

**ROWLAND WATER DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended
June 30, 2022
(With Comparative Amounts as of June 30, 2021)**

NIGRO & NIGRO^{PC}

ROWLAND WATER DISTRICT
For the Fiscal Year Ended June 30, 2022
Table of Contents

FINANCIAL SECTION

Page

Independent Auditors' Report 1
Management's Discussion and Analysis..... 4
Basic Financial Statements:
 Proprietary Fund:
 Balance Sheets.....10
 Statements of Revenues, Expenses and Changes in Net Position.....11
 Statements of Cash Flows.....12
Notes to Financial Statements14

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the District's Proportionate Share of the Net Pension Liability46
Schedule of the District's Contributions to the Defined Benefit Pension Plan.....47
Schedule of Changes in the District's Net OPEB Liability and Related Ratios.....48
Schedule of Contributions – Other Post-Employment Benefits (OPEB) Plan.....49

SUPPLEMENTARY INFORMATION

Schedule of Other Operating Expenses50
Schedule of General and Administrative Expenses.....51

OTHER INDEPENDENT AUDITORS' REPORTS

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.....52

Financial Section



INDEPENDENT AUDITORS' REPORT

Board of Directors
Rowland Water District
Rowland Heights, California

Opinion

We have audited the accompanying financial statements of the Rowland Water District (District), which comprise the balance sheet as of June 30, 2022, and the related statement of revenues, expenses and changes in net position and cash flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2022 and 2021, and the respective changes in its financial position and cash flows 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency 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.

Change in Accounting Principle

As described in Notes 1 and 4 to the financial statements, as of July 1, 2020, the Agency adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

Management's Responsibility for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 generally accepted auditing 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 the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the Agency's Proportionate Share of the Plan's Net Pension Liability, Schedule of the Agency's Contributions to the Pension Plan, Schedule of Changes in the Agency's Net OPEB Liability and Related Ratios, and Schedule of the Agency's Contributions to the OPEB Plan be presented to supplement the basic financial statements. Such information, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements as a whole. The Schedule of Other Operating Expenses and Schedule of General and Administrative Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2021, from which such partial information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated January 10, 2023, on our consideration of the District'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 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 District'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 the District's internal control over financial reporting and compliance.



Murrieta, California
January 10, 2023

ROWLAND WATER DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2022 (With Comparable Amounts as of June 30, 2021)

Management's Discussion and Analysis (MD&A) offers readers of Rowland Water District's financial statements a narrative overview of the District's financial activities for the year ended June 30, 2022. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- In fiscal year 2022, the District's net position increased 4.72%, or \$3,342,942 from the prior year's net position of \$70,796,975 to \$74,139,917, as a result of the year's operations.
- In fiscal year 2022, operating revenues increased by 1.18%, or \$329,313 from \$27,913,052 to \$28,242,365, from the prior year, primarily due to increases in residential, business, recycled water sales as well as other operating revenues.
- In fiscal year 2022, operating expenses before depreciation expense increased by 3.46% or \$684,872 from \$19,808,846 to \$20,493,718, from the prior year, primarily due to increases in costs for transmission and distribution, and general and administrative.

REQUIRED FINANCIAL STATEMENTS

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

The Balance Sheet includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

ROWLAND WATER DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2022 (With Comparable Amounts as of June 30, 2021)

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position – the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation.

Condensed Balance Sheets

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>
Assets:			
Current assets	\$ 15,690,004	\$ 14,767,567	\$ 922,437
Non-current assets	34,878,643	35,013,031	(134,388)
Capital assets, net	68,790,298	67,099,882	1,690,416
Total assets	<u>119,358,945</u>	<u>116,880,480</u>	<u>2,478,465</u>
Deferred outflows of resources	<u>7,305,466</u>	<u>5,855,538</u>	<u>1,449,928</u>
Total assets and deferred outflows of resources	<u>\$ 126,664,411</u>	<u>\$ 122,736,018</u>	<u>\$ 3,928,393</u>
Liabilities:			
Current liabilities	\$ 7,431,155	\$ 8,020,196	\$ (589,041)
Non-current liabilities	39,505,947	41,704,030	(2,198,083)
Total liabilities	<u>46,937,102</u>	<u>49,724,226</u>	<u>(2,787,124)</u>
Deferred inflows of resources	<u>5,587,392</u>	<u>2,214,817</u>	<u>3,372,575</u>
Net position:			
Net investment in capital assets	32,620,298	31,867,906	752,392
Unrestricted	41,519,619	38,929,069	2,590,550
Total net position	<u>74,139,917</u>	<u>70,796,975</u>	<u>3,342,942</u>
Total liabilities, deferred outflows of resources and net position	<u>\$ 126,664,411</u>	<u>\$ 122,736,018</u>	<u>\$ 3,928,393</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$74,139,917 as of June 30, 2022.

ROWLAND WATER DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2022 (With Comparable Amounts as of June 30, 2021)

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Condensed Balance Sheets (continued)

By far the largest portion of the District's net position (44% as of June 30, 2022) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending.

At the end of year 2022, the District showed a positive balance in its unrestricted net position of \$41,519,619 which may be utilized in future years.

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

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>
Operating revenues	\$ 28,242,365	\$ 27,913,052	\$ 329,313
Operating expenses	<u>(20,493,718)</u>	<u>(19,808,846)</u>	<u>(684,872)</u>
Operating income before depreciation	7,748,647	8,104,206	(355,559)
Depreciation expense	<u>(3,553,348)</u>	<u>(3,434,208)</u>	<u>(119,140)</u>
Operating income	4,195,299	4,669,998	(474,699)
Non-operating revenues(expenses), net	<u>(852,357)</u>	<u>(588,647)</u>	<u>(263,710)</u>
Change in net position	3,342,942	4,081,351	(738,409)
Net position:			
Beginning of year	<u>70,796,975</u>	<u>66,715,624</u>	<u>4,081,351</u>
End of year	<u>\$ 74,139,917</u>	<u>\$ 70,796,975</u>	<u>\$ 3,342,942</u>

The statement of revenues, expenses and changes in net position shows how the District's net position changed during the fiscal years. In the case of the District, the District's net position increased 4.72%, or \$3,342,942 from the prior year's net position of \$70,796,975 to \$74,139,917, as a result of the year's operations.

ROWLAND WATER DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2022 (With Comparable Amounts as of June 30, 2021)

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Total Revenues

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Increase (Decrease)</u>
Operating revenues:			
Water sales	\$ 15,753,112	\$ 15,597,274	\$ 155,838
Water service charges	11,622,138	11,840,763	(218,625)
New service connections	166,842	156,194	10,648
Reimbursements	148,351	128,347	20,004
Other operating revenues	551,922	190,474	361,448
Total operating revenues	<u>28,242,365</u>	<u>27,913,052</u>	<u>329,313</u>
Non-operating revenues:			
Property taxes	502,421	490,250	12,171
Investment earnings	(462,229)	(318,995)	(143,234)
Rental and contract revenue	158,568	131,804	26,764
Grant revenue – Proposition No. 84 funding	-	408,500	(408,500)
Other non-operating revenues	147,129	178,016	(30,887)
Total non-operating revenues	<u>345,889</u>	<u>889,575</u>	<u>(543,686)</u>
Total revenues	<u>\$ 28,588,254</u>	<u>\$ 28,802,627</u>	<u>\$ (214,373)</u>

In fiscal year 2022, operating revenues increased by 1.18%, or \$329,313 from \$27,913,052 to \$28,242,365, from the prior year, primarily due to increases in residential, business, recycled water sales as well as other operating revenues.

Also, non-operating revenues decreased by 0.61%, or \$543,686 from \$889,575 to \$345,889 due to the \$408,500 grant revenue reimbursement funding from Proposition No. 84 in 2021 and a decrease in investment earnings.

ROWLAND WATER DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2022 (With Comparable Amounts as of June 30, 2021)

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Total Expenses

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Increase (Decrease)</u>
Operating expenses:			
Source of supply	\$ 11,099,755	\$ 10,972,900	\$ 126,855
Pumping and power	1,204,751	1,175,185	29,566
Transmission and distribution	1,965,230	1,736,405	228,825
Customer services	110,174	81,834	28,340
Other operating expenses	513,275	473,839	39,436
General and administrative	5,600,533	5,368,683	231,850
Total operating expenses	<u>20,493,718</u>	<u>19,808,846</u>	<u>684,872</u>
Depreciation expense	<u>3,553,348</u>	<u>3,434,208</u>	<u>119,140</u>
Non-operating expenses:			
Interest expense	647,335	1,431,244	(783,909)
Transfer to jv	331,846	3,808,880	(3,477,034)
Change in investment in joint-ventures	1,942	(3,761,902)	3,763,844
Cost of bond issuance	217,123	-	217,123
Total non-operating expenses	<u>1,198,246</u>	<u>1,478,222</u>	<u>(279,976)</u>
Total expenses	<u>\$ 25,245,312</u>	<u>\$ 24,721,276</u>	<u>\$ 524,036</u>

In fiscal year 2022, operating expenses before depreciation expense increased by 3.46% or \$684,872 from \$19,808,846 to \$20,493,718, from the prior year, primarily due to increases in costs for transmission and distribution, and general and administrative.

Capital Assets

	<u>Balance June 30, 2022</u>	<u>Balance June 30, 2021</u>
Capital assets:		
Non-depreciable assets	\$ 7,860,368	\$ 5,697,770
Depreciable assets	102,305,751	100,671,796
Accumulated depreciation	<u>(41,375,819)</u>	<u>(39,269,684)</u>
Total capital assets, net	<u>\$ 68,790,300</u>	<u>\$ 67,099,882</u>

At the end of year 2022, the District's investment in capital assets amounted to \$68,790,300 (net of accumulated depreciation), respectively. Capital asset additions amounted to \$5,243,766 for various projects and equipment. See Note 6 for further information.

ROWLAND WATER DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2022 (With Comparable Amounts as of June 30, 2021)

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Debt Administration

The long-term debt of the District is summarized below:

	Balance	Balance
Long-term debt:	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Contract and bonds payable	<u>\$ 36,170,000</u>	<u>\$ 35,231,976</u>

Long-term debt increased by a total of \$938,024 due to the refinance of debt for the year ended June 30, 2022. There were no principal payments due during the year. See Notes 7 and 8 for further information.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

CONDITIONS AFFECTING CURRENT AND FUTURE FINANCIAL POSITION

The District's Board of Directors and management considered many factors when setting the fiscal year 2022, user fees, and charges. A projection is made on the acre feet of water that will be purchased and sold. The District also looks at the increased cost of the Source of Supply. Since the District heavily relies on import water, the costs are directly passed through by Metropolitan Water District and Three Valleys Municipal Water District. Some are fixed costs that do not vary depending upon the amount of water sold. Other expenses are budgeted individually to account for increases in such things as vehicle expenses and insurance coverages. The District's customer base has not changed significantly; therefore, revenue and costs are more easily projected. Questions concerning the information about the economic analysis, revenue and expense assumptions, and other budgetary process parameters utilized in the annual budget preparation can be obtained from the District's Finance Officer.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Director of Finance, 3021 S. Fullerton Rd., Rowland Heights, CA 91748 - (562) 697-1726.

ROWLAND WATER DISTRICT

Balance Sheets

June 30, 2022 (With Comparative Amounts as of June 30, 2021)

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2022</u>	<u>2021</u>
Current assets:		Restated
Cash and cash equivalents (Note 2)	\$ 11,470,536	\$ 10,296,597
Accrued interest receivable	54,949	59,247
Accounts receivable, net (Note 3)	3,523,761	3,830,187
Property taxes receivable	18,929	-
Lease receivable (Note 4)	143,931	166,370
Other receivables	110,571	32,815
Inventory – water-in-storage (Note 5)	99,518	103,512
Inventory – materials and supplies	180,382	192,443
Prepaid expenses	87,427	86,396
Total current assets	15,690,004	14,767,567
Non-current assets:		
Investments (Note 2)	11,744,841	12,691,980
Investments in joint-ventures (Note 5)	21,640,986	21,642,928
Lease receivable (Note 4)	534,192	678,123
Net OPEB asset (Note 10)	958,624	-
Capital assets – not being depreciated (Note 6)	7,860,368	5,697,770
Capital assets – being depreciated, net (Note 6)	60,929,930	61,402,112
Total non-current assets	103,668,941	102,112,913
Total assets	119,358,945	116,880,480
Deferred outflows of resources:		
Deferred amounts related to refunding of long-term debt (Note 9)	3,300,000	2,756,243
Deferred amounts related to net OPEB obligation(asset) (Note 10)	480,437	1,858,397
Deferred amounts related to net pension liability (Note 11)	3,525,029	1,240,898
Total deferred outflows of resources	7,305,466	5,855,538
Total assets and deferred outflows of resources	\$ 126,664,411	\$ 122,736,018
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,820,175	\$ 3,105,739
Deposits and unearned revenues	4,471,061	3,632,710
Accrued interest payable	56,746	109,760
Long-term liabilities – due within one year:		
Compensated absences (Note 7)	83,173	91,987
Contract payable (Note 8)	-	495,000
Bonds payable (Note 9)	-	585,000
Total current liabilities	7,431,155	8,020,196
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 7)	249,517	275,961
Contract payable (Note 8)	-	17,094,520
Bonds payable (Note 9)	36,170,000	17,057,456
Net OPEB obligation (Note 10)	-	1,905,587
Net pension liability (Note 11)	3,086,430	5,370,506
Total non-current liabilities	39,505,947	41,704,030
Total liabilities	46,937,102	49,724,226
Deferred inflows of resources:		
Deferred amounts related to leases (Note 4)	659,358	838,942
Deferred amounts related to net OPEB obligation(asset) (Note 10)	2,069,250	1,168,468
Deferred amounts related to net pension liability (Note 11)	2,858,784	207,407
Total deferred inflows of resources	5,587,392	2,214,817
Net position:		
Net investment in capital assets (Note 12)	32,620,298	31,867,906
Unrestricted	41,519,619	38,929,069
Total net position	74,139,917	70,796,975
Total liabilities, deferred inflows of resources and net position	\$ 126,664,411	\$ 122,736,018

The notes to financial statements are an integral part of this statement.

ROWLAND WATER DISTRICT*Statements of Revenues, Expenses and Changes in Net Position**For the Fiscal Year Ended June 30, 2022 (With Comparative Amounts as of June 30, 2021)*

	<u>2022</u>	<u>2021</u>
Operating revenues:		Restated
Water sales	\$ 15,753,112	\$ 15,597,274
Water service charges	11,622,138	11,840,763
New service connections	166,842	156,194
Reimbursements	148,351	128,347
Other operating revenues	<u>551,922</u>	<u>190,474</u>
Total operating revenues	<u>28,242,365</u>	<u>27,913,052</u>
Operating expenses:		
Source of supply	11,099,755	10,972,900
Pumping and power	1,204,751	1,175,185
Transmission and distribution	1,965,230	1,736,405
Customer services	110,174	81,834
Other operating	513,275	473,839
General and administrative	<u>5,600,533</u>	<u>5,368,683</u>
Total operating expenses	<u>20,493,718</u>	<u>19,808,846</u>
Operating income before depreciation	7,748,647	8,104,206
Depreciation expense	<u>(3,553,348)</u>	<u>(3,434,208)</u>
Operating income	<u>4,195,299</u>	<u>4,669,998</u>
Non-operating revenues(expenses):		
Property taxes	502,421	490,250
Investment earnings	(462,229)	(318,995)
Rental and contract revenue	158,568	131,804
Grant revenue – Propostion No. 84 funding	-	408,500
Other non-operating revenues	147,129	178,016
Interest expense	(647,335)	(1,431,244)
Cost of bond issuance	(217,123)	-
Contribution to joint-venture (Note 5)	(331,846)	(3,808,880)
Change in investment in joint-ventures (Note 5)	<u>(1,942)</u>	<u>3,761,902</u>
Total non-operating revenues(expenses), net	<u>(852,357)</u>	<u>(588,647)</u>
Change in net position	3,342,942	4,081,351
Net position:		
Beginning of year	<u>70,796,975</u>	<u>66,715,624</u>
End of year	<u>\$ 74,139,917</u>	<u>\$ 70,796,975</u>

ROWLAND WATER DISTRICT*Statements of Cash Flows**For the Fiscal Year Ended June 30, 2022 (With Comparative Amounts as of June 30, 2021)*

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		Restated
Cash receipts from customers and others	\$ 29,601,869	\$ 29,410,429
Cash paid to employees for salaries and wages	(3,374,761)	(2,969,340)
Cash paid to vendors and suppliers for materials and services	<u>(19,927,054)</u>	<u>(19,395,260)</u>
Net cash provided by operating activities	<u>6,300,054</u>	<u>7,045,829</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes	<u>483,492</u>	<u>498,088</u>
Net cash provided by non-capital financing activities	<u>483,492</u>	<u>498,088</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(5,243,764)	(6,765,526)
Principal paid on long-term debt	-	(1,035,000)
Interest paid on long-term debt	(740,327)	(1,405,932)
Proceeds from water revenue refunding bonds	36,170,000	-
Refunding escrow deposit for refunded bonds	(35,952,877)	-
Cost of bond issuance	<u>(217,123)</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(5,984,091)</u>	<u>(9,206,458)</u>
Cash flows from investing activities:		
Change in investments	947,139	3,606,021
Investment earnings	220,979	239,370
Contributions to joint-ventures	<u>(793,634)</u>	<u>(790,960)</u>
Net cash provided by investing activities	<u>374,484</u>	<u>3,054,431</u>
Net increase in cash and cash equivalents	1,173,939	1,391,890
Cash and cash equivalents:		
Beginning of year	<u>10,296,597</u>	<u>8,904,707</u>
End of year	<u>\$ 11,470,536</u>	<u>\$ 10,296,597</u>

ROWLAND WATER DISTRICT*Statements of Cash Flows (continued)**For the Fiscal Year Ended June 30, 2022 (With Comparative Amounts as of June 30, 2021)*

	<u>2022</u>	<u>2021</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 4,195,299	\$ <u>4,669,998</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,553,348	3,434,208
Allowance for bad debt	155,610	220,587
Rental and contract revenue	158,568	131,804
Grant revenue – Proposition No. 84 funding	-	408,500
Other non-operating revenues	147,129	178,016
Change in assets – (increase)decrease:		
Accounts receivable, net	150,816	(1,078,026)
Lease receivable	166,370	(570,688)
Other receivables	(77,756)	428,757
Inventory – water-in-storage	3,994	(421)
Inventory – materials and supplies	12,061	(35,748)
Prepaid expenses	(1,031)	5,762
Change in deferred outflows of resources – (increase)decrease		
Deferred amounts related to net OPEB obligation	1,377,960	(1,208,206)
Deferred amounts related to net pension liability	(2,284,131)	23,088
Change in liabilities – increase(decrease):		
Accounts payable and accrued expenses	(285,564)	(1,220,928)
Deposits and unearned revenues	838,351	1,213,290
Compensated absences	(35,258)	20,188
Net OPEB obligation(asset)	(2,864,211)	(192,896)
Net pension liability	(2,284,076)	419,873
Change in deferred inflows of resources – increase(decrease)		
Deferred amounts related to leases	(179,584)	565,137
Deferred amounts related to net OPEB obligation	900,782	(198,765)
Deferred amounts related to net pension liability	2,651,377	(167,701)
Total adjustments	<u>2,104,755</u>	<u>2,375,831</u>
Net cash provided by operating activities	<u>\$ 6,300,054</u>	<u>\$ 7,045,829</u>
Noncash investing, capital and financing transactions:		
Change in fair-value of investments	\$ (678,910)	\$ (557,260)
Amortization of bond discount	<u>\$ 19,876</u>	<u>\$ 119,253</u>
Amortization of deferred amounts related to refunding of long-term debt	<u>\$ (197,021)</u>	<u>\$ (147,845)</u>

ROWLAND WATER DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

The Rowland Water District (District) was formed by the voters on March 3, 1953 under the County Water District Law, Division 12 Water Code, State of California, to provide a safe and reliable water source to allow the community to transform a cattle raising and farming area into the large urban and industrial area it serves today. The District encompasses a 17.2 square mile area in Southeastern Los Angeles County, which services portions of Rowland Heights, La Puente, Hacienda Heights, City of Industry, and City of West Covina. The service area's population is approximately 60,000.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, The Financial Reporting Entity (GASB Statement No. 61). The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

B. Basis of Presentation, Basis of Accounting

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied.

Operating revenues are those revenues that are generated from the primary operations of the District. The District reports a measure of operations by presenting the change in net position from operations as operating income in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the District as all activities other than financing and investing activities (interest expense and investment income), grants and subsidies, and other infrequently occurring transactions of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

New Accounting Pronouncement

GASB 84 – In January 2017, GASB issued Statement No. 84 – *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The District adopted this standard in the current fiscal year. Implementation of GASB 84 removed the previously reported OPEB trust that no longer qualifies as a fiduciary fund of the District.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of 90 days or less, when purchased, to be cash equivalents. Cash deposits are reported at the carrying amount, which reasonably estimates fair value.

2. Investments

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

3. Restricted Assets

Amounts shown as restricted assets have been restricted by either bond indentures, external constraints, or laws and regulations of other governments.

4. Receivables and Allowance for Doubtful Accounts

Customer accounts receivable consist of amounts owed by private individuals and organizations for services rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts. Uncollectable accounts are based on prior experience and management's assessment of the collectability of existing accounts.

5. Prepaids

Certain payments of vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

6. Lease Receivable and Deferred Inflows of Resources

The primary objective is to enhance the relevance and consistency of information about the governments’ leasing activities. As a lessor, the District is required to recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions. The District’s lease receivable is measured at the present value of the lease payments expected to be received during the lease term. Under the lease agreement, the District may receive variable lease payments that are dependent upon the lessee’s revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

7. Inventories and Water in Storage

Supply inventories maintained by the District consist primarily of water meters and accessories, water pipes, valves, and various fittings. Inventories are valued at cost using the first-in, first-out method. Water in storage is valued at average cost.

8. Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District’s policy to capitalize assets costing over \$10,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets. Estimated service lives for the District’s classes of assets are as follows:

<u>Description</u>	<u>Estimated Lives</u>
Transmission and distribution system	15-75 years
Equipment	5-10 years

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

ROWLAND WATER DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

10. Compensated Absences

The District's personnel policies provide for accumulation of vacation and sick leave (employee benefits). Liabilities for vacation leave are recorded when benefits are earned. Full cash payment for all unused vacation leave is available to employees upon retirement or termination. Also, in accordance with the District's policy, employees may accrue unlimited sick time. Upon attaining 352 hours, the employee may exercise the option to exchange 50% of sick leave hours earned in the previous twelve-months for cash or vacation time. Upon separation, retirement, or death, an employee shall receive, as an additional retirement benefit, an amount equal to 50% of accrued hours for unused sick leave pay for up to 352 hours or 176 hours.

11. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans and addition to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

Valuation Date June 30, 2020

Measurement Date June 30, 2021

Measurement Period July 1, 2020 to June 30, 2021

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retirees) as of the beginning of the measurement period.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

10. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Retiree Benefits Plan ("the Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments which are reported at cost.

The following timeframes are used for OPEB reporting:

Valuation Date June 30, 2021

Measurement Date June 30, 2021

Measurement Period July 1, 2020 to June 30, 2021

11. Net Position

Net position is classified into two components: net investment in capital assets and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

D. Use of Estimates

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

ROWLAND WATER DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Property Taxes

The Los Angeles County Assessor's Office assesses all real and personal property within the County each year. The Los Angeles County Tax Collector's Office bills and collects the District's share of property taxes. The Los Angeles County Auditor-Controller's Office remits current property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article XIII A of the State Constitution at one percent (1%) of countywide assessed valuations. Property taxes receivable at year-end are related to property taxes collected by the Los Angeles County Tax Collector's Office, which have not been credited to the District's cash balance as of June 30.

The property tax calendar is as follows:

Lien date March 1
Levy date July 1
Due dates November 1 and March 1
Collection dates December 10 and November 10

F. New Pronouncements – Governmental Accounting Standards Board (GASB)

During the fiscal year ended June 30, 2022, the District has implemented a new pronouncement as follows:

GASB Statement No. 87 – Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement were effective for reporting periods beginning after December 15, 2019. However, GASB Statement No. 95 postponed its effective date by 18 months due to the COVID-19 pandemic and its effect on the audit/accounting industry. The District adopted the Statement as of July 1, 2020. See Note 4 for the effect of this Statement.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments were classified in the accompanying financial statements as follows:

Description	June 30, 2022
Cash and cash equivalents	\$ 11,470,536
Investments	11,744,841
Total cash and investments	\$ 23,215,377

Cash and investments consisted of the following:

Description	June 30, 2022
Petty cash	\$ 400
Demand deposits held with financial institutions	9,369,876
Investments	13,845,101
Total cash and investments	\$ 23,215,377

ROWLAND WATER DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 2 – CASH AND INVESTMENTS (continued)

Demand Deposits with Financial Institutions

At June 30, 2022, the carrying amount of the District's demand deposits were \$9,369,876 and the financial institution's balances were \$9,246,975. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the District's balance for each year.

Custodial Credit Risk – Deposits

Custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2022, the District's deposits were covered by the Federal Deposit Insurance Corporation insurance limits or collateralized as required by California law.

Investments

The District's investments as of June 30, 2022 are presented in the following Investment Table:

Type of Investments	Measurement Input	Credit Rating	Total Fair Value	Maturity		
				12 Months or Less	13 to 24 Months	25 to 120 Months
U.S. treasury obligations	Level 2	N/A	\$ 250,150	\$ 250,150	\$ -	\$ -
U.S. government sponsored agency securities	Level 2	A to AAA	7,797,326	1,621,051	2,044,936	4,131,339
Medium-term notes	Level 2	A to AAA	3,431,342	249,735	1,117,313	2,064,294
Local Agency Investment Fund (LAIF)	N/A	N/A	2,100,260	2,100,260	-	-
Money-market mutual funds	N/A	AAA	266,023	266,023	-	-
Total investments			\$ 13,845,101	\$ 4,487,219	\$ 3,162,249	\$ 6,195,633

ROWLAND WATER DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 2 – CASH AND INVESTMENTS (continued)

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

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. The table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District or the investment of funds within the OPEB Trust that are governed by the agreement between the District and the Trustee, rather than the general provisions of the California Government Code or the District's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5-years	None	None
U.S. Government Sponsored Agency Securities	5-years	None	None
State of California Obligations	5-years	None	None
CA Local Agency Obligations	5-years	None	None
Negotiable Certificates of Deposit (Negotiable CD)	5-years	30%	5%
CD Placement Service	5-years	30%	None
Banker's Acceptances	180 days	40%	30%
Reverse Purchase Agreement	92 days	20%	None
Repurchase Agreements	1-year	None	None
Commercial Paper	270 days	25%	10%
Medium- Term Notes	5-years	30%	None
California Local Agency Investment Fund (LAIF)	N/A	None	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	None
Mutual Funds and Money Market Mutual Funds	N/A	20%	10%
Collateralized Bank Deposits	5-years	None	None
Bank/Time Deposits	5-years	None	None

ROWLAND WATER DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 2 – CASH AND INVESTMENTS (continued)

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
US Treasury Obligations	None	None	None
US Government Sponsored Agency Securities:	None	None	None
Federal Home Loan Bank	None	None	None
Federal Home Loan Mortgage Corporation	None	None	None
Federal National Mortgage Association	None	None	None
Federal Farm Credit Bank	None	None	None
State and Local Agency Obligations	None	None	None
Banker's Acceptances	1-year	None	None
Medium- Term Notes	3-year	None	None
Commercial Paper	None	None	None
Money Market Mutual Funds	N/A	None	None
Investment Agreements	None	None	None
Certificates of Deposit	None	None	None
Repurchase Agreements	30 days	None	None
Local Agency Investment Fund (LAIF)	None	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District 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 as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by in the Investment Table that shows the distribution of the District's investments by maturity as of June 30, 2022.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the Investment Table are Standard & Poor's credit ratings for the District's investments as of June 30, 2022. U.S. treasury obligations are not required to be rated and therefore no rating has been assigned.

ROWLAND WATER DISTRICT
Notes to Financial Statements
June 30, 2022

NOTE 2 – CASH AND INVESTMENTS (continued)

Concentration of Credit Risk

Investments in any one issuer that represent 5% or more of total District investments are as follows:

<u>Issuer</u>	<u>Amount</u>
U.S. government sponsored agency securities:	
Federal National Mortgage Association	\$ 1,454,946
Federal Farm Credit Banks Funding Corporation	\$ 1,650,408
Federal Home Loan Bank	\$ 3,926,018
Federal Home Loan Mortgage Corpoartion	\$ 765,954
Corporate securities:	
Apple Inc.	\$ 735,643
Florida Power Light Co.	\$ 785,408

Fair Value Measurements

The District categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices for similar assets in active markets, and Level 3 inputs are significant unobservable inputs. All of the District’s investments were assigned a Level 2 input on the Investment Table.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District’s investment in this pool is reported in the accompanying financial statements at amounts based upon the District’s pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE 3 – ACCOUNTS RECEIVABLE, NET

The balance at June 30, 2022 consists of the following;

<u>Description</u>	<u>June 30, 2022</u>
Accounts receivable	\$ 3,679,371
Allowance for doubtful accounts	<u>(155,610)</u>
Total accounts receivable, net	<u>\$ 3,523,761</u>

ROWLAND WATER DISTRICT
Notes to Financial Statements
June 30, 2022

NOTE 4 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES

Changes in the District’s lease receivable for the year ended June 30, 2022 was as follows:

<u>Description</u>	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2022</u>
Cellular antenna site rental 1	\$ 30,065	\$ -	\$ (19,943)	\$ 10,122
Cellular antenna site rental 2	119,365	-	(41,909)	77,456
Cellular antenna site rental 3	37,800	-	(28,185)	9,615
Cellular antenna site rental 4	232,291	-	(42,622)	189,669
Cellular antenna site rental 5	424,972	-	(33,711)	391,261
	<u>\$ 844,493</u>	<u>\$ -</u>	<u>\$ (166,370)</u>	<u>\$ 678,123</u>

Changes in the District’s lease receivable for the year ended June 30, 2021 was as follows:

<u>Description</u>	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2021</u>
Cellular antenna site rental 1	\$ 49,612	\$ -	\$ (19,547)	\$ 30,065
Cellular antenna site rental 2	159,593	-	(40,228)	119,365
Cellular antenna site rental 3	64,600	-	(26,800)	37,800
Cellular antenna site rental 4	-	235,795	(3,504)	232,291
Cellular antenna site rental 5	-	430,536	(5,564)	424,972
	<u>\$ 273,805</u>	<u>\$ 666,331</u>	<u>\$ (95,643)</u>	<u>\$ 844,493</u>

The District is reporting a total lease receivable of \$678,123 and \$844,493 and a total related deferred inflows of resources of \$659,358 and \$838,942 for the years ending June 30, 2022 and 2021, respectively. Also, the District is reporting total lease revenue of \$166,370 and \$95,643 and interest revenue of \$15,648 and \$6,483 related to lease payments received for the years ending June 30, 2022 and 2021, respectively. The lease held by the District does not have an implicit rate of return, therefore the District used their incremental borrowing rate of 2.00% to discount the lease revenue to the net present value. In some cases leases contain termination clauses. In these cases the clause requires the lessee or lessor to show cause to terminate the lease. Also, certain leasing-types are considered “volatile leases.” Those volatile leases were not extended past their initial lease period for financial statement recognition due to their volatility. The District’s leases are summarized as follows:

Cellular Antenna Site Rental 1

The District, on July 1, 2020, renewed a continuous lease for 30 months as lessor for the use of a cellular Antenna site rental. An initial lease receivable was recorded in the amount of \$68,774. As of June 30, 2022 the value of the lease receivable was \$10,122. The lease is required to make monthly fixed payments of \$1,694 for the remaining 30 months, then increasing 10% every 5 years. The lease has an interest rate of 2.00%. The value of the deferred inflow of resource was \$9,922 as of June 30, 2022. The District recognized lease revenue of \$19,943 and interest revenue of \$780 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

ROWLAND WATER DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 4 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES (continued)

Cellular Antenna Site Rental 2

The District, on July 1, 2020, renewed a continuous lease for 45 months as lessor for the use of a cellular Antenna site rental. An initial lease receivable was recorded in the amount of \$159,593. As of June 30, 2022, the value of the lease receivable was \$77,456. The lease is required to make monthly fixed payments of \$3,570 for the first 9 months, then increasing 2.0% per year. The lease has an interest rate of 2.00%. The value of the deferred inflow of resource was \$74,476 as of June 30, 2022. The District recognized lease revenue of \$41,909 and interest revenue of \$2,006 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

Cellular Antenna Site Rental 3

The District, on July 1, 2020, renewed a continuous lease for 28 months as lessor for the use of a cellular Antenna site rental. An initial lease receivable was recorded in the amount of \$64,600. As of June 30, 2022, the value of the lease receivable was \$9,615. The lease is required to make monthly fixed payments of \$2,275 for the first 4 months, then increasing 3.0% per year. The lease has an interest rate of 2.00%. The value of the deferred inflow of resource was \$9,229 as of June 30, 2022. The District recognized lease revenue of \$28,185 and interest revenue of \$500 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

Cellular Antenna Site Rental 4

The District, on June 1, 2021, renewed a continuous lease for 60 months as lessor for the use of a cellular Antenna site rental. An initial lease receivable was recorded in the amount of \$235,795. As of June 30, 2022, the value of the lease receivable was \$184,706. The lease is required to make monthly fixed payments of \$3,897 for the first 12 months, then increasing 3.0% per year. The lease had a monthly rental increase of \$1,212 effective as of March 2021 due to additional site rental space. The lease has an interest rate of 2.00%. The value of the deferred inflow of resource was \$189,669 as of June 30, 2022. The District recognized lease revenue of \$42,622 and interest revenue of \$4,258 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

Cellular Antenna Site Rental 5

The District, on May 1, 2021, signed a continuous lease for 120 months as lessor for the use of a cellular Antenna site rental. An initial lease receivable was recorded in the amount of \$430,536. As of June 30, 2022, the value of the lease receivable was \$391,261. The lease is required to make monthly fixed payments of \$3,500 for the first 12 months, then increasing 3.0% per year. The lease has an interest rate of 2.00%. The value of the deferred inflow of resource was \$381,025 as of June 30, 2022. The District recognized lease revenue of \$33,711 and interest revenue of \$8,499 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

ROWLAND WATER DISTRICT
Notes to Financial Statements
 June 30, 2022

NOTE 4 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES (continued)

Minimum future lease receipts for the next eight fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 143,931	\$ 12,444	\$ 156,375
2024	118,753	9,859	128,612
2025	89,495	7,856	97,351
2026	89,711	6,043	95,754
2027	44,208	4,725	48,933
2028-2031	<u>192,025</u>	<u>9,427</u>	<u>201,452</u>
Total	\$ 678,123	\$ 50,354	\$ 728,477
Current	<u>(143,931)</u>		
Long-term	<u>\$ 534,192</u>		

Changes in the District’s deferred inflows of resources related to leases for June 30, 2022 is as follows:

<u>Description</u>	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2022</u>
Cellular antenna site rental 1	\$ 29,767	\$ -	\$ (19,845)	\$ 9,922
Cellular antenna site rental 2	117,035	-	(42,559)	74,476
Cellular antenna site rental 3	36,914	-	(27,685)	9,229
Cellular antenna site rental 4	231,865	-	(47,159)	184,706
Cellular antenna site rental 5	<u>423,361</u>	<u>-</u>	<u>(42,336)</u>	<u>381,025</u>
	<u>\$ 838,942</u>	<u>\$ -</u>	<u>\$ (179,584)</u>	<u>\$ 659,358</u>

Changes in the District’s deferred inflows of resources related to leases for June 30, 2021 is as follows:

<u>Description</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
Cellular antenna site rental 1	\$ 49,612	\$ -	\$ (19,845)	\$ 29,767
Cellular antenna site rental 2	159,593	-	(42,559)	117,034
Cellular antenna site rental 3	64,600	-	(27,685)	36,915
Cellular antenna site rental 4	-	235,795	(3,930)	231,865
Cellular antenna site rental 5	<u>-</u>	<u>430,536</u>	<u>(7,175)</u>	<u>423,361</u>
	<u>\$ 273,805</u>	<u>\$ 666,331</u>	<u>\$ (101,194)</u>	<u>\$ 838,942</u>

The amounts reported as deferred inflows of resources related to leases for the year ended June 30, 2022, will be amortized in future periods as follows:

<u>Amortization Period Fiscal Year Ended June 30</u>	<u>Deferred Inflows of Resources</u>
2023	\$ 151,204
2024	121,414
2025	89,495
2026	85,565
2027	42,336
2028-2031	<u>169,344</u>
Total	<u>\$ 659,358</u>

ROWLAND WATER DISTRICT
Notes to Financial Statements
June 30, 2022

NOTE 5 – INVESTMENTS IN JOINT-VENTURES

The balance at June 30, 2022 consists of the following;

<u>Investments in Joint-Ventures</u>	<u>PBWA</u>	<u>PWR-JWLC</u>	<u>Total</u>
Balance – beginning of year	\$ 20,737,090	\$ 905,838	21,642,928
Change in investment in joint-ventures	<u>(5,168)</u>	<u>3,226</u>	<u>(1,942)</u>
Balance – end of year	<u>\$ 20,731,922</u>	<u>\$ 909,064</u>	<u>\$ 21,640,986</u>

Puente Basin Water Agency (PBWA)

The Puente Basin Water Agency (the Agency) was created in 1971 by the execution of a Joint Powers Agreement (the Agreement) between the Rowland Water District and the Walnut Valley Water District. The Agreement was made pursuant to Article 1, Chapter 5, Division 7, Title 1 of the California Government Code. The Agency was organized for the purpose of protection and utilization of the local, imported, and reclaimed water supply within the Puente Basin. The Agency is governed by a four-member-appointed Board of Commissioners. Each District appoints two members to this board.

Upon dissolution of the Agency, the assets in the possession of the Agency shall be distributed to the members as their interest may appear on the books of the Agency and pursuant to the provisions of Section 6512 of the California Government Code. Complete financial statements for the Agency can be obtained by written request at 271 South Brea Canyon Road, Walnut, California.

The changes in its investment in Puente Basin Water Agency consist of the following as of June 30, 2022:

<u>Description</u>	<u>June 30, 2022</u>
Balance – beginning of year	\$ 20,737,090
Share of net income	<u>(5,168)</u>
Balance – end of year	<u>\$ 20,731,922</u>

The following is condensed financial information of the investment in Puente Basin Water Agency as of and for the year ended June 30, 2022, including the participants’ approximate percentage shares:

<u>Description</u>	<u>June 30, 2022</u>	<u>District Share</u> <u>50%</u>
Total assets	<u>\$ 78,795,024</u>	
Total liabilities	\$ 5,931,322	
Total net position	<u>41,463,844</u>	<u>\$ 20,731,922</u>
Total liabilities and net position	<u>\$ 47,395,166</u>	

ROWLAND WATER DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 5 – INVESTMENTS IN JOINT-VENTURES (continued)

Pomona-Walnut-Rowland Joint Water Line Commission (PWR-JWLC)

The District is a member of the Pomona-Walnut-Rowland Joint Water Line Commission (Commission). The Commission was formed under the Joint Powers Agreement (the JPA) of 1956 between the City of Pomona, the Walnut Valley Water District (WVWD), and the Rowland Water District (RWD). The JPA's purpose is to acquire, construct, maintain, repair, manage, and operate a water transmission pipeline for the benefit of the members' water supplies. The Commission is governed by a three-member board composed of one appointee from each member agency. Each year, every member agency is charged an assessment for their share of the general and administrative costs of the Commission, which is allocated to each agency on a one-third basis. A budget assessment is collected each fiscal year and each agency pays one-third of the amount of the assessment as well as a capital surcharge for the future replacement of the pipeline. For the year ended June 30, 2022, the District remitted assessments totaling \$242,242 for their share of general and administrative costs and future replacement costs. Upon dissolution of the Commission, the net position will be divided in proportion to the contribution each agency made to the maintenance and operation account during the last prior 12-month period. The District, consequently, has an ongoing financial responsibility in the activities of the Commission. However, the JPA does not explicitly require the measurement of the District's equity interest in the Commission. Complete financial statements for the Commission can be obtained by written request at P.O. Box 508, Walnut, California.

The changes in its investment in the Commission consisted of the following as of June 30, 2022:

<u>Description</u>	<u>June 30, 2022</u>
Balance – beginning of year	\$ 905,838
Share of net income	<u>3,226</u>
Balance – end of year	<u>\$ 909,064</u>

The following is condensed financial information of the investment in Pomona-Walnut-Rowland Joint Water Line Commission as of and for the year ended June 30, 2022, including the participants' approximate percentage shares:

<u>Description</u>	<u>June 30, 2022</u>	<u>Member Share</u>		
		<u>City of Pomona</u> 25.8%	<u>WVWD</u> 45.1%	<u>RWD</u> 29.1%
Total assets	<u>\$ 6,515,509</u>			
Total liabilities	\$ 3,391,579			
Total net position	<u>3,123,930</u>	<u>\$ 805,974</u>	<u>\$ 1,408,892</u>	<u>\$ 909,064</u>
Total liabilities and net position	<u>\$ 6,515,509</u>			

ROWLAND WATER DISTRICT
Notes to Financial Statements
June 30, 2022

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Changes in capital assets for the fiscal year ended June 30, 2022, were as follows:

Description	Balance July 1, 2021	Additions	Deletions/ Transfers	Balance June 30, 2022
Non-depreciable assets:				
Land	\$ 261,340	\$ -	\$ -	\$ 261,340
Water rights	5,000	-	-	5,000
Construction-in-process	5,431,430	5,269,569	(3,106,971)	7,594,028
Total non-depreciable assets	<u>5,697,770</u>	<u>5,269,569</u>	<u>(3,106,971)</u>	<u>7,860,368</u>
Depreciable assets:				
Sources of supply	2,110,034	-	-	2,110,034
Pumping	10,740,101	105,253	-	10,845,354
Transmission and distribution system	74,863,055	1,969,610	(424,662)	76,408,003
Intangible assets	1,022,551	-	(1,022,551)	-
Telemetry equipment	1,805,919	591,053	-	2,396,972
Office building and equipment	7,546,877	213,782	-	7,760,659
General plant	1,306,725	201,470	-	1,508,195
Transportation equipment	1,276,534	-	-	1,276,534
Total depreciable assets	<u>100,671,796</u>	<u>3,081,168</u>	<u>(1,447,213)</u>	<u>102,305,751</u>
Accumulated depreciation:				
Sources of supply	(1,243,360)	(80,191)	-	(1,323,551)
Pumping	(5,043,997)	(382,087)	-	(5,426,084)
Transmission and distribution system	(27,316,402)	(1,948,516)	424,662	(28,840,256)
Intangible assets	(572,551)	(450,000)	1,022,551	-
Telemetry equipment	(1,052,753)	(106,712)	-	(1,159,465)
Office building and equipment	(2,971,879)	(364,068)	-	(3,335,947)
General plant	(472,329)	(67,095)	-	(539,424)
Transportation equipment	(596,413)	(154,679)	-	(751,092)
Total accumulated depreciation	<u>(39,269,684)</u>	<u>(3,553,348)</u>	<u>1,447,213</u>	<u>(41,375,819)</u>
Total depreciable assets, net	<u>61,402,112</u>	<u>(472,180)</u>	<u>-</u>	<u>60,929,932</u>
Total capital assets, net	<u>\$ 67,099,882</u>	<u>\$ 4,797,389</u>	<u>\$ (3,106,971)</u>	<u>\$ 68,790,300</u>

NOTE 7 – COMPENSATED ABSENCES

Summary changes to compensated absences balances for the year ended June 30, 2022, were as follows:

Balance July 1, 2022	Additions	Deletions	Balance June 30, 2022	Due Within One Year	Due in More Than One Year
\$ 367,948	\$ 321,503	\$ (356,761)	\$ 332,690	\$ 83,173	\$ 249,517

ROWLAND WATER DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 8 – CONTRACT PAYABLE

On November 1, 2012, the Puente Basin Water Agency issued \$19,835,000 in Water Revenue Bonds, 2012 Series A in order to finance the acquisition of certain water system improvements of the District. Proceeds of the bonds, including \$1,570,182 of bond premium, were loaned to the District pursuant to an installment purchase contract entered into concurrently with the bonds' issuance.

The bond premium is being amortized and recognized as interest expense over the life of the debt on a straight-line basis. The installment purchase contract payments mirror the debt service payments on the Water Revenue Bonds, 2012 Series A. Interest is payable semiannually on December 1 and June 1 at rates ranging from 2.00% to 5.00%.

All unspent proceeds from the bonds plus investments earnings on those proceeds were utilized.

The District's obligation to make installment payments is a special obligation of the District payable solely from the net revenues of the District. The debt was refunded in the fiscal year ended June 30, 2022.

<u>Description</u>	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2022</u>
2012 Series A Water Revenue Bonds	\$ 16,460,000	\$ -	\$(16,460,000)	\$ -
2012 Series A Water Revenue Bonds – Premium	1,129,520	-	(1,129,520)	-
	<u>\$ 17,589,520</u>	<u>\$ -</u>	<u>\$(17,589,520)</u>	<u>\$ -</u>

NOTE 9 – BONDS PAYABLE

Water Revenue Refunding Bonds, Series 2014A were issued on September 18, 2014, in the amount of \$20,060,000 to refund \$19,105,000 of outstanding balance on the 2008 Certificates of Participation. The prior obligations were issued to finance certain improvements.

The bonds were issued at a premium of \$1,686,785, which is being amortized over the life of the debt on a straight-line basis.

Interest is payable semiannually on December 1 and June 1 at rates ranging from 2.00% to 5.00%. The installment payments on these bonds are secured by a first priority lien on the net revenues of the District. The following is a summary of the changes in Water Revenue Refunding Bonds, Series 2014A for the year ended June 30, 2022:

<u>Description</u>	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2022</u>
2014A Series Water Revenue Refunding Bonds	\$ 16,395,000	\$ -	\$(16,395,000)	\$ -
2014A Series Water Revenue Bonds – Premium	1,247,456	-	(1,247,456)	-
	<u>\$ 17,642,456</u>	<u>\$ -</u>	<u>\$(17,642,456)</u>	<u>\$ -</u>

The debt was refunded in the fiscal year ended June 30, 2022.

ROWLAND WATER DISTRICT
Notes to Financial Statements
June 30, 2022

NOTE 9 – BONDS PAYABLE (continued)

Water Revenue Refunding Bonds, Series 2021A were issued on September 7, 2021, in the amount of \$36,170,000 to refund \$16,460,000 of outstanding balance on the 2012 Series A Water Revenue Bonds and to refund \$16,395,000 of outstanding balance on the 2014 Series A Water Revenue Refunding Bonds. The prior obligations were issued to finance certain improvements and to finance a purchase contract. The bonds were issued at par. The refunding of the two debts provided the District with a net present value savings of \$3,926,597 and a cash flow savings of \$4,050,571.

These bonds mature in various amounts through December 1, 2042. Interest is payable semiannually on December 1 and June 1 at rates ranging from 0.317% to 2.863%. The installment payments on these bonds are secured by a first priority lien on the net revenues of the District. The following is a summary of the changes in Water Revenue Refunding Bonds, Series 2021A for the year ended June 30, 2022:

Description	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022	Current Portion	Long-term Portion
2021A Series Water Revenue Refunding Bonds	\$ -	\$ 36,170,000	\$ -	\$ 36,170,000	\$ -	\$ 36,170,000

Maturities of the Water Revenue Refunding Bonds, Series 2021A and interest payments subsequent to June 30, 2022, are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ -	\$ 716,173	\$ 716,173
2024	1,380,000	713,986	2,093,986
2025	1,735,000	706,784	2,441,784
2026	1,745,000	694,197	2,439,197
2027	1,770,000	677,172	2,447,172
2028-2032	9,235,000	3,002,657	12,237,657
2033-2037	10,220,000	2,032,806	12,252,806
2038-2042	8,950,000	699,320	9,649,320
2043	1,135,000	16,248	1,151,248
Total	36,170,000	\$ 9,259,343	\$ 45,429,343
Current	-		
Long-term	\$ 36,170,000		

The following is a summary of the changes in deferred amounts related to refunding for the year ended June 30, 2022:

Description	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
Deferred amounts related to refunding	\$ 2,756,243	\$ 3,472,380	\$ (2,928,623)	\$ 3,300,000

The District will amortize this amount at \$165,000 per year until the fiscal year ended June 30, 2043.

ROWLAND WATER DISTRICT
Notes to Financial Statements
June 30, 2022

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Summary

The following balances on the balance sheet will be addressed in this footnote as follows:

<u>Description</u>	<u>2022</u>
OPEB related deferred outflows	\$ 480,437
Net other post-employment benefits obligation(asset)	(958,624)
OPEB related deferred inflows	2,069,250

A. General Information about the OPEB Plan

Plan Description

The District has an agent multiple-employer other post-employment benefit plan that provides medical, dental, and vision coverage to 27 active employees, 10 retired employees, and 7 covered dependents of retirees through the ACWA health program as of the measurement date, June 30, 2021. At retirement, the District provides a contribution for the continuation of these coverage's for eligible retirees. Eligibility for a District contribution requires retirement from the District and under CalPERS on or after age 50 with at least 15 years of continuous service. The District provides 100% of the cost of coverage for the retiree and any covered spouse. Employees hired on or after July 1, 2012, are eligible for a District contribution if retiring from the District and under CalPERS on or after age 62 with at least 15 years of continuous District service. The District provides 100% of the cost of coverage for the retiree only and covered spouse.

An employee may also be eligible for retiree medical, dental, and vision benefits if, at the time of retirement from the District, the employee has at least twenty-five (25) years of service in the water utility industry, has been employed by the District for a minimum continuous period of five (5) years, and has attained a minimum age of fifty (50) years. For purposes of this benefit, "retirement from the District" means the employee's effective retirement date is within 120 days of separation from employment with the District and the employee receive either a service or disability retirement allowance from CalPERS resulting from his or her service to the District.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and/or the District's Board of Directors. Currently, contributions are not required from plan members. The District has been typically funding this OPEB plan on a pay-as-you-go basis; however, recently contributions have been made to an OPEB Trust.

Contributions

Benefit provisions and contribution requirements are established and may be amended through agreements and memorandums of understanding between the District and its employees. The plan does not require employee contributions. Administrative costs of this plan are financed by the District. For fiscal year ended June 30, 2021, the measurement period, the District's contributions totaling \$1,686,776 included \$1,420,000 placed in its PARS OPEB Trust, 227,720 in current year premium payments, and an implied subsidy of \$39,056.

ROWLAND WATER DISTRICT
Notes to Financial Statements
June 30, 2022

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. General Information about the OPEB Plan (continued)

Accounting for the Plan

The other post-employment benefit trust is prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments

Investments are reported in the accompanying financial statements at fair value, which is 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 measure date. Securities for which market quotations are not readily available are valued at their fair value as determined by the custodian with the assistance of a valuation service.

B. Net OPEB Liability

The District’s total OPEB liability was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2021. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry age normal, level percentage of payroll
Asset Valuation Method	Market value of assets as of the measurement date
Actuarial Assumptions:	
Discount Rate	
Long-Term Expected	
Rate of Return on Investments	6.50%
Inflation	2.26%
Payroll increases	3.25%
Healthcare Trend Rates	Pre-65 - 6.95% trending down annually to 5.0% by 2029 and later Post-65 - 5% trending down annually to 5.0% by 2029 and later
Morbidity	CalPERS 2017 Study
Mortality	CalPERS 2017 Study
Disability	Not valued
Retirement	2017 CalPERS Public Agency Miscellaneous experience study; 2.5% @55 and 2% @62
Percent Married	80% of future retirees would enroll a spouse

ROWLAND WATER DISTRICT
Notes to Financial Statements
 June 30, 2022

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

B. Net OPEB Liability (continued)

Actuarial Assumptions (continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
PARS moderate investment policy:		
Equity	48.25%	5.65%
Fixed income	45.00%	1.39%
REITs	1.75%	5.06%
Cash	5.00%	0.00%
Total	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

C. Changes in the Net OPEB Liability

The changes in the total OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2021 (Measurement date July 1, 2020)	\$ 6,782,497	\$ 4,876,910	\$ 1,905,587
Changes for the year:			
Service cost	152,983	-	152,983
Interest	442,272	-	442,272
Differences in experience	(410,394)	-	(410,394)
Changes in assumption	(168,050)	-	(168,050)
Employer contributions	-	1,686,776	(1,686,776)
Net investment income	-	1,194,246	(1,194,246)
Benefit payments	(266,776)	(266,776)	-
Net changes	(249,965)	2,614,246	(2,864,211)
Balance at June 30, 2022 (Measurement date June 30, 2021)	\$ 6,532,532	\$ 7,491,156	\$ (958,624)

ROWLAND WATER DISTRICT
Notes to Financial Statements
June 30, 2022

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

C. Changes in the Net OPEB Liability (continued)

Changes of Assumptions

In fiscal year 2020-21, the census data from the plans participants was updated, which decreased the total OPEB liability by \$168,050.

Change of Benefit Terms

In fiscal year 2020-21, the measurement period, there were no changes to the actuarial assumptions.

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1 percentage point higher (7.50%) than the current discount rate:

	<u>1% Decrease</u> 5.5%	<u>Discount Rate</u> 6.5%	<u>1% Increase</u> 7.5%
Net OPEB Liability	<u>\$ (105,375)</u>	<u>\$ (958,624)</u>	<u>\$ (1,660,525)</u>

Sensitivity of the Total OPEB Liability to Changes in Medical Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using medical trend rates that are 1-percentage point lower:

	Healthcare Cost		
	<u>7.0% Decreasing</u> to 4.0%	<u>8.0% Decreasing</u> to 5.0%	<u>9.0% Decreasing</u> to 6.0%
Net OPEB Liability	<u>\$ (1,719,335)</u>	<u>\$ (958,624)</u>	<u>\$ (13,537)</u>

D. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the District recognized OPEB expense/(credit) of (\$168,498). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Account Description</u>	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
OPEB contributions made after the measurement date	\$ 432,067	\$ -
Changes in assumptions	-	(588,281)
Differences between expected and actual experience	48,370	(885,060)
Differences between projected and actual earnings on OPEB plan investments	-	(595,909)
Total Deferred Outflows/(Inflows) of Resources	<u>\$ 480,437</u>	<u>\$ (2,069,250)</u>

ROWLAND WATER DISTRICT
Notes to Financial Statements
June 30, 2022

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

D. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (continued)

The differences between projected and actual earnings on plan investments is amortized over five years. The District reported \$2,020,880 as deferred inflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2023	\$ (381,752)
2024	(382,503)
2025	(379,182)
2026	(404,328)
2027	(183,178)
Thereafter	<u>(289,937)</u>
Total	<u>\$ (2,020,880)</u>

At June 30, 2022, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2022.

NOTE 10 – PENSION PLAN

Summary

The following balances on the balance sheet will be addressed in this footnote as follows:

<u>Description</u>	<u>2022</u>
Pension related deferred outflows	\$ 3,525,029
Net pension liability	3,086,430
Pension related deferred inflows	2,858,784

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California known as the California Public Employees' Retirement System (CalPERS), or "The Plan".

ROWLAND WATER DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 11 – PENSION PLAN (continued)

A. General Information about the Pension Plan

The Plan

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5-years of service	5-years of service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.0%
Required member contribution rates	8.000%	6.750%
Required employer contribution rates – FY 2021	12.361%	7.732%

Plan Description

The District contributes to the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2021 Annual Actuarial Valuation Reports. This report and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website under Forms and Publications.

At June 30, 2021 measurement date, the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Active members	14	10	24
Transferred and terminated members	14	6	20
Retired members and beneficiaries	20	-	20
Total plan members	48	16	64

All qualified permanent and probationary employees are eligible to participate in the District’s cost-sharing multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by state statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

ROWLAND WATER DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 11 – PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for nonindustrial disability benefits after five years of service. The death benefit is one of the following the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each Plan are applied as specified by the Public Employees' Retirement Law.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Contributions for the year ended June 30, 2022, were as follows:

Contribution Type	Miscellaneous Plans		Total
	Classic	PEPRA	
	Tier 1	Tier 2	
Contributions – employer	\$ 2,990,888	\$ 81,941	\$ 3,072,829

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

Proportionate Share of Net Pension Liability and Pension Expense

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2021, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021, using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The following table shows the District's proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2022:

Measurement Date	Percentage Share of Risk Pool		
	Fiscal Year	Fiscal Year	Change
	Ending	Ending	Increase/ (Decrease)
	June 30, 2022	June 30, 2021	
Percentage of Risk Pool Net Pension Liability	0.162546%	0.127321%	0.035225%
Percentage of Plan Net Pension Liability	0.057069%	0.049359%	0.007710%

ROWLAND WATER DISTRICT*Notes to Financial Statements**June 30, 2022***NOTE 11 – PENSION PLAN (continued)****B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)****Proportionate Share of Net Pension Liability and Pension Expense (continued)**

The District's proportionate share percentage of the net pension liability for the June 30, 2021, measurement date was as follows:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2020 (Measurement Date)	\$ 20,719,771	\$ 15,349,265	\$ 5,370,506
Balance as of June 30, 2021 (Measurement Date)	\$ 22,346,370	\$ 19,259,940	\$ 3,086,430
Change in Plan Net Pension Liability	\$ 1,626,599	\$ 3,910,675	\$ (2,284,076)

For the year ended June 30, 2021, the District recognized pension expense of \$1,155,999. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 3,072,829	\$ -
Difference between actual and proportionate share of employer contributions		(164,494)
Adjustment due to differences in proportions	106,090	-
Differences between expected and actual experience	346,110	-
Differences between projected and actual earnings on pension plan investments	-	(2,694,290)
Changes in assumptions	-	-
Total Deferred Outflows/(Inflows) of Resources	\$ 3,525,029	\$ (2,858,784)

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.8 years.

ROWLAND WATER DISTRICT
Notes to Financial Statements
June 30, 2022

NOTE 11 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Proportionate Share of Net Pension Liability and Pension Expense (continued)

An amount of \$3,072,829 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction to pension expense as follows:

<u>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2023	\$ (506,158)
2024	(543,454)
2025	(612,409)
2026	(744,563)
Total	<u>\$ (2,406,584)</u>

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2021 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2020, total pension liability. The June 30, 2021, total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund.

ROWLAND WATER DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 11 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Long-term Expected Rate of Return (continued)

The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects long-term expected real rate of return by asset class.

Investment Type ¹	New Strategic Allocation	Real Return Years 1 - 10 ²	Real Return Years 11+ ³
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
	100.0%		

¹ In the CalPERS's ACFR, fixed income is included in global debt securities; liquidity is included in short-term investments; inflation assets are included in both global equity securities and global debt securities.

² An expected inflation rate-of-return of 2.5% is used for years 1-10.

³ An expected inflation rate-of-return of 2.9% is used for years 11+.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Subsequent Events

There were no subsequent events that would materially affect the results in this disclosure.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
	CalPERS – Miscellaneous Plan	6,036,841	\$ 3,086,430

ROWLAND WATER DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 11 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

C. Payable to the Pension Plans

At June 30, 2021, the District reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2022.

NOTE 12 – NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets consisted of the following as of June 30, 2022:

<u>Description</u>	<u>June 30, 2022</u>
Net investment in capital assets:	
Capital assets – not being depreciated	\$ 7,860,368
Capital assets, net – being depreciated	60,929,930
Bonds payable – non-current portion	<u>(36,170,000)</u>
Total net investment in capital assets	<u>\$ 32,620,298</u>

NOTE 13 – PRIOR PERIOD ADJUSTMENT

Beginning net position as of July 1, 2020 was restated by \$0, for the District's retroactive restatement for the adoption of *GASB No. 87 - Leases* as noted below as the lease started on July 1, 2020:

<u>Description</u>	<u>Balance</u>
Net position:	
June 30 2020, as previously stated	\$ 66,715,624
Lease receivable	273,805
Deferred amounts related to leases	<u>(273,805)</u>
Net adjustment	<u>-</u>
June 30 2020, as restated	<u>\$ 66,715,624</u>

ROWLAND WATER DISTRICT
Notes to Financial Statements
 June 30, 2022

NOTE 13 – PRIOR PERIOD ADJUSTMENT (continued)

Beginning net position as of July 1, 2021 was restated by \$5,414, for the District’s restatement for the adoption of *GASB No. 87 - Leases* as noted below as the lease continued through July 1, 2021:

<u>Description</u>	<u>Balance</u>
Net position:	
June 30 2021, as previously stated	\$ 70,791,424
Lease receivable	844,493
Deferred amounts related to leases	<u>(838,942)</u>
Net adjustment	<u>5,551</u>
June 30 2021, as restated	<u><u>\$ 70,796,975</u></u>

NOTE 14 – DEFERRED COMPENSATION SAVINGS PLAN

For the benefit of its employees, the District participates in two 457 Deferred Compensation Programs (Programs). The purpose of these Programs is to provide deferred compensation for public employees that elect to participate in the Programs. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District’s general creditors.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the accompanying financial statements.

ROWLAND WATER DISTRICT
Notes to Financial Statements
June 30, 2022

NOTE 15 – RISK MANAGEMENT POOL

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et seq. The purpose of the Insurance Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. Further information about the Insurance Authority is as follows:

A. Entity	ACWA-JPIA	
B. Purpose	To pool member contributions and realize the advantages of self-insurance	
C. Participants	As of September 30, 2021 – 396 member districts	
D. Governing board	Nine representatives employed by members	
E. Condensed financial information	September 30, 2021	
Audit dated	March 30, 2022	
Statement of financial position:		<u>Sept 30, 2021</u>
Total assets		\$ 271,770,359
Deferred outflows		<u>1,189,142</u>
Total liabilities		<u>123,558,690</u>
Deferred inflows		<u>(409,721)</u>
Net position		<u>\$ 149,810,532</u>
Statement of revenues, expenses and changes in net position:		
Total revenues		\$ 200,883,781
Total expenses		<u>(174,760,456)</u>
Change in net position		26,123,325
Beginning - net position		<u>123,687,207</u>
Ending - net position		<u>\$ 149,810,532</u>
F. Member agencies share of year-end financial position		Not Calculated

The District participated in the self-insurance programs of the Insurance Authority as follows:

Property Loss - The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence and has purchased excess insurance coverage up to \$500,000,000 (total insurable value of \$48,405,017). The District has a \$2,500 deductible for buildings, personal property and fixed equipment, a \$25,000/\$50,000 deductible for accidental mechanical breakdown, a \$1,000 deductible for mobile equipment, and a \$500 deductible for licensed vehicles.

General Liability - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage in layers up to of \$60,000,000. This program does not have a deductible.

Auto Liability - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage in layers up to \$60,000,000. This program does not have a deductible.
 Public Officials' Liability - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage in layers up to \$60,000,000.

ROWLAND WATER DISTRICT

Notes to Financial Statements

June 30, 2022

NOTE 15 – RISK MANAGEMENT POOL (continued)

Cyber Liability - The Insurance Authority has purchased insurance coverage of \$3,000,000 per occurrence/\$5,000,000 aggregate. This program does not have a deductible.

Crime - The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence. The District has a \$1,000 deductible.

Public Official Bond - The District has purchased a \$200,000 bond to cover the general manager's faithful performance of duty.

Workers' Compensation - The Insurance Authority is self-insured up to \$2,000,000 and excess insurance coverage has been purchased up to the statutory limit for workers' compensation coverage. The Insurance Authority is self-insurance up to \$2,000,000 and has purchased excess insurance coverage of \$2,000,000 for employer's liability coverage.

Underground Storage Tank Pollution Liability - The Insurance Authority is self-insured up to \$500,000 per occurrence and has purchased excess coverage of \$3,000,000. The District has a \$10,000 deductible.

The District pays annual premiums for these coverages. They are subject to retrospective adjustments based on claims expended. The nature and amount of these adjustments cannot be estimated and are charged to expenses as invoiced. There were no instances in the past three years where a settlement exceeded the District's coverage.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2022, 2021, and 2020. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2022, 2021, and 2020.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Excluded Leases – Short-Term Leases and De Minimis Leases

The District does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12-months or less), including any options to extend, regardless of their probability of being exercised.

Also, *de minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

Litigation

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

NOTE 17 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 10, 2023, the date which the financial statements were available to be issued.

Required Supplementary Information

ROWLAND WATER DISTRICT*Schedule of the District's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2022***Last Ten Fiscal Years*****California Public Employees' Retirement System (CalPERS) Miscellaneous Plan**

Measurement Date	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability
June 30, 2014	0.03764%	\$ 2,341,881	\$ 2,046,157	114.45%	83.35%
June 30, 2015	0.04441%	3,309,528	2,161,937	153.08%	78.38%
June 30, 2016	0.04547%	3,934,518	2,099,673	187.39%	75.20%
June 30, 2017	0.04646%	4,607,714	2,167,973	212.54%	74.47%
June 30, 2018	0.04698%	4,527,220	2,279,335	198.62%	75.80%
June 30, 2019	0.04831%	4,950,633	2,353,585	210.34%	74.70%
June 30, 2020	0.04936%	5,370,506	2,587,427	207.56%	74.08%
June 30, 2021	0.05707%	3,086,430	2,715,233	113.67%	86.19%

Notes to Schedule:**Benefit Changes:**

There were no changes in benefits.

Changes in Assumptions:**From fiscal year June 30, 2015 and June 30, 2016:**

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

There were no significant changes in assumptions.

From fiscal year June 30, 2019 to June 30, 2020:

There were no significant changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:

There were no significant changes in assumptions.

ROWLAND WATER DISTRICT*Schedule of the District's Contributions to the Defined Benefit Pension Plan
For the Year Ended June 30, 2022***Last Ten Fiscal Years*****California Public Employees' Retirement System (CalPERS) Miscellaneous Plan**

Fiscal Year	Contributions in Relation to the			Covered Payroll	Contributions as a Percentage of Covered Payroll
	Actuarially Determined Contribution	Actuarially Determined Contribution	Contribution Deficiency (Excess)		
June 30, 2015	\$ 334,790	\$ (334,790)	\$ -	\$ 2,161,937	15.49%
June 30, 2016	337,455	(337,455)	-	2,099,673	16.07%
June 30, 2017	371,209	(371,209)	-	2,167,973	17.12%
June 30, 2018	414,273	(414,273)	-	2,279,335	18.18%
June 30, 2019	483,791	(483,791)	-	2,353,585	20.56%
June 30, 2020	570,560	(570,560)	-	2,587,427	22.05%
June 30, 2021	642,042	(642,042)	-	2,715,233	23.65%
June 30, 2022	710,829	(3,072,829)	-	3,023,183	101.64%

Notes to Schedule:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Inflation	Investment Rate of Return
June 30, 2015	June 30, 2013	Entry Age	Market Value	2.75%	7.65%
June 30, 2016	June 30, 2014	Entry Age	Market Value	2.75%	7.65%
June 30, 2017	June 30, 2015	Entry Age	Market Value	2.75%	7.65%
June 30, 2018	June 30, 2016	Entry Age	Market Value	2.75%	7.15%
June 30, 2019	June 30, 2017	Entry Age	Market Value	2.50%	7.15%
June 30, 2020	June 30, 2018	Entry Age	Market Value	2.50%	7.15%
June 30, 2021	June 30, 2019	Entry Age	Market Value	2.50%	7.15%
June 30, 2022	June 30, 2020	Entry Age	Market Value	2.50%	7.15%

Amortization Method

Level percentage of payroll, closed

Salary Increases

Depending on age, service, and type of employment

Investment Rate of Return

Net of pension plan investment expense, including inflation

Retirement Age

50 years (2%@55 and 2%@60), 52 years (2%@62)

Mortality

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

ROWLAND WATER DISTRICT

Schedule of Changes in the District's Net OPEB Liability and Related Ratios For the Year Ended June 30, 2022

Fiscal Year Ended	Last Ten Fiscal Years*				
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB liability:					
Service cost	\$ 152,983	\$ 145,698	\$ 124,022	\$ 99,230	\$ 121,597
Interest	442,272	417,667	427,189	394,763	450,304
Changes of assumptions	(168,050)	-	(262,190)	-	(526,713)
Differences between expected and actual experience	(410,394)	51,531	(253,977)	11,333	(710,721)
Changes of benefit terms	-	-	-	151,163	-
Benefit payments	(266,776)	(221,224)	(185,776)	(179,152)	(154,372)
Net change in total OPEB liability	(249,965)	393,672	(150,732)	477,337	(819,905)
Total OPEB liability - beginning	6,782,497	6,388,825	6,539,557	6,062,220	6,882,125
Total OPEB liability - ending	6,532,532	6,782,497	6,388,825	6,539,557	6,062,220
Plan fiduciary net position:					
Contributions - employer	1,686,776	641,224	605,776	599,152	574,372
Net investment income	1,194,246	166,568	264,426	203,849	261,561
Administrative expense	-	-	-	(10,222)	(850)
Benefit payments	(266,776)	(221,224)	(185,776)	(179,152)	(154,372)
Net change in plan fiduciary net position	2,614,246	586,568	684,426	613,627	680,711
Plan fiduciary net position - beginning	4,876,910	4,290,342	3,605,916	2,992,289	2,311,578
Plan fiduciary net position - ending	7,491,156	4,876,910	4,290,342	3,605,916	2,992,289
District's net OPEB liability	\$ (958,624)	\$ 1,905,587	\$ 2,098,483	\$ 2,933,641	\$ 3,069,931
Plan fiduciary net position as a percentage of the total OPEB liability	114.67%	71.90%	67.15%	55.14%	49.36%
Covered-employee payroll	\$ 3,095,166	\$ 2,856,168	\$ 2,728,686	\$ 2,285,510	\$ 2,174,023
District's net OPEB liability as a percentage of covered-employee payroll	-30.97%	66.72%	76.90%	128.36%	141.21%

Notes to Schedule:

Benefit Changes:

Measurement Date June 30, 2017 – There were no changes in benefits
 Measurement Date June 30, 2018 – Coverage expanded to spouses for future retirees hired on or after July 1, 2009 if they have 25 years of service, effective fiscal year ending June 30, 2018
 Measurement Date June 30, 2020 – There were no changes in benefits
 Measurement Date June 30, 2019 – There were no changes in benefits

Changes in Assumptions:

Measurement Date June 30, 2017 – Average per capita claims cost was updated to reflect actual 2017 premiums, health care cost trend rate was updated to reflect 2018 industry survey data, and mortality table was updated to reflect most recent CalPERS studies.
 Measurement Date June 30, 2018 – There were no changes in benefits
 Measurement Date June 30, 2019 – Census data from the plans participants was updated, which decreased the total OPEB liability by \$262,190.
 Measurement Date June 30, 2020 – There were no changes in benefits

* Fiscal year 2018 was the first year of implementation; therefore, only five years are shown.

ROWLAND WATER DISTRICT

Schedule of Contributions – Other Post-Employment Benefits (OPEB) Plan For the Year Ended June 30, 2022

Fiscal Year Ended	Last Ten Fiscal Years*				
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Actuarially determined contribution	\$ 296,665	\$ 308,417	\$ 354,481	\$ 343,260	\$ 343,260
Contributions in relation to the actuarially determined contributions	<u>(1,686,776)</u>	<u>(641,224)</u>	<u>(605,776)</u>	<u>(599,152)</u>	<u>(599,152)</u>
Contribution deficiency (excess)	<u>\$ (1,390,111)</u>	<u>\$ (332,807)</u>	<u>\$ (251,295)</u>	<u>\$ (255,892)</u>	<u>\$ (255,892)</u>
Covered payroll	<u>\$ 3,095,166</u>	<u>\$ 2,856,168</u>	<u>\$ 2,728,686</u>	<u>\$ 2,285,510</u>	<u>\$ 2,174,023</u>
Contributions as a percentage of covered payroll	54.50%	22.45%	22.20%	26.22%	27.56%

Notes to Schedule:

Valuation Date	June 30, 2021	June 30, 2019	June 30, 2019	June 30, 2017	June 30, 2017
Methods and Assumptions Used to Determine Contribution Rates:					
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	(1)	(1)	(1)	(1)	(1)
Amortization period	20-years	20-years	20-years	20-years	20-years
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value
Discount rate	6.50%	6.50%	6.50%	6.50%	6.50%
Inflation	2.26%	2.26%	2.26%	2.26%	2.26%
Payroll increases	3.25%	3.25%	3.25%	3.25%	3.25%
Mortality	(2)	(2)	(2)	(2)	(2)
Morbidity	(3)	(3)	(3)	(3)	(3)
Disability	Not Valued	Not Valued	Not Valued	Not Valued	Not Valued
Retirement	(4)	(4)	(4)	(4)	(4)
Percent Married	80%	80%	80%	80%	80%
Healthcare trend rates	(5)	(5)	(5)	(5)	(5)

(1) Closed period, level percent of pay

(2) CalPERS 2014 Study

(3) CalPERS 2013 Study

(4) CalPERS Public Agency Miscellaneous 2.5% @55 and 2% @62

(5) Pre-65 - 8.00% trending down 0.25% annually to 5.00% in 2031 and later
Post-65 - 5.50% trending down 0.25% annually to 5.00% in 2021 and later

* Fiscal year 2018 was the first year of implementation; therefore, only five years are shown.

Supplementary Information

ROWLAND WATER DISTRICT

Schedule of Other Operating Expenses

For the Year Ended June 30, 2022 (With Comparative Amounts as of June 30, 2021)

	<u>2022</u>	<u>2021</u>
Other Operating Expenses:		
Certification, fees and permits	\$ 104,310	\$ 92,252
Engineering	271,696	239,782
Maintenance and operations	64,807	81,472
Small tools and supplies	45,252	36,704
Water tests	<u>27,210</u>	<u>23,629</u>
Total Other Operating Expenses	<u>\$ 513,275</u>	<u>\$ 473,839</u>

ROWLAND WATER DISTRICT*Schedule of General and Administrative Expenses**For the Year Ended June 30, 2022 (With Comparative Amounts as of June 30, 2021)*

	<u>2022</u>	<u>2021</u>
General and Administrative Expenses:		
Salaries and wages	\$ 1,438,795	\$ 1,473,595
Payroll taxes	227,177	221,906
Employee benefits	609,805	550,382
OPEB expenses	(362,575)	47,853
Pension expenses	1,372,972	1,066,792
Director's fees and expenses	156,700	151,899
Bank service charges	174,141	154,201
Community outreach	255,445	196,273
Conferences, training and travel	143,167	23,812
Conservation rebate program	37,865	32,238
Information technology	387,085	293,671
Insurance – liability and workers' compensation	187,529	192,022
Membership fees and dues	47,346	47,900
Miscellaneous	127,649	98,979
Office supplies	41,467	40,486
Professional services	129,245	140,156
Repairs and maintenance	35,130	17,460
Service contracts	410,111	274,986
Taxes, permits and fees	12,893	14,575
Uncollectable accounts	(67,516)	122,700
Utilities	115,444	118,062
Vehicle expenses	120,658	88,735
Total General and Administrative Expenses	<u>\$ 5,600,533</u>	<u>\$ 5,368,683</u>

Other Independent Auditors' Reports



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

Board of Directors
Rowland Water District
Rowland Heights, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Rowland Water District (District), which comprise the balance sheet as of June 30, 2021, and the related statement of revenues, expenses and changes in net position and cash flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 10, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures to determine the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

Purpose of this Report

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

A handwritten signature in blue ink that reads "Nigro & Nigro, PC". The signature is written in a cursive style.

Murrieta, California
January 10, 2023