

SAN JUAN BASIN AUTHORITY

ANNUAL FINANCIAL REPORT



For the Fiscal Year Ended June 30, 2025

SAN JUAN BASIN AUTHORITY
Annual Financial Report
For the Fiscal Year Ended June 30, 2025

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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, 2025, 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, 2025, 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 September 16, 2025, 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
September 16, 2025

SAN JUAN BASIN AUTHORITY
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2025

This section of the San Juan Basin Authority's (Authority) annual financial report presents an analysis of the Authority's financial objectives and performance during the fiscal year ended June 30, 2025. Please read it in conjunction with the financial statements and accompanying notes that follow.

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 its mission statement in mind, the Authority's primary objective was to obtain a Water Rights Permit from the State Water Resources Control Board (SWRCB). This permit, approved in October 2000, grants the Authority the right to divert authorized amounts of water from the San Juan Basin for beneficial uses consistent with its stated mission. The permit also establishes specific requirements for the monitoring and managing the San Juan Basin Authority.

The Authority Consists of Member and Non-Member Agencies

The Authority's Member Agencies are Santa Margarita Water District (SMWD) and South Coast Water District (SCWD). Moulton Niguel Water District (MNWD) withdrew effectively on June 30, 2022, but continues to participate as a Non-Member Agency under a cooperative services agreement for the Salt and Nutrient Management Plan. The Authority administers several projects in which agencies may participate based on their specific needs. The schedule below reflects each agency's participation in activities, expressed as a percentage.

The Authority Adopts an Annual Operating Budget

The operating budget outlines expenses and the means of financing them. It remains in effect for the entire fiscal year but may be adjusted with the approval from the Board of Directors through a mid-year budget amendment. The goal of each year's work effort is to complete what is specified in the budget, rather than to accumulate funds for other purposes.

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 to reduce the following fiscal year's assessments. In Fiscal Year 2025, total assessments decreased by \$136,500.

SAN JUAN BASIN AUTHORITY
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2025

Management's Responsibility for Financial Reporting and Internal Controls

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 ensure that assets are safeguarded and that the records reflect only authorized transactions. As part of the annual financial audit, the Authority's external auditor will perform a review of investment transactions to verify compliance with policies and procedures.

Financial Highlights

- In Fiscal Year (FY) 2025, the Authority provided its Member Agencies with a credit of \$866,257, offsetting the Member Agency assessments of \$1,071,520, due to excess cash on hand and a budget revision. For comparison, a credit of \$151,078 was provided to agencies in 2024.
- In FY 2025, Moulton Niguel Water District paid Non-Member Agency assessments of \$45,580 and received an offsetting credit of \$12,515.
- In FY 2025, the Authority's net position decreased by \$310,005, from \$671,923 to \$361,918 primarily due to lower budgeted expenses and Agency credits totaling \$211,807.

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 applied by private sector companies.

The Statement of Net Position presents all the Authority's investments and resources (assets) and its obligations to creditors (liabilities). It also provides a basis for evaluating the Authority's liquidity and financial flexibility. All the current year's revenues and expenses are reported in the Statement of Revenues, Expenses and Change in Net Position, which measures the change in the Authority's net position resulting from operating and non-operating activities. The final required financial statement, the Statement of Cash Flows, provides information about the Authority's cash receipts and cash payments during the reporting period. This statement details cash flow from operations, non-capital financing, and capital and related financing activities, and explains where cash came from, how it was used, and how the cash balance changed during the reporting period.

SAN JUAN BASIN AUTHORITY
Management’s Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2025

Financial Analysis of the Authority

The Authority’s Reserve Policy ensures financial stability by maintaining a reserve fund equal to three months of operating expenses based on the adopted annual budget. The Authority also holds Agency cash to pay for planned and budgeted activities, while the reserve provides an added safeguard against unexpected shortfalls, revenue delays, or emergency expenditures to support uninterrupted operations.

The Statement of Net Position and the Statement of Revenues, Expenses and Change in Net Position provide information that helps answer this question. These statements include all assets and liabilities, prepared on the accrual basis of accounting, meaning that revenues and expenses are recognized in the year they are entered or incurred, regardless of when the cash is received or paid.

Together these two statements report the Authority’s net position and the changes therein. Net position – the difference between assets and liabilities – is a key measure of the Authority’s financial health or overall financial position. Over time, increases or decreases in net position indicate whether the Authority’s financial health is improving or deteriorating. However, it is also important to consider non-financial factors, such as changes in economic conditions, when evaluating performance.

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

Condensed Statement of Net Position

	2025	2024	Increase (Decrease)
Assets:			
Current Assets	\$ 436,435	\$ 744,641	\$ (308,206)
Total Assets	<u>436,435</u>	<u>744,641</u>	<u>(308,206)</u>
Liabilities:			
Current Liabilities	74,517	72,718	1,799
Total Liabilities	<u>74,517</u>	<u>72,718</u>	<u>1,799</u>
Net Position:			
Unrestricted	<u>\$ 361,918</u>	<u>\$ 671,923</u>	<u>\$ (310,005)</u>

The changes in total assets, liabilities and net position are primarily the result of decreases in member assessments due to lower projected expenses.

SAN JUAN BASIN AUTHORITY
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2025

Condensed Statement of Revenues, Expenses and Change in Net Position

	<u>2025</u>	<u>2024</u>	<u>Increase (Decrease)</u>
Revenues			
Operating Revenues	\$ 238,328	\$ 1,091,391	\$ (853,063)
Non-Operating Revenues	4,003	370	3,633
Total Revenues	242,331	1,091,761	(849,430)
Expenses:			
Operating Expenses	552,336	593,594	(41,258)
Total Expenses	552,336	593,594	(41,258)
Change in Net Position	(310,005)	498,167	(808,172)
Net Position - Beginning of Year	671,923	173,756	498,167
Net Position - End of Year	\$ 361,918	\$ 671,923	\$ (310,005)

The Condensed Statement of Revenues, Expenses and Change in Net Position shows how the Authority's financial position shifted during the fiscal year. For the year ended June 30, 2025, the Authority's net position declined by \$310,005, moving from \$671,923 to \$361,918. This change was driven largely by a reduction in Member Agency assessments, which resulted in lower revenues compared to the prior year. At the same time, expenses decreased by \$41,258, mainly due to scaled-back budgeted spending. Together, these trends explain the overall decrease in the Authority's net position.

Activity Category Participation

			Groundwater		
	General	Recycled	Production	Future	Water
	Fund	Water	Support	Projects	Rights
Member Agencies					
SMWD	50%	81.5%	80.0%	80%	80%
SCWD	50%	0.0%	20.0%	20%	20%
Non-Member Agencies					
MNWD	0%	18.5%	0.0%	0%	0%
	100%	100%	100%	100%	100%

SAN JUAN BASIN AUTHORITY
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2025

Contacting the Authority's Financial Management

The Authority's basic financial statements are designed to demonstrate its accountability. If you have questions about the annual report or require 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, 2025

ASSETS

Current Assets

Cash and Investments (Note 2)	\$ 430,864
Prepaid Expenses	<u>5,572</u>
Total Current Assets	<u>436,435</u>

Total Assets	<u>436,435</u>
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities	<u>74,517</u>
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Total Liabilities	<u>74,517</u>
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NET POSITION

Unrestricted	<u>361,918</u>
Total Net Position	<u>\$ 361,918</u>

Note: Values shown may not sum precisely due to rounding.

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, 2025

Operating Revenues:	
Member Agency Assessments	\$ 1,071,520
Member Agency Credits	(866,257)
Non-Member Agency Assessments	45,580
Non-Member Agency Credits	(12,515)
Total Operating Revenues	<u>238,328</u>
Operating Expenses:	
Accounting	26,720
Engineering	468,816
Legal	3,611
Administration and Management Support	53,191
Total Operating Expenses	<u>552,336</u>
Operating (Loss)	<u>(314,008)</u>
Non-Operating Revenues	
Other Investment Income and Miscellaneous Income	<u>4,003</u>
Total Non-Operating Revenues	<u>4,003</u>
Change in Net Position	(310,005)
Net Position - Beginning of Year	<u>671,923</u>
Net Position - End of Year	<u>\$ 361,918</u>

See accompanying notes to the basic financial statements.

SAN JUAN BASIN AUTHORITY
Statement of Cash Flows
For the Year Ended June 30, 2025

Cash Flow from Operating Activities:

Cash Receipts from Member Agency Assessments	\$	205,263
Cash Receipts from Non-Member Agency Assessments		33,065
Cash Paid to Vendors and Suppliers for Materials and Services		(551,209)
Net Cash Provided from Operating Activities		(312,881)

Cash Flows from Investing Activities:

Investment Earnings		4,084
Net Cash Provided by Investing Activities		4,084

Net Increase in Cash and Cash Equivalents (308,797)

Cash and Cash Equivalents at June 30, 2024		739,661
Cash and Cash Equivalents at June 30, 2025	\$	430,864

Reconciliation of Cash and Cash Equivalents to Amounts Reported on the Statement of Net Position:

Cash and Cash Equivalents	\$	109,599
Investments		321,264
Total Cash and Investments	\$	430,864

Reconciliation of Operating Income to Net Cash (Used In) Operating Activities:

Operating Income (Loss)	\$	(314,008)
(Increase) Decrease in Assets:		
Prepaid Expenses and Other Deposits		(672)
Increase(Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses		1,799
Total Adjustments		1,127
Net Cash Provided from Operating Activities	\$	(312,881)

Note: Values shown may not sum precisely due to rounding.

There were no non-cash capital, financing, or investing activities for the year ended June 30, 2025.

See accompanying notes to the basic financial statements.

SAN JUAN BASIN AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

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 but withdrew from the Authority in 1997 and 2022, respectively. Although MNWD withdrew from membership in June 2022, it continues to participate in the Salt and Nutrient Management Plan under a cooperative services agreement. For Fiscal Year 2025, the Authority's Member Agencies were SMWD and South Coast Water District.

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

The Authority currently administers various projects and activities for the benefit of Member and Non-Member Agencies. Member Agencies may elect to participate in any of the Authority's activities and are assessed annually for the estimated costs of each project based on the proportionate benefit derived. Non-Member Agencies may participate in the Salt and Nutrient Management Plan under a cooperative agreement and are assessed annually for their share of estimated project costs, also based on proportionate benefit derived.

The powers and functions of the Authority are exercised by a Board of Directors. One Director may be appointed by the Board of Directors of each Member Agency. Each Director serves at the pleasure of the appointing agency, holds office until a successor is appointed, and may be removed at any time, with or without cause, at the sole discretion of the appointing agency's 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 (GAAP), as applicable to state and local government agencies, using pronouncements issued by the Governmental Accounting Standards Board (GASB). The Authority reports its activities as an enterprise fund. The basic financial statements are prepared 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 in which they are incurred, regardless of when the related cash flows occur.

SAN JUAN BASIN AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

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

Operating revenues and expenses result from the Authority's activities. Operating revenues consist of charges to Member Agencies and Non-Member Agencies for annual assessments. Operating expenses include the costs of providing the Authority's activities, as well as administrative expenses. All revenues and expenses that do not meet these definitions and are not capital in nature are reported as 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. Agencies are assessed based on their proportionate participation and benefit. Non-operating activities include investment income and losses from investments.

Use of Estimates

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), which require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows of resources, and related disclosures, as well as 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 that directs the Treasurer to deposit funds in financial institutions in compliance with the California Government Code.

The Authority considers all highly liquid investments with maturities of three months or less to be cash equivalents, except for its investment in California Local Agency Investment Fund (LAIF) and California Asset Management Program (CAMP), which are classified as investments.

The Authority records investments at fair value, with changes in fair value recognized as unrealized gains or losses. Investment income consists of interest earnings, changes in fair value, and any realized gains or losses upon the liquidation or sale of investment.

City of San Juan Capistrano Lease Agreement

On December 1, 2002, a lease agreement was executed requiring lease payments to be made by Capistrano Valley Water District. This debt was later assigned to City of San Juan Capistrano and subsequently to SMWD in FY 2022 to service the debt. SMWD makes the lease agreement payments from pledged revenues to the bond fiscal agent, who applies them to bond debt service.

In November 2014, the Authority issued Lease Revenue Bonds to refund the 2002 bonds. This debt is conduit debt of the Authority and is not recognized as a liability for the Authority's financial statements. See Note 4 to the basic financial statements for additional information.

SAN JUAN BASIN AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

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

Member Agencies' Net Position

Costs are applied directly against deposits received from Member Agencies. Costs are allocated among Member Agencies based on ownership or usage. Interest earned on Member Agency deposits is allocated monthly in proportion to their respective deposit balances. At fiscal year-end, operating surplus balances are either refunded to Member Agencies or added to their net position, as determined by the Board of Directors.

Net Position

The financial statements present net position as the residual of assets and deferred outflows of resources, less liabilities and deferred inflows of resources. Net position is reported as restricted when limitations are placed on its use, either by Authority resolution or through external restrictions imposed by outside parties for a specific purpose.

When both restricted and unrestricted resources are available, restricted resources are applied first, followed by unrestricted resources as necessary.

New Accounting Pronouncements

Adopted in the Current Year

- GASB Statement No. 101, *Compensated Absences*. Effective for the Authority's fiscal year ended June 30, 2025. This statement had no impact on the Authority.

Effective in Future Years

GASB has issued a pronouncement that will affect future financial reporting. Management has not yet determined the impact, if any, of the following new standard:

- GASB Statement No. 102, *Certain Risk Disclosures*. Effective for the Authority's fiscal year ended June 30, 2026. This statement had no impact on the Authority.
- GASB Statement No. 103, *Financial Reporting Model Improvements*. Effective for the Authority's fiscal year ended June 30, 2026.

SAN JUAN BASIN AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

2. Cash and Investments

Cash and investments as of June 30, 2025, are presented in the accompanying financial statements as follows:

Cash in Bank	\$109,599
Local Agency Investment Fund (LAIF)	7,625
California Asset Management Program (CAMP)	313,639
Total Cash & Investments	<u>313,639</u>

Note: Values shown may not sum precisely due to rounding.

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 may be unable to recover its deposits, or the collateral securities held by an outside party. 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 may be unable to recover the value of its investment or collateral securities held by another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. It does not generally apply to indirect investments in securities through mutual funds or government investment pools, such as LAIF or CAMP.

The California Government Code does not impose specific limitations on custodial risk exposure for deposits or investments, other than the following requirements for deposits: financial institution must secure deposits of state or local governments 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 pledged securities in the collateral pool must equal at least 110% of the total public deposits. California law also allows permits financial institutions to secure deposits by pledging first trust deed mortgage notes valued at 150% of the secured deposits. The federally insured portion of deposits is limited to \$250,000 per bank, and any remaining balance must be collateralized in accordance with the Code. However, collateralized securities are not held in the Authority's name.

SAN JUAN BASIN AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

2. Cash and Investments (Continued)

Investment in State Investment Pool

The Authority is a voluntary participant in the California Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section §16429 and overseen by the Treasurer of the State of California. The fair value of the Authority’s investment in LAIF is reported in the accompanying financial statements based on its pro-rata share of LAIF’s fair value (relative to amortized cost basis).

LAIF is part of the California Pooled Money Investment Account (PMIA). The portfolio includes mortgage-backed and other asset-backed securities, loans to certain state funds, securities with variable interest rates that may adjust at greater than a one-for-one basis, and structured notes. As of June 30, 2025, LAIF reported a total portfolio of approximately \$178.1 billion, with an average maturity of 248 days.

The California Asset Management Program (CAMP) provides California public agencies with a secure and liquid investment option for surplus funds. Its portfolio includes U.S. government and agency securities, high-quality corporate notes, commercial paper, mortgage- and asset-backed securities, and variable-rate instruments. As of June 30, 2025, CAMP reported a portfolio of approximately \$67.3 million.

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. In general, the longer the maturity of an investment, the greater its sensitivity to changes in market interest rates. The following table presents the Authority’s investment distribution by maturity:

Investment Type	Remaining Maturity 3 Months or Less	
	Total	or Less
Local Agency Investment Fund (LAIF)	\$ 7,625	\$ 7,625
California Asset Management Program (CAMP)	313,639	313,639
	\$ 321,264	\$ 321,264

SAN JUAN BASIN AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

2. Cash and Investments (Continued)

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder. Credit risk is typically measured by ratings assigned by a nationally recognized statistical rating organization. The table below presents the minimum rating required by (where applicable) the California Government Code, along with actual ratings as of year-end for each investment type.

Investment Type	Total	Minimum Legal Rating	AAA Rating	Rating as of Year End Not Rated
Local Agency Investment Fund (LAIF)	\$ 7,625	N/A	-	\$ 7,625
California Asset Management Program (CAMP)	313,639	N/A	313,639	-
	<u>\$ 321,264</u>		<u>\$ 313,639</u>	<u>\$ 7,625</u>

3. Conduit Debt Obligations

On December 11, 2002, the Authority issued Lease Revenue Bonds in the amount of \$31,555,000 to finance 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 CSJC to the Authority, funded exclusively from revenues of the City of San Juan Capistrano (CSJC) Water Enterprise Fund pursuant to the lease agreement between CSJC and the Authority. The Authority pledged the annual lease payments received from CSJC to meet debt service requirements as they came due.

The proceeds of the 2002 Bonds were used to finance and reimburse costs associated with the design, development, acquisition and construction of a groundwater recovery plant and related improvements and facilities; to fund a debt service reserve fund securing the Bonds; to fund capitalized interest through June 1, 2004; and issuance costs.

In November 2014, the Authority issued \$20,361,090 in Lease Revenue Bonds at a fixed interest rate of 3.85%. The proceeds were used for the current refund the 2002 Lease Revenue Bonds, which carried an average interest rate of 5.03%. The final maturity date of the Bonds remained December 2034. Following the annexation of CSJC's water and sewer utilities into SMWD, the lease and related obligations were assigned to SMWD. The Authority has no commitments beyond the receipt and remittance of annual lease payments and the maintenance of the tax-exempt status of the conduit debt obligation. The outstanding principal amount payable of the bond at June 30, 2025, is \$6,758,145.

SAN JUAN BASIN AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

4. Related Party Transactions

SMWD provides accounting and administrative services to the Authority on an hourly rate basis. For the year ended June 30, 2025, total expenses for these services were \$23,397, of which \$14,620 is reported as accounting expenses and \$8,777 as administration and management support in the Statement of Revenues, Expenses and Change in Net Position.

5. Commitments and Contingencies

The Authority believes there are no existing matters that would have a material adverse effect on its financial position. In the opinion of the Authority's legal counsel, there are no material claims that would require recognition of loss provision in the financial statements.

6. Risk Management

The Authority maintains commercial general liability coverage. Management believes there are no existing matters that would have a material adverse effect on the Authority's financial position. There have been no significant settlements or reductions in insurance coverage due to settlements during the past three years.

Other Information (Unaudited)

SAN JUAN BASIN AUTHORITY
Schedule of Activity by Agency (Unaudited)
For the Year Ended June 30, 2025

	Member Agency		Non-Member	Total
	SMWD	SCWD	Agency MNWD	
Assessments Received	\$ 831,120	\$ 240,400	\$ 45,580	\$ 1,117,100
Assessments Credits	(635,977)	(230,281)	(12,515)	(878,772)
Investment Income	1,988	1,988	-	3,976
Unrealized Gain or Loss on Investment:	13	13	-	27
Operating Expenses	<u>(418,119)</u>	<u>(118,106)</u>	<u>(16,111)</u>	<u>(552,336)</u>
Change in Net Position	<u>(220,974)</u>	<u>(105,985)</u>	<u>16,954</u>	<u>(310,005)</u>
Net Position - Beginning of Year	487,142	179,976	4,805	671,923
Net Position - End of Year	<u>\$ 266,168</u>	<u>\$ 73,991</u>	<u>\$ 21,759</u>	<u>\$ 361,918</u>

Note: Values shown may not sum precisely due to rounding.