

CHINO BASIN DESALTER AUTHORITY

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL
YEAR ENDED
JUNE 30, 2025

ONTARIO, CALIFORNIA



**Water
Efficiency for
a Sustainable
Future**





Annual Comprehensive Financial Report

**For the Fiscal Year Ended
June 30, 2025**



Prepared By:

**Finance Team of
Chino Basin Desalter Authority**



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For the Fiscal Year Ended June 30, 2025

TABLE OF CONTENTS

Introductory Section

Letter of Transmittal.....	I
Section A – Governance, Financing and Facility Operations.....	II
Section B – Other Pertinent Information	IV
Organization Chart	VII
Principal Officials	VIII
Certificate of Achievement for Excellence in Financial Reporting	IX

Financial Section

Independent Auditors’ Report.....	1
Management’s Discussion and Analysis.....	4
Basic Financial Statements.....	19
Statement of Net Position	20
Statement of Revenues, Expenses and Changes in Net Position	22
Statement of Cash Flows	23
Notes to the Basic Financial Statements.....	25

Statistical Section

Historical Operating Results	53
Net Position by Component	54
Other Fiscal Indicator - Service Obligation	55
Revenues by Source	56
Operating Indicators.....	57
Debt Service Payment Schedule	58
Ratio of Outstanding Debt by Type	59
Water Production Delivered to Member Agencies	60
Actual Desalter Water Sales.....	61
Demographic & Economic Statistics (Population Served by Member Agencies).....	62





December 4, 2025

To the Chairperson of the Chino Basin Desalter Authority Board, Members of the Board, and Joint Powers Authority members of the Chino Basin Desalter Authority, and the Public:

The Annual Comprehensive Financial Report (ACFR) of the Chino Basin Desalter Authority (hereinafter referred to as “the Authority” or “CDA”) is hereby submitted for the fiscal year ended June 30, 2025. This report has been prepared in accordance with applicable state and local statutes requiring annual financial reporting, and in conformance with generally accepted accounting principles (GAAP). In accordance with state law and sound financial management practices, the financial statements have been audited by an independent firm of certified public accountants. The independent auditor’s report is included in the Financial Section of this report.

In accordance with GAAP, CDA management also provides a narrative overview and analysis of financial activities known as the Management’s Discussion and Analysis (MD&A). The MD&A is intended to assist readers in understanding the Authority’s financial position, changes in net position, and key economic and operational factors affecting the fiscal year. The MD&A can be found immediately following the independent auditor’s report.

To enhance clarity and eliminate redundancy, detailed analysis of financial performance, capital investment, and economic conditions has been centralized in the MD&A section of this report. CDA’s financial statements are prepared using the economic resources measurement focus and the full accrual basis of accounting, consistent with enterprise fund reporting.

Management Responsibility for Financial Information

The preparation of the Fiscal Year 2024/25 Annual Comprehensive Financial Report was led by CDA’s Finance Team. Management assumes full responsibility for the accuracy, completeness, and fairness of the data presented, including all necessary disclosures. To the best of our knowledge, the information provided is accurate in all material respects and has been prepared to fairly present the financial condition and operating results of the Authority. Disclosures have been included to promote transparency and support a clear understanding of CDA’s financial activities. The remainder of this letter presents supplemental background and contextual information relevant to the Authority’s operations and governance. It is organized into the following sections:

Section	Content
A	Governance, Financing and Facility Operations
B	Other Pertinent Information

*To the Chairperson and Members of
The Board of Chino Basin Desalter Authority, and the Public*

SECTION A

Governance, Financing, and Facility Operations

Governance

The Chino Basin Desalter Authority (CDA) was established in September 2001 as a Joint Exercise of Powers Authority (JPA) under the laws of the State of California. The Authority's primary purpose is to finance, operate, and maintain the Chino I and Chino II Desalter facilities, which treat groundwater to provide a reliable source of potable water to the service areas of its member agencies. The CDA was originally formed by the Cities of Chino, Chino Hills, Ontario, and Norco; the Jurupa Community Services District (JCSD); the Santa Ana River Water Company; and the Inland Empire Utilities Agency (IEUA). In August 2008, Western Municipal Water District joined as an additional member agency, further strengthening the regional collaboration.

The Authority is governed by a Board of Directors, with each participating member agency represented by one appointed director. While IEUA serves as a non-voting ex-officio member pursuant to the JPA Agreement, it actively participates in Board deliberations through the appointment of one of its directors to represent the agency in this capacity.

Acquisition and Financing History

In February 2002, CDA acquired Chino Desalter No. 1, including all assets and liabilities, from the Santa Ana Watershed Project Authority (SAWPA) for a purchase price of \$64.49 million. To finance the acquisition and initial facility expansions, CDA issued \$100 million in Variable Rate Revenue Bonds (2002 Series A). The bond proceeds were used not only to fund the acquisition but also to expand Chino Desalter No. 1 to a treatment capacity of 9,200 acre-feet per year, and to initiate construction of Chino Desalter No. 2, with a planned capacity of 11,200 acre-feet per year. Subsequent financing activities included:

- June 2004: Issuance of \$110.5 million in Adjustable-Rate Revenue Refunding Bonds (Series 2004A-1 and 2004A-2) to refinance the 2002 Bonds and provide additional capital for completion of the Desalter projects.
- Funding support was supplemented through a \$48 million Proposition 13 grant, administered by SAWPA via the State Water Resources Control Board.
- April 2008: Issuance of \$89.44 million in Revenue Refunding Bonds (Series 2008A) to refund the 2004 Bonds.
- April 2016: Issuance of \$67.1 million in Revenue Refunding Bonds (Series 2016A) to:
 1. Refund the remaining \$74.79 million of the 2008A Bonds,
 2. Obtain a debt service reserve surety bond, and
 3. Pay costs of issuance.
- The 2016 refinancing achieved net present value savings of approximately \$9.8 million, while maintaining the original June 2035 final maturity.

Governance, Financing, and Facility Operations (continued)

Facility Operations

The Chino Basin Desalter Authority (CDA) operates two groundwater treatment facilities, Chino I and Chino II, that provide 35,200 acre-feet of potable water annually. Using proven treatment technologies, the facilities convert impaired groundwater into safe drinking water, reducing reliance on imported supplies, supporting basin management, and strengthening long-term water supply reliability for communities in western San Bernardino and Riverside Counties.

Chino I Desalter

The Chino I Desalter, located in the City of Chino, has been in operation since 2000 and is currently operated under contract by the Inland Empire Utilities Agency (IEUA). The facility has a production capacity of approximately 12,500 acre-feet per year of treated potable water and serves as a cornerstone in CDA's regional water supply reliability strategy. Chino I utilizes a combination of advanced water treatment technologies including reverse osmosis (RO), ion exchange, air stripping, and granular activated carbon (GAC) to effectively remove salts, nitrates, volatile organic compounds, and other contaminants, ensuring compliance with stringent state and federal drinking water standards. The facility's strategic role is to convert impaired groundwater from the Chino Basin into a safe, high-quality drinking water supply that supports the growing needs of communities in western San Bernardino and Riverside Counties. Chino I plays a key role in groundwater management by reducing reliance on imported water, supporting basin sustainability, and strengthening long-term regional water supply reliability.

Chino II Desalter and the Concentrate Reduction Facility

The Chino II Desalter, located in the City of Jurupa Valley, began operations in 2006 and is operated under contract by the Jurupa Community Services District (JCSO). With an annual design capacity of 22,700 acre-feet, Chino II is the larger of CDA's two desalters and plays a vital role in meeting the region's potable water demands. Like Chino I, the facility employs advanced treatment processes including reverse osmosis (RO), ion exchange, and air stripping to remove salts, nitrates, and volatile organic compounds, ensuring the delivery of high-quality drinking water that complies with state and federal standards.

*To the Chairperson and Members of
The Board of Chino Basin Desalter Authority, and the Public*

Governance, Financing, and Facility Operations (continued)

A distinguishing feature of Chino II is the Concentrate Reduction Facility (CRF), the first of its kind in the nation, designed to further treat the concentrate generated from the RO process. By utilizing pellet reactor softening technology, the CRF enables higher water recovery rates and reduces the volume of saline concentrate requiring disposal. This innovative approach not only improves the efficiency and reliability of the desalter but also supports sustainable groundwater management by maximizing beneficial use of the Chino Basin's resources. The CRF's ability to minimize brine discharge contributes to long-term operational cost savings, environmental stewardship, and resilience against future regulatory and water supply challenges.

SECTION B

Other Pertinent Information

Internal Controls

The Authority's Management is responsible for establishing, maintaining, and monitoring a system of internal control designed to safeguard the Authority's assets from loss, theft, or misuse. This framework also ensures the timely accumulation of reliable accounting data necessary for preparing financial statements in conformity with generally accepted accounting principles as prescribed by GASB.

It is important to recognize that internal controls provide reasonable, but not absolute, assurance that objectives will be achieved. This aligns with GASB's conceptual framework on accountability and financial reporting reliability, which acknowledges the inherent limitations of control systems.

The concept of reasonable assurance acknowledges two key principles:

- **Cost–Benefit Consideration** – The cost of implementing a control should not exceed the expected benefits derived. This principle supports efficient use of public resources, as required by GASB's accountability objectives.
- **Use of Estimates and Judgment** – Management must exercise professional judgment in evaluating costs and benefits of controls, recognizing that estimates, assumptions, and human factors affect outcomes. GASB standards acknowledge that such professional judgment is integral to fair presentation of financial statements and compliance with laws and regulations.

*To the Chairperson and Members of
The Board of Chino Basin Desalter Authority, and the Public*

Other Pertinent Information (continued)

Budgetary Controls

The Authority maintains a robust system of budgetary controls designed to uphold compliance with the legal provisions outlined in the annually approved budget sanctioned by the Authority's Board of Directors. These budgetary controls operate at the category level (such as Office and Administrative Expenses), ensuring that expenditures are within the legally appropriate amount. In addition to these controls, the Authority employs an encumbrance accounting system as an extra layer of budgetary oversight. With the Board's approval, any encumbered amount remaining at the end of the fiscal year can be carried forward into the next fiscal year. This practice helps ensure responsible financial management and adherence to budgetary allocations.

Independent Audit

State statutes mandate an annual audit conducted by independent certified public accountants. Rogers, Anderson, Malody & Scott, LLP, the current audit firm of CDA, has been entrusted with this annual audit for the past six years. As part of this comprehensive audit process, reviews were conducted to gauge the effectiveness of the internal controls in place and to verify compliance with relevant laws and regulations pertaining to all financial transactions carried out by the Authority. The auditors adhered to generally accepted auditing standards while conducting this engagement. The auditor's report on the basic financial statements is included in the financial section of this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) honored CDA with a Certificate of Achievement for Excellence in Financial Reporting for its comprehensive financial report covering the fiscal year ended June 30, 2024. This marks the eleventh consecutive year the Authority has received this esteemed recognition. To attain a Certificate of Achievement, a government entity must create an annual comprehensive financial report that is easy to understand, well-organized, and structured for clarity and efficiency. This report must align with generally accepted accounting principles and pertinent legal requirements.

It's important to note that a Certificate of Achievement is valid for a single year. We are confident that our current annual comprehensive financial report continues to meet the stringent requirements of the Certificate of Achievement Program, and we have submitted it to the GFOA for evaluation to ascertain its eligibility for yet another certificate.

December 4, 2025

*To the Chairperson and Members of
The Board of Chino Basin Desalter Authority, and the Public*

Acknowledgements

We respectfully acknowledge Rogers, Anderson, Malody & Scott LLP for their diligent and professional execution of the independent audit. Their thorough review and expertise have contributed to ensuring that this Annual Comprehensive Financial Report is fairly presented, in all material respects, in accordance with generally accepted accounting principles.

We also extend appreciation to the staff of the Chino Basin Desalter Authority's member agencies for their cooperation, accuracy, and timely assistance in providing the information necessary for the preparation of this report. Their efforts were essential to ensuring its completeness and quality.

Finally, we express our sincere gratitude to the Board of Directors of the Chino Basin Desalter Authority for their steadfast leadership, commitment to fiscal responsibility, and dedication to the highest standards of governance. Their continued support enables the Authority to maintain strong financial stewardship and to ensure that its resources are managed prudently and effectively for the benefit of its member agencies and the communities they serve.

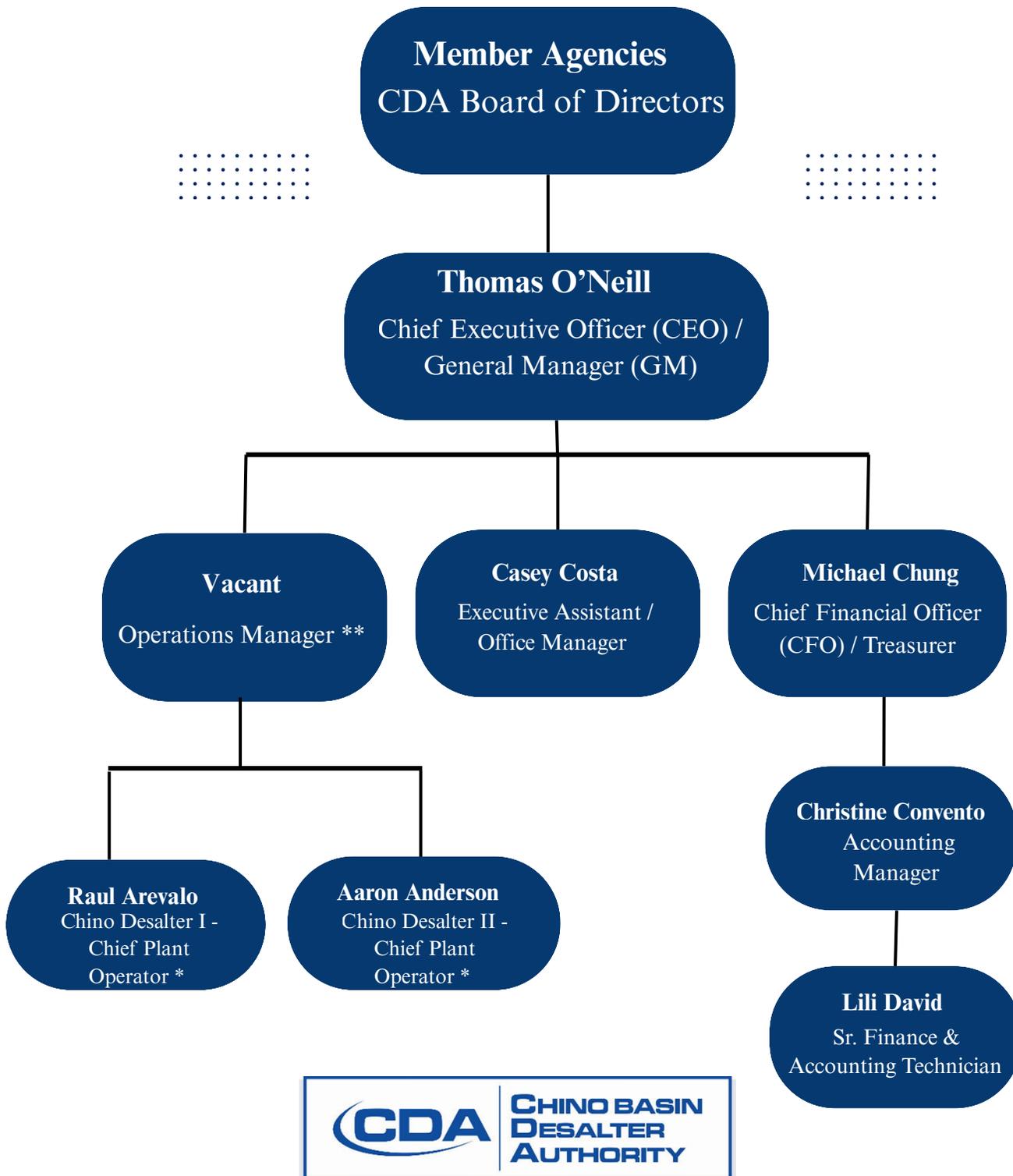
Respectfully submitted,



Michael C. Chung
CFO/Treasurer

FY 2024/2025

ORGANIZATION CHART



*Desalters are operated by Member Agencies

**The Operations Manager is currently classified as inactive



CHINO BASIN DESALTER AUTHORITY

PRINCIPAL OFFICIALS

JUNE 30, 2025

BOARD OF DIRECTORS

Curtis Burton, City of Chino

Peter Rogers, City of Chino Hills

Ken McLaughlin, Jurupa Community Services District

Jim Bowman, City of Ontario

Greg Newton, City of Norco

Steven Elie, Inland Empire Utilities Agency

Frank Abacherli, Santa Ana River Water Company

Laura Roughton, Western Municipal Water District

OFFICERS OF THE AUTHORITY

Peter Rogers, Chairperson

Greg Newton, Vice Chairperson

Casey Costa, Board Secretary

Thomas O'Neill, General Manager/CEO

Michael Chung, Treasurer / CFO

LEGAL COUNSEL

Allison E. Burns, Deputy General Counsel





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Chino Basin Desalter Authority
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO



Independent Auditor's Report

To the Board of Directors
Chino Basin Desalter Authority
Ontario, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities for Chino Basin Desalter 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 referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America and State Controller's *Minimum Audit Requirements for California Special Districts*.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*) and the State Controller's *Minimum Audit Requirements for California Special Districts*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 *required supplementary information, as listed in the table of contents* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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 November 13, 2025 on our consideration of 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 the Authority'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 Authority's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
November 13, 2025



***CHINO BASIN DESALTER AUTHORITY (CDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)***

For the Fiscal Year Ended June 30, 2025 (with comparative information for Fiscal Year 2023/24)

The Management's Discussion and Analysis (MD&A) provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2025. It offers readers a clear, concise, and objective summary of the Authority's financial performance and position, highlighting key factors that influenced changes in net position, operating and non-operating results, and capital activity. Readers are encouraged to review this section in conjunction with the transmittal letter and the accompanying Basic Financial Statements for a comprehensive understanding of the Authority's financial condition.

The MD&A has been reorganized to enhance clarity and align more closely with upcoming financial reporting standards that will take effect in the next fiscal year. While these standards have not yet been implemented, the revised structure is intended to improve transparency and readability.

Reader's Guide & How to Use this MD&A

This MD&A is designed to assist both non-accounting and technical readers in understanding the CDA's financial results and overall condition for Fiscal Year 2024/25 (FY25). It should be read in conjunction with the Basic Financial Statements, the Notes to the Financial Statements, and the Statistical Section of this Annual Comprehensive Financial Report (ACFR).

The MD&A provides an analytical overview of financial activities, explaining both the extent of year-over-year changes and the key factors driving those changes. Additional trend data on revenues, expenses, capital investments, debt, production, and demographic indicators can be found in the Statistical Section, which supports the key trends discussed in this MD&A.

Key terms:

- **AF** – Acre-foot of water (~325,851 gallons).
- **O&M Assessments** – Assessments billed to member agencies to fund operations & maintenance.
- **Fixed Project/Capital Assessments** – Assessments billed to fund capital projects and debt service.
- **MWD Local Resource Program Subsidy (LRP)** – Metropolitan Water District (MWD) incentive payments tied to eligible water deliveries; CDA passes these resources back to member agencies.

Entity Overview and Basis of Presentation

The Chino Basin Desalter Authority (CDA) is a California Joint Exercise of Powers Authority formed to provide a reliable, high-quality water supply through the treatment of groundwater extracted from the Chino Groundwater Basin. The treated water is distributed to CDA's member agencies. As a business-type entity, the Authority prepares its financial statements in accordance with the economic resources measurement focus and the full accrual basis of accounting, consistent with the standards applicable to enterprise funds under generally accepted accounting principles (GAAP). Under this method, all assets and liabilities both current and noncurrent are reported, and revenues are recognized when earned while expenses are recorded when incurred, regardless of the timing of related cash flows. This basis of accounting provides a comprehensive view of the Authority's financial position and operating results and supports effective management and fiscal accountability.

The financial statements for the fiscal year ended June 30, 2025, reflect twenty-three years of operations for the Chino Desalter No. I facility and eighteen years for the Chino Desalter No. II facility.

Components of the Annual Comprehensive Financial Report (ACFR)

The ACFR includes the following components:

- **Independent Auditor's Report** – Provides the external auditor's opinion on the fair presentation of the financial statements.
- **Management's Discussion and Analysis (MD&A)** – Offers an objective narrative overview and analysis of the Authority's financial performance for the fiscal year.
- **Basic Financial Statements**
 - *Statement of Net Position* – Presents a snapshot of the Authority's financial position, including assets, deferred outflows, liabilities, deferred inflows, and net position.
 - *Statement of Revenues, Expenses, and Changes in Net Position* – Reports all operating and nonoperating revenues and expenses, as well as changes in net position for the fiscal year.
 - *Statement of Cash Flows* – Summarizes cash inflows and outflows categorized by operating, noncapital financing, capital and related financing, and investing activities.
- **Notes to the Financial Statements** – Provide essential disclosures and further detail related to accounting policies, capital asset activity, long-term debt, and other financial commitments.
- **Statistical Section** – Offers additional data and historical trends relevant to understanding the financial and operational context of the Authority.

Because the Chino Basin Desalter Authority operates exclusively as a business-type activity, the enterprise fund financial statements serve as both the fund-level and government-wide financial reporting presentation in accordance with GAAP

Financial Summary – Condensed Comparative Financial Information

The table below summarizes CDA’s Statement of Net Position and Statement of Revenues, Expenses & Changes in Net Position for Fiscal Year 2024/25 (FY25) with comparative Fiscal Year 2023/24 (FY24) amounts. Dollar and percentage changes are shown to highlight year-over-year trends.

	2024/25	2023/24	Increase/(Decrease) from 2023/24	%
Current unrestricted assets	\$ 31,600,756	\$ 12,766,198	\$ 18,834,558	147.5%
Current restricted assets	3,142,290	3,007,809	134,481	4.5%
Capital assets	253,334,272	258,380,678	(5,046,406)	-2.0%
Other assets	8,572,563	19,344,671	(10,772,108)	-55.7%
Total assets	296,649,881	293,499,356	3,150,525	1.1%
Total deferred outflows of resources	2,541,946	2,796,141	(254,195)	-9.1%
Current liabilities	16,076,437	14,108,332	1,968,105	13.9%
Noncurrent liabilities	42,844,272	46,830,906	(3,986,634)	-8.5%
Total liabilities	58,920,709	60,939,238	(2,018,529)	-3.3%
Net Investment in capital assets	209,572,301	211,036,843	(1,464,542)	-0.7%
Unrestricted	30,698,817	24,319,416	6,379,401	26.2%
Total net position	<u>\$ 240,271,118</u>	<u>\$ 235,356,259</u>	<u>\$ 4,914,859</u>	<u>2.1%</u>
Operating revenues	\$ 38,015,592	\$ 75,154,192	\$ (37,138,600)	-49.4%
Operating expenses	(42,429,294)	(80,221,359)	37,792,065	-47.1%
Other nonoperating revenue (expenses)	9,569,577	9,092,273	477,304	5.2%
Interest on long-term debt	(1,570,471)	(1,731,867)	161,396	-9.3%
Prior year annual reconciliation	(955,911)	(385,646)	(570,265)	147.9%
Change in net position prior to capital contributions	2,629,493	1,907,593	721,900	37.8%
Capital grants	634,355	508,474	125,881	0.0%
Contributed expansion costs from Sponsors agencies	-	449,230	(449,230)	-100.0%
Contributed South Archibald Plume Project costs	1,651,011	398,142	1,252,869	314.7%
Total capital contributions	2,285,366	1,355,846	929,520	68.6%
Change in net position	4,914,859	3,263,439	1,651,420	50.6%
Beginning net position	235,356,259	240,498,153	(5,141,894)	-2.1%
Prior Period Adjustments	-	(8,405,333)	(8,405,333)	100.0%
Total net position - beginning	235,356,259	232,092,820	3,263,439	1.4%
Ending net position	<u>\$ 240,271,118</u>	<u>\$ 235,356,259</u>	<u>\$ 4,914,859</u>	<u>2.1%</u>

Detailed Analyses

Key Factors Affecting Fiscal Year 2025 Financial Position and Operating Results

This section discusses the most significant elements contributing to the changes in CDA's financial position and operating results between FY24 and FY25:

Total Current Unrestricted Assets Increased by \$19M (147.5%)

The overall increase is driven primarily by the reclassification of \$14.9 million from long-term to short-term investments that had been reported as long-term in FY 2023/24. In addition, cash and investments rose by approximately \$6.6 million, largely due to the timing of member agency assessments and advances from San Bernardino County. These increases were partially offset by project expenditures, routine operating and capital outlays, and the combined net effect of annual member agency assessments, investment activity, and related interest earnings. Also contributing is an estimated \$1.0 million increase associated with the Metropolitan Water District Local Resources Program (LRP) subsidy, reflecting a higher computed allowable yield rising from 24,776.9 AF to 34,424 AF at \$102 per AF (approximately +\$0.98 million).

Total Capital Asset Decrease by \$5M (-2%)

The overall decline in capital assets was driven primarily by the recognition of current-year depreciation expense totaling \$9.1 million, which reduced the net book value of existing assets. This decrease was partially offset by current-year investments in capital improvements, including fixed asset acquisitions and additions to construction in progress, reflecting the Authority's continued reinvestment in its infrastructure to support long-term reliability and operational capacity.

Total Other Asset Decreased by \$11M (-55.7%)

The decrease is primarily the result of the reclassification of long-term investments reported in FY 2023/24 to short-term investments in the current fiscal year. This decline was partially offset by the Authority's current-year purchases of additional investments, including medium-term notes and government securities. These changes are consistent with the Authority's investment strategy, which emphasizes prudent liquidity management while ensuring compliance with the Investment Policy and applicable state regulations.

Detailed Analyses (continued)

Key Factors Affecting Fiscal Year 2025 Financial Position and Operating Results (continued)

Total Current Liabilities Increased by \$2M (13.9%)

The increase is primarily attributable to higher advances to San Bernardino County under Contract Amendment No. 19-678-A2 to fund SCADA programming, DDW 97-005 permit compliance, and related engineering services, as well as the pending annual Operations and Maintenance reconciliation that remains subject to the County’s approval for refund. The increase also reflects higher accounts payable of approximately \$223K related to current-year expenses and a rise in the current portion of long-term debt due within one year in accordance with the established repayment schedule. In addition, the Metropolitan Water District Local Resources Program (LRP) contribution to member agencies increased by about \$1.0 million, driven by a higher allowable yield—up 9,647.1 acre-feet at \$102 per AF (approximately \$0.98 million).

Total Non-Current Liabilities Decreased by \$4 Million (-8.5%)

Current liabilities decreased by \$4.0 million, primarily reflecting a \$3.9 million reduction consistent with scheduled debt service payments on the 2016A Revenue Refunding Bonds.

Total Operating Revenue & Expense Decreased by \$37M (-49.4%) & \$38M (-47.1%), respectively

The decrease in operating revenues in Fiscal Year 2024/25 is primarily attributable to a change in financial reporting presentation. During the reporting period, the Authority discontinued its previous practice of reporting the Chino Basin Watermaster Groundwater Replenishment Credit as both an operating revenue and a corresponding operating expense. Additional information is provided in Note 11 to the financial statements, and the effect on current-year results is discussed further in this Management’s Discussion and Analysis section.

Excluding this reporting change, CDA’s operations and maintenance assessments have remained stable over the past decade, increasing from approximately \$17 million in FY 2016 to \$35 million in FY 2025, driven by consistent production levels and steady demand from member agencies. Operating expenses have followed similar trends, reflecting fluctuations in energy and chemical costs, as well as production levels. *(See Statistical Section – Historical Operating Results, Page 53.)*

The Authority’s revenue composition continues to be primarily supported by O&M assessments, MWD LRP pass-through subsidies, and fixed capital assessments. This stable and diversified revenue base provides a reliable foundation for capital reinvestment, reserve funding, and long-term financial sustainability. *(See Statistical Section – Revenues by Source, Page 56.)*

Detailed Analyses (continued)

Key Factors Affecting Fiscal Year 2025 Financial Position and Operating Results (continued)

Capital Contributions Increased by \$1M (68.6%)

During this period, the Authority received \$634,355 in State Grants, \$1,651,011 in contributions for the South Archibald Plume Project, with total capital contributions reaching \$2,285,366. The increase reported in the prior fiscal year was largely attributable to significant one-time contributions related to the South Archibald Plume Project, specifically for the construction of the Well I-11 Booster Pump Station. As of June 30, 2025, the project had reached substantial completion, with approximately 98.1% of work finalized.

Net Position Increased by \$5M (2.1%)

The change in net position for the fiscal year is primarily attributable to the Board's approval to reallocate \$5M, resulting from the annual reconciliation of costs for FY 2023/24 and Proposition 68 grant funds, into the Authority's reserves pursuant to the revised Reserve Policy adopted on May 1, 2025. This reallocation increased the balance of the Specific Capital Expenditures Reserve designated for the construction of the new Chino II Well, ensuring that sufficient resources are available to support future capital investments and long-term infrastructure needs. This action strengthened the Authority's financial position by enhancing reserve levels and contributed to the reported increase in net position for the year.

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Detailed Analyses (continued)

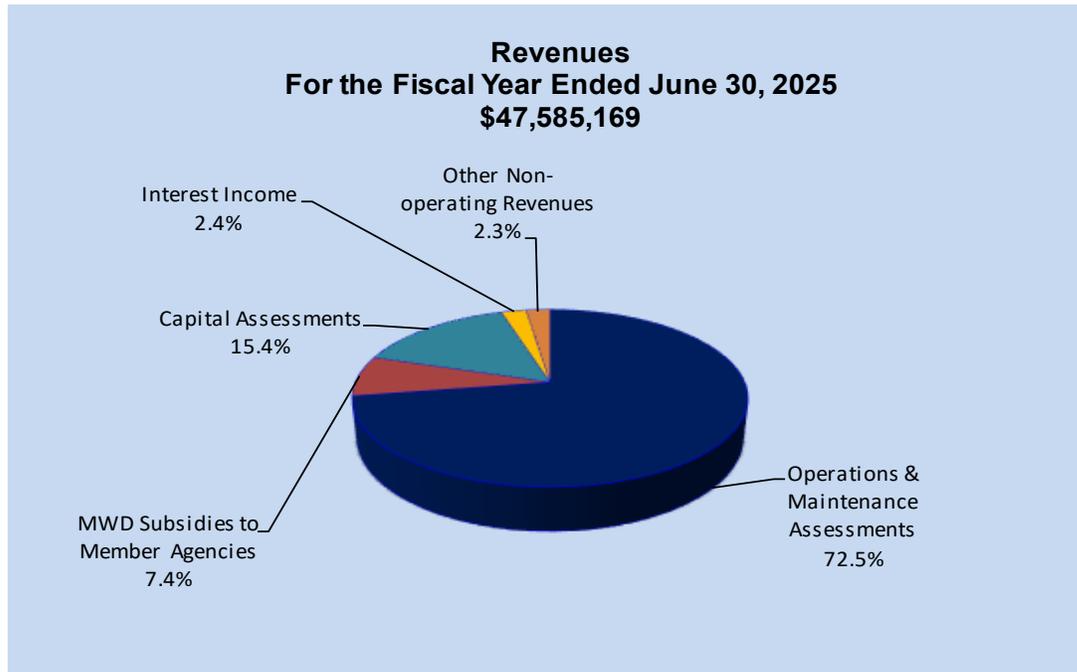
Key Factors Affecting Fiscal Year 2025 Financial Position and Operating Results (continued)

Revenues

Total revenues for the Fiscal Year ended June 30, 2025, amounted to \$47.6M. The following table presents revenue by category.

Revenue by Category
For the Fiscal Year Ended June 30, 2025
(With Comparative Totals for the Fiscal Year Ended June 30, 2024)

Revenue Category	2024/2025		2023/2024		Increase/<Decrease> from 2023/2024	
	Amount	% Of Total	Amount	% Of Total	Amount	% Of Change
Operations & Maintenance Assessments	\$ 34,504,344	72.5%	\$ 34,027,504	40.4%	\$ 476,840	1.4%
MWD Subsidies to Member Agencies	3,511,248	7.4%	2,527,240	3.0%	984,008	38.9%
Groundwater Replenishment Credit	-	0.0%	38,599,448	45.8%	(38,599,448)	(100.0%)
Capital Assessments	7,305,880	15.4%	7,805,268	9.3%	(499,388)	(6.4%)
Interest Income	1,150,920	2.4%	770,362	0.9%	380,558	49.4%
Other Non-operating Revenues	1,112,777	2.3%	516,643	0.6%	596,134	115.4%
Total Revenues	\$ 47,585,169	100.0%	\$84,246,465	100.0%	\$ (36,661,296)	(43.5%)



Operations and maintenance assessments to member agencies for the fiscal year ended June 30, 2025, totaled \$35,504,344, reflecting an increase of \$477K (1.4%) compared to the prior fiscal year. The increase was primarily driven by higher budget allocations for utilities and outside labor costs, partially offset by lower budget allocations for chemicals.

Detailed Analyses (continued)

Key Factors Affecting Fiscal Year 2025 Financial Position and Operating Results (continued)

Revenues (continued)

For fiscal year 2024/25, the Metropolitan Water District (MWD) subsidy was estimated at \$3.5 million, reflecting an increase in the allowable yield from 24,776.9 acre-feet to 34,424 acre-feet at a rate of \$102 per acre-foot. This subsidy is recorded as both a revenue and a corresponding expense of the Authority, as it is fully passed through to the member agencies. The calculation is prepared and submitted by the Inland Empire Utilities Agency (IEUA) to MWD, with final approval and disbursement determined solely by MWD. Accordingly, the Authority has no discretion over the subsidy amount reported.

Capital assessments totaled \$7,305,880, an increase of \$500K (6.4%) from the prior year, due to additional funding requirements for both existing and new capital projects. Interest income increased by \$381K, reflecting higher interest rates during the fiscal year and additional funds deposited into the Authority's reserves. Other non-operating revenues amounted to \$1,112,777, representing a significant increase of \$596K from the previous year, primarily due to market value adjustments on investments and the scheduled amortization of deferred financing costs.

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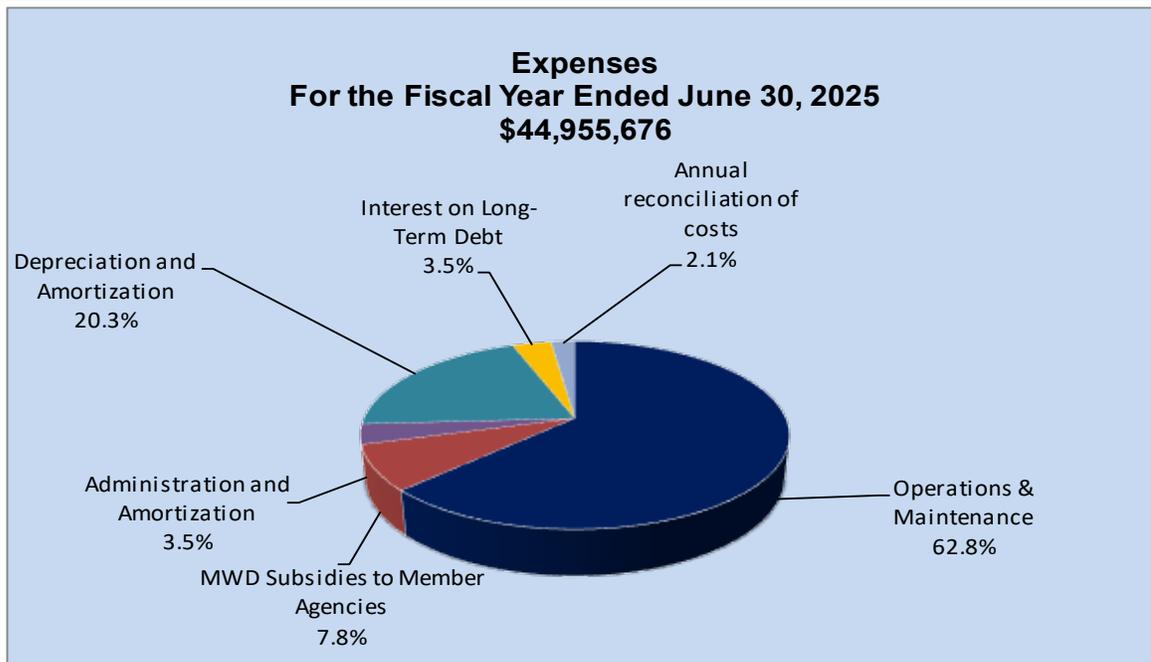
Detailed Analyses (continued)

Key Factors Affecting Fiscal Year 2025 Financial Position and Operating Results (continued)

Expenses

Total expenses for the Fiscal Year ended June 30, 2025, were \$45M. The following table presents expenses by category compared to the previous Fiscal Year.

Expense Category	2024/2025		2023/2024		Increase/<Decrease> from 2023/2024	
	Amount	% Of Total	Amount	% Of Total	Amount	% Of Change
Operations & Maintenance	\$ 28,219,755	62.8%	\$ 28,782,457	35.0%	\$ (562,702)	(2.0%)
MWD Subsidies to Member Agencies	3,511,248	7.8%	2,527,240	3.1%	984,008	38.9%
Groundwater Replenishment	-	0.0%	38,599,448	46.9%	(38,599,448)	(100.0%)
Administration and Amortization	1,554,291	3.5%	1,489,420	1.8%	64,871	4.4%
Depreciation and Amortization	9,144,000	20.3%	8,822,794	10.7%	321,206	3.6%
Interest on Long-Term Debt	1,570,471	3.5%	1,731,867	2.0%	(161,396)	(9.3%)
Annual reconciliation of costs	955,911	2.1%	385,646	0.5%	570,265	147.9%
Total Expenses	\$ 44,955,676	100.0%	\$ 82,338,872	100.0%	\$ (37,383,196)	(45.4%)



Detailed Analyses (continued)

Key Factors Affecting Fiscal Year 2025 Financial Position and Operating Results (continued)

Expenses (continued)

Operational and maintenance expenses decreased by \$562K or 2%, compared to the prior fiscal year. The decrease was primarily attributable to lower chemical costs, as the Authority went out to bid for its chemical supply contracts during the fiscal year, securing more favorable pricing compared to the elevated levels experienced during the COVID-19 period. In addition, no resin replacement costs were incurred in fiscal year 2024/25, whereas such costs were posted in fiscal year 2023/24. These savings were partially offset by higher expenditures in other categories. Maintenance costs increased due to well and pump motor repairs required for aging infrastructure, while materials and supplies rose as a result of one-time purchases of high-value replacement parts for essential equipment. Labor expenses also grew under the terms of the new Memorandum of Understanding with the Inland Empire Utilities Agency (IEUA), which serves as the contract operator for the Chino I facility. Taken together, the expense trends highlight the combined impact of competitive bidding, which provided cost relief, balanced against necessary increases in labor, supplies, and maintenance to ensure continued operational reliability and sustain long-term performance of CDA's facilities. The favorable pricing secured through the chemical bid process is expected to continue providing savings into fiscal year 2025/26.

In addition, interest payments on long-term debt decreased by 9.3%, or \$161K, consistent with the debt service schedule for the 2016A Revenue Refunding Bonds.

Administration and general expenses increased by \$65K, or 4.4 percent, compared to the prior fiscal year. The increase was primarily attributable to higher property insurance costs, reflecting both rate adjustments and the addition of newly insured assets. In addition, retirement benefit costs rose following an increase in the employer contribution rate from 20 percent to 25 percent effective February 6, 2025, along with the reclassification of a part-time position to full-time. CDA reports as a single enterprise (business-type) activity; therefore, "major fund" discussion focuses on the primary enterprise fund and significant internal activity categories that drive member assessments.

Operations & Maintenance Program

O&M assessments increased 1.4% in fiscal year 2024/25 to maintain service levels amid rising energy costs and the ongoing maintenance needs of aging assets. Power and chemical costs continue to be the Authority's most significant variable expenses, as both fluctuate directly with water production levels. Electricity costs decreased slightly compared to the prior year, reflecting consistent usage levels and incremental efficiency measures that helped offset the impact of higher underlying rates. Chemical costs also declined after the Authority went out to bid for supply contracts and secured more favorable pricing compared to the elevated levels experienced during the COVID-19 period.

Detailed Analyses (continued)

Fund-Level Highlights for Enterprise Activities (continued)

Water Production and Delivery

In the fiscal year ended June 30, 2025, the Authority delivered a total of 36,543.4 acre-feet (AF) of product water, marking the fifth consecutive year in which the 35,200 AF production target was achieved. Distribution among member agencies was as follows in AF: City of Chino (5,160.3), City of Chino Hills (4,319.7), City of Norco (1,061.9), City of Ontario (8,960.2), Santa Ana River Water Company (1,255.8), Jurupa Community Services District (12,143.9), and Western Municipal Water District (3,641.7). Additional historical production data is provided in the Statistical Section of this report.

Capital & Fixed Project

Targeted capital and maintenance projects were completed during the reporting period to address asset condition risks, improve operational reliability, and extend the useful life of critical infrastructure. At Chino I, these projects included additional internal coating repairs and inspection of manway, pump analysis and upgrades under the clean-in-place program, end-user pump station repairs, and a PACSCAN control upgrade to enhance valve automation. At Chino II, efforts focused on improving system efficiency through lighting upgrades at the Concentrate Reduction Facility (CRF), a chemical optimization study, coating of ion exchange vessels and brine tanks, and the replacement of chlorine pump skids. In addition, a cybersecurity project for Chino II's operational systems is currently underway to strengthen network security and protect critical infrastructure.

Collectively, these efforts reflect CDA's strategy to balance cost recovery with proactive maintenance. They are expected to moderate unplanned outages, support system reliability, and reduce operating risk. Looking ahead, similar asset preservation and efficiency projects are anticipated to continue into fiscal year 2025/26 and beyond, aligning with the Authority's long-term focus on sustaining reliable operations while managing cost variability.

Significant Capital Asset & Long-Term Financing Activity

Capital Assets

CDA has maintained a consistent long-term investment program over the past decade, with net investment in capital assets increasing from \$169.9 million in FY 2016 to \$209.6 million in FY 2025. This steady growth reflects ongoing infrastructure reinvestment in the Chino I and II facilities and related distribution assets. (*See Statistical Section – Net Position by Component, Page 54*).

Significant Capital Asset & Long-Term Financing Activity (continued)

Capital Assets (continued)

On June 30, 2025, the Authority's total capital assets were approximately \$354.9M, with accumulated depreciation of \$101.5M, resulting in net capital assets of \$253.3M. Construction in progress totaled \$29.1M, primarily related to the South Archibald Plume Cleanup Project (~\$26 M), with the remaining \$3.1M reflecting ongoing improvements at both Chino I and Chino II facilities. The increase in construction in progress underscores the Authority's continued investment in long-term reliability and regulatory compliance.

Selected Fiscal Year 2024/25 Capital Work (Closed)

- Chino I Additional Internal Manways Coating & Inspection
- Chino I Clean-In-Place Pump Analysis
- Chino I End User Pump Station Repairs
- Chino I PAC Scan Upgrade
- Chino II IX Vessels & Brine Tanks Coating
- Chino II Chlorine Pumps Skids Replacement
- Chino II CRF Lighting Upgrades
- Chino II Chemical Optimization Study

In-Progress / FY25 Focus Items

- Chino I Chemical Room Coating & Rehabilitation
- Chino I Containment & Exterior Coating
- Chino II Lime Tank Improvements
- Chino II Pellet Reactor Re-coating
- Chino II New Well Construction

Long-Term Financing Activity

As of June 30, 2025, the Authority's long-term debt obligations consisted solely of the 2016A Desalter Revenue Refunding Bonds, originally issued to refinance the 2008A Bonds, obtain a debt service reserve surety, and achieve net present value savings of approximately \$9.8M while maintaining the original June 2035 maturity date. The Authority's outstanding 2016A Revenue Bonds have declined steadily in line with scheduled principal amortization, reducing total debt from \$67.1 million in FY 2016 to \$41.8 million in FY 2025. (See *Statistical Section – Debt Service Payment Schedule, Page 58*).

Significant Capital Asset & Long-Term Financing Activity (continued)

Long-Term Financing Activity (continued)

Principal payments totaled \$3.4 million on June 1, 2025, consistent with the scheduled amortization from the prior year. The next principal payment of \$3.5 million is scheduled for June 1, 2026. Interest expense for FY 2024/25 was approximately \$1.6 million, which is in line with the Authority's declining debt service schedule as outstanding principal continues to be repaid.

In addition to its long-term revenue bond obligations, the Authority reported a lease payable of approximately \$165,855 and a subscription payable of \$58,815 as of June 30, 2025, representing long-term commitments. No new long-term debt was issued during the fiscal year. CDA continues to monitor capital financing needs and debt capacity as part of its multi-year financial planning process.

Change in Reporting Treatment of Groundwater Replenishment Credit

In fiscal year 2024/25, the Authority revised its financial reporting to discontinue recognizing the Groundwater Replenishment Credit as both an operating revenue and a matching expense. Because the Authority does not receive or control the related resources, the activity is no longer included in the enterprise fund financial statements.

Because this is a change in financial statement presentation, it was applied prospectively in accordance with GASB Statement No. 100, Accounting Changes and Error Corrections. The change has no impact on net position or cash flows but does affect the comparability of operating revenues and expenses between fiscal years. This change is discussed in detail in Note 11 to the financial statements.

Currently Known Facts, Decisions, or Conditions

The following items were known to management as of the date of issuance of the FY2024/25 financial statements and are expected to materially influence CDA's future financial position or operating results:

Regional Growth and Water Demand

The Inland Empire continues to experience strong economic activity, particularly in the logistics and healthcare sectors, which remain leading drivers of job growth. Sustained population increases, supported by relatively more affordable housing compared to coastal markets, continue to bolster water demand among CDA's member agencies. In FY 2024/25, CDA delivered 36,543.4 acre-feet of water, achieving its 35,200 AF target for the fifth consecutive year. As shown in the Statistical Section (Page 61), CDA has maintained the required production levels of 35,200 AF over the past five years, demonstrating both the reliability of its treatment facilities and stable regional demand. This trend is expected to continue, supporting predictable operating revenues in future years.

Currently Known Facts, Decisions, or Conditions (continued)

Regional Growth and Water Demand

The member agency service area now encompasses more than 1.6 million residents, with Western Municipal Water District accounting for approximately 63% of the population base. This demographic stability provides a strong foundation for sustained water demand and long-term financial planning. (See *Statistical Section – Population Served by Member Agencies, Page 62*).

Inflationary Cost Environment

Prices for electric power, treatment chemicals, critical materials, and specialized components continue to reflect inflationary pressures, supply chain constraints, and international tariffs. Notable increases have occurred in items such as membranes, resins, valves, and imported equipment, where global sourcing challenges and new import duties have raised procurement costs. While overall inflation has moderated, energy services and specialty chemicals remain elevated, reinforcing the need for active cost management. To mitigate these pressures, CDA employs strategies such as cooperative purchasing with regional partners, bulk procurement of high-turnover supplies, and timing purchases to align with favorable market conditions.

Labor Market & Contracted Compensation Pressures

CDA contracts operations of its facilities to the Inland Empire Utilities Agency (IEUA) for Chino I and to the Jurupa Community Services District (JCSD) for Chino II. In fiscal year 2024/25, both agencies implemented regional compensation adjustments in response to competitive labor market conditions. These adjustments were reflected in higher labor billings to CDA and contributed to upward pressure on O&M expenses (see Operations and Maintenance Program discussion). As labor for plant operations is provided through these contract agencies, the adjustments do not affect CDA's own staffing levels but are passed through via contract costs. Similar labor market factors may result in additional adjustments in future periods. Management will continue to monitor these trends and coordinate with contract operators to ensure costs remain aligned with service needs and financial planning.

Insurance Market Tightening

Property and liability insurance premiums increased slightly in fiscal year 2024/25 and are expected to remain elevated due to broader market conditions. The Authority continues to ensure compliance with ACWA JPIA requirements and coverage standards, maintaining adequate protection of its assets and operations. Looking ahead, insurance costs are expected to remain a pressure point in fiscal year 2025/26, reflecting continued firm market rates.

Capital Execution & Funding Outlook

CDA initiated construction of a new production Chino II Well to enhance long-term water supply reliability. The project is funded by a \$10 million restricted capital reserve, with design scheduled for completion in fiscal year 2025/26. As a multi-year undertaking, the well is expected to take approximately five years to complete.

PFAS Litigation and Treatment Mitigation

CDA is eligible to receive a portion of the 3M Public Water System (PWS) Settlement for PFAS-related contamination. Although no cash has been received as of June 30, 2025, a payout schedule has been confirmed, with disbursements expected to begin in FY2025/26 and continue over multiple years.

GASB Standards Implementation Horizon

The Governmental Accounting Standards Board (GASB) continues to issue new standards that will shape the presentation of financial information in the coming years. CDA has already implemented GASB Statement No. 101 (*Compensated Absences*) and adopted GASB Statement No. 102 (*Certain Risk Disclosures*). For the current reporting period, no disclosures are required under GASB 102 because the Authority does not have risk events that meet the reporting criteria. Looking ahead, GASB Statement No. 103 (*Financial Reporting Model Improvements*) and GASB Statement No. 104 (*Disclosure of Certain Capital Assets*) will become effective in fiscal year 2025/26.

While the Authority is still evaluating the precise financial reporting impact of these standards, they are not expected to materially affect CDA's underlying economic position. Instead, the changes will primarily influence the presentation and disclosure of financial information. CDA has begun planning efforts, including coordination with auditors and staff training, to ensure timely compliance. The Authority also continues to monitor GASB projects on revenue and expense recognition, infrastructure assets, and going concern disclosures, which may affect reporting in future years.

Contacting CDA Financial Management

This financial report aims to offer a comprehensive view of the Chino Basin Desalter Joint Exercise of Powers Authority's financial situation. It is a resource for various stakeholders, including the Authority's members, citizens, customers, investors, and creditors. Through this report, the Authority aims to provide transparency regarding its financial activities and demonstrate its responsibility in managing the revenues it receives.

If you have any questions or require further financial details, please do not hesitate to reach out to the Authority's Treasurer at the following address:

*Chino Basin Desalter Authority - Treasurer's Office
3550 E. Philadelphia, Suite 170
Ontario, CA 91761*

The Treasurer's office will be able to assist with any questions or requests for additional financial information you may have.



CHINO BASIN DESALTER AUTHORITY (CDA) OVERVIEW OF THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

The Authority's financial report consists of two main components: Management's Discussion and Analysis (MD&A) and the Basic Financial Statements (including accompanying Notes). The MD&A is presented as required supplementary information and provides a narrative introduction and analysis of the Authority's financial activities, offering context to the financial statements that follow.

The Basic Financial Statements present the Authority's financial position and operating results and are prepared using the economic resources measurement focus and the full accrual basis of accounting, consistent with enterprise fund reporting. The Basic Financial Statements include:

- Statement of Net Position – Reports the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and resulting net position, providing a snapshot of the Authority's financial standing at year-end.
- Statement of Revenues, Expenses, and Changes in Net Position – Presents all revenues and expenses for the year, distinguishing between operating and nonoperating categories, and shows how these activities affected the Authority's net position.
- Statement of Cash Flows – Summarizes the Authority's cash inflows and outflows from operating, noncapital financing, capital and related financing, and investing activities, and displays the Authority's cash position at fiscal year-end.
- Notes to the Basic Financial Statements – Provide additional details and explanations essential for a complete understanding of the Basic Financial Statements, including significant accounting policies, capital asset and debt activity, and other required disclosures.

Together, the MD&A, the Basic Financial Statements, and the accompanying Notes provide both a broad overview and detailed information on the Authority's financial condition and performance.



CHINO BASIN DESALTER AUTHORITY
Statement of Net Position
Fiscal Year Ended June 30, 2025

	<u>2025</u>
ASSETS	
Current assets	
Unrestricted current assets	
Cash & investments (Note 2)	\$ 27,886,457
Accounts receivable (Note 3)	3,708,119
Deposits	6,180
Total unrestricted current assets	<u>31,600,756</u>
Restricted current assets	
Cash & investments held for Expansion project (Note 2 & 4)	881,045
Cash & investments held for South Archibald Plume project (Note 2 & 4)	2,261,245
Total restricted current assets	<u>3,142,290</u>
Total current assets	<u>34,743,046</u>
Noncurrent assets	
Unrestricted noncurrent assets	
Long term investments (Note 2 & 4)	8,507,254
Total restricted noncurrent assets	<u>8,507,254</u>
Capital assets (Note 7)	
Land	4,380,071
Capital projects in progress	29,149,948
Capital assets being depreciated, net of accumulated depreciation	210,099,602
Intangible assets, net of accumulated amortization	9,704,651
Total capital assets	<u>253,334,272</u>
Other assets	
Prepaid bond insurance	65,309
Total other assets	<u>65,309</u>
Total noncurrent assets	<u>261,906,835</u>
Total assets	<u>296,649,881</u>
Deferred outflows of resources	
Deferred amount on debt refunding	2,541,946
Total deferred outflows of resources	<u>\$ 2,541,946</u>

The accompanying notes are an integral part of the basic financial statements

	<u>2025</u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 4,612,652
Accrued liabilities	32,717
Compensated absences - current payable (Note 9)	35,150
MWD contribution due to member agencies	3,511,248
Retentions payable	89,189
Long-term debt, due within one year (Note 9)	3,540,000
Interest payable	118,001
Phase 3 Expansion Sponsor deposit	517,799
South Archibald Plume deposit	2,253,451
Advances from San Bernardino County	1,307,633
Liability for leasing agreements - due within one year (Note 9)	29,679
Subscription liability - due within one year (Note 9)	28,918
Total current liabilities	<u>16,076,437</u>
Total current liabilities	<u>16,076,437</u>
Noncurrent liabilities	
Long-term debt, due in more than one year (Note 9)	42,539,247
Compensated absences payable (Note 9)	138,952
Liability for subscription (Note 9)	29,897
Liability for leasing agreements (Note 9)	136,176
Total noncurrent liabilities	<u>42,844,272</u>
Total liabilities	<u>58,920,709</u>
NET POSITION	
Net investment in capital assets	209,572,301
Unrestricted	<u>30,698,817</u>
Total net position	<u>\$ 240,271,118</u>

The accompanying notes are an integral part of the basic financial statements

CHINO BASIN DESALTER AUTHORITY
Statement of Revenues, Expenses and
Changes in Net Position
Fiscal Year Ended June 30, 2025

	<u>2025</u>
OPERATING REVENUES	
Operations and maintenance assessments	\$ 34,504,344
MWD contribution revenue	<u>3,511,248</u>
Total operating revenues	<u>38,015,592</u>
OPERATING EXPENSES	
Operations and maintenance	28,219,755
MWD contributions to member agencies	3,511,248
Administration and general	1,554,291
Depreciation and amortization	<u>9,144,000</u>
Total operating expenses	<u>42,429,294</u>
Operating Loss	<u>(4,413,702)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	1,150,920
Fixed project/capital assessments	7,305,880
Other nonoperating revenue (expenses)	1,112,777
Interest on long-term debt	(1,570,471)
Annual reconciliation of costs	<u>(955,911)</u>
Total nonoperating revenues (expenses)	<u>7,043,195</u>
(Loss) / gain before contributions	<u>2,629,493</u>
CAPITAL CONTRIBUTIONS	
Capital grants	634,355
Contributed capital for South Archibald Plume Project	<u>1,651,011</u>
Total capital contributions	<u>2,285,366</u>
Change in net position	<u>4,914,859</u>
Total net position - beginning	<u>235,356,259</u>
Total net position - ending	<u><u>\$ 240,271,118</u></u>

The accompanying notes are an integral part of the basic financial statements

CHINO BASIN DESALTER AUTHORITY
Statement of Cash Flows
June 30, 2025

	<u>2025</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 33,538,574
Cash payments to suppliers for goods and services	(24,459,013)
Cash payments for contract labor	<u>(4,373,309)</u>
Net cash provided by operating activities	<u>4,706,252</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(3,191,829)
Fixed project/capital assessments	7,305,880
South Archibald Plume deposit	1,651,011
Advances Received from San Bernardino County	1,338,082
State Capital grant	634,355
Annual reconciliation of project costs	(955,911)
Other Agency Financing Sources	74,375
Other Capital and Related Financing Sources	11,369
Principal paid on capital debt	(3,968,923)
Interest paid on capital debt	<u>(1,570,299)</u>
Net cash provided by capital and related financing activities	<u>1,328,110</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>1,150,920</u>
Net cash provided by investing activities	<u>1,150,920</u>
Net increase in cash and cash investments	7,185,282
Cash and cash investments - beginning	<u>32,350,719</u>
Cash and cash investments - ending	<u><u>\$ 39,536,001</u></u>

The accompanying notes are an integral part of the basic financial statements

	<u>2025</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES	
Operating Loss	\$ (4,413,702)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation and amortization	9,144,000
(Increase) decrease in operating assets	
Accounts receivable	(1,017,064)
Increase (decrease) in operating liabilities	
Accounts payable and other liabilities	196,323
MWD rebates due to member agencies	969,432
Retentions payable	51,294
Accrued liabilities	<u>(224,031)</u>
Net cash provided by operating activities	<u>\$ 4,706,252</u>

RECONCILIATION OF CASH & CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION

Cash & cash investments at end of year	<u>\$ 39,536,001</u>
Total cash and cash investments	<u>\$ 39,536,001</u>
Unrestricted current cash & investments	\$ 27,886,457
Restricted current assets held for expansion project	881,045
Restricted current assets held for south archibald plume project	2,261,245
Long-term investment held with trustee/fiscal agent	8,507,254
Total cash, investments and restricted assets	<u>\$ 39,536,001</u>

NONCASH CAPITAL, FINANCING, AND INVESTING ACTIVITIES

	<u>2025</u>
Change in fair value of long term investments	\$ (164,975)
Intangible Lease Building	10,178
Subscription-Based Information Technology Arrangements (SBITA)	8,793
Total noncash capital, financing, and investment activities	<u>\$ 183,946</u>

The accompanying notes are an integral part of the basic financial statements



CHINO BASIN DESALTER AUTHORITY

INDEX OF NOTES OF FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Note 1 Reporting Entity and Summary of Significant Accounting Policies	26
Note 2 Cash and Investments.....	32
Note 3 Account Receivable	39
Note 4 Restricted Assets	39
Note 5 Risk Management	40
Note 6 Contingencies	41
Note 7 Changes in Capital Assets	42
Note 8 Construction Commitments	44
Note 9 Long-term Liabilities	45
Note 10 Arbitrage Rebate Obligation	49
Note 11 Groundwater Replenishment Expense/Credits	50
Note 12 Defined Contribution Pension Plan	50
Note 13 Subsequent Events	51

NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2025

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

This note outlines the key accounting principles and policies used in the preparation of the Authority's basic financial statements in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

Description of the Reporting Entity

The Chino Basin Desalter Authority (CDA) is a Joint Exercise of Powers Authority established in September 2001. The CDA consists of several member agencies, including the cities of Chino, Chino Hills, Ontario, and Norco, as well as the Jurupa Community Services District, Santa Ana River Water Company, Western Municipal Water District, and Inland Empire Utilities Agency (IEUA).

CDA is considered a primary government for financial reporting purposes under generally accepted accounting principles (GAAP) and Governmental Accounting Standards Board (GASB) definitions. It is legally and fiscally independent and is not included in the financial statements of any other government. CDA does not have any component units that meet the criteria for inclusion in its financial reporting entity.

The governing authority of CDA is vested in a Board of Directors comprised of eight members, one representative appointed by each participating agency. Seven of the eight directors have voting rights. The IEUA participates as a non-voting ex officio member, pursuant to the terms of the JPA agreement. Voting power is weighted based on each member agency's contractual commitment to purchase product water. A quorum requires the presence of at least five of the seven voting members. The CDA Board appoints a General Manager/Chief Executive Officer to oversee daily operations. The Board also appoints a Secretary and a Treasurer and designates the location of CDA's principal administrative office by resolution.

The Authority's accounting policies strictly adhere to GAAP as applicable to governmental entities and align with all relevant GASB pronouncements.

Fund Accounting

The CDA's resources are allocated to, and accounted for, in one fund classified as an Enterprise Fund.

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

Proprietary Fund Types

Basis of Accounting, Measurement Focus and Enterprise Fund Accounting

The financial activities of the Chino Basin Desalter Authority (CDA) are reported in a single Enterprise Fund, which is used to account for operations that are financed and conducted in a manner similar to private business enterprises. The governing body has determined that the cost of providing goods or services—including depreciation and amortization—should be recovered primarily through user charges and periodic member agency assessments.

The Enterprise Fund is accounted for using the economic resources measurement focus and the full accrual basis of accounting. Under this basis:

Revenues are recognized when earned, and expenses are recognized when incurred, regardless of the timing of related cash flows.

The Statement of Net Position includes all current and noncurrent assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

The difference between total assets and deferred outflows, and total liabilities and deferred inflows, is reported as net position, which is classified as follows:

1. **Net investment in capital assets** – representing the Authority’s capital assets net of accumulated depreciation and related outstanding debt.
2. **Restricted net position** – representing resources subject to externally imposed legal, contractual, or regulatory constraints.
3. **Unrestricted net position** – representing resources that are available for general operational purposes and not subject to external restrictions.

The Statement of Revenues, Expenses, and Changes in Fund Net Position reports all operating and non-operating revenues and expenses. Operating revenues and expenses generally result from providing water treatment and delivery services, while nonoperating items include investment income, interest expense, and capital contributions.

This financial reporting framework is consistent with the standards set forth by the Governmental Accounting Standards Board (GASB) for proprietary fund types and is designed to ensure transparency, accountability, and comparability in financial reporting for public utilities and similar entities.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows, as well as the disclosure of contingent items and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Use of Restricted and Unrestricted Funds

Restricted net position represents resources that are subject to externally imposed constraints, such as those imposed by creditors, grantors, laws, agreements or regulations. These funds may only be used for specific purposes as defined by the external parties.

In contrast, unrestricted net position consists of resources that are not subject to externally imposed restrictions. These amounts may be used at the discretion of the Authority to meet ongoing obligations, fund operations, or address other general purposes.

Budgetary Policy and Control

The Chino Basin Desalter Authority (CDA) adopts an annual operating and capital budget prior to the beginning of each fiscal year. The budget is prepared by the Treasurer and submitted to the Board of Directors for formal review and approval.

The Authority maintains a system of budgetary controls to ensure adherence to the appropriations authorized in the adopted budget. Any amendments to the budget or transfers of operating funds to or from reserve accounts in excess of \$50,000 require explicit approval by the Board of Directors. Unexpended or uncommitted budget appropriations lapse at fiscal year-end, with the exception of amounts designated for multi-year capital projects. This policy supports the prudent allocation of resources and ensures that funds are used in accordance with their approved purpose.

CDA is not legally required to present budgetary comparison schedules as part of its basic financial statements, and therefore such schedules are not included.

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

Cash and Investments

The Authority's investments are reported in accordance with the Governmental Accounting Standards Board (GASB) Statement Nos. 31, 40, and 72. The following summarizes the Authority's policy for measuring and presenting cash and investments in the financial statements:

1. **Short-Term Investments:** Investments in debt instruments with a remaining maturity of one year or less at the time of purchase are reported at amortized cost, which approximates fair value.
2. **All Other Investments:** Investments that do not meet the criteria for short-term classification are reported at fair value in accordance with GASB Statement No. 72, using quoted market prices or other appropriate valuation techniques.
3. **Presentation of Cash and Cash Equivalents:** For financial reporting purposes, cash and cash equivalents include balances in demand deposit accounts, cash on hand, money market mutual funds, and amounts invested in the Local Agency Investment Fund (LAIF) with original maturities of three months or less. These amounts may be reported in various line items, such as cash, investments, or restricted assets, based on their purpose or designation.
4. **Risk Disclosures:** The Authority complies with the provisions of GASB Statement No. 40, which require disclosures regarding interest rate risk, credit risk, custodial credit risk, and concentration of credit risk for deposits and investments.

Materials and Supplies

The Authority does not maintain inventory balances for financial reporting purposes. All materials and supplies are expensed at the time of acquisition. As such, no inventory is reported on the Statement of Net Position as of June 30, 2025.

Capital Assets

Property, plant, and equipment are initially recorded on the financial statements at their historical cost. This cost includes not only the purchase price but also expenses related to rehabilitation, construction, and other ancillary costs that are necessary to put the assets into productive use. In cases where assets are donated to the Authority, they are recognized in the financial statements at their acquisition value as of the donation date. This ensures that the value of donated assets is accurately reflected in the financial statements. The Authority maintains specific capitalization thresholds that dictate when the costs associated with an asset are capitalized. These thresholds are established to determine which expenditures meet the criteria for inclusion in the cost of property, plant, and equipment.

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

Capital Assets (continued)

The proper application of these principles ensures that the financial statements of the Authority provide a reliable and comprehensive representation of its investments in property, plant, and equipment, including both purchased and donated assets, while adhering to defined capitalization thresholds. Current capitalization thresholds are reflected in the following table.

Type of Expenditure	Total Cost	Estimated Life	Increases Estimated Life	Enhances Performance
Office Equipment	≥ \$5,000	> 1 Year	N/A	N/A
Computer Equipment	≥ \$5,000	> 1 Year	N/A	N/A
Other Equipment	≥ \$5,000	> 1 Year	N/A	N/A
Maintenance & Repair Expenditures	≥ \$5,000	> 1 Year	YES	-----
Maintenance & Repair Expenditures	≥ \$5,000	≥ 3 Years	-----	YES
Capital Projects	≥ \$5,000	≥ 3 Years	N/A	N/A
Single Year Capital Projects	≥ \$5,000	≥ 3 Years	N/A	N/A
Multi Year Capital Projects	≥ \$15,000	≥ 3 Years	N/A	N/A

New tangible and intangible assets are recorded in the financial statements at the end of each fiscal year. This includes the acquisition or creation of these assets during the year. Depreciation and amortization expenses begin in the subsequent fiscal year after the assets have been added to the financial statements. These expenses are calculated using the straight-line method, which means the cost of the assets is allocated evenly over their estimated useful lives. The estimated useful lives of these assets range from 5 to 50 years. This range determines the period over which the cost of the assets will be allocated as depreciation or amortization expense.

This accounting approach ensures that the costs of acquiring or creating tangible and intangible assets are recognized in the financial statements. Their respective depreciation and amortization expenses are accounted for systematically over their estimated useful lives, providing a more accurate representation of the assets' consumption or diminishing value.

- Estimated useful lives are:
-  Furniture, machinery and equipment 5 – 10 years
 -  Improvements 15 years
 -  Buildings and plants 5 – 50 years
 -  Intangible Assets 30 – 50 years

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

Capital Assets (continued)

The Authority capitalizes interest on tax-exempt debt issued to finance construction projects; net of interest earned on the unspent proceeds. This approach ensures that the financial statements accurately reflect the true cost of financing the construction projects by capitalizing the interest expenses while considering any offsetting interest income earned on unspent proceeds.

Deferred Outflows/Inflows of Resources:

The statement of net position may include sections for deferred outflows of resources and deferred inflows of resources in addition to assets and liabilities.

Deferred Outflows of Resources: Deferred outflows of resources represent situations where resources have been consumed or used in a manner that applies to future periods, but the recognition of these as outflows (expenditures) is postponed until those future periods. The Authority has recognized deferred outflows of resources amounting to \$ 2,541,946 at the end of June 30, 2025, which is related to the extinguishment of the 2008A Series Bonds and the issuance of the 2016A Revenue Refunding Bonds. These amounts are not considered immediate outflows but pertain to future periods.

Deferred Inflows of Resources: While deferred outflows represent future expenses, deferred inflows of resources signify resources that have been acquired but apply to future periods and are not recognized as immediate inflows (revenues) until those future periods arrive. According to the information provided, the Authority currently has no deferred inflows of resources to report on in its financial statements.

The use of these categories helps ensure that the timing of certain financial transactions and their impact on future periods is accurately reflected in the financial statements.

Prepaid Costs

Prepaid bond insurance costs on debt issuances are to be amortized over the life of the debt. For the 2016A Desalter Revenue Refunding bonds, the remaining amortization period is 10 years at the end of June 30, 2025.

Operating revenues and expenses relate to transactions generated as a direct result of the core business in which the Authority is engaged. These transactions can be repetitive in nature within the normal business cycle. Non-operating revenues and expenses are transactions incurred infrequently during the Authority's business. These types of transaction are generally not directly related to the general business of the Authority.

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

Operating and Non-Operating Revenues and Expenses

The Authority classifies revenues and expenses as operating or non-operating based on the nature of the underlying transactions. Operating revenues and expenses are those that result from the provision of water services, which represent the Authority’s principal ongoing operations.

Non-operating revenues and expenses include items that are incidental to, or arise from, capital and financing activities. These include construction-related transactions funded by Expansion Project Sponsors, the South Archibald Plume Project, and receipts from Federal and State grants. Grant receipts are considered pass-through transactions; therefore, the related payments made to the Expansion Project Sponsors are recorded as non-operating expenses, with the corresponding receipts recognized as non-operating revenues. This classification reflects the nature of these transactions as unrelated to the Authority’s primary service activities.

(2) Cash and Investments:

This note provides a summary of the Authority’s cash and investment balances as of the fiscal year-end, including the types of instruments held, valuation methods, risk disclosures, and compliance with applicable state statutes and the Authority’s investment policy. Cash and investments as of June 30, 2025, are classified in the accompanying financial statements as follows:

Statement of Net Position

Unrestricted current cash & investments	\$	11,721,588
Restricted current assets held for Ph3 Expansion Project		881,045
Restricted current assets held for South Archibald Plume Project		2,261,245
Unrestricted Short-Term & Long-term investment		24,672,123
Total cash and investments	\$	<u>39,536,001</u>
Deposits with financial institutions	\$	1,452,149
Investments		38,083,852
Total cash and investments	\$	<u>39,536,001</u>

(2) Cash and Investments (continued):

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

The table below outlines the types of investments authorized for the Authority as per the California Government Code and the Authority's Investment Policy. It also provides information on the associated risks, including interest rate risk, credit risk, and concentration of credit risk. Please note that this table does not cover investments of debt proceeds held by a bond trustee, which are typically governed by the terms and conditions specified in the debt agreements of the Authority. The Authority's investment strategy is designed to align with these guidelines and manage risk appropriately.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Commercial Paper	270 days	None	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	90 days	None	None
Medium Term Notes	5 years	30%	None
Money Market Mutual Funds	N/A	None	None
State Investment Pool	N/A	None	None

Investments Authorized by Debt Agreements

Investments of debt proceeds held by a bond trustee are typically governed by specific provisions outlined in the respective debt agreements, which may override general provisions in the California Government Code or the Authority's Investment Policy.

The table below outlines the types of investments authorized for funds held by a bond trustee and highlights key provisions in the debt agreements related to the quality of risk, interest rate risk, credit risk, and concentration of credit risk. These provisions are essential to ensure compliance with the terms and conditions of the debt agreements and the prudent management of the funds.

Authorized Investment Type	Minimum Rating	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment One Issuer
U.S. Treasury Obligations	None	None	None	None
U.S. Agency Securities	None	None	None	None
Money Market Funds	AA-m / Aa2	N/A	None	None
Certificates of Deposits	None	None	None	None
Investment Agreements	None	None	None	None
Commercial Paper	A-1 / Prime-1	270 days	None	None
Banker's Acceptances	A-1 / Prime-1	1 Year	None	None
Repurchase agreements	A	30 days	None	None
LAIF	None	N/A	None	None
Medium-Term Note	A	5 Years	None	None

(2) Cash and Investments (continued):

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk related to changes in market interest rates that 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. One of the ways that the Authority manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Authority's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity:

Disclosures Relating to Interest Rate Risk

Investment Type	Value	12 or Less	13 to 24	25 to 60
Negotiable Certificates of Deposit	\$ 986,414	\$ 487,064	\$ 499,350	\$ -
Money Market Mutual Funds	1,491,786	1,491,786	-	-
State Investment Pool	9,227,653	9,227,653	-	-
U.S. Treasury Notes	3,988,830	2,981,250	1,007,580	-
U.S. Government Sponsored Entities	10,859,380	5,867,060	1,999,310	2,993,010
Medium Term Notes	8,837,499	6,829,495	-	2,008,004
Cash with Fiscal Agents:				
Money Market Mutual Funds	2,692,290	2,692,290	-	-
Total	\$ 38,083,852	\$ 29,576,598	\$ 3,506,240	\$ 5,001,014

(2) Cash and Investments (continued):

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The Authority's Investment Policy outlines key principles related to the management of its investments, which include the limitation to securities with a final state maturity not exceeding five years. This policy restricts the investment horizon to a relatively shorter term to manage interest rate risk. To effectively manage exposure to interest rate risk, the Authority adopts a strategy that combines both short-term and long-term investments. This diversification allows for a balanced allocation of investments across different maturities. Maturities of investments are evenly distributed to ensure consistent cash flow and maintain liquidity to meet the Authority's operational needs. This approach prevents the concentration of maturity in any given period. The Authority uses the segmented time distribution method to disclose interest rate risk. This method allows for transparent reporting of the maturity distribution of investments and provides transparency regarding the Authority's exposure to fluctuations in interest rates over different time segments. These investment strategies and disclosure methods help the Authority prudently manage its investments while mitigating interest rate risk and maintaining liquidity for its operational requirements.

Disclosures Relating to Credit Risk

Credit risk is the risk that an issuer of an investment may not fulfill its obligation to the holder of the investment. This risk is typically evaluated through credit ratings assigned by nationally recognized statistical rating organizations (NRSROs). This information serves to communicate the criteria set by the Authority's Investment Policy regarding the minimum credit rating required for its investments. It also provides stakeholders with an understanding of how well the actual investments align with these criteria in terms of credit risk. Below is information regarding the minimum rating required by the Authority's Investment Policy and the actual Moody's rating as of the fiscal year ended June 30, 2025:

(2) Cash and Investments (continued):

Disclosures Relating to Credit Risk (continued)

<u>Investment Type</u>	<u>Value</u>	<u>Minimum Rating</u>	<u>Aaa</u>	<u>A1 to A3</u>	<u>Aa2</u>	<u>Unrated</u>
Negotiable Certificates of Deposit	\$ 986,414	N/A	\$ -	\$ -	\$ -	\$ 986,414
Money Market Mutual Fund	1,491,786	N/A	-	-	-	1,491,786
Cash with Fiscal Agents :						
Money Market Mutual Fund	2,692,290					2,692,290
State Investment Pool	9,227,653	N/A	-	-	-	9,227,653
U.S. Treasury Note	3,988,830	N/A	3,988,830	-	-	-
U.S. Gov't Sponsored Entities	10,859,380	N/A	10,859,380	-	-	-
Medium Term Notes	1,952,000	A	-	1,952,000	-	-
Medium Term Notes	2,925,495	A	-	-	2,925,495	-
Medium Term Notes	1,952,000	A	-	1,952,000	-	-
Medium Term Notes	997,804	A	-	-	997,804	-
Medium Term Notes	1,010,200	A	-	1,010,200	-	-
Total	<u>\$ 38,083,852</u>		<u>\$ 14,848,210</u>	<u>\$ 4,914,200</u>	<u>\$ 3,923,299</u>	<u>\$ 14,398,143</u>

Concentration of Credit Risk

The Investment Policy of the Authority contains several limitations on the amount that can be invested in any one issuer and type of investment as well as that stipulated by the California Government Code. Investments in any one issuer (excluding investment pool) that represent 5% or more of the total Authority investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Percentage</u>
Federal Home Loan Bank	U.S. Gov't Issues	\$ 10,859,380	28.51%
Citizens Business Bank	Money Market Mutual Fund	4,184,076	10.99%
Bank of America Corp	Medium Term Note	1,952,000	9.46%
Canadian Imperial Bank	Medium Term Note	2,925,495	8.47%
Royal Bank of Canada	Medium Term Note	1,010,200	5.98%
Citigroup Inc	Medium Term Note	1,952,000	5.86%
National Bank of Canada	Medium Term Note	997,804	5.85%
Total		<u>\$ 23,880,955</u>	<u>91.03%</u>

(2) Cash and Investments (continued):

Concentration of Credit Risk

Custodial credit risk for both deposits and investments presents risks that, in the event of a depository financial institution's failure or a counterparty's failure, a government may not recover its deposits or the value of its investments, including collateral securities held by external parties. The California Government Code and the Authority's Investment Policy do not impose specific legal or policy restrictions to limit exposure to custodial credit risk for deposits or investments, except for the following deposit provisions:

The California Government Code requires that financial institutions secure deposits made by state or local governmental units. This security is achieved by pledging securities in an undivided collateral pool held by a depository regulated under state law unless waived by the governmental unit. The market value of these pledged securities must be at least 110% of the total deposited amount by public agencies. Furthermore, California law permits financial institutions to secure City deposits by pledging first trust deed mortgage notes with a value of 150% of the secured public deposits. It's important to note that the Authority's deposits are safeguarded through FDIC insurance or collateralization, as California Law mandates. Additionally, investments held by a fiscal agent are managed based on the terms of the applicable trust agreement. The trustee is responsible for selecting, acquiring, and safeguarding these investments on behalf of the reporting government.

In summary, custodial credit risk management is addressed through specific provisions for deposits in the California Government Code and the Authority's Investment Policy. While these provisions aim to secure governmental funds, investments may carry varying degrees of risk based on individual agreements and arrangements. Additionally, investments held by a fiscal agent are managed according to trust agreements, ensuring prudent management and safekeeping of these assets on behalf of the reporting government.

Investment in State Investment Pool

The Authority actively participates in the Local Agency Investment Fund (LAIF), operating under the regulatory framework outlined in California Government Code Section 16429 and overseen by 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 of the entire LAIF portfolio in relation to the portfolio's amortized cost. Moreover, the balance available for withdrawal from the Authority's LAIF investment is calculated according to LAIF's accounting records, which follows an amortized cost basis. LAIF requires withdrawals of over \$10,000,000 at least 24-hours' notice, a minimum of \$5K withdrawal threshold, and a monthly limit of 15 withdrawal transactions.

(2) Cash and Investments (continued):

Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles (GAAP). This hierarchy is designed to increase transparency and consistency in fair value reporting by classifying inputs used to determine fair value into three distinct levels based on the reliability and observability of those inputs.

- **Level 1** inputs are the most reliable and are based on unadjusted quoted prices in active markets for identical assets or liabilities that the Authority can access at the measurement date.
- **Level 2** inputs are observable, either directly or indirectly, but do not qualify as Level 1. These may include quoted prices for similar assets in active markets, quoted prices for identical assets in inactive markets, or inputs such as interest rates and yield curves that are observable for the asset or liability.
- **Level 3** inputs are unobservable and are used when observable inputs are not available. Valuations at this level rely on significant judgment, including assumptions and estimation techniques, often involving complex models.

This classification framework enables stakeholders to assess the objectivity and reliability of the Authority's valuation techniques and better understand the nature of the inputs used in determining the fair value of its financial assets.

Fair Value Measurement Table

Investment Type	Not Subject to fair value measurement	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs level 3
Negotiable Certificates of Deposit ²	\$ -	\$ -	\$ 986,414	\$ -
Money Market Mutual Funds	1,491,786	-	-	-
Cash with Fiscal Agents:				
Money Market Mutual Funds	2,692,290			
State Investment Pool ¹	9,227,653	-	-	-
U.S. Gov't Sponsored Entities ²	-	-	14,848,210	-
Medium Term Notes ²	-	-	8,837,499	-
Sub-total	<u>\$ 13,411,729</u>	<u>\$ -</u>	<u>\$ 24,672,123</u>	<u>\$ -</u>
Total	<u>\$ 38,083,852</u>			

(3) Accounts Receivable:

As of June 30, 2025, the Authority is engaged in an on-going legal dispute with a contractor due to damage done to the Chino I Desalter Raw Water pipeline last May 25, 2022, which is the subject of an ongoing investigation and potential litigation. The damage to the water pipeline was allegedly caused by Golden State Boring & Pipe Jacking, a subcontractor of Leatherwood Construction, Inc. (LCI), during the Euclid Avenue Sanitary Sewer Improvements from Kimbal Ave to Merrill Avenue Construction project, resulting in a claim for restitution of damages and potential loss of revenue by Chino Basin Desalter Authority.

The estimated financial impact of this litigation has been recognized in accordance with accounting standards by temporarily booking the amount of \$317,487 in accounts receivable with a corresponding entry to Allowance for Doubtful Accounts. The Authority has booked the amount related to this litigation based on the management's best estimate as of the reporting date.

Management is actively cooperating with legal counsel to assess the claim's merits, evaluate potential outcomes, and explore potential settlement discussions. Given the uncertainty of the litigation, the estimated loss is subject to revision as additional information becomes available during the legal proceedings. The Authority will closely monitor the progress of the litigation and any changes in estimates. Any significant changes to the estimate of the potential loss will be recorded in the financial statements when such changes become known.

Stakeholders are cautioned to rely on something other than the current estimate of the potential loss, as it may be subject to change. The Authority will disclose material developments in the legal proceedings as accounting and disclosure standards require. The financial statements do not reflect any potential insurance recoveries, if applicable, as the outcome of the litigation and the recoveries are uncertain. Management believes that the ultimate resolution of this litigation when it occurs, will not have a material adverse impact on the Authority's financial position or results of operations.

(4) Restricted Assets:

This note discloses assets that are restricted in use due to external legal, contractual, or regulatory requirements. Such assets are segregated from unrestricted resources and are designated for specific purposes, including debt service, capital improvements, and project-related obligations, in accordance with governing agreements or formal actions of the Board of Directors.

As of the reporting date, restricted assets include the following:

- deposits held in lieu of retention, in compliance with contractual requirements to segregate funds for contractor retention payments.
- funds reserved for eligible costs related to the Phase 3 Expansion Project.
- funds restricted for expenditures related to the South Archibald Plume remediation project.

(5) Risk Management:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To address these exposures, the Authority maintains comprehensive insurance coverage through participation in the Association of California Water Agencies Joint Powers Insurance Authority (ACWA JPIA). The Authority is designated as an Additional Covered Party under written intergovernmental agreements with ACWA JPIA member agencies. As of June 30, 2025, the Authority had the following insurance coverage in effect:

- General Liability and Errors & Omissions - The Authority covers general liability, contractual liability, products/completed operations, and errors and omissions. Coverage is provided up to \$5,000,000 per occurrence, with a \$5,000,000 annual aggregate.
- Automobile Liability- Coverage for owned, hired, and non-owned vehicles is provided up to \$1,000,000 per occurrence.
- Property Coverage - The Authority maintains coverage for buildings, fixed equipment, personal property, auto physical damage, mobile equipment, and crime. Property is insured to the values reported and filed with ACWA JPIA.
- Workers' Compensation and Employer's Liability - Workers' compensation is covered at statutory limits. Employer's liability coverage includes:
 - \$2,000,000 per accident
 - \$2,000,000 per employee for disease
 - \$2,000,000 aggregate disease limit

All coverages are subject to the terms, conditions, and exclusions of the respective coverage documents. As part of the intergovernmental agreement, ACWA JPIA has waived its right of recovery (subrogation) against the Authority, in accordance with written contract provisions. The Authority has not experienced any claims settlements in excess of insurance coverage in the past three years. There were no significant reductions in insurance coverage from the prior year.

Claim Liabilities

The Authority recognizes claim liabilities when there is a likelihood of incurring a loss, and the estimated loss amount can be reasonably determined. These liabilities encompass provisions for both reported claims and incurred but not yet reported claims (IBNRs). A negative figure may arise due to changes in the estimated unpaid claims balance at the start of the current year. The computation of claim liabilities considers various factors, including the impact of inflation, recent trends in claim settlements (such as frequency and payout amounts), and broader economic and societal influences. As of June 30, 2025, the Authority has not recorded any liabilities related to claims or judgments. Furthermore, no documented losses have been incurred in the past three years.

(6) Contingencies:

Amounts received or anticipated from grant agencies are subject to potential audits and subsequent adjustments by the grantor authority. It's important to note that any disallowed claims, including those for which funds have already been collected, may result in liabilities for the Authority. While the exact amount of expenditures that the grantor may disallow cannot be determined at this moment, the Authority believes that these potential amounts are expected to be minor and not material.

Furthermore, the annual reconciliation process, which compares actual operations and maintenance costs to the budget for the fiscal year 2024/2025, may lead to either unrecorded liabilities or receivables. The outcome of this reconciliation will determine the specific amount, which remains undetermined at this time. This process reflects the ongoing financial management efforts to ensure accurate reporting and accountability for grant-related activities.

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(7) Changes in Capital Assets:

Capital Assets

This note summarizes the Authority's capital assets, including assets under construction, completed infrastructure, depreciation, and changes in capital asset balances during the fiscal year, in accordance with GASB reporting requirements. The following is a summary of capital assets, accumulated depreciation and amortization, jobs in progress and intangible assets on June 30, 2025, with changes therein:

	Balance at 06/30/24	Additions	Transfers & Retirements	Balance at 06/30/25	Accumulated Depreciation / Amortization at 06/30/25	Net Book Value at 06/30/25
Capital Assets, not being depreciated:						
Land	\$ 4,380,071	\$ -	\$ -	\$ 4,380,071	\$ -	\$ 4,380,071
Capital Projects in Progress	26,804,348	4,382,188	(2,036,588)	29,149,948	-	29,149,948
Total capital assets, not being depreciated	31,184,419	4,382,188	(2,036,588)	33,530,019	-	33,530,019
Capital assets, being depreciated:						
Treatment plants, pump stations and pipelines	272,988,919	-	-	272,988,919	(72,296,330)	200,692,589
Land Improvements/ Easements	14,869,711	-	-	14,869,711	(9,770,087)	5,099,624
Equipment	6,959,078	1,652,286	-	8,611,364	(4,303,974)	4,307,390
Total capital assets, being depreciated	294,817,708	1,652,286	-	296,469,994	(86,370,391)	210,099,603
Capital Assets, being amortized						
Computer software	157,846	80,737	-	238,583	(157,846)	80,737
Lease Building	258,855	10,178	-	269,033	(117,467)	151,566
Subscription Asset	139,718	8,793	-	148,511	(89,821)	58,690
Supplementary treatment capacity	24,216,851	-	-	24,216,851	(14,803,194)	9,413,657
Total capital assets, being amortized	24,773,270	99,708	-	24,872,978	(15,168,328)	9,704,650
Total capital assets	\$ 350,775,397	\$ 6,134,182	\$ (2,036,588)	\$ 354,872,991	\$ (101,538,719)	\$ 253,334,272

(7) Changes in Capital Assets (continued):

Changes in Accumulated Depreciation and Amortization

The following is a summary of property, plant and equipment accumulated depreciation and amortization on June 30, 2025:

	Balance at 6/30/2024	Additions	Transfers & Retirements	Balance at 6/30/2025
Treatment plants, pump stations and pipelines	\$ (64,734,054)	\$ (7,562,276)	\$ -	\$ (72,296,330)
Land improvements/easements	(9,378,274)	(391,813)	-	(9,770,087)
Equipment	(3,889,162)	(414,812)	-	(4,303,974)
Accumulated depreciation	(78,001,490)	(8,368,901)	-	(86,370,391)
Computer software	(157,846)	-	-	(157,846)
Lease Building	(87,913)	(29,554)	-	(117,467)
Subscription Asset Software	(60,713)	(29,108)	-	(89,821)
Supplementary treatment capacity	(14,086,756)	(716,438)	-	(14,803,194)
Accumulated amortization	(14,393,228)	(775,100)	-	(15,168,328)
Total accumulated depreciation/amortization	\$ (92,394,718)	\$ (9,144,001)	\$ -	\$ (101,538,719)

Depreciation and amortization of tangible and intangible assets has been computed on a straight-line basis over various estimated useful lives ranging from five to fifty years. All new tangible and intangible assets are added at each fiscal year end. Depreciation and amortization start in the following fiscal year and are computed using the straight-line method over the estimated useful lives (5 - 50 years) of the assets.

The value of the Subscription Asset Software was \$148,511 with accumulated amortization of \$89,821, and the value of the right-to-use asset for the Lease Building was \$269,033 with accumulated amortization of \$117,467. For the fiscal year ended June 30, 2025, the depreciation and amortization expenses were \$9,144,001.

(7) Changes in Capital Assets (continued):

Capital Projects in Progress

This section of the financial statements captures the total expenses accumulated for capital projects that are currently underway but still need to be finalized and put into operation. These expenses encompass construction, equipment acquisition, and other costs linked to the ongoing projects. Capital projects in progress are presented on the balance sheet as assets and are subject to regular updates as project milestones are reached and expenses are recognized. For the period ended on June 30, 2025, the capital projects in progress are as follows:

Chino Desalter No. 1 & 2	\$	2,640,481
Chino Desalter Phase 3 Expansion		536,773
South Archibald Plume Cleanup		25,972,694
Total Capital Projects in Progress	\$	29,149,948

(8) Construction Commitments:

As of June 30, 2025, the Authority has made commitments to undertake multiple significant construction contracts during the upcoming fiscal year. These major projects encompass the following.

1. **Chino I Chemical Containment Coating and IX Vessel Coating** - The Authority undertook critical asset preservation work at the Chino I Desalter focused on corrosion protection and regulatory compliance. The project scope included the recoating of the acid and caustic chemical containment areas and the surface preparation and protective coating of four Ion Exchange (IX) vessels. Over time, chemical exposure and environmental conditions degrade protective linings, which can compromise secondary containment integrity and accelerate vessel corrosion. Recoating the containment areas restores the chemical-resistant barrier system, reducing the risk of seepage or structural deterioration and ensuring compliance with environmental and safety regulations. Likewise, the surface preparation and application of industrial-grade coatings to the IX vessels mitigate external corrosion, extend the service life of these critical treatment assets, and reduce long-term maintenance costs. These improvements represent part of CDA's ongoing preventative maintenance program, designed to safeguard water quality, optimize operational reliability, and preserve the Authority's long-term capital investment in treatment infrastructure.

(8) Construction Commitments (continued):

2. **South Archibald Plume Construction and Inspection Two Additional Monitoring Well** - The project involves the drilling, construction, development, and testing of two additional dual-completion nested monitoring wells, designated II-MW-6 and II-MW-7. These wells are required under the Proposition 1 Grant Agreement and by the Santa Ana Regional Water Quality Control Board as part of the Monitoring and Reporting Program for the South Archibald Plume Project. Well II-MW-6 is located east of the plume on Eucalyptus Avenue, while Well II-MW-7 is situated southeast of the plume near Celebration Park. The addition of these wells will expand CDA's monitoring network, improve data collection on groundwater conditions, and ensure continued compliance with regulatory requirements for plume management and reporting.

3. **Chino II Concentrate Reduction Facility (CRF) Seed Wash System Upgrade** - The Chino II CRF, the first of its kind designed to treat concentrate from RO, is being upgraded with the addition of a seed wash system to enhance the performance of the pellet reactor softening process. The system will improve solids management and process stability by maintaining consistent seed quality, thereby minimizing fluctuations in pellet growth and reducing abrasive material carryover. These improvements are expected to lower mechanical wear on pumps and seals, reduce downtime and labor costs associated with maintenance and annual cleanouts, and extend equipment longevity. Modeled after successful implementation at other water treatment facilities, this upgrade represents an evolution in CRF technology and will contribute to smoother operations, improved reliability, and reduced long-term operating costs.

(9) Long-Term Liabilities:

This note presents the Authority's outstanding long-term obligations as of June 30, 2025. These obligations include bonded debt, compensated absences, lease liabilities recognized under GASB Statement No. 87, and subscription-based information technology arrangements in accordance with GASB Statement No. 96. Long-term liabilities are reported at the unpaid principal balance, net of any applicable premiums or discounts, and are typically liquidated through operating revenues or designated reserves.

Summary of long-term debt activity for the fiscal year ended June 30, 2025, was as follows:

(9) Long-Term Liabilities(continued):

2016A Desalter Revenue Refunding Bonds

On July 14, 2016, the Authority issued Revenue Refunding Bonds, Series 2016A, in the amount of \$67,105,000. The Bonds will bear a fixed interest rate between 2.00% to 5.00% annually and payable semi-annually through the year 2035.

Summary of changes in Long-Term debt for the fiscal year ended June 30, 2025:

Bonds Payable	Beginning			Ending		Due within	Due after
	Balance	Additions	Reductions	Balance	One year	One year	
2016A Bonds	\$ 45,160,000	\$ -	\$ 3,370,000	\$ 41,790,000	\$ 3,540,000	\$ 38,250,000	
Net Premium (discount)	4,718,170	-	428,923	4,289,247	-	4,289,247	
	<u>\$ 49,878,170</u>	<u>\$ -</u>	<u>\$ 3,798,923</u>	<u>\$ 46,079,247</u>	<u>\$ 3,540,000</u>	<u>\$ 42,539,247</u>	

For financial presentation purposes, the balance of the deferred bond premium was combined into the long-term bond debt liability, with an aggregate balance on June 30, 2025, of \$46,079,247. All of the revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established or continued pursuant to the Indenture are irrevocably pledged by the Authority to secure the payment of the principal of and interest on, and the premium, if any, on the Bond in accordance with their terms and provisions of the Indenture subject only to the provisions of the Indenture permitting the application thereof for the purpose and on the terms and conditions set forth therein. As of June 30, 2025, the aggregate debt service requirements on bonded indebtedness to maturity are summarized as follows:

Year Ending June 30	Principal Payments		Interest Payments		Total
2026	\$	3,540,000	\$	1,416,012	\$ 4,956,012
2027		3,680,000		1,274,413	4,954,413
2028		3,865,000		1,090,413	4,955,413
2029		4,015,000		935,813	4,950,813
2030		4,105,000		855,512	4,960,512
2031 - 2035		22,585,000		2,208,250	24,793,250
Subtotal		41,790,000		7,780,413	49,570,413
Plus: Net Prem/(Disc)		4,289,247		-	4,289,247
Total debt service payments	\$	46,079,247	\$	7,780,413	\$ 53,859,660

(9) Long-Term Liabilities (continued):

Compensated Absences

The Authority provides its employees with compensated absences, including vacation leave, sick leave, and other forms of paid time off in accordance with its personnel policies. In accordance with GASB Statement No. 101, Compensated Absences, the liability for unused leave is recognized as an expense and liability in the period in which the leave is earned, provided it is probable that the leave will be used or paid.

The liability for compensated absences is recorded in the proprietary (enterprise) fund financial statements and is classified as either a current or noncurrent liability based on the expected timing of payment or settlement. The current portion represents leave expected to be used or paid within the next fiscal year, while the remaining balance is considered non-current. Compensated absences are measured using the employees' pay rates in effect as of the financial statement date. The reported liability also includes salary-related payments associated with the payment of compensated absences, such as the employer's share of Medicare and retirement contributions. All compensated absences are liquidated from the Authority's enterprise fund.

The table below outlines the changes in compensated absences liabilities for the fiscal year ending June 30, 2025:

<u>Beginning</u>			<u>Ending</u>	<u>Due within</u>	<u>Due after</u>
<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>One year</u>	<u>One year</u>
\$ 153,562	\$ 60,114	\$ 39,574	\$ 174,102	\$ 35,150	\$ 138,952

Lease Payable

The Authority accounts for lease obligations in accordance with GASB Statement No. 87, Leases. This standard requires the recognition of a lease liability and a corresponding intangible right-to-use lease asset for all leases with terms greater than 12 months.

As of June 30, 2025, the Authority had one active lease agreement for office space located at 3550 E. Philadelphia Street, Unit 170, Ontario, California. The lease was originally executed on February 19, 2020, and amended on April 2, 2025, to extend the term through June 30, 2030. Monthly base rent increases by approximately 4% annually beginning in fiscal year 2026. The value of the right-to-use asset for the Lease Building was \$269,033 with accumulated amortization of \$117,467. Summary of changes in long term lease liabilities for the fiscal year ended June 30, 2025:

<u>Lease Liability</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Due Within</u>	<u>Due after</u>
					<u>One year</u>	<u>One year</u>
Lease Building	\$ 183,341	\$ 10,178	\$ 27,664	\$ 165,855	\$ 29,679	\$ 136,176

(9) Long-Term Liabilities (continued):

Lease Payable (continued)

Principal and Interest Requirements to Maturity:

Year Ending June 30	Principal Payments	Interest Payments	Total
2026	\$ 29,679	\$ 2,018	\$ 31,697
2027	31,350	1,614	32,964
2028	33,095	1,188	34,283
2029	34,915	739	35,654
2030	36,816	265	37,080
Total	<u>\$ 165,855</u>	<u>\$ 5,824</u>	<u>\$ 171,678</u>

The lease carries an interest rate of 1.33%, with monthly payments ranging from \$2,641 to \$3,090 over the lease term. The lease does not include variable payments, residual value guarantees, or termination penalties. All lease-related assets and liabilities are reported in the Authority's enterprise fund. The Authority does not act as a lessor in any leasing arrangements.

Subscription Payable

The Authority accounts for its subscription-based information technology arrangements (SBITAs) in accordance with GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement requires the recognition of a subscription liability and an intangible right-to-use subscription asset for eligible SBITAs.

As of June 30, 2025, the Authority had three active subscription arrangements for software services. These SBITAs are related to enterprise-level IT systems used for accounting, electronic bidding and procurement oversight, and facility operations. Each agreement provides the Authority with the right to access and use a vendor-hosted software platform over a defined subscription term. The value of the Subscription Asset Software was \$148,511 with accumulated amortization of \$89,821. The subscription agreements do not include variable payments, termination penalties, or residual value guarantees.

(9) Long-Term Liabilities (continued):

Subscription Payable (continued)

<u>Lease Liability</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due within</u> <u>One year</u>	<u>Due after</u> <u>One year</u>
Subscription Liability	\$ 78,463	\$ 8,793	\$ 28,441	\$ 58,815	\$ 28,918	\$ 29,897

Principal and Interest Requirements to Maturity:

<u>Year Ending June 30</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2026	\$ 28,918	\$ 1,709	\$ 30,627
2027	29,897	868	30,766
Total	<u>\$ 58,815</u>	<u>\$ 2,577</u>	<u>\$ 61,393</u>

The subscription arrangements carry fixed interest rates ranging from 2.0237% to 3.1600%, with annual payments ranging from \$3,000 to \$23,000, depending on the system and term. No variable payments or other components outside the scope of the liability were incurred during the fiscal year ended June 30, 2025. All SBITA-related assets and liabilities are reported in the Authority’s enterprise fund.

(10) Arbitrage Rebate Obligation:

Arbitrage rebate is a term used to describe the mandatory payment made to the U.S. Treasury when earnings on tax-exempt bond proceeds exceed the yield of the tax-exempt bond issue because those proceeds were invested at a higher yield. Federal regulations stipulate that the arbitrage liability and cumulative excess arbitrage earnings must be calculated and remitted to the U.S. Treasury at the conclusion of the fifth bond year and subsequently every fifth year thereafter.

It's important to note that the 2016A Desalter Revenue Refunding Bonds are subject to arbitrage limitations, but no rebate liability is applicable for the period ended June 30, 2025.

(11) Groundwater Replenishment Expense/Credits – Change in Reporting:

During fiscal year 2024/25, the Authority discontinued its previous practice of reporting the Chino Basin Watermaster Groundwater Replenishment Credit as both an operating revenue and a corresponding operating expense. Upon review, management determined that the Authority neither receives, controls, nor administers the related resources. As such, the transaction does not meet the criteria for recognition within the Authority’s enterprise fund financial statements.

This determination aligns with the control principles established under GASB Statement No. 84, Fiduciary Activities, which distinguishes transactions that fall outside a government’s financial reporting entity. The change represents a reclassification in presentation rather than a change in accounting principle or correction of an error and has been applied prospectively in accordance with GASB Statement No. 100, Accounting Changes and Error Corrections.

The prior reporting treatment represented a non-cash wash transaction, wherein equal amounts of operating revenue and expense were recognized, resulting in no effect on the Authority’s net position or cash flows. Accordingly, prior-period financial statements have not been restated.

(12) Defined Contribution Pension Plans:

In March 2011, the Authority's Board of Directors adopted a resolution establishing a deferred compensation plan under Internal Revenue Code (IRC) Section 401(a) and designated Mission Square Retirement (formerly ICMA-RC Services, LLC) as the plan administrator. Any amendments or modifications to the plan require formal approval by the Board of Directors.

The plan operates as a defined contribution retirement plan. All qualified employees are required to contribute 4% of their earnings, and the Authority makes a corresponding employer contribution. On February 6, 2025, the Board of Directors approved an increase in the Authority’s contribution rate from 20% to 25% of the employee’s earnings, effective as of the approval date. An exception to this contribution formula exists for the General Manager’s position, which is governed by a separately negotiated employment agreement that specifies a defined monthly pension amount instead of a percentage-based contribution.

As of June 30, 2025, the 401(a) plan’s total assets amounted to \$1,932,650, reflecting an increase of \$275,223 compared to the prior fiscal year. The financial statements of the Authority do not include the financial information related to the 401(a) Defined Contribution Plan and 457 Deferred Compensation plans. The exclusion of these plans from the financial statements is based on the principle that the Authority does not exercise control over the investments or assets held within these Plans. The omission of the Plans from the financial statements has no impact on the financial position, results of operations, or cash flows of the Authority. This information provides an overview of the establishment, administration, and contribution structure of the Authority’s deferred compensation plan, emphasizing its adherence to IRC Section 401(a) requirements and Section 457.

(13) Subsequent Event: PFAS Settlement Proceeds:

Subsequent to the end of the fiscal year, June 30, 2025, the Chino Basin Desalter Authority (CDA) received notification of an approved disbursement under the national Public Water System (PWS) Settlement with 3M Company, related to litigation concerning the presence of per-and polyfluoroalkyl substances (PFAS) in public drinking water supplies.

CDA is a registered claimant in the settlement and has submitted the required documentation demonstrating eligibility. While an initial disbursement has been allocated, the payment schedule and final award amounts remain subject to review and confirmation by the settlement administrator.

As of the issuance of these financial statements, CDA has not recognized revenue from this settlement. In accordance with GASB Statement No. 33 and GASB Statement No. 56, the settlement is disclosed as a non-recognized subsequent event, as the proceeds are contingent upon future administrative and legal actions and are not yet deemed both measurable and available as of June 30, 2025.

Based on preliminary allocation notices, CDA may be eligible to receive up to \$14,744,181 over multiple years. This amount is subject to attorneys' fees, administrative costs, and other deductions under the settlement terms. No portion of this settlement has been recorded as an asset or revenue in the current fiscal year.

The CDA Board intends to establish a PFAS Reserve Fund to manage any proceeds received in the future. These funds will be used for:

- Reimbursement of eligible PFAS-related treatment expenses
- Capital improvements related to PFAS mitigation
- Technical, legal, or regulatory compliance activities



CHINO BASIN DESALTER AUTHORITY (CDA) INTRODUCTION TO THE STATISTICAL SECTION FOR THE YEAR ENDED JUNE 30, 2025

This section of the Chino Basin Desalter Authority’s Annual Comprehensive Financial Report provides a statistical overview designed to offer historical and contextual information that supports the financial statements and footnote disclosures. The information presented in this section is intended to enhance understanding of the Authority’s overall financial position, operational trends, and economic environment.

The Statistical Section is organized as follows:

Financial Trends – Presents trend data to help readers evaluate how CDA’s financial position and performance have changed over time. For business-type activities, revenues are shown by major source, distinguishing operating, noncapital subsidy, and other nonoperating revenues and expenses.

Revenue Capacity – Provides information on CDA’s primary revenue sources, aiding readers in assessing the Authority’s ability to generate revenues.

Debt Capacity – Offers data on the Authority’s outstanding debt and its ability to issue and service additional debt in the future.

Demographic and Economic Information – Supplies indicators of the broader economic and demographic context in which CDA operates.

Operating Information – Contains data on service levels and infrastructure to help readers understand CDA’s operational activities.

Collectively, these schedules provide a long-term perspective that enriches the reader’s understanding of CDA’s financial condition and trends.



CHINO BASIN DESALTER AUTHORITY

Historical Operating Results

Statement of Revenues, Expenses and Changes in Fund Net Position

Fiscal Years Ended June 30, 2016, through 2025

(In Thousand Dollars)



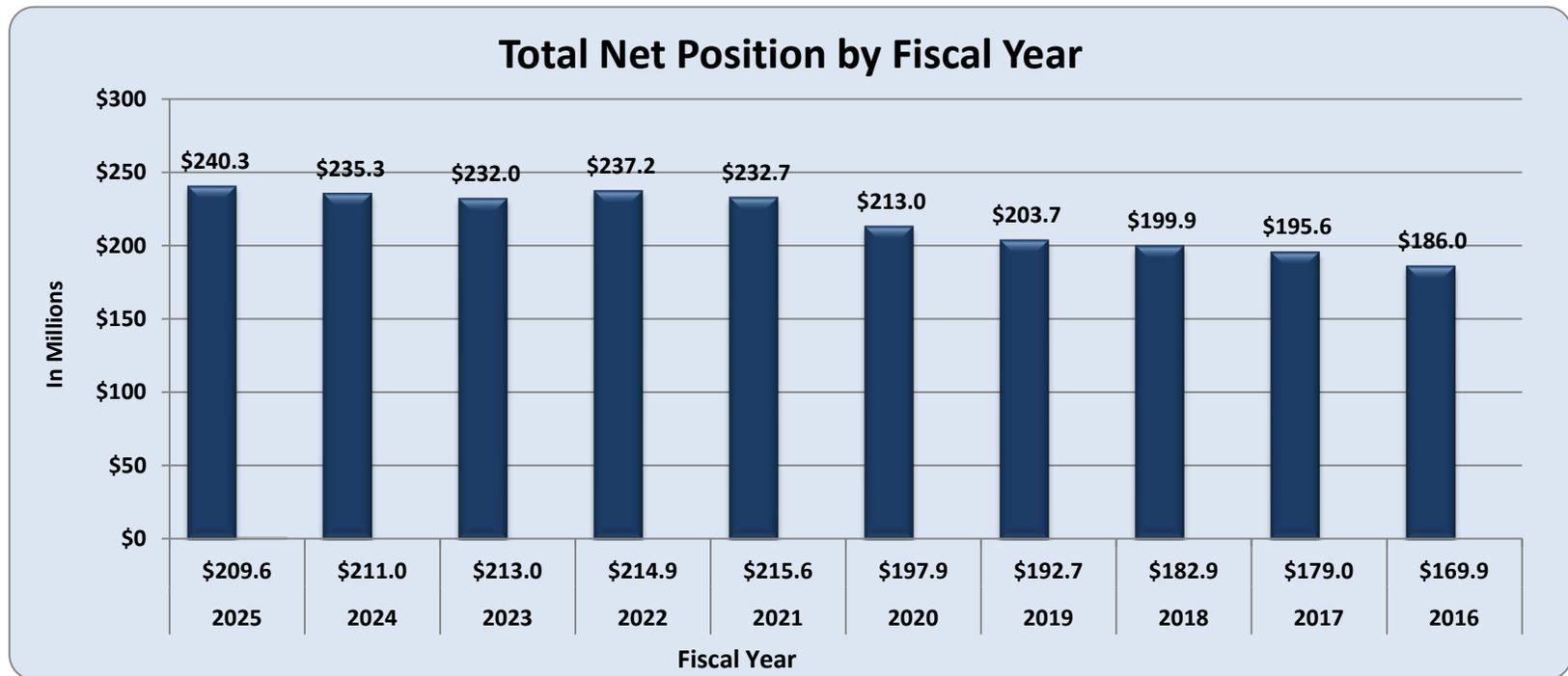
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Operating Revenues										
Operations and maintenance assessments	\$ 34,504	\$ 34,028	\$ 32,407	\$ 27,670	\$ 26,572	\$ 23,357	\$ 20,786	\$ 19,382	\$ 17,044	\$ 16,618
Rebate credits - MWD	3,511	2,527	2,780	3,552	3,552	2,704	2,702	2,654	2,687	2,415
Groundwater replenishment credit	-	38,599	36,379	34,479	30,222	25,521	23,127	20,897	18,367	20,049
Total operating revenues	38,015	75,154	71,566	65,701	60,346	51,582	46,615	42,933	38,098	39,082
Operating Expenses										
Operations and maintenance	28,220	28,783	27,811	24,162	22,311	17,371	17,404	14,483	11,478	11,355
MWD credits to member agencies	3,511	2,527	2,780	3,552	3,552	2,704	2,702	2,654	2,687	2,415
Groundwater replenishment expense	-	38,599	36,379	34,479	30,222	25,521	23,127	20,897	18,367	20,049
Administration and general	1,554	1,489	1,210	1,096	1,087	1,253	1,081	1,267	1,141	1,021
Depreciation and amortization	9,144	8,823	9,092	8,813	5,858	4,316	4,149	4,102	4,053	3,984
Total operating expenses	42,429	80,221	77,272	72,102	63,030	51,165	48,463	43,403	37,726	38,824
Operating income (loss)	(4,414)	(5,067)	(5,706)	(6,401)	(2,684)	417	(1,848)	(470)	372	258
Nonoperating Revenues (Expenses)										
Interest income	1,151	770	389	187	205	378	336	382	108	324
Fixed project/capital assessments	7,306	7,805	7,194	6,847	8,505	7,043	6,206	6,541	5,659	10,823
Other nonoperating revenues (expenses)	1,112	517	12	(710)	(38)	312	497	338	(1,033)	387
Interest on long-term debt	(1,571)	(1,731)	(1,886)	(2,032)	(2,172)	(2,304)	(2,428)	(2,544)	(2,203)	(3,723)
Annual reconciliation of costs	(956)	(386)	(413)	(1,174)	(4,744)	(2,166)	(3,899)	(4,260)	(4,209)	(1,301)
Payments of federal grants to Sponsors	-	-	-	-	-	(272)	-	(96)	(200)	(4,768)
Total nonoperating revenues (expenses)	7,043	6,976	5,296	3,118	1,756	2,991	712	361	(1,878)	1,742
Income (loss) before contributions	2,629	1,908	(410)	(3,283)	(928)	3,408	(1,136)	(109)	(1,506)	2,000
Capital Contributions										
Capital grants	634	508	1,391	665	-	272	-	96	200	4,769
Contrib Capital - Expansion Ph 3 Prj	-	449	35	124	4,251	1,018	4,816	3,597	10,578	19,615
Contrib Capital - South Archibald Plume Prj	1,651	398	135	1,176	16,018	4,540	852	708	336	28
Contrib Capital - Chino Airport Plume Prj	-	-	-	-	-	-	-	-	-	-
Prior year adjustment	-	(8,405)	-	-	-	-	-	(749)	-	-
Total capital contributions	2,285	(7,050)	1,561	1,965	20,269	5,830	5,668	3,652	11,114	24,412
Change in net position	4,915	3,264	1,151	(1,318)	19,341	9,238	4,532	3,543	9,608	26,412
Total net position - beginning, as restated	235,357	232,093	230,942	232,260	212,919	203,681	199,149	195,606	185,998	159,587
Total net position - ending	\$ 240,271	\$ 235,357	\$ 232,093	\$ 230,942	\$ 232,260	\$ 212,919	\$ 203,681	\$ 199,149	\$ 195,606	\$ 185,998

Source: Chino Basin Desalter Authority's Financial Statements

CHINO BASIN DESALTER AUTHORITY
Net Position by Component
Last Ten Fiscal Years
(in million dollars)



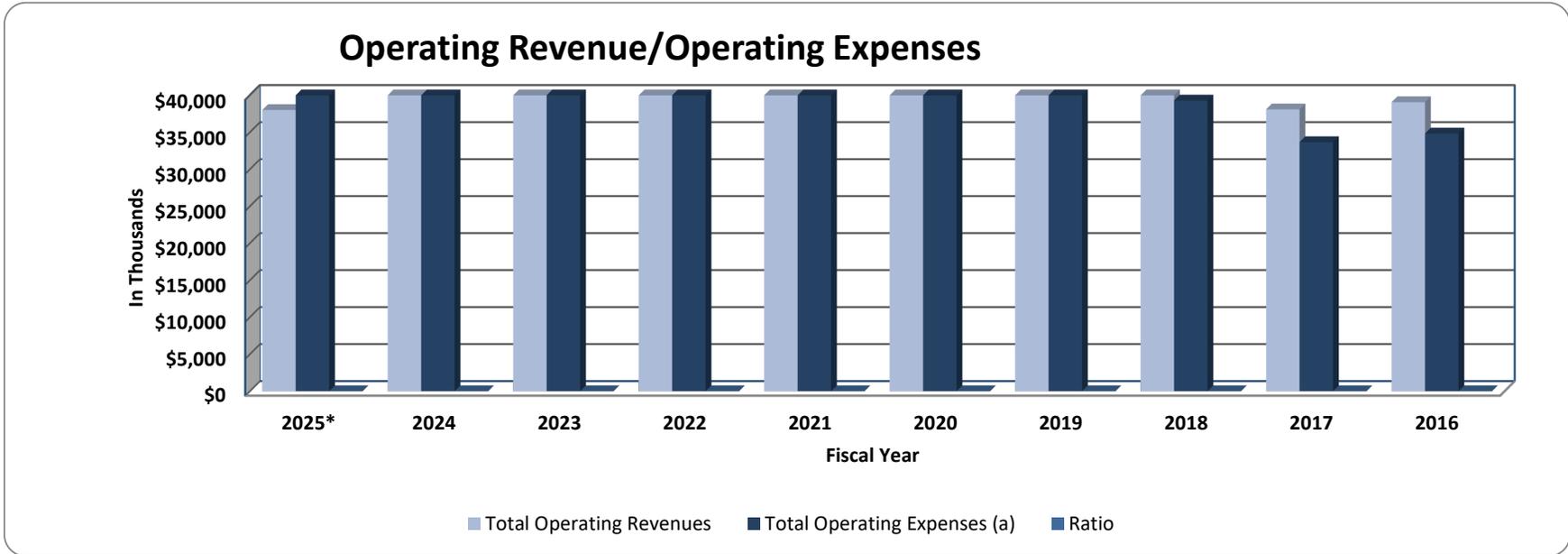
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Net Investment in Capital Assets (a)	\$ 209.6	\$ 211.0	\$ 213.0	\$ 214.9	\$ 215.6	\$ 197.9	\$ 192.7	\$ 182.9	\$ 179.0	\$ 169.9
Reserved for Membranes Repl	-	-	-	-	-	-	-	-	-	-
Unrestricted	30.7	24.3	19.0	16.0	16.6	14.9	11.0	17.0	16.6	16.1
Total Net Position	<u>\$ 240.3</u>	<u>\$ 235.3</u>	<u>\$ 232.0</u>	<u>\$ 237.2</u>	<u>\$ 232.7</u>	<u>\$ 213.0</u>	<u>\$ 203.7</u>	<u>\$ 199.9</u>	<u>\$ 195.6</u>	<u>\$ 186.0</u>



Note (a) - The debt service amount has been incorporated into the calculation of investment in net capital assets.

Source: Chino Basin Desalter Authority's Financial Statements

CHINO BASIN DESALTER AUTHORITY
Other Fiscal Indicator - Service Obligation
Fiscal Years Ended June 30, 2016, through 2025
(Dollars in Thousands)



	2025*	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Operating Revenues	\$ 38,016	\$ 75,154	\$ 71,566	\$ 65,701	\$ 60,346	\$ 51,582	\$ 46,615	\$ 42,933	\$ 38,098	\$ 39,082
Total Operating Expenses (a)	\$ 42,429	\$ 80,221	\$ 77,273	\$ 72,102	\$ 63,030	\$ 51,165	\$ 44,314	\$ 39,300	\$ 33,674	\$ 34,841
Ratio	0.9	0.9	0.9	0.9	1.0	1.0	1.1	1.1	1.1	1.1

Description – This indicator reflects the extent to which the Authority’s annual operating revenues are sufficient to cover its annual operating expenses. A ratio of 1.0 or higher signifies that the Authority generated enough revenue to fully support its operations, demonstrating that it operated within its means.

(a) excluding depreciation and amortization expenses

* Decrease due to the change in accounting reporting for the Groundwater Replenishment Expense/Credit (Details in Note 11)

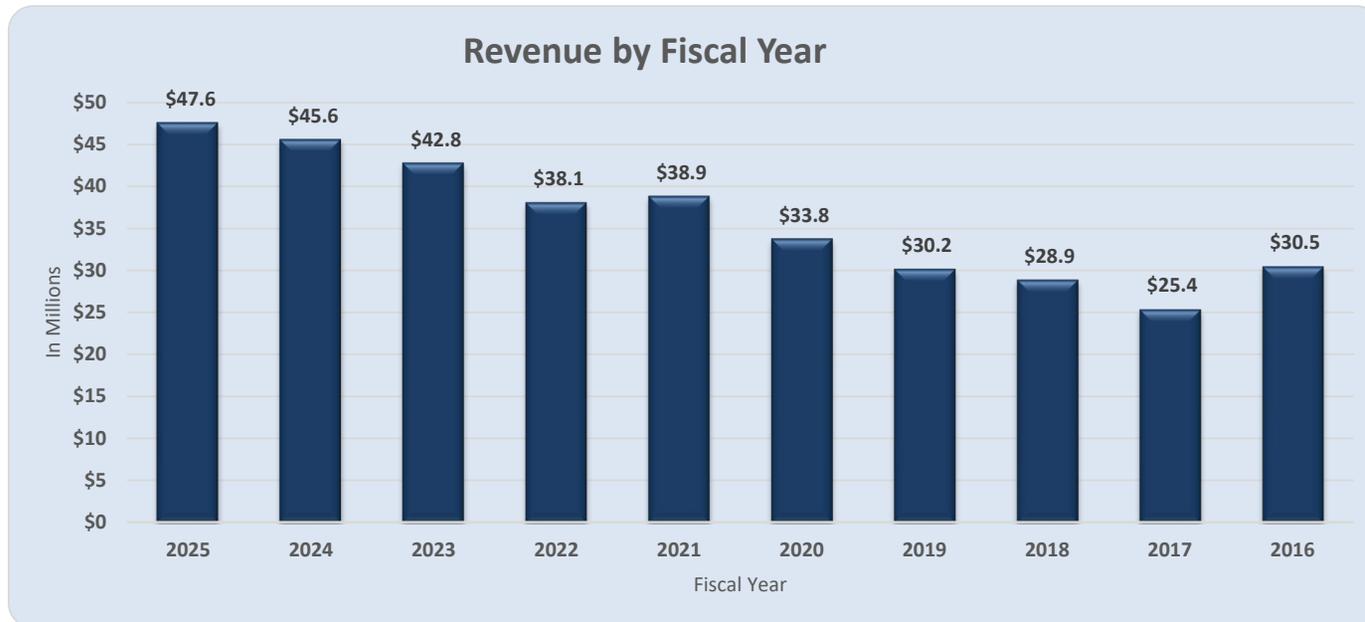
Source: Chino Basin Desalter Authority's Financial Statements

CHINO BASIN DESALTER AUTHORITY

Revenues by Source
Last Ten Fiscal Years
(in million dollars)



	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
O&M Assessments	\$ 34.5	\$ 34.0	\$ 32.4	\$ 27.7	\$ 26.6	\$ 23.4	\$ 20.8	\$ 19.4	\$ 17.0	\$ 16.6
MWD Contributions	3.5	2.5	2.8	3.6	3.6	2.7	2.7	2.7	2.7	2.4
Total Operating Revenue	38.0	36.5	35.2	31.3	30.2	26.1	23.5	22.1	19.7	19.0
Fixed Project Assessments	7.3	7.8	7.2	6.8	8.5	7.0	6.2	6.5	5.6	10.8
Other Nonoperating Revenue	2.3	1.3	0.4	-	0.2	0.7	0.5	0.3	0.1	0.7
Total Nonoperating Revenue	9.6	9.1	7.6	6.8	8.7	7.7	6.7	6.8	5.7	11.5
Total Combined Revenues	\$ 47.6	\$ 45.6	\$ 42.8	\$ 38.1	\$ 38.9	\$ 33.8	\$ 30.2	\$ 28.9	\$ 25.4	\$ 30.5



Source: Chino Basin Desalter Authority's Financial Statements

CHINO BASIN DESALTER AUTHORITY

Operating Indicators

Staffing Allocations

As of June 30, 2025



Total Staffing Positions	Full Time Equivalent	Part-time	Total
Administration	4	1	5
Operations	0	0	0
Total CDA Staff	4	1	5
Chino I - Contracted Staff	7	1	8
Chino II - Contracted Staff	12	0	12
Total Contracted Staff	19	1	20
Total	23	2	25

Note: Chino I operations is under contract with Inland Empire Utilities Agency
 Chino II operations is under contract with Jurupa Community Service District

Sources: Administration - Actual FTE as of June 30, 2025
 Chino I & II - Total labor hours as per actual billing for the fiscal year June 30, 2025

CHINO BASIN DESALTER AUTHORITY
Debt Service Payment Schedule
Fiscal Years 2017-2035



Fiscal Year	Interest	Principal	Total Payment	Principal Balance
Beginning balance of the 2016A Bond				\$ 67,105,000
2017	\$ 2,293,814	\$ 2,560,000	\$ 4,853,814	64,545,000
2018	2,553,763	2,305,000	4,858,763	62,240,000
2019	2,438,513	2,465,000	4,903,513	59,775,000
2020	2,315,263	2,645,000	4,960,263	57,130,000
2021	2,183,013	2,780,000	4,963,013	54,350,000
2022	2,044,013	2,910,000	4,954,013	51,440,000
2023	1,898,513	3,065,000	4,963,513	48,375,000
2024	1,745,262	3,215,000	4,960,262	45,160,000
2025	1,584,513	3,370,000	4,954,513	41,790,000
2026	1,416,012	3,540,000	4,956,012	38,250,000
2027	1,274,412	3,680,000	4,954,412	34,570,000
2028	1,090,413	3,865,000	4,955,413	30,705,000
2029	935,812	4,015,000	4,950,812	26,690,000
2030	855,513	4,105,000	4,960,513	22,585,000
2031	763,150	4,195,000	4,958,150	18,390,000
2032	595,350	4,365,000	4,960,350	14,025,000
2033	420,750	4,540,000	4,960,750	9,485,000
2034	284,550	4,670,000	4,954,550	4,815,000
2035	144,450	4,815,000	4,959,450	-

Source: 2016A Bonds Debt Service Schedule

CHINO BASIN DESALTER AUTHORITY
Ratio of Outstanding Debt by Type
For The Last Ten Fiscal Years



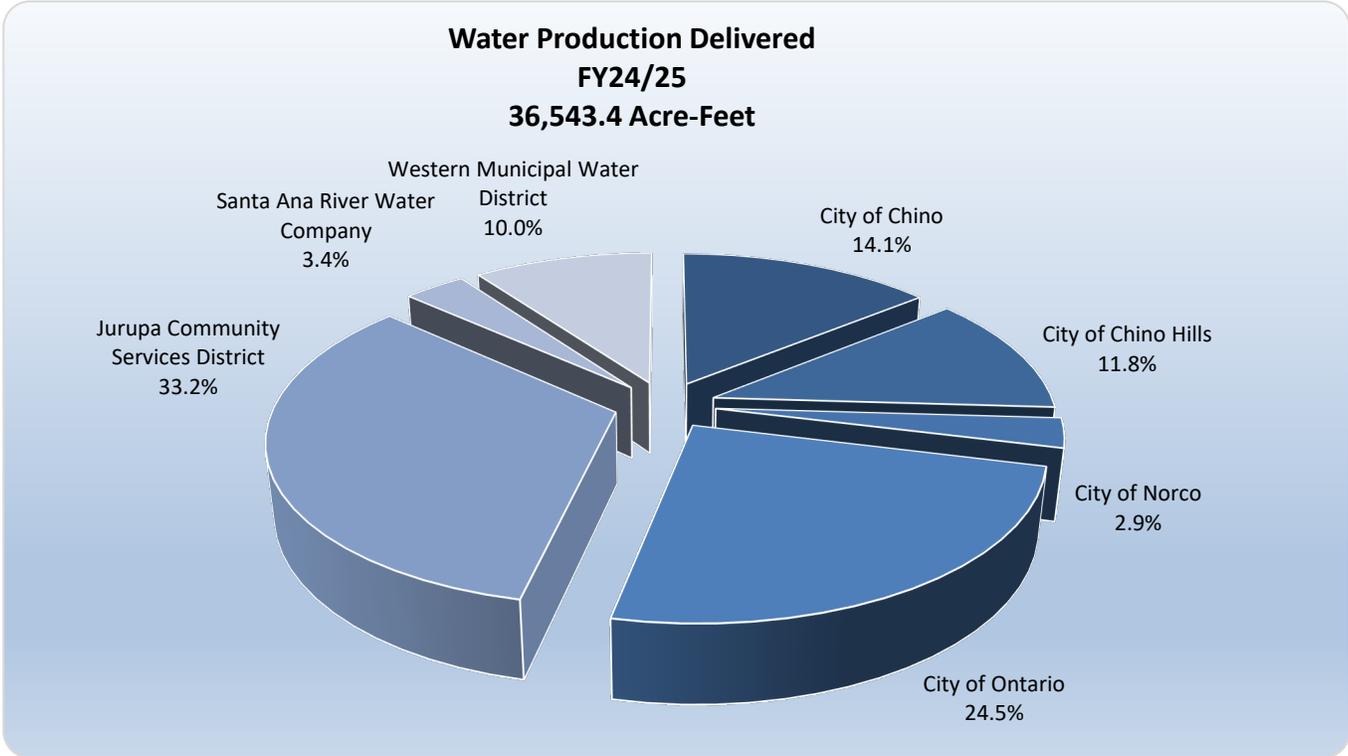
Fiscal Year	Revenue Bonds	Other Liabilities	Lease Payable	Subscription Payable	Total Debt	Total Assets	Total Debt Per Capita
2025	\$ 46,079,247	\$ -	\$ 165,855	\$ 58,815	\$ 46,303,917	\$ 296,295,497	15.6%
2024	49,878,170	-	183,341	78,464	50,139,975	296,295,497	16.9%
2023	53,522,095	-	209,583	155,495	53,887,173	306,018,270	17.6%
2022	57,016,021	80,000	-	-	57,096,021	309,281,174	18.5%
2021	60,354,946	80,000	-	-	60,434,946	314,860,756	19.2%
2020	63,563,870	80,000	-	-	63,643,870	299,129,623	21.3%
2019	66,637,795	80,000	-	-	66,717,795	284,199,297	23.5%
2018	69,531,720	80,000	-	-	69,611,720	283,342,902	24.6%
2017	72,265,644	80,000	-	-	72,345,644	311,956,970	23.2%
2016	76,066,072	80,000	-	-	76,146,072	284,150,138	26.8%

Source: Chino Basin Desalter Authority's Financial Data

CHINO BASIN DESALTER AUTHORITY
Water Production Delivered to Member Agencies
For Fiscal Year Ended June 30, 2025



CDA Members	Total Acre-Feet *	Percentage of Acre-Feet Total
City of Chino	5,160.3	14.1%
City of Chino Hills	4,319.7	11.8%
City of Norco	1,061.9	3.0%
City of Ontario	8,960.2	24.5%
Jurupa Community Services District	12,143.9	33.2%
Santa Ana River Water Company	1,255.8	3.4%
Western Municipal Water District	3,641.7	10.0%
Total	36,543.4	100.0%



**AF (Acre-Foot) – An acre-foot is a unit of water measurement equal to 325,900 gallons. This amount is generally sufficient to supply the annual indoor and outdoor water needs of two average households.*

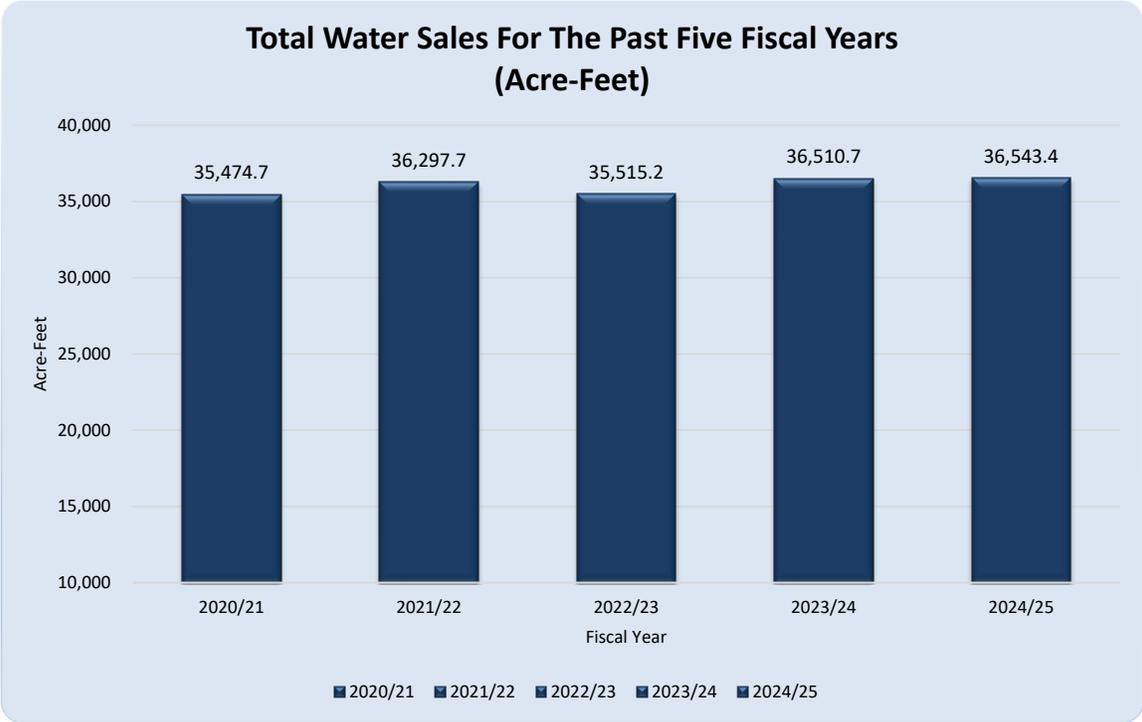
Source: Chino Basin Desalter Authority's Production Report

CHINO BASIN DESALTER AUTHORITY

Actual Desalter Water Sales
For the Past Five Fiscal Years
(In Acre-Feet)



Fiscal Year	City of Chino	City of Chino Hills	City of Norco	City of Ontario	Jurupa Community Services District	Santa Ana River Water Company	Western MWD	Total Acre-Feet
2020/21	5,027.0	4,234.1	1,014.8	8,616.7	11,822.5	1,209.4	3,550.2	35,474.7
2021/22	5,068.5	4,232.2	1,074.6	9,113.7	12,046.9	1,235.5	3,526.3	36,297.7
2022/23	5,045.1	4,240.1	1,049.4	8,588.8	11,821.1	1,206.4	3,564.4	35,515.2
2023/24	5,178.9	4,423.9	1,060.2	8,932.5	12,079.7	1,239.7	3,595.8	36,510.7
2024/25	5,160.3	4,319.7	1,061.9	8,960.2	12,143.9	1,255.8	3,641.7	36,543.4



Source: Chino Basin Desalter Authority's Production Report

CHINO BASIN DESALTER AUTHORITY
Demographic and Economic Statistics
Population Served by Member Agencies
As of June 30, 2025



CDA Members	Population	% of Total
Western Municipal Water District*	980,000	63%
City of Ontario	188,077	12%
Jurupa Community Services District	179,963	12%
City of Chino	95,055	6%
City of Chino Hills	77,314	5%
City of Norco	26,079	2%
Santa Ana River Water Company*	6,400	0%
	1,552,888	100%

*Estimated

Sources: San Bernardino County Data
 On-line Inquiries
 Western MWD Website; ESRI Site Map



A joint project with:
The City of Chino
The City of Chino Hills
The City of Norco
The City of Ontario
Jurupa Community Services District
Santa Ana River Water Company
Inland Empire Utilities Agencies
Western Municipal Water District

CHINO BASIN DESALTER AUTHORITY



ADMINISTRATION OFFICE

3550 E. Philadelphia Street,
Suite 170 Ontario, CA 91761



PHONE NUMBER

Main: (909) 218-3230
Finance: (909) 218-3735



WEBSITE / EMAIL

www.chinodesalter.org
finance@chinodesalter.org



**CHINO BASIN
DESALTER
AUTHORITY**