

SAN JUAN BASIN AUTHORITY

Annual Financial Report
For The Year Ended June 30, 2024

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Independent Auditor's Report

Board of Directors
San Juan Basin Authority
Rancho Santa Margarita, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the San Juan Basin Authority (the Authority), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as of June 30, 2024, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 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, we:

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

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

Required Supplementary Information

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


Other Information

Management is responsible for the other information included in the Annual Financial Report. The other information comprises the *Schedule of Activity by Agency* but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements

do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2024, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Davis Lane" followed by a stylized flourish.

Irvine, California
October 18, 2024

SAN JUAN BASIN AUTHORITY
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2024

This section of the San Juan Basin Authority's (Authority) annual financial report presents our analysis of the Authority's financial objectives and performance during the fiscal year ended June 30, 2024. Please read it in conjunction with the financial statements and accompanying notes, which follow this section.

Mission Statement of the Authority

To develop and maintain a reliable, high-quality, economical local water supply for residents in the San Juan Basin by maximizing water use through management of local ground and surface water of San Juan Creek and its tributaries, with due consideration for preservation, enhancement, and conservation of the environment, including, but not limited to, the natural resources, fish and wildlife, infrastructure improvements, and the cultural heritage of the area.

Keeping the mission statement in mind, the Authority's major objective was to obtain a Water Rights Permit from the State Water Resources Control Board ("SWRCB"). This permit, approved in October 2000, allows the Authority to secure a right to divert authorized amounts of water from the San Juan Basin that can be used for beneficial purposes in accordance with the Authority's stated mission. The permit contains specific requirements for the monitoring and management of the San Juan Basin Authority.

Annual Operating Budget

The operating budget includes proposed expenses and the means of financing them. The Authority's operating budget remains in effect the entire fiscal year but can be revised to add project expenses with approval by the Board of Directors. The goal of each year's work effort is to complete the tasks as outlined in the budget and not to accumulate funds for other purposes. The total amended operating budget for the Authority for the fiscal years 2024 and 2023 was \$1,253,600 and \$1,421,100, respectively.

Member and Non-member Assessments

The funds collected from the member agencies and non-member agencies as a result of the annual budget process are used to accomplish certain defined tasks. At the end of the fiscal year, the unexpended funds are credited back to the Agencies and reduce the following fiscal year's assessments. In fiscal year 2024, there was a \$189,245 increase in total assessments. A comparison of member and non-member assessments for participation are as follows:

	Fiscal Year 2024	Fiscal Year 2023
Member Agency Assessments	\$ 1,205,000	\$ 1,009,487
Non-member Agency Assessments	48,600	54,868
Total Assessments	<u>\$ 1,253,600</u>	<u>\$ 1,064,355</u>

SAN JUAN BASIN AUTHORITY
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2024

The Authority's management has prepared and is responsible for the financial statements and related information included in this report. A system of internal accounting controls is maintained to provide assurance that assets are safeguarded and that the records reflect only authorized transactions. The Authority's system of internal accounting controls is evaluated on an ongoing basis by the Authority's internal financial staff.

Financial Highlights

- In 2024, the Authority provided its Member Agencies with a credit of \$151,078 offsetting the member agency assessments of \$1,205,000 due to excess cash on hand. A credit of \$199,606 was provided to agencies in 2023.
- For Fiscal Year (FY) 2024, Moulton Niguel Water District paid Non-member Agency assessments of \$48,600 and received and offsetting credit of \$11,131.
- In 2024, the Authority's net position increased by \$498,167 from \$173,756 to \$671,923 primarily due to higher net assessments mentioned above and decreases in operating expense spending in FY 2024.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Change in Net Position and Statement of Cash Flows provide information about the activities and performance of the Authority using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all the Authority's investments and resources (assets) and the obligations to creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Authority. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Change in Net Position. This statement measures the change in the Authority's net position due to operating and non-operating resources. The final required financial statement is the Statement of Cash Flows, which provides information about the Authority's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, non-capital financing, and capital and related 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 reporting period.

SAN JUAN BASIN AUTHORITY
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2024

Financial Analysis of the Authority

One of the most important questions asked about the Authority's finances is, "Is the Authority better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Change in Net Position report information about the Authority in a way that helps answer this question. These statements include all assets, liabilities, and deferred inflows of resources using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Authority's net position and the related changes. The Authority's net position – the difference between assets and liabilities and deferred inflow of resources – is one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, one needs to also consider other non-financial factors such as changes in economic conditions.

Management believes that its policies and procedures provide assurance that the Authority's operations are conducted according to a high standard of business ethics. The financial statements present the financial position of the Authority in conformity with accounting principles generally accepted in the United States of America.

Condensed Statement of Net Position

	Fiscal Year 2024	Fiscal Year 2023	Increase (Decrease)
Assets:			
Current Assets	\$ 744,641	\$ 251,781	\$ 492,860
Total Assets	<u>744,641</u>	<u>251,781</u>	<u>492,860</u>
Liabilities:			
Current Liabilities	72,718	78,025	(5,307)
Total Liabilities	<u>72,718</u>	<u>78,025</u>	<u>(5,307)</u>
Net Position:			
Unrestricted	<u>\$ 671,923</u>	<u>\$ 173,756</u>	<u>\$ 498,167</u>

The changes in total assets, liabilities and net position are primarily the result of increases in member assessments and decreases in operating expense spending.

SAN JUAN BASIN AUTHORITY
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2024

Condensed Statement of Revenues, Expenses and Change in Net Position

	Fiscal Year 2024	Fiscal Year 2023	Increase (Decrease)
Revenues			
Operating revenues	\$ 1,091,391	\$ 817,661	\$ 273,730
Non-operating revenues	370	143	227
Total revenues	<u>1,091,761</u>	<u>817,804</u>	<u>273,957</u>
Expenses:			
Operating expenses	593,594	811,580	(217,986)
Total expenses	<u>593,594</u>	<u>811,580</u>	<u>(217,986)</u>
Change in net position	498,167	6,224	491,943
Net position - beginning of year	<u>173,756</u>	<u>167,532</u>	<u>6,224</u>
Net position - end of year	<u>\$ 671,923</u>	<u>\$ 173,756</u>	<u>\$ 498,167</u>

The Statement of Revenues, Expenses and Change in Net Position shows how the government's net position changed during the fiscal year. In the case of the Authority, net position increased by \$498,167 during the fiscal year ended June 30, 2024. The increase in total revenues is driven by the member agency assessments in FY 2024, which were higher than FY 2023. Total expenses decreased by \$217,986 as budgeted spending decreased in FY 2024 for administrator fees and adaptive pumping management (APM) plan development.

The Authority Consists of Two Member Agencies

The Authority's member agencies consist of Santa Margarita Water District (SMWD) and South Coast Water District (SCWD). Moulton Niguel Water District (MNWD) withdrew effective on June 30, 2022, but continues to participate with the Authority as a non-member agency as part of a cooperative services agreement for the Salt and Nutrient Management Plan. The Authority has several projects that agencies may participate in based on their own needs. The schedule below reflects agencies' individual participation in activities as a percentage.

SAN JUAN BASIN AUTHORITY
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2024

Activity Category Participation
For the Year Ended June 30, 2024

	General Fund	Ortega Well	Well Field	Recycled Water	Groundwater Production Support	Future Projects	Water Rights	San Juan Watershed Project
Member Agencies:								
SMWD	50%	100%	100%	76.4%	80.0%	50%	80%	80%
SCWD	50%	0%	0%	0.0%	20.0%	50%	20%	20%
Non-Member Agencies:								
MNWD	0%	0%	0%	23.6%	0.0%	0%	0%	0%
	100%	100%	100%	100%	100%	100%	100%	100%

The Authority Adopts an Annual Operating Budget

The Operating Budget includes proposed expenses and the means of financing them. The Authority's operating budget remains in effect the entire year but may be adjusted by Board approval.

Contacting the Authority's Financial Management

The Authority's basic financial statements are designed to demonstrate the Authority's accountability. If you have any questions about the annual report or need additional information, please contact the Authority's Treasurer at 26111 Antonio Parkway, Rancho Santa Margarita, CA 92688.

Basic Financial Statements

SAN JUAN BASIN AUTHORITY
Statement of Net Position
June 30, 2024

ASSETS:

Current Assets:

Cash and investments (Note 2)	\$ 739,661
Accrued interest receivable	81
Prepaid expenses	<u>4,899</u>

Total Assets	<u>744,641</u>
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LIABILITIES:

Current Liabilities:

Accounts payable and accrued expenses	<u>72,718</u>
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Total Liabilities	<u>72,718</u>
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NET POSITION:

Unrestricted	<u>671,923</u>
Total Net Position	<u>\$ 671,923</u>

See accompanying notes to the basic financial statements.

SAN JUAN BASIN AUTHORITY
Statement of Revenues, Expenses and Change in Net Position
For the Year Ended June 30, 2024

OPERATING REVENUES:

Member agency assessments	\$ 1,205,000
Member agency credits	(151,078)
Non-member agency assessments	48,600
Non-member agency credits	(11,131)
Total Operating Revenues	<u>1,091,391</u>

OPERATING EXPENSES:

Accounting	22,633
Engineering	517,299
Legal	4,720
Administration and management support	48,942
Total Operating Expenses	<u>593,594</u>

Operating Income	<u>497,797</u>
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NON-OPERATING REVENUES (EXPENSES):

Investment income (loss)	370
Total non-operating, revenues (expenses)	<u>370</u>

Change in net position	498,167
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Net position, beginning of year	173,756
Net position, end of year	<u>\$ 671,923</u>

See accompanying notes to the basic financial statements.

SAN JUAN BASIN AUTHORITY
Statement of Cash Flows
For the Year Ended June 30, 2024

Cash flows from operating activities:

Cash receipts from member agency assessments	\$ 1,091,391
Cash paid to vendors and suppliers for materials and services	<u>(599,148)</u>
Net cash provided by operating activities	<u>492,243</u>

Net increase in cash and cash equivalents	492,243
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Cash and cash equivalents, beginning of year	<u>240,238</u>
Cash and cash equivalents, end of year	<u>\$ 732,481</u>

Reconciliation of cash and cash equivalents to amounts reported on the statement of net position:

Cash and cash equivalents	\$ 732,481
Investments	<u>7,180</u>
Total cash and investments	<u>\$ 739,661</u>

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 497,797
Change in assets and liabilities:	
(Increase) decrease in assets:	
Prepaid expenses	(248)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	<u>(5,306)</u>
Total adjustments	<u>(5,554)</u>
Net cash provided by operating activities	<u>\$ 492,243</u>

There were no significant noncash financing, capital, or investing activities for the year ended June 30, 2024.

See accompanying notes to the basic financial statements.

SAN JUAN BASIN AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2024

1. Organization and Summary of Significant Accounting Policies

Reporting Entity

The San Juan Basin Authority (Authority) is a public agency formed under a Joint Exercise of Powers Agreement on November 22, 1971. Its original members included Capistrano Beach County Water District (now part of South Coast Water District), Capistrano Valley Water District (succeeded by the City of San Juan Capistrano and then Santa Margarita Water District) and Santa Margarita Water District (SMWD). Trabuco Canyon Water District and Moulton Niguel Water District (MNWD) were subsequently admitted as members and then withdrew from the Authority in 1997 and 2022, respectively. Although MNWD withdrew from the Authority in June 2022, it still participates in the Salt and Nutrient Management Plan under a cooperative services agreement. For fiscal year 2024, the Authority includes Santa Margarita Water District and South Coast Water District as its member agencies.

The Authority was created to plan, acquire, construct, maintain, repair, operate and control facilities to supply the inhabitants and lands within each of the member agencies' boundaries with water and provide for the development and conservation of water supplies.

The Authority currently has eight activity categories to administer and develop various projects or activities for the benefit of the member or non-member agencies. Member agencies may elect to participate in each of the Authority's activities and are assessed annually for the estimated costs to be incurred related to each project activity based upon proportionate benefit derived. Non-member agencies may participate in the Salt and Nutrient Management Plan as part of a cooperative agreement and are assessed annually for the estimated costs to be incurred related to the project based upon proportionate benefit derived.

The powers and functions of the Authority are exercised by a Board of Directors, of which one Director may be appointed by each of the Board of Directors of the member agencies. Each Director holds office until a successor Director is appointed, serves at the pleasure of the legislative body of the appointing member agency and may be removed at any time, with or without cause, at the sole discretion of such legislative body.

Basis of Accounting

The accounting policies of the Authority's basic financial statements conform with accounting principles generally accepted in the United States of America applicable to state and local government agencies using pronouncements issued by the Governmental Accounting Standards Board (GASB) and as such, the Authority reports its activities as an enterprise fund. The basic financial statements presented are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, 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.

SAN JUAN BASIN AUTHORITY
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

1. Organization and Summary of Significant Accounting Policies (Continued)

Operating revenues and expenses result from the Authority's activities to operate and maintain the facilities within the member agencies' boundaries. The operating revenues consist of charges to member agencies and non-member agencies for annual assessments. Operating expenses include the costs of providing the operation and maintenance of the facilities and administrative expenses. All revenues and expenses not meeting these definitions, and which are not capital in nature are reported in non-operating revenues and expenses.

The Authority derives all its operating revenue from member agency and non-member agency assessments, which are based on the adopted fiscal year budget. Member and non-member agencies are assessed based on proportionate participation and benefit. Non-operating activities include investment income and losses from investments.

Use of Estimates

The financial statements are in conformity with accounting principles generally accepted in the United States of America and requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows of resources and disclosures, and revenues and expenses for the year then ended. Actual results could differ from those estimates.

Cash and Investments

The Authority has adopted an investment policy directing the Treasurer of the Authority to deposit funds in financial institutions in compliance with the California Government Code.

Substantially all the Authority's cash is held in a checking account. The Authority considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents, except for the Authority's investment in LAIF which is considered an investment.

The Authority records investments at fair value and changes in fair value are recorded as unrealized gains or losses. Investment income is comprised of interest earnings, changes in fair value, and any gain or loss realized upon the liquidation on or sale of investment.

SAN JUAN BASIN AUTHORITY
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

1. Organization and Summary of Significant Accounting Policies (Continued)

City of San Juan Capistrano Lease Agreement

On December 1, 2002, a lease agreement was executed related to the lease payments to be made by the CVWD. This debt was later assigned to CSJC and then to SMWD in FY 2022 to service the debt. The note receivable was originally in the amount of \$29,302,462. SMWD makes the lease agreement payments from pledged revenues to the bond fiscal agent to make the bond debt service payments. In November 2014, the Authority issued \$20,361,090 in Lease Revenue Bonds and the proceeds were used to refund the 2002 bonds. Effective in FY 2022, this is considered conduit debt for the Authority and is not recognized as a liability for the Authority. See Note 4 to the basic financial statements for further information.

Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Contributed assets, which consist mainly of pipelines, wells, and pump stations, are recorded as contributed facilities based on acquisition value. Depreciation on contributed facilities are charged the same as on purchased assets, using the straight-line method based on estimated lives which range from 10 to 40 years, consisting primarily of diversion structure over 20 years, wells over 25 years, and pump stations and pipelines over 40 years. Equipment that has been determined to have no useful life or value is removed from the records when such determination has been made by management.

Member Agencies' Net Position

Costs are applied directly against deposits received from member agencies. Costs are allocated between member agencies based on ownership or usage. Interest earned on member agency deposits is allocated to the member agencies monthly in accordance with their relative deposit balances. At the end of each fiscal year, operating surplus balances are refunded to member agencies or added to their net position as determined by the Board of Directors.

Net Position

The financial statements utilize a net position presentation. Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use, either through Authority resolution or external restrictions imposed by outside parties for use for a specific purpose.

When both the restricted and unrestricted components of net position are available, restricted resources are used first and then unrestricted resources are used to the extent necessary.

SAN JUAN BASIN AUTHORITY
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

1. Organization and Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements

Adopted in the Current Year

GASB Statement No. 99, *Omnibus 2022* – the requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement No. 53. Effective for the Authority’s fiscal year ended June 30, 2024. There was no impact to the Authority.

GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. Effective for the Authority’s fiscal year ended June 30, 2024. There was no impact to the Authority.

Effective in Future Years

GASB has issued pronouncements that will impact future financial presentations. Management has not currently determined the impact, if any, of the newly issued pronouncements listed below.

GASB Statement No. 101, *Compensated Absences*. Effective for the Authority’s fiscal year ending June 30, 2025.

GASB Statement No. 102, *Certain Risk Disclosures*. Effective for the Authority’s fiscal year ending June 30, 2025.

GASB Statement No. 103, *Financial Reporting Model Improvements*. Effective for the Authority’s fiscal year ending June 30, 2026.

2. Cash and Investments

Cash and investments as of June 30, 2024, are classified in the accompanying financial statements as follows:

Cash in bank	\$ 732,481
California Local Agency Investment Pool (LAIF)	7,180
Total cash and investments	<u>\$ 739,661</u>

SAN JUAN BASIN AUTHORITY
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

2. Cash and Investments (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Generally, 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 does 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 a state or local government 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 Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The federally insured amount is limited up to \$250,000 per bank and any remaining balance is collateralized in accordance with the Code; however, collateralized securities are not held in the Authority's name.

Investment in State Investment Pool

The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section §16429 under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is part of the California Pooled Money Investment Account (PMIA): included in LAIF's investment portfolio are mortgage-backed and other asset-backed securities, loans to certain state funds, securities with interest rates that vary according to changes in rates greater than a one-for-one basis, and structured notes. At June 30, 2024, LAIF had a total portfolio of approximately \$179.0 billion. The average maturity of PMIA investments was 217 days as of June 30, 2024.

SAN JUAN BASIN AUTHORITY
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

2. Cash and Investments (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The following shows the Authority's distribution of investments by maturity:

<u>Investment Type</u>	<u>Remaining Maturity (In Months)</u>	
	<u>Total</u>	<u>3 Months or Less</u>
State investment pool (LAIF)	\$ 7,180	\$ 7,180
	<u>\$ 7,180</u>	<u>\$ 7,180</u>

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, and the actual rating as of year-end for each investment type.

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
			<u>Not Rated</u>
State investment pool (LAIF)	\$ 7,180	N/A	\$ 7,180
	<u>\$ 7,180</u>		<u>\$ 7,180</u>

3. Capital Assets

A summary of changes in capital assets is as follows:

	<u>Balance at July 1, 2023</u>	<u>Additions</u>	<u>Retirements/ Dispositions</u>	<u>Balance at June 30, 2024</u>
Water facilities, wells and pipelines	\$ 1,171,719	\$ -	\$ -	\$ 1,171,719
Accumulated depreciation	(1,171,719)	-	-	(1,171,719)
Net capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense for the year ended June 30, 2024, was \$0 as the capital assets are fully depreciated.

SAN JUAN BASIN AUTHORITY
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

4. Conduit Debt Obligations

On December 11, 2002, the Authority issued lease revenue bonds (Bonds) in the amount of \$31,555,000 for the Ground Water Recovery Project. The Bonds were special limited obligations of the Authority payable solely from the trustee estate, including lease payments to be made by CJSC to the Authority solely from revenues of the CSJC Water Enterprise Fund pursuant to the lease agreement between the CSJC and the Authority. The Authority pledged the annual lease payments received from CSJC to make the debt service payments as they come due.

The proceeds of the Bonds were applied to finance and reimburse the costs of the design, development, acquisition and construction of a groundwater recovery plant and related improvements and facilities, fund a debt service reserve fund securing the Bonds, fund capitalized interest through June 1, 2004, and pay certain costs of issuance of the Bonds.

In November 2014, the Authority issued \$20,361,090 in Lease Revenue Bonds with a fixed interest rate of 3.85%. The proceeds of the bonds were used for the current refunding of the 2002 Lease Revenue Bonds, which had an average interest rate of 5.03%. The final maturity date of the bonds remains the same, at December 2034. With the annexation of CSJC's water and sewer utilities into SMWD, the lease and its obligations were assigned to SMWD. In addition, no commitments beyond the annual lease payments and maintenance of the tax-exempt status of the conduit debt obligation were extended by the Authority for the bonds. The outstanding principal amount payable of the bond at June 30, 2024 is \$8,364,693.

5. Related Party Transactions

SMWD provides accounting and administrative services based on an hourly rate for the Authority. The total expenses incurred for services for the year ended June 30, 2024, was \$16,921 of which \$13,991 is included in accounting expenses and \$2,930 in administration and management support on the Statement of Revenues, Expenses and Change in Net Position.

6. Commitments and Contingencies

The Authority believes there are no existing matters which will have a material adverse effect on the Authority's financial position. In the opinion of the Authority's Counsel, the Authority had no material claims which would require loss provisions in the financial statements.

7. Risk Management

The Authority has commercial general liability coverage. The Authority believes there are no existing matters which will have a material adverse effect on the Authority's financial position. There were no significant settlements, or reductions in insurance coverage from settlements, for the past three years.

Other Information (Unaudited)

SAN JUAN BASIN AUTHORITY
Schedule of Activity by Agency (Unaudited)
For the Year Ended June 30, 2024

	Member Agency		Non-Member Agency	Total
	<u>SMWD</u>	<u>SCWD</u>	<u>MNWD</u>	
Assessments received	\$ 914,500	\$ 290,500	\$ 48,600	\$ 1,253,600
Assessments Credits	(59,182)	(91,896)	(11,131)	(162,209)
Investment Income	146	146	-	292
Unrealized Gain or Loss on Investments	39	39	-	78
Operating Expenses	(451,488)	(114,121)	(27,985)	(593,594)
Change in Activity	404,015	84,668	9,484	498,167
Beginning of Year	83,127	95,308	(4,679)	173,756
End of Year	<u>\$ 487,142</u>	<u>\$ 179,976</u>	<u>\$ 4,805</u>	<u>\$ 671,923</u>