



# BAY AREA CLEAN WATER AGENCIES

For the Years Ended June 30, 2024 and 2023

BASIC FINANCIAL STATEMENTS

Focused  
on YOU



BAY AREA CLEAN WATER AGENCIES

Basic Financial Statements  
For the Years Ended June 30, 2024 and 2023

Table of Contents

	<u>Page</u>
<b><i>Independent Auditors' Report</i></b> .....	1
<b><i>Management's Discussion and Analysis</i></b> .....	4
<b><i>Basic Financial Statements</i></b>	
Statements of Net Position .....	7
Statements of Revenues, Expenses and Changes in Net Position .....	8
Statements of Cash Flows .....	9
Notes to the Basic Financial Statements.....	10
<b><i>Independent Auditors' Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards</i></b> .....	15



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Bay Area Clean Water Agencies  
Oakland, California

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the accompanying financial statements of the Bay Area Clean Water Agencies ("BACWA"), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements as listed in the table of contents.

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

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Standards 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 BACWA 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 BACWA'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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing



To the Board of Directors  
Bay Area Clean Water Agencies  
Oakland, California

standards 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 generally accepted auditing standards 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 BACWA'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 BACWA's ability to continue as a going concern for a reasonable period of time.

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

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

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



To the Board of Directors  
Bay Area Clean Water Agencies  
Oakland, California

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2024, on our consideration of BACWA'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 BACWA'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 BACWA's internal control over financial reporting and compliance.

*Lance, Solt & Loughard, LLP*

Sacramento, California  
October 30, 2024

## BAY AREA CLEAN WATER AGENCIES

### Management's Discussion and Analysis For the Years Ended June 30, 2024 and 2023

This section presents management's analysis of the Bay Area Clean Water Agencies (BACWA) financial condition and activities as of and for the years ended June 30, 2024 and 2023. Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to BACWA's basic financial statements. The MD&A represents management's examination and analysis of BACWA's financial condition and performance.

This information should be read in conjunction with the audited financial statements that follow this section. The information in the MD&A is presented under the following headings:

- Organization and Business
- Overview of the Financial Statements
- Financial Analysis
- Request for Information

#### Organization and Business

The Bay Area Clean Water Agencies (BACWA) is a local government agency created by a joint powers agreement in 1984. Our membership includes local clean water agencies that provide sanitary sewer services to the more than seven million people living in the nine county San Francisco Bay Area. BACWA was founded, and continues, to assist agencies in carrying out mutually beneficial projects, and to facilitate the development of scientific, economic and other information about the San Francisco Bay environment and the agencies that work to protect it and public health.

BACWA is governed by a five-person Executive Board comprised of one representative from each of the joint powers agreement signatory agencies: Central Contra Costa Sanitary District, East Bay Dischargers Authority, East Bay Municipal Utility District, the City and County of San Francisco, and the City of San Jose. BACWA members contribute funds to cover operating expenses based on an annual work plan and budget, in accordance with sections 9 and 10 of BACWA's Joint Powers Agreement. There are twelve associate members and forty-seven affiliate members that contribute a minimum of \$9,142 and \$1,831 annually, respectively.

For additional information, please see the notes to the basic financial statements.

#### Overview of the Financial Statements

The financial statements include *statements of net position, statements of revenues, expenses, and changes in net position, statements of cash flows, and notes to the financial statements*. The report also contains other required supplementary information in addition to the basic financial statements.

BACWA's financial statements include:

The *Statements of Net Position* present information on BACWA's assets and liabilities, with the difference between the two reported as net position. It provides information about the nature and amount of resources and obligations at year-end.

The *Statements of Revenues, Expenses, and Changes in Net Position* present the results of BACWA's operations over the course of the fiscal year and information as to how the *net position* changed during the year.

The *Statements of Cash Flows* present changes in cash and cash equivalents resulting from operational and investing activities. This statement summarizes the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligation or receipt.

## BAY AREA CLEAN WATER AGENCIES

### Management's Discussion and Analysis For the Years Ended June 30, 2024 and 2023

The *Notes to the Basic Financial Statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 10 to 14 of this report.

#### Financial Analysis:

Table 1 summarizes net position at June 30, 2024 and 2023, and Table 2 summarizes revenues, expenses and changes in net position for the years ended June 30, 2024 and 2023. Both tables also include changes from the prior year.

**Table 1**  
**Summary of Net Position**  
**June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>	<u>Variance</u>
Current assets	<u>\$ 3,413,982</u>	<u>\$ 3,394,489</u>	<u>\$ 19,493</u>
Current liabilities	<u>133,919</u>	<u>97,127</u>	<u>36,792</u>
Net position:			
Unrestricted	<u>3,280,063</u>	<u>3,297,362</u>	<u>(17,299)</u>
Total net position	<u><u>\$ 3,280,063</u></u>	<u><u>\$ 3,297,362</u></u>	<u><u>\$ (17,299)</u></u>

- Current assets increased by \$19,493 primarily due to an increase in investments and accrued interest receivable.
- Current liabilities increased by \$36,792 primarily due to an increase in accounts payable.

**BAY AREA CLEAN WATER AGENCIES**

**Management's Discussion and Analysis  
For the Years Ended June 30, 2024 and 2023**

**Table 2  
Summary of Revenues, Expenses, and Changes in Net Position  
Years ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>	<u>Variance</u>
Operating revenues	\$ 3,132,831	\$ 3,080,655	\$ 52,176
Operating expenses	<u>(3,343,536)</u>	<u>(3,138,434)</u>	<u>(205,102)</u>
Net operating income/(loss)	(210,705)	(57,779)	(152,926)
Nonoperating revenues	<u>193,406</u>	<u>52,590</u>	<u>140,816</u>
Change in net position	<u>\$ (17,299)</u>	<u>\$ (5,189)</u>	<u>\$ (12,110)</u>

- Operating revenues increased by \$52,176 primarily due to an increase in member contributions.
- Operating expenses increased by \$205,102 primarily due to an increase in professional services.
- Non-operating revenues for the years ended June 30, 2024 and 2023 consisted of interest income. The increase of \$140,816 is due to an increase in interest rates and BACWA's uninvested cash balance bearing interest.

**Request for Information**

This financial report is designed to provide viewers with a general overview of The Bay Area Clean Water Agencies' finances and demonstrate BACWA's accountability for the assets and liabilities it manages. If you have any questions about this report, or need additional information, please contact: the BACWA Treasurer, Phoebe Grow, PO Box 24055, MS 809, Oakland, California 94623.



**BAY AREA CLEAN WATER AGENCIES**  
**Statements of Net Position**  
**June 30, 2024 and June 30, 2023**

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
Cash and cash equivalents (Note 2)	\$ 996,129	\$ 1,073,205
Investments (Note 2)	2,390,109	2,302,195
Accounts receivable	1,799	1,830
Accrued interest receivable	<u>25,945</u>	<u>17,259</u>
Total assets	<u>3,413,982</u>	<u>3,394,489</u>
<b>LIABILITIES</b>		
Accounts payable	<u>133,919</u>	<u>97,127</u>
Total liabilities	<u>133,919</u>	<u>97,127</u>
<b>NET POSITION (Note 1B)</b>		
Unrestricted	<u>3,280,063</u>	<u>3,297,362</u>
Total net position	<u><u>\$ 3,280,063</u></u>	<u><u>\$ 3,297,362</u></u>

See accompanying notes to financial statements

**BAY AREA CLEAN WATER AGENCIES**  
**Statements of Revenue, Expense,**  
**And Changes in Net Position**  
**For Years Ended June 30, 2024 and June 30, 2023**

	<u>2024</u>	<u>2023</u>
Operating income:		
Member contributions	\$ 1,520,539	\$ 1,456,269
Other receipts	<u>1,612,292</u>	<u>1,624,386</u>
Total operating revenue	3,132,831	3,080,655
Operating expense:		
Professional services	(2,775,874)	(2,647,703)
General and administrative	<u>(567,662)</u>	<u>(490,731)</u>
Total operating expense	<u>(3,343,536)</u>	<u>(3,138,434)</u>
Operating income (loss)	<u>(210,705)</u>	<u>(57,779)</u>
Nonoperating revenue:		
Interest income	<u>193,406</u>	<u>52,590</u>
Changes in net position	(17,299)	(5,189)
Total net position - beginning	<u>3,297,362</u>	<u>3,302,551</u>
Total net position - ending	<u><u>\$ 3,280,063</u></u>	<u><u>\$ 3,297,362</u></u>

See accompanying notes to financial statements

**BAY AREA CLEAN WATER AGENCIES**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2024 and June 30, 2023**

	2024	2023
Cash flows from operating activities:		
Cash received from member contributions	\$ 1,520,570	\$ 1,532,464
Cash received from other receipts	1,612,292	1,624,386
Cash paid for supplies and services	(3,306,744)	(3,251,871)
Net cash provided (used) by operating activities	(173,882)	(95,021)
Cash flows provided by investing activities:		
Interest received on investments	184,720	39,596
Net increase (decrease) in cash and equivalents, and investments	10,838	(55,425)
Cash and equivalents, and investments at beginning of period	3,375,400	3,430,825
Cash and equivalents, and investments at end of period	\$ 3,386,238	\$3,375,400
Reconciliation of cash and cash equivalents, and investments to amounts reported on the statement of net position		
Cash and cash equivalents	\$ 996,129	\$ 1,073,205
Investments	2,390,109	2,302,195
Cash and equivalents, and investments at end of period	\$ 3,386,238	\$ 3,375,400
Reconciliation of net operating income (loss) to net cash provided (used) by operating activities:		
Operating income	\$ (210,705)	\$ (57,779)
Adjustments to reconcile operating loss to cash flows from operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable and other receivables	31	76,195
Accounts payable	36,792	(113,437)
Net cash flow provided (used) by operating activities	\$ (173,882)	\$ (95,021)

See accompanying notes to financial statements

## BAY AREA CLEAN WATER AGENCIES

### Notes to Basic Financial Statements For the Years Ended June 30, 2024 and 2023

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Description of Reporting Entity

The Bay Area Clean Water Agencies (BACWA) is a local government agency created by a joint powers agreement in 1984. Our membership includes local clean water agencies that provide sanitary sewer services to the more than seven million people living in the nine county San Francisco Bay Area. BACWA was founded, and continues, to assist agencies in carrying out mutually beneficial projects, and to facilitate the development of scientific, economic and other information about the San Francisco Bay environment and the agencies that work to protect it and public health.

BACWA is governed by a five-person Executive Board comprised of one representative from each of the joint powers agreement signatory agencies: Central Contra Costa Sanitary District, East Bay Dischargers Authority, East Bay Municipal Utility District, the City and County of San Francisco, and the City of San Jose. BACWA members contribute funds to cover operating expenses based on an annual work plan and budget, in accordance with sections 9 and 10 of BACWA's Joint Powers Agreement. There are twelve associate members and forty-seven affiliate members that contribute a minimum of \$9,142 and \$1,831 annually, respectively.

BACWA has the following special programs in the fiscal year 2024. Each special program's revenues and expenses are tracked separately from BACWA's other revenues and expenses.

- *The Clean Bay Collaborative (CBC)* is a program to develop and fund regional projects that benefit participants. Revenues come from contributions from program participants and expenditures are determined by the BACWA principals.
- *Water/Wastewater Operator Training (WOT)* was a program formed with Solano County Community College to provide water operators with educational training to help them understand the standard environmental rules and regulations related to water and wastewater. Revenues are provided by participating agencies and expenditures determined by those agencies. BACWA continues its educational relationship with Solano Community College.
- *Bay Area Biosolids Coalition (BABC)* became a Special Benefits Program in fiscal year 2020, where the participants establish their budget and associated revenue needs. BABC is a regional collaboration between San Francisco Bay Area wastewater agencies that are working to develop sub-regional projects with a primary focus on beneficial use of biosolids.
- *Bay Area Chemical Consortium (BACC)* became a Special Benefits Program in fiscal year 2020. BACC is an administrative program governed by BACWA and supported by the BACWA ED and AED. BACC solicits chemical bid information from more than 60 member agencies, then arranges a group bid. BACC participant agencies are invoiced for BACWA labor and other expenses related to bid administration at the end of each fiscal year.
- *CASA Air Toxics (CASA Pooled Emission Study AB 617)* program established a statewide annual reporting of emissions data to improve understanding of sources contributing to adverse health risks or other impacts at local, regional, and statewide levels. The California Association of Sanitation Agencies (CASA) negotiated a phased compliance, such that wastewater utilities must perform a "two-step process" to determine shortlist of compounds and factors: 1. Scan air space of unit processes to determine detectable compounds; and 2. Quantify emissions of detectable compounds to determine potential risk. CASA is leading a pooled emissions study to comply with the regulation and has set the fees for participation. BACWA is collecting fees from its members who have opted into the program and is directly passing those fees through to CASA to support the pooled emissions study.

## BAY AREA CLEAN WATER AGENCIES

### Notes to Basic Financial Statements For the Years Ended June 30, 2024 and 2023

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **B. Basis of Accounting and Presentation**

The accompanying financial statements report the financial position of BACWA in accordance with accounting standards generally accepted in the United States of America. As BACWA is exclusively comprised of governmental entities, the preparation of its financial statements is governed by the pronouncements of the Governmental Accounting Standards Board (GASB).

BACWA as a proprietary enterprise is accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

BACWA distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing deliverable goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for BACWA include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Statement of Net Position* – The statement of net position is designed to display the financial position of BACWA. BACWA's fund equity is reported as net position, which is the excess of all the agency's assets and deferred outflows over all its liabilities and deferred inflows. Net position is divided into three captions under GASB Statement 34. As of June 30, 2024 and 2023, BACWA reported the following classifications of net position:

- *Unrestricted* describes the portion of Net Position which is not restricted to use.

*Statement of Revenues, Expenses, and Changes in Net Position* – The statement of revenues, expenses, and changes in net position is the operating statement for proprietary funds. Revenues are reported by major source. This statement distinguishes between operating and non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income. When both restricted and unrestricted resources are available for use, it is BACWA's policy to use restricted resources first, then unrestricted resources as they are needed.

##### **C. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### **D. Cash and Cash Equivalents**

BACWA considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

##### **E. Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. BACWA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

**BAY AREA CLEAN WATER AGENCIES**

**Notes to Basic Financial Statements  
For the Years Ended June 30, 2024 and 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Allocation of Costs**

In accordance with the adopted work plan and approved budget for the year ended June 30, 2024, all costs incurred by BACWA for general overhead and for programs with general benefit are shared by BACWA members consistent with the terms of the Joint Powers Agreement establishing the agency, between each of the original signatory members.

Costs incurred for programs of special benefit are allocated in direct proportion to the benefits received as approved by BACWA’s Executive Board.

BACC, WOT and BABC have their own budgets, and their expenditures are funded from their own separate revenues. BACC maintains a legal reserve fund that whose revenue is collected from its members and is held separately from other BACWA funds.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

**NOTE 2 - CASH AND INVESTMENTS**

**A. Composition**

BACWA’s cash and cash equivalents at June 30 consisted of the following deposits and investments held by EBMUD on the BACWA’s behalf:

	<u>2024</u>	<u>2023</u>
Demand deposits with banks	\$ 996,129	\$ 1,073,205
Local Agency Investment Fund	2,390,109	2,302,195
Total cash and cash equivalents	<u>\$ 3,386,238</u>	<u>\$ 3,375,400</u>

**B. Collateralization of Cash and Cash Equivalents**

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of BACWA’s cash on deposit or first trust deed mortgage notes with a value of 150% of BACWA’s cash on deposit as collateral for these deposits. Under California Law this collateral is held in an investment pool by an independent financial institution in BACWA’s name and places BACWA ahead of general creditors of the institution pledging the collateral. BACWA has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

## BAY AREA CLEAN WATER AGENCIES

### Notes to Basic Financial Statements For the Years Ended June 30, 2024 and 2023

#### NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

BACWA's investments are carried at fair value, as required by generally accepted accounting principles. BACWA adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

#### **C. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As an external investment pool, the Local Agency Investment Fund was not rated as of June 30, 2024 and 2023.

#### **D. Fair Value Hierarchy**

BACWA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The California Local Agency Investment Fund is exempt from classification for fair value hierarchy.

#### **E. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. BACWA generally manages its interest rate risk by purchasing a combination of short-term and long-term investments and holding investments to maturity. BACWA's only investment is in the California Local Agency Investment Fund which can be withdrawn at any time usually within a day.

#### **F. Local Agency Investment Fund (LAIF)**

BACWA is a participant in the Local Agency Investment Fund (LAIF), which is regulated by California Government Code §16429 under the oversight of the Treasurer of the State of California. The value of the pool shares in LAIF is determined on an amortized cost basis, which is different from the fair value of its position in the pool. BACWA's investments with LAIF at June 30, 2024 and 2023 included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

- Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets, such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2024 and 2023, BACWA had investments of \$2,390,109 and \$2,302,195, respectively, invested in LAIF, which had invested 3.00% and 2.78% of the pooled investment funds in Structured Notes and Asset-Backed Securities.

#### NOTE 3 – RELATED PARTY TRANSACTION

As BACWA does not have any employees, EBMUD provides BACWA with ongoing treasury, accounting, and auditing pass-through costs, which are reimbursed by BACWA and the related organizations on no less than a quarterly basis. Total reimbursements for the year ended June 30, 2024 and 2023, were \$43,461 and \$39,021 respectively, and are primarily reflected in the general and administrative expenditures on the Statement of Revenues, Expenditures, and Changes in Net Position.

**BAY AREA CLEAN WATER AGENCIES**

**Notes to Basic Financial Statements  
For the Years Ended June 30, 2024 and 2023**

**NOTE 4 – RISK MANAGEMENT**

BACWA's liability and property risks are insured by commercial insurance carriers. Selected insurance coverage includes:

<b>Coverage</b>	<b>Policy Limit</b>
Bodily injury	\$ 5,000,000
Property damage	5,000,000
Personal injury	5,000,000
Non-owned and hired automobile liability	5,000,000
Public officials, errors, and omissions	5,000,000
Fire damage liability	1,000,000
Employment practices liability	2,000,000
Security and privacy liability	10,000,000

Any liability BACWA may have for uninsured claims are limited to general liability claims. However, BACWA has experienced no losses from such claims during the preceding three years and it therefore believes there is no liability for claims incurred but not reported.





INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Bay Area Clean Water Agencies  
Oakland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements Bay Area Clean Water Agencies ("BACWA"), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the BACWA's basic financial statements, and have issued our report thereon dated October 30, 2024.

### Report on Internal Control over Financial Reporting

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

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

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

### Report on Compliance and Other Matters

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



To the Board of Directors  
Bay Area Clean Water Agencies  
Oakland, California

### **Purpose of This Report**

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

*Lance, Solt & Lughard, LLP*

Sacramento, California  
October 30, 2024