>Total</b>		<b><u>103,408.15</u></b>	<b><u>103,408.15</u></b>
	<b>Total Adjusting Journal Entries</b>	<b><u>33,370,202.15</u></b>	<b><u>33,370,202.15</u></b>
	<b>Total All Journal Entries</b>	<b><u>33,370,202.15</u></b>	<b><u>33,370,202.15</u></b>

**Legend:**

CPE	Client Prepared Adjusting Journal Entry
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**Approval of Minutes for October 3, 2024**

## **Placeholder**

**Item not available in time for Board packet publication. Minutes will be provided for review at the meeting.**



**PBWA's Proposed 2025 Meeting Schedule and Approval of  
Resolution No. 12-24-035**

## **Placeholder**

**Item not available in time for Board packet publication. Report will be provided for review at the meeting.**

		9/30/2024	TOTAL	Budget
	Ordinary Income/Expense			
1	Income			
2	Administrative Assessment	\$ 124,426	\$ 124,426	\$ 418,900
3	Water Sales - Project	73,104	73,104	2,155,900
4	Water Sales - TVMWD	4,670,551	4,670,551	14,804,500
5	Project Maintenance Reserve	-	-	6,000
6	Used of Stored/Leased Water	-	-	675,900
7	Total Income	4,868,081	4,868,081	18,061,200
8	Expense			
9	Source of Supply			
10	Purchased Water - TVMWD	4,504,779	4,504,779	14,004,400
11	Purchased Water - CDWC	-	-	536,100
12	Stored Water Used	-	-	675,900
13	Assessments - MSGBWM	-	-	240,000
14	Purchased Water - Old Baldy	-	-	310,400
15	Purchased Water - Durward	-	-	414,700
16	Total Source of Supply	4,504,779	4,504,779	16,181,500
17	Fixed Charges			
18	TVMWD Equivalent Small Meters	21,431	21,431	91,700
19	TVMWD Water Use Charge	19,664	19,664	83,600
20	TVMWD Connected Capacity	20,524	20,524	88,000
21	MWD Capacity Reservation Charge	102,092	102,092	451,100
22	TVMWD RTS Charge	-	-	83,500
22	Total Fixed Charges	163,713	163,713	797,900
23	Other Costs			
24	Energy - Pumping and Treatment	3,395	3,395	409,000
25	Materials & Supplies - Chemical	5,632	5,632	33,600
26	Materials & Supplies - Others	546	546	25,000
27	Other Costs (RWD Labor etc.)	4,263	4,263	65,700
28	Baldy Lease Agreement	59,269	59,269	121,400
29	Permits & Fees	2,060	2,060	2,200
30	Total Other Costs	75,164	75,164	656,900
31	Administrative & General			
32	Legal	1,575	1,575	20,000
33	Engineering	-	-	5,000
34	Professional Services- Other	97,614	97,614	304,200
35	Insurance - Property & Liability	4,963	4,963	6,500
36	Accounting	3,424	3,424	8,400
37	Administrative Expenses - Other	16,850	16,850	74,800
38	Total Administrative & General	124,426	124,426	418,900
39	Total Expense	4,868,081	4,868,081	18,055,200
40	Other Income/Expense			
41	Stored Water Transfer/Purchase	-	-	-
42	Leased Water Income	123,125	123,125	125,500
43	LAIF Interest	-	-	2,000
44	Grant Revenue	-	-	-
45	Other Income	-	-	-
46	Stored Water Expense	-	-	-
47	Net Other Income	123,125	123,125	127,500
48	Net Income (Loss) Before Transfers	123,125	123,125	133,500
49	Transfer In: Maint. Reserve Funds Used	-	-	-
50	Transfer Out: Maint. Reserve Funds Collected	-	-	(6,000)
51	Net Income (Loss) After Transfers	\$ 123,125	\$ 123,125	\$ 127,500

PBWA Maintenance Reserve		9/30/2024	Year to Date	Budget
52	Beginning Balance	\$ 166,901	\$ 166,901	\$ 166,901
53	Transfers In	-	-	6,000
54	Transfers Out	-	-	-
55	Ending Balance September 30, 2024	\$ 166,901	\$ 166,901	\$ 172,901

Capital Projects		9/30/2024	Year to Date	Life to Date
56	Revenues			
57	Member Assessment - RWD	\$ 50,782	\$ 50,782	\$ 3,252,536
58	Member Assessment - WVWD	50,782	50,782	\$ 3,252,536
59	Grant Proceeds Use	-	-	\$ 1,872,700
60	Total Revenues	101,563	101,563	\$ 8,377,771
61	Expenses			
62	Pomona Basin	101,563	101,563	\$ 10,577,834
63	Total Expenses	\$ 101,563	101,563	\$ 10,577,834

PBWA Stored Water		9/30/2024	Year to Date
64	Stored Water (\$\$):		
65	Beginning Balance	\$ 14,918,620	\$ 14,918,620
66	Add: Transferred Water	-	-
67	Less: Water Produced	-	-
68	Ending Balance	\$ 14,918,620	\$ 14,918,620
69	Stored Water (AF):		
70	Beginning Balance	23,295	23,295
71	Add: Transferred Water	-	-
72	Less: Water Produced	-	-
73	Ending Balance	23,295	23,295



**PUENTE BASIN WATER AGENCY  
STATEMENT OF CASH FLOWS  
FY 2024-25**

		BEGINNING BALANCE JULY 1, 2024		\$ 461,680.36
<u>Deposits:</u>				
		Rowland	1,550,383.03	
		WVWD	3,161,188.50	
		Bellflower	3,000.00	
		Montebello Land & Water Company	58,125.00	
		South Montebello Irrigation District	65,000.00	
		City of Industry	2,933.09	
		LAIF-Interest	3,057.31	
		Subtotal Deposits		4,843,686.93
		Total Deposits		5,305,367.29
<u>Disbursements:</u>				
<u>Date</u>	<u>Check #</u>	<u>Payee</u>		
07/22/24		TVMWD	(1,176,938.46)	
08/21/24		TVMWD	(1,250,191.86)	
09/18/24		TVMWD	(1,643,844.66)	
07/03/24	2207	Lagerlof, LLP	(112.50)	
07/03/24	2208	Reeb Government Relations, LLC	(4,500.00)	
07/03/24	2209	Water Replenishment District of Southern	(241.25)	
07/22/24	2210	C.J. Brown & Company CPAs	(3,424.00)	
07/22/24	2211	Rowland Water District	(29,345.50)	
07/22/24	2212	West Yost & Associates, Inc.	(2,420.50)	
07/22/24	2213	Woodard & Curran, Inc.	(44,683.90)	
07/22/24	2214	City of La Verne	(59,269.18)	
07/22/24	2215	Lagerlof, LLP	(1,237.50)	
07/22/24	2216	Reeb Government Relations, LLC	(4,500.00)	
07/22/24	2217	City of La Verne	(51.00)	
08/27/24	2218	ACWA/JPIA	(100.00)	
08/27/24	2219	C.J. Brown & Company CPAs	(218.00)	
08/27/24	2220	City of La Verne	(51.00)	
08/27/24	2221	Lagerlof, LLP	(150.00)	
08/27/24	2222	Morrow Meadow	(261,953.00)	
08/27/24	2223	Reeb Government Relations, LLC	(4,500.00)	
08/27/24	2224	Rowland Water District	(5,704.69)	
08/27/24	2225	San Gabriel Valley Watermaster	(212,991.66)	
08/27/24	2226	Walnut Valley Water District	(1,922.30)	
08/27/24	2227	West Yost & Associates, Inc.	(6,378.73)	
09/24/24	2228	ACWA/JPIA	(4,863.27)	
09/24/24	2229	C.J. Brown & Company CPAs	(3,206.00)	
09/24/24	2230	City of La Verne	(51.00)	
09/24/24	2231	Lagerlof, LLP	(1,312.50)	
09/24/24	2232	Reeb Government Relations, LLC	(4,500.00)	
09/24/24	2233	Woodard & Curran, Inc.	(38,754.50)	
09/24/24	2234	City of La Verne	(53.55)	
		Total Disbursements		(4,767,470.51)

PUENTE BASIN WATER AGENCY STATEMENT OF CASH FLOWS FY 2024-25				
		ENDING BALANCE SEPTEMBER 30, 2024		\$ 537,896.78
		LAIF		\$ 274,024.44
		Checking		\$ 263,872.34
		Total Cash Balance		\$ 537,896.78