

REGIONAL WATER AUTHORITY

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2021 AND 2020

REGIONAL WATER AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Regional Water Authority
Sacramento, California**

Report on the Financial Statements

We have audited the accompanying financial statements of the Regional Water Authority (the Authority) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Regional Water Authority as of June 30, 2021 and 2020, and the changes in financial position and cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, 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 audits 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 Authority's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is 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 audits 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, based on our audit, the procedures performed as described above, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other

matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Gilbert CPAs
GILBERT CPAs
Sacramento, California

December 1, 2021

REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 and 2020

The Regional Water Authority (RWA) promotes collaboration on water management and water supply reliability programs in the greater Sacramento area. The following discussion and analysis of the RWA financial performance provides an overview of the financial activities for the fiscal years ending June 30, 2021 and 2020. This discussion and analysis should be read in conjunction with the financial statements, which can be found on pages 15 to 41 of this report.

Description of Basic Financial Statements

RWA maintains its accounting records in accordance with generally accepted accounting principles for a special-purpose government engaged in business-only type activities as prescribed by the Government Accounting Standards Board. The basic financial statements include the statement of net position, statement of revenues, expenses, changes in net position, and statement of cash flows.

RWA's statements of net position include all assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether RWA's financial position is improving or deteriorating.

The statements of revenues, expenses, and changes in net position report all of RWA's revenues and expenses during the periods indicated. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., interest income, pension expense and amounts due to vendors).

The statements of cash flows show the amount of cash received and paid out for operating activities, as well as cash received from interest earnings.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the financial data provided in the financial statements. The notes to the financial statements can be found on pages 18 to 41 of this report.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Condensed Statements of Net Position

For the fiscal years ending June 30, the following condensed comparative Statements of Net Position are presented:

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>2019</u>	<u>Change</u>
Current Assets	\$ 3,313,576	\$ 2,595,372	\$ 718,204	\$ 2,377,261	\$ 218,111
Non-Current Assets	109,488	129,455	(19,967)	-	129,455
Capital Assets	<u>13,306</u>	<u>-</u>	<u>13,306</u>	<u>-</u>	<u>-</u>
 Total Assets	 3,436,370	 2,724,827	 711,543	 2,377,261	 347,566
Deferred Outflows	<u>288,318</u>	<u>266,114</u>	<u>22,204</u>	<u>338,121</u>	<u>(72,007)</u>
Total Assets and Deferred Outflows	<u>3,724,688</u>	<u>2,990,941</u>	<u>733,747</u>	<u>2,715,382</u>	<u>275,559</u>
Current Liabilities	1,259,900	566,197	693,703	402,707	163,490
Non-Current Liabilities	<u>306,779</u>	<u>237,754</u>	<u>69,025</u>	<u>354,726</u>	<u>(116,972)</u>
Total Liabilities	<u>1,566,679</u>	<u>803,951</u>	<u>762,728</u>	<u>757,433</u>	<u>46,518</u>
Deferred Inflows	<u>269,784</u>	<u>332,435</u>	<u>(62,651)</u>	<u>159,304</u>	<u>173,131</u>
Net Position:					
Invested in capital assets	13,306	-	13,306	-	-
Restricted	739,694	568,927	170,767	498,043	70,884
Unrestricted	<u>1,135,225</u>	<u>1,285,628</u>	<u>(150,403)</u>	<u>1,300,602</u>	<u>(14,974)</u>
Total net position	<u>\$ 1,888,225</u>	<u>\$ 1,854,555</u>	<u>\$ 33,670</u>	<u>\$ 1,798,645</u>	<u>\$ 55,910</u>

Fiscal Year 2021 Compared to Fiscal Year 2020

Total current assets have increased \$718,204. This increase is primarily due to increase in restricted cash and investments. Current assets also include grant receivables which were lower from the prior year due to completion of some of the multi-year grants and the start of a few new grant awards. The June 30, 2021 receivables reflect amounts earned for fulfillment of obligations from the Proposition 84 (Round 1), Proposition 84 (Round 3), 2014 Drought grant, Regional Water Bank project, Bonneville Environmental Foundation (BEF), USBR Drought Interties, CALFED Meter, and SRCSD incentive programs.

The non-current assets decreased \$19,967 due to the Net Other Post-Employment Benefits (OPEB) asset.

The deferred outflows net increase of \$22,204 is a result of changes in actuarial estimates from determining the net pension liability and from determining net OPEB asset. Deferred outflows decreased by \$25,046 and increased by \$47,250 related to OPEB and pension, respectively.

There was a \$693,703 increase in current liabilities in fiscal year 2021 primarily due to subscription program advances in advance of incurred subscription program expenses for programs like the Regional

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Water Modeling Operations Pilot (Regional Water Bank), Major Projects and Resilience Program, and increased accounts payable and accrued liabilities which was caused by the timing of vendor payments.

RWA's non-current liability increased by \$69,025 due to an increase in the net pension and OPEB asset.

The decrease of \$62,651 in deferred inflows represents a decrease of \$59,171 in unamortized OPEB adjustments caused by timing of when they are reflected in OPEB expense as a result of GASB 75. Additionally, the deferred inflows related to the pension decreased \$3,480 primarily due to changes in assumptions by CalPERS as of the June 30, 2020 measurement date.

Restricted net position increased \$170,767 due to Water Efficiency Program (WEP) having an increase in their net earnings in excess of expenses in current fiscal year primarily due to advanced payment of the Bonneville Environmental Foundation grant award.

Unrestricted net position of \$1,135,225 reflects a decrease of \$150,403, due to an increase in restricted funds primarily from WEP and other subscription programs. The unrestricted net position has been designated for purposes authorized by the Board. Designations include operating and fee stabilization funds to mitigate current and future risks due to revenue shortfalls and unanticipated expenses.

Fiscal Year 2020 Compared to Fiscal Year 2019

Total current assets increased \$218,111 and reflected an increase in both restricted cash and investments and grant receivables from the prior year resulting from a release of retention funds as some of the multi-years grant programs come to completion. The June 30, 2020 receivables reflect amounts earned for fulfillment of obligations from the Proposition 84 (Round 1), Proposition 84 (Round 3), 2014 Drought grant, Regional Water Bank project, USBR Drought Interties, CALFED Meter, and SRCSD incentive programs. The non-current assets increased \$129,455 due to the Net Other Post-Employment Benefits (OPEB) asset.

The deferred outflows decreased \$72,007 resulting from changes in actuarial estimates after determining the net pension liability and other-post employment benefits liability (OPEB). Deferred outflows decreased by \$18,828 and \$53,179 related to OPEB and pension, respectively.

There was a \$163,490 increase in current liabilities in fiscal year 2020 primarily due to subscription program advances in advance of incurred subscription program expenses for programs like the Regional Water Modeling Operations Pilot (Regional Water Bank) and increased accounts payable and accrued liabilities which was caused by the timing of vendor payments.

RWA's non-current liability decreased by \$116,972 due to a decrease in the net pension and OPEB liability.

The increase of \$173,131 in deferred inflows represents an increase of \$151,289 in unamortized OPEB adjustments caused by timing of when they are reflected in OPEB expense as a result of GASB 75. Additionally, the deferred inflows related to the pension increased \$21,842 primarily due to changes in assumptions by CalPERS as of the June 30, 2019 measurement date.

Restricted net position increased \$70,884 due to Water Efficiency Program (WEP).

Unrestricted net position of \$1,285,628 reflected a decrease of \$14,974, due to net income of \$55,910 a portion of which includes the WEP and included in restricted net position.

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

For the fiscal years ending June 30, the following condensed schedules of revenues, expenses, and changes in net position are presented:

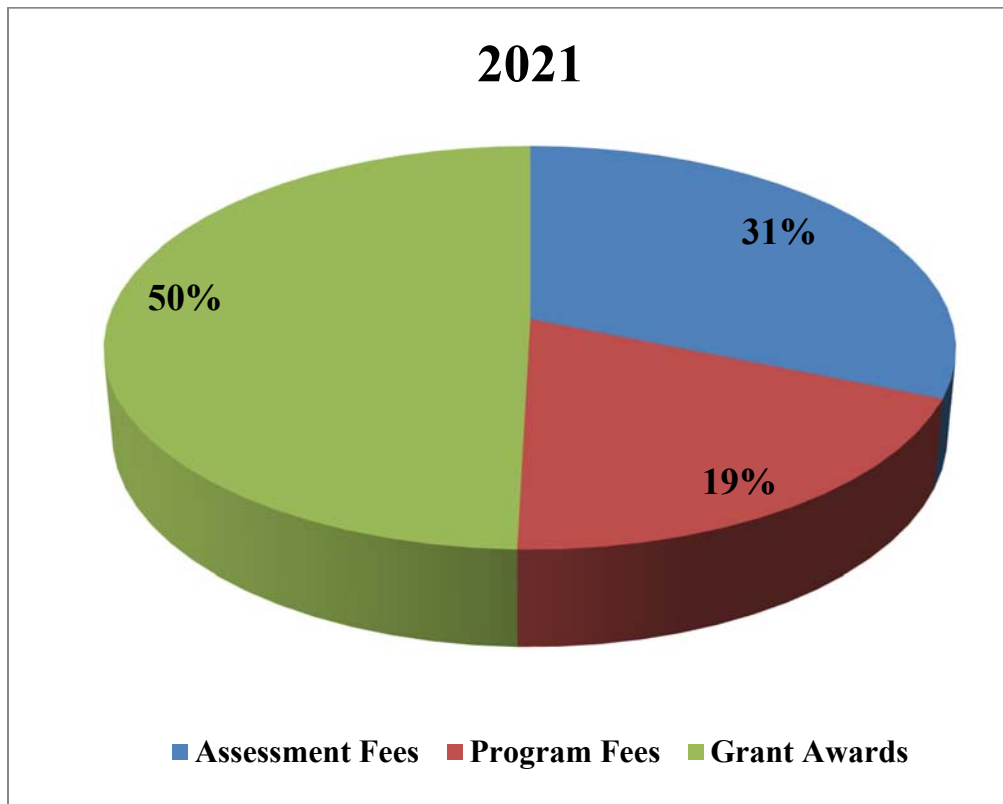
	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>2019</u>	<u>Change</u>
Operating revenues:					
Assessment Income	\$ 1,064,385	\$ 1,048,114	\$ 16,271	\$ 983,632	\$ 64,482
Subscription Program Fees	654,556	820,313	(165,757)	874,826	(54,513)
Incentives, Grants and Reimbursements	1,690,067	3,198,249	(1,508,182)	3,836,394	(638,145)
Other Income	735	44,692	(43,957)	9,437	35,255
Total Operating Revenues	<u>3,409,743</u>	<u>5,111,368</u>	<u>(1,701,625)</u>	<u>5,704,289</u>	<u>(592,921)</u>
Interest Income	15,007	56,813	(41,806)	56,392	421
Total Revenues	<u>3,424,750</u>	<u>5,168,181</u>	<u>(1,743,431)</u>	<u>5,760,681</u>	<u>(592,500)</u>
Operating Expenses:					
Administrative Expenses	1,346,341	1,398,003	(51,662)	961,613	436,390
Core Program Expenses	25,000	25,000	-	25,000	-
Subscription Program					
Direct Expenses	374,741	520,224	(145,483)	863,950	(343,726)
Grant Awards	1,644,998	3,169,044	(1,524,046)	3,581,964	(412,920)
Total Operating Expenses	<u>3,391,080</u>	<u>5,112,271</u>	<u>(1,721,191)</u>	<u>5,432,527</u>	<u>(320,256)</u>
Increase in Net Position	<u>33,670</u>	<u>55,910</u>	<u>(22,240)</u>	<u>328,154</u>	<u>(272,244)</u>
Net Position, July 1	<u>1,854,555</u>	<u>1,798,645</u>	<u>55,910</u>	<u>1,470,491</u>	<u>328,154</u>
Net Position, June 30	<u>\$ 1,888,225</u>	<u>\$ 1,854,555</u>	<u>\$ 33,670</u>	<u>\$ 1,798,645</u>	<u>\$ 55,910</u>

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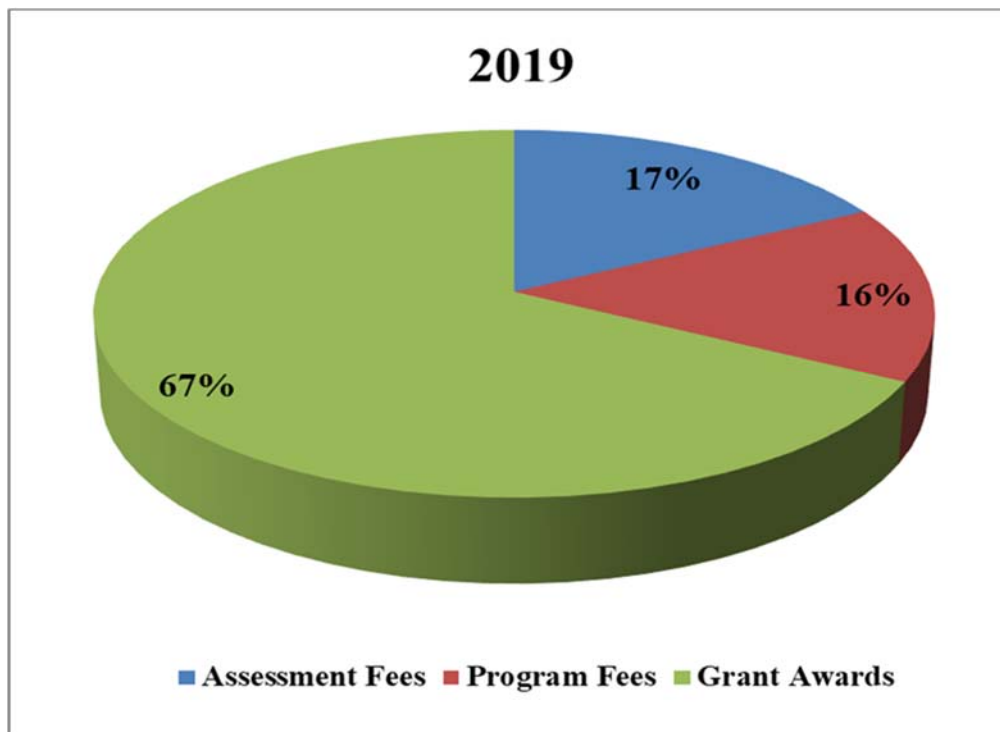
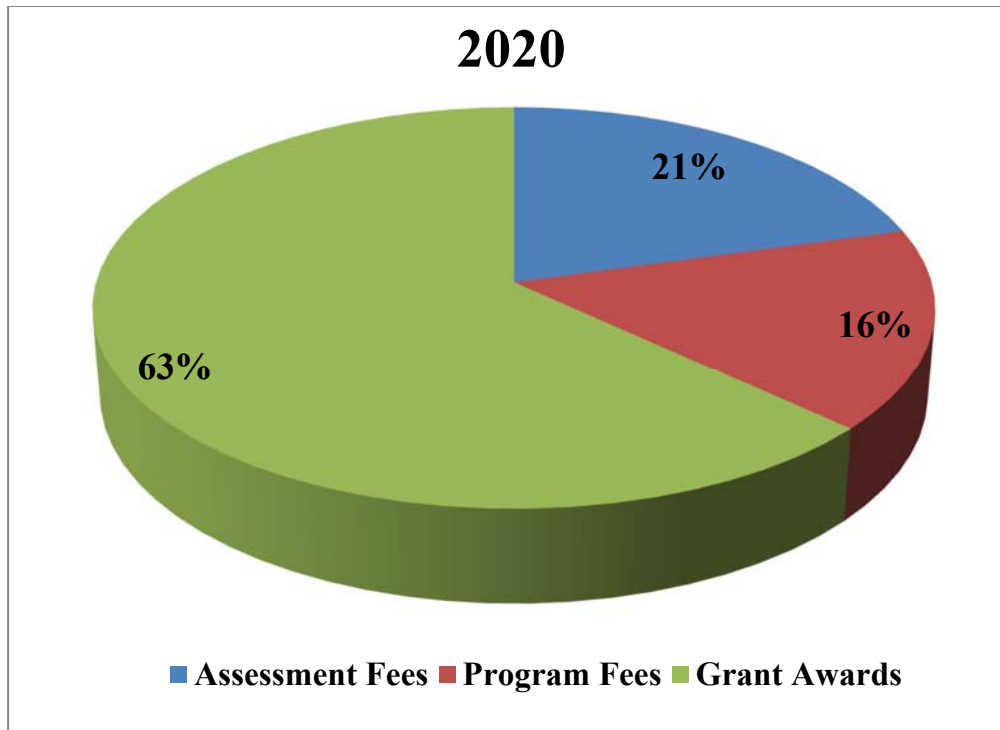
Operating Revenues

RWA's operating revenues are substantially derived from assessment fees, subscription program fees (program fees), and grant awards. Grants and incentives are awarded to RWA from state, federal, or local agencies to fund water related projects and conservation, depending upon the grant program. The following pie charts graphically display the percentages of operating revenues by category.

Over the three-year period, the percentage of program fees have slightly increased or remained static and assessment fees have increased to compensate for declining grant awards.



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Fiscal Year 2021 Compared to Fiscal Year 2020

Operating revenues – Operating revenues totaled \$3,409,743 and was \$1,701,625 lower than the previous year. The decrease is mainly a result of lower grant awards due to completion of some of the multi-year grants and the start of new grants.

Assessment fees – The \$16,271 increase in assessment fees is due to a Board approved dues increase for the year ended June 30, 2021 for the additional funding needed to support the water policy position as part of RWA's core program as well as the continued set aside of future payments for the unfunded pension.

Subscription Program Fees – During fiscal year 2021, RWA mainly earned subscription program fees from the Water Efficiency Program (WEP), the United States Bureau of Reclamation (USBR) Regional Water Bank/Water Management Operations Pilot (WMOP), the Proposition 84 Program (Prop 84), the 2014 Integrated Regional Water Management Drought Proposition 84 Grant (2014 Drought Prop 84), the Prop 84 Round 3 grant, the USBR/CALFED Programs, and Major Projects/Resilience Programs. Program fees are not expected to be comparable from year to year. The program fees decreased overall by \$165,757 mainly due to the timing of these programs as many of them draw near to completion. For the detail of fees earned by program, see the Program Schedule of Revenues, Expenses and Changes in Net Position in the supplementary section of the financial statements.

Incentives, grants, and reimbursements – In fiscal year 2021, RWA earned grant revenues from the WEP, 2014 Drought Prop 84, Prop 84, and the Prop 84 Round 3 grants. These programs contributed largely to the overall \$1.5 million net decrease in grant awards.

- 1) The Prop 84 (Round 1) grant revenue decreased by \$2,226,634 as many of the infrastructure improvement sub-projects were completed in FY20. Only one project still remained to submit for reimbursement in FY21. After FY21, this grant is closed.
- 2) The 2014 Drought Prop 84 grant revenue increased by \$352,082 as a result of a grant extension. This grant provided funding from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 to assist in financing projects associated with the American River Basin Integrated Regional Water Management (IRWM) Plan.
- 3) The Prop 84 Round 3 grant increased by \$346,525. This grant provided funding from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 to Grantee to assist in financing projects associated with the American River Basin IRWM Plan.
- 4) The WEP Program experienced an increase in grant awards of \$20,519.

Both the Core and WEP programs received new grant awards (Proposition 1 Round 1 and BEF grants) during fiscal year 2021. These grant awards will contribute significantly to future revenues. The timing of these awards varies from year to year.

Operating expenses – Operating expenses fall into four major categories: administrative expenses, core program expenses, subscription program direct expenses, and grant awards.

Administrative Expenses – Before allocation to Sacramento Groundwater Authority (SGA), total administrative expenses decreased by \$51,662 from the previous fiscal year resulting from a decrease in office expenses and professional fees due to the COVID-19 pandemic.

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Core Program Expenses – For the year ended June 30, 2021, core expenses showed no change from 2020; continued \$25,000 annual payment related to the Powerhouse Science Center exhibits.

Subscription Program Direct Expenses – During fiscal year 2021, RWA incurred subscription program expenses from the core program, WEP, Regional Water Bank, and Major Projects/Resilience programs. Program expenses are not expected to be comparable from year to year. The program expenses decreased overall by \$145,483. For the detail of fees earned by program, see the Program Schedule of Revenues, Expenses and Changes in Net Position in the supplementary section of the financial statements.

Grant Awards – In fiscal year 2021, RWA earned grant awards from the WEP including Prop 84 Round 1, the 2014 Drought Prop 84 program, Prop 84 Round 3, and a newly-awarded Proposition 1 Round 1 grant. The activity and payments vary on these grants and year to year comparability is not expected. These programs generated over \$1.6 million in grant expense in 2021. The following contributed largely to the overall net decrease of \$1.5 million in grant awards expense from 2020:

- 1) The Prop 84 \$16 million grant award is in the ninth year of this program. With the closing of Round 1 projects and release of retention in fiscal year 2020, there was \$2,777,818 recorded in grant expense. After the final project submission in fiscal year 2021, the grant award expense decreased for a total of \$2,230,719 from 2020.
- 2) WEP grant expenses accounted for \$187,491 in 2021; an increase of \$32,507 from 2020.
- 3) The 2014 Drought Grant started in fiscal year 2015. As the grant nears completion, grant expenses and distributions decrease. In fiscal year 2021, as a result of a grant extension, the Drought Grant incurred \$455,980 in expenses; up (increase) of \$349,050 from the prior year.
- 4) The Prop 84 Round 3 grant expended \$454,500. This is an increase of \$325,188 from 2020.

Both the Core and WEP programs received new grant awards (Proposition 1 Round 1 and BEF grants) during fiscal year 2021. These grant awards will contribute significantly to future expenses. The timing of these award expenses varies from year to year.

Fiscal Year 2020 Compared to Fiscal Year 2019

Operating revenues – Operating revenues totaled \$5,111,368 and was \$592,921 lower than the previous year. The decrease was mainly a result of lower grant awards due to completion of some of the multi-year grants.

Assessment fees – The \$64,482 increase in assessment fees was due to a 5% increase for the year ending June 30, 2020 for the additional funding of the new water policy position as well as the continued set aside of future payments for the unfunded pension liability.

Subscription Program Fees – During fiscal year 2020, RWA mainly earned subscription program fees from the Water Efficiency Program (WEP), the United States Bureau of Reclamation (USBR) Regional Water Bank/Water Management Operations Pilot (WMOP), the Proposition 84 Program (Prop 84), the 2014 Integrated Regional Water Management Drought Proposition 84 Grant (2014 Drought Prop 84), the Prop 84 Round 3 grant, the USBR/CALFED Programs, the Landscape Imagery project, ASR Information Study, Landscape Imagery and Water Transfer Programs. Program fees are not expected to be comparable from year to year.

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Incentives, grants, and reimbursements – In fiscal year 2020, RWA earned grant awards from the WEP, 2018 IRWM Update, Direct Install, 2014 Drought Prop 84, Prop 84, and the Prop 84 Round 3 grants. These programs contributed largely to a \$638,145 decrease in grant awards. The decrease in grant awards was also offset by a \$219,113 increase in grant revenues from Prop 84 and the Proposition 1 IRWM grant application. The net result being approximately \$419,032 decrease in grant awards.

Operating expenses – Operating expenses fall into four major categories: administrative expenses, core program expenses, subscription program direct expenses, and grant awards.

Administrative Expenses – Before allocation to Sacramento Groundwater Authority (SGA), total administrative expenses increased by \$478,142 from the previous fiscal year which included an increase of \$222,210 in staffing costs and an increase of \$256,460 in office expenses and professional fees. The increase in staffing costs resulted from filling the Executive Director vacancy after being vacant for almost 4 months. Net expenses after allocation to SGA were higher than the previous year by \$436,390.

Core Program Expenses – For the year ended June 30, 2020, core expenses showed no change from 2019; continued \$25,000 annual payment related to the Powerhouse Science Center exhibits.

Subscription Program Direct Expenses – During fiscal year 2020, RWA incurred subscription program expenses from the core program, WEP, Regional Water Bank, ASR Study, Landscape Imagery and Water Transfer programs. Program expenses are not expected to be comparable from year to year. The program expenses decreased overall by \$343,726.

Grant Awards – In fiscal year 2020, RWA earned grant awards from the WEP, Prop 84, the 2014 Drought Prop 84 program and the P84 Round 3 grants. The activity and payments vary on these grants and year to year comparability is not expected. These programs generated over \$3.1 million in grant expense in 2020. The following contributed largely to the overall net decrease of \$412,920 in grant awards expense from 2019: 1). With the closing of Proposition 84 Round 1 projects and release of retention, there was \$2,777,818 in grant expense. After taking pass through expenses into account, the grant award increased for a total of \$270,318 from 2019. 2) WEP grant expenses accounted for \$154,984 in 2020; a decrease of \$234,039 from 2019. 3) The 2014 Drought Grant incurred \$106,930 in expenses: down (decrease) \$415,611 from the prior year. 4) The Prop 84 Round 3 grant expended \$129,312. This is a decrease of \$33,588 from 2019.

Capital Assets

Capital asset investment includes office furniture, equipment, website development, and leasehold improvements. The decline in capital assets reflects annual depreciation.

Additional information on the capital assets can be found in Note 3 of this report.

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	<u>2021</u>	<u>2020</u>	<u>Increase</u>	<u>2019</u>
Furniture	\$ 3,722	\$ 3,722	\$ -	\$ 14,464
Equipment	18,885	14,624	4,261	17,307
Website Development	15,604	15,604	-	15,604
Leasehold Improvements	14,785	14,785	-	17,951
Gross Capital Assets	52,996	48,735	4,261	65,326
Less Accumulated Depreciation	(39,690)	(48,735)	9,045	(65,326)
Net Capital Assets	<u>\$ 13,306</u>	<u>\$ -</u>	<u>\$ 13,306</u>	<u>\$ -</u>

Economic factors and assumptions for fiscal year June 30, 2022

Periodically, RWA outlines goals and objectives to assist its members in collaborating on programs that will protect and enhance the quality and reliability of the region's water supplies. These goals and objectives drive the annual budget process. The following economic factors and assumptions affected the budget for fiscal year June 30, 2022.

- 1) In light of the economic conditions resulting from COVID-19 pandemic, an overall 0% increase on all membership fees is proposed for fiscal year 2022. Additionally, RWA has formed an ad hoc committee to review how membership dues are calculated given consideration to size of the agency and a more standardized cost per retail connection. Regardless of member increases, RWA will continue to pay additional sums towards the unfunded pension liability. Even at an overall zero increase, some member's actual increase may be slightly different if water connections changed from the previous year.
- 2) SGA service fees represent 50% sharable costs according to the Administrative Services Agreement, 20% of the Project Assistant position, 10% for the Legislative Program Manager position, and excludes the Water Efficiency Program and Strategic Affairs Manager positions. SGA does pay for 100% of the part-time annuitant and will completely fund a new Associate Program Manager beginning in the latter part of fiscal year 2022.
- 3) Subscription program revenues provide approximately 10% of needed RWA core revenues and reflect income earned from providing staffing and office support to subscription-based programs, including the WEP.
- 4) Powerhouse Science Center (PSC) reflects five years of collection of funds with fiscal year 2019 as the final year, to be paid to PSC over 15 years. Additional members joined which yielded an additional \$13,000, that was credited back to the agencies in FY20.
- 5) The core program budgets for all staffing positions. Shared staffing costs are allocated 50/50 to SGA and RWA. The Legislative Program Manager is 90% funded by RWA and 10% by SGA; the Water Efficiency Program Manager is 100% funded by WEP; the Strategic Affairs Manager is 100% funded by the Major Projects and Resilience Programs and the Project Research Assistant is funded 80% by WEP and 20% by SGA, and RWA hired a part-time annuitant (0.5 FTE) which is 100% reimbursed by SGA and will completely fund a new Associate Program Manager for the last six months of fiscal year 2022. These allocations result in 5.7 FTEs for RWA and 3.3 FTEs for SGA for a total of 9.0 fulltime equivalent positions.

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- 6) Staff salaries are within ranges assigned by the 2017 total compensation survey and reflect a possible 4% increase for merit plus 2% COLA. Beginning in fiscal year 2019, staff pays the full 7% employee share of their pension contributions.
- 7) Benefit costs also include projected increases for OPEB and health care. Benefits also include estimates for future OPEB costs for new employees.
- 8) RWA continues to plan for additional CalPERS pension payments for the unfunded liability. The planned additional payment in FY22 is \$36,700.
- 9) Office cost increases are based upon estimated increases in fiscal year 2022 and also include the increased office lease agreement costs. For FY22 and beyond, office costs are estimated at 3% annual increases or less, unless specific increases have been identified.
- 10) Professional fees include higher audit, accounting and actuarial analysis fees due to the reporting requirement for GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and GASB 75, increased public relations, human resources assistance, increased legal costs associated with advocacy, IRWM consulting costs, water advocacy consulting fees and general consulting costs.
- 11) Other includes office equipment and furniture purchases.
- 12) Core program expenses include costs associated with the Powerhouse Science Center partnership and Integrated Regional Water Management (IRWM).
- 13) Combined core and subscription expenses versus revenues net a projected deficit. Many subscription program expenses will be funded from previously collected funds which have been paid in advance and set aside for this specific purpose.
- 14) Changes to membership are not anticipated, including any decline due to agency consolidations or nonparticipation.

Requests for Information

This financial report is designed to provide a general overview of RWA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance and Administrative Services Manager, Regional Water Authority, 5620 Birdcage Street, Suite 180, Citrus Heights, CA 95610.

REGIONAL WATER AUTHORITY

STATEMENTS OF NET POSITION JUNE 30, 2021 and 2020

	2021	2020
ASSETS		
Current Assets		
Cash and Investments	\$ 1,306,121	\$ 1,238,678
Restricted Cash and Investments	1,701,723	1,091,522
Grants/Incentives Receivable	157,058	130,015
Accounts Receivable	39,137	66,706
Receivable from Sacramento Groundwater Authority (SGA)	76,782	31,705
Other Assets	32,755	36,746
Total Current Assets	3,313,576	2,595,372
Net Other Post Employment Benefits (OPEB) asset	109,488	129,455
Capital Assets, Net	13,306	-
Total Non-Current Assets	122,794	129,455
Total Assets	3,436,370	2,724,827
DEFERRED OUTFLOWS		
Pension	149,687	102,437
OPEB	138,631	163,677
Total Deferred Outflows	288,318	266,114
TOTAL ASSETS AND DEFERRED OUTFLOWS	3,724,688	2,990,941
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	139,335	124,741
Compensated Absences	69,092	68,166
Subscription Program Advances	791,426	348,290
Unearned Revenue	260,047	25,000
Total Current Liabilities	1,259,900	566,197
Non-Current Liabilities		
Compensated Absences	40,500	17,000
Net Pension Liability	106,279	70,367
Unearned Revenue	160,000	150,387
Total Non-Current Liabilities	306,779	237,754
Total Liabilities	1,566,679	803,951
DEFERRED INFLOWS		
Pension	54,876	58,356
OPEB	214,908	274,079
Total Deferred Inflows	269,784	332,435
NET POSITION		
Net Investment in Capital Assets	13,306	-
Restricted	739,694	568,927
Unrestricted	1,135,225	1,285,628
Total Net Position	\$ 1,888,225	\$ 1,854,555

The accompanying notes are an integral part of these financial statements.

REGIONAL WATER AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES:		
Assessment Income	\$ 1,064,385	\$ 1,048,114
Subscription Program Fees	654,556	820,313
Incentives, Grants, and Reimbursements	1,690,067	3,198,249
Other Income	735	44,692
Total Operating Revenues	<u>3,409,743</u>	<u>5,111,368</u>
OPERATING EXPENSES:		
Administrative Expenses	1,346,341	1,398,003
Core Program Expenses	25,000	25,000
Subscription Program Direct Expenses	374,741	520,224
Grant Awards	1,644,998	3,169,044
Total Operating Expenses	<u>3,391,080</u>	<u>5,112,271</u>
OPERATING INCOME (LOSS)	18,663	(903)
OTHER INCOME:		
Interest Income	<u>15,007</u>	<u>56,813</u>
INCREASE IN NET POSITION	<u>33,670</u>	<u>55,910</u>
Net Position, Beginning of Year	<u>1,854,555</u>	<u>1,798,645</u>
NET POSITION, End of Year	<u>\$ 1,888,225</u>	<u>\$ 1,854,555</u>

The accompanying notes are an integral part of these financial statements.

REGIONAL WATER AUTHORITY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members and participants	\$ 2,434,306	\$ 2,016,252
Cash received from SGA	487,072	545,748
Cash received from grants and other sources	1,663,759	3,221,462
Cash paid to employees, related benefits and taxes	(1,425,844)	(1,235,602)
Cash paid to suppliers	(843,098)	(1,177,615)
Cash paid to subscription program participants	(1,644,998)	(3,242,956)
Net Cash Provided by Operating Activities	671,197	127,289
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	(15,256)	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on cash	21,703	60,692
NET INCREASE IN CASH AND CASH EQUIVALENTS	677,644	187,981
CASH AND CASH EQUIVALENTS, Beginning of Year	2,330,200	2,142,219
CASH AND CASH EQUIVALENTS, End of Year	\$ 3,007,844	\$ 2,330,200
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET:		
Cash and investments	\$ 1,306,121	\$ 1,238,678
Restricted cash and investments	1,701,723	1,091,522
Total cash and cash equivalents	\$ 3,007,844	\$ 2,330,200
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 18,663	\$ (903)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	1,950	-
Change in operating assets and liabilities:		
Grants/Incentives receivable	(27,043)	(21,479)
Accounts receivable	27,569	(22,040)
Receivable from SGA	(45,077)	24,343
Other assets	(2,705)	(14,833)
Accounts payable and accrued liabilities	14,594	29,072
Compensated absences	24,426	25,665
Grants payable	-	(73,912)
Subscription program advances	443,136	194,865
Net pension liability	(14,818)	55,571
Net OPEB liability	(14,158)	(44,060)
Unearned revenue	244,660	(25,000)
Net cash provided by operating activities	\$ 671,197	\$ 127,289

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity – Regional Water Authority (RWA) was formed under a Joint Exercise of Powers Agreement on March 20, 1990 under the previous name of the Sacramento Metropolitan Water Authority. The members of RWA are governmental units in and around the greater Sacramento area of the State of California. RWA also has associate memberships that include public or private entities with water management responsibilities and who are not municipal water suppliers in this region. Lastly, RWA has an affiliate membership class with the purpose to promote communication between water managers and the community and to support RWA’s efforts to educate and inform the public. The mission of RWA is to serve and represent regional water supply interests and assist Regional Water Authority members with protecting and enhancing the reliability, availability, affordability and quality of water resources. RWA promotes regional cooperative projects that will provide reliable long-term water supplies in a cost-effective manner for the benefit of RWA’s membership, rate-payers and consumers.

RWA is governed by a board comprised of two representatives from each of the member agencies. The representatives are appointed by the member agencies.

Basis of Accounting – For financial reporting purposes, RWA is considered a special-purpose government engaged in business-only type activities. Accordingly, RWA’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are earned when services are performed and expenses are recorded when an obligation has been incurred.

Operating revenues and expenses are generated and funded through assessments from member agencies, associate and affiliate organizations, and subscription revenues from program participants on a cost reimbursement basis. Additionally, RWA may receive grant awards from federal, state or local agencies. Grants managed on behalf of program participants, administration and depreciation expenses are also considered operating activities. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses. Administrative expenses are allocated to subscription programs based upon budgeted allocation agreements and based upon staffing resources used.

Future Pronouncements –

In June 2017, the GASB issued Statement No. 87, *Leases*. 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 or resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for the year ended June 30, 2022.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This Statement is effective for the year ended June 30, 2022.

RWA will analyze the impact of these new Statements prior to the effective dates listed above.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows, the disclosure of contingent assets, deferred outflows, liabilities, and deferred inflows at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the statement of cash flows, RWA considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Cash and Investments – RWA participates in an investment pool managed by the State of California, the Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in structured notes and asset-backed securities.

Capital Assets – Capital assets, consisting of furniture, website development costs, office equipment and leasehold improvements in excess of \$2,500 per unit acquired after May 17, 2012, with useful lives of more than one year are stated at historical cost and are included in the financial statements. Before May 17, 2012, assets in excess of \$500 with useful lives of more than one year were capitalized at historical cost. Routine repairs and maintenance are charged to operating expenses in the year the expense is incurred. RWA provides for depreciation using the straight-line method over the estimated useful lives of the assets, which is typically five years or over the lease term for leasehold improvements.

Compensated Absences – Compensated absences are accrued and reported as a liability in the period earned. Amounts payable are included in the Statements of Net Position. RWA's policy provides vacation leave to employees at a rate of 12 to 25 days per year based upon the number of years of employment and is considered earned on a pro-rata basis for each payroll period. Unused earned vacation leave is paid to employees upon separation. Total vacation hours are accrued and capped at 45 days. Vacation leave will resume accrual once the employee's accrued time is less than 45 days. Sick leave accrues at a rate of eight hours per calendar month and is capped at 480 hours per employee. Upon termination of employment, the employee's remaining accrued but unused sick leave will be credited to additional service credit for the California Public Employee Retirement System program (CalPERS) to the extent permitted under the CalPERS-Authority contract and CalPERS law. The Authority does not accrue for unused sick leave since it is not paid out upon termination.

Net Pension Liability and Related Balances – For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement System (CalPERS) Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

terms. Investments are reported at fair value by CalPERS and not reported by RWA. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications (www.calpers.ca.gov). Reported results pertain to liability and asset information within the following defined timeframes:

	<u>2021</u>	<u>2020</u>
Valuation Date (VD)	June 30, 2019	June 30, 2018
Measurement Date (MD)	June 30, 2020	June 30, 2019
Measurement Period (MP)	July 1, 2019 to June 30, 2020	July 1, 2018 to June 30, 2019

Net Other Post-Employment Benefits (OPEB) Liability – 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 RWA's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

	<u>2021</u>	<u>2020</u>
Valuation Date	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2020	June 30, 2019
Measurement Period	July 1, 2019 to June 30, 2020	July 1, 2018 to June 30, 2019

Deferred Outflows and Inflows – Deferred outflows of resources is a consumption of net position by RWA that is applicable to a future period and deferred inflows of resources is an acquisition of net position that is applicable to a future reporting period. Both deferred inflows and outflows of resources are reported in the statements of net position, but are not recognized in the financial statements as revenues and expenses until the period(s) to which they relate. See Note 5 for further details related to the pension deferred outflows and inflows. See Note 6 for additional details related to the OPEB related deferred outflows and inflows.

Subscription Program Advances – Program revenue received in advance of subscription-based program costs are recognized as advances. The purpose of these advances is to pay for subscription-based program costs not paid for by grant awards or to provide a cash flow bridge for grant expenses paid for in advance of grant awards received. These advances will be recognized as revenues as program costs are incurred over the life of the projects. Subscription-based programs often straddle multiple fiscal years. At the completion of the subscription-based program, any unused portion of these fees is typically returned to participants. For the years ended June 30, the advances by subscription programs are as follows:

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

	2021	2020
Regional Water Bank - Phase 1	\$ 276,540	\$ 253,247
Regional Water Bank - Phase 2	236,900	-
Major Projects/Resilience Programs	189,652	-
2014 Drought Program Management	27,254	32,518
Prop 84 Program Management	24,010	28,095
RWA Prop 84 Round 3 Program Management	14,207	14,207
Rachio Controller - Members	9,397	-
CALFED Meter	7,131	10,911
USBR Drought Interties	4,030	8,230
Prop1 Round 1 - Members	2,305	-
SRCS D Water Suppliers	-	1,082
	\$ 791,426	\$ 348,290
Total		

Unearned Revenue – Monies received as assessments relating to subsequent years and received in advance are recorded as unearned revenue. Unearned revenue is comprised of the following at June 30:

	2021	2020
Powerhouse Science Center	\$ 180,000	\$ 175,387
Bonneville Environmental Foundation Grant - WEP	240,047	-
Less: Current Portion	(260,047)	(25,000)
Non-Current Portion	\$ 160,000	\$ 150,387

The unearned revenue relates to the Powerhouse Science Center water exhibit agreement which represents amounts collected from members but not yet remitted to the Powerhouse Science Center and the Bonneville Environmental Foundation Grant which is a new grant received in fiscal year 2021 to RWA’s Water Efficiency Program for the purposes of reduction in water and energy use, reduced demand from surface and groundwater resources, enhanced fish and wildlife habitat and climate change mitigation.

Net Position – RWA’s net position is classified into the following categories:

Net investment in capital assets: Furniture and equipment, net of accumulated depreciation, if applicable.

Restricted: Represents net position which consists of constraints placed on net asset use through external requirements imposed by creditors, grantors, members, or laws and regulations of other governments or constraints by law through enabling legislation. A portion of net assets have been restricted based upon subscription contractual provisions. The restrictions by contract represent fees by participants in excess of program costs for the specific program. These funds are restricted for the intended program by contract. Expenses to administer these programs will use these restricted funds. Restricted net position consists of cumulative Water Efficiency Program fees in excess expenses incurred of \$739,694 and \$568,927 as of June 30, 2021 and 2020, respectively.

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

Unrestricted: Funds not subject to any outside legal restrictions on use of these funds and may be designated for use by management or the Board.

Non-exchange Transactions – The grant awards and incentives received by RWA are considered voluntary non-exchange transactions since these awards and incentives are entered into willingly by the grantors and RWA. In the non-exchange transactions, RWA receives value (benefit) from another party (the grantor) without directly giving equal value in exchange.

Typically, RWA has administrative oversight in distributing these grant and incentive proceeds to program participants. All current grant agreements offer grant awards on a reimbursement basis once allowable costs have been incurred under the program. These requirements must be met in advance of applying for and receiving the funds from the grantors. RWA recognizes revenues and receivables when all applicable eligibility requirements have been met.

Additionally, RWA simultaneously recognizes a grant award expense and grants payable for these grant awards since RWA then will reimburse participating agencies when the actual cash is received. To the extent RWA receives the allowable cost information from the participating agencies in a timely manner, recognition of receivables and revenues are not delayed pending completion of purely routine requirements, such as the filing of claims for allowable costs under a reimbursement program or the filing of progress reports with the provider.

Assessment Income – Each of the member water districts, cities and service districts pay yearly assessments to RWA based on the number of retail water connections each provides. During 2021, the minimum assessment was \$6,386 and a maximum assessment was \$77,751. During 2020, the minimum assessment was \$6,386 and a maximum assessment was \$74,049.

Non-voting associate members pay an annual fee equal to 0.1% of the entity's annual operating budget, rounded to the next even thousand dollars, with a maximum annual fee of \$14,492 per year in 2021 and \$13,802 in 2020, subject to adjustments from time to time by the RWA Board. Lastly, RWA affiliates pay an annual fee of \$750 per year.

Subscription Program Fees – On a subscription basis, RWA provides a water conservation program, media, grant writing, and program and grant administration assistance to certain program participants over and above the core RWA services. Program participants who benefit from these activities reimburse RWA for their share of direct costs and related administrative overhead. For grant and program administration, RWA invoices program revenue in advance to program participants. Amounts received in advance, but not yet earned by RWA for these activities are recorded as subscription program advances in the financial statements.

Grant Revenue – RWA coordinates grant applications among program participants and then administers these grant awards. Typically, the program participants incur the expenses and make payments to vendors and request reimbursement for these expenses from RWA. During fiscal years 2021 and 2020, the Prop 84 and Prop 1 grant also funded Water Efficiency Program (WEP) incurred expenses. RWA has administrative grant responsibilities and submits the grant reimbursement requests to the grantor. The grant reimbursements are recorded in the financial statements as grants revenue and grants receivable. The amounts payable to the program participants and the related expenses are presented in the financial statements as grant awards and grants payable to member agencies.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

Related Parties – RWA invoices the Sacramento Groundwater Authority (SGA) for management services and common office costs. SGA was created in 1998 under another Joint Exercise of Powers Agreement. Many of the member agencies of RWA are also member agencies of SGA. Under an Administrative Services Agreement, SGA and RWA are equally responsible for all costs incurred to operate the joint office. Expenses paid on SGA’s behalf by RWA were \$532,149 and \$521,405 for the years ended June 30, 2021 and 2020, respectively. The Statement of Revenues, Expenses, and Changes in Net Position reflect the net expenses of RWA after reimbursement by SGA. The Statement of Cash Flows reflects the cash payments from SGA as well as all expenses paid by RWA to employees and suppliers.

2. CASH AND INVESTMENTS

Cash and investments on the Statement of Net Position consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Cash and Investments	\$ 1,306,121	\$ 1,238,678
Restricted Cash and Investments	1,701,723	1,091,522
	<u>\$ 3,007,844</u>	<u>\$ 2,330,200</u>

Cash and investments balance at June 30 consist of the following:

	<u>2021</u>	<u>2020</u>
Deposits with financial institutions	\$ 107,420	\$ 38,478
Investments in LAIF	2,900,424	2,291,722
Total cash and investments	<u>\$ 3,007,844</u>	<u>\$ 2,330,200</u>

Investments Authorized by RWA’s Investment Policy

RWA’s investment policy authorizes investments in the local government investment pool administered by the State of California (LAIF). RWA is a voluntary participant in LAIF that is regulated by the California Government Code under oversight by the Local Investment Advisory Board, which consists of five members as designated by state statute. The fair value of RWA’s investment in this pool is reported in the accompanying financial statements at amounts based upon the RWA’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. The total fair value of all public agencies invested in the LAIF at June 30, 2021 and 2020 was \$37,066,592,514 and \$32,075,372,648, respectively. The LAIF balance is a part of the California Pooled Money Investment Account (PMIA) and includes the Surplus Money Investment Fund and the General Fund. The total fair value of all public agencies invested in PMIA at June 30, 2021 and 2020 was \$193,463,490,765 and \$101,788,256,254, respectively. For information on the types of investments made by LAIF, refer to the State of California Treasurer’s separately issued investment reports. Copies of these investment reports may be obtained by calling (916) 653-3001, by writing to LAIF, 915 Capitol Mall, Room 106, Sacramento, CA 95814, or by logging on to the treasurer’s website at www.treasurer.ca.gov/pmia-laif/reports/monthly.asp.

REGIONAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 and 2020

The investment policy does not contain any specific provisions to limit RWA's exposure to interest rate risk, credit risk and concentration of credit risk.

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, an investment's sensitivity to the changes in market interest rates increases as the length of maturity increases. The average maturity of the investments in the LAIF investment pool on June 30, 2021 and 2020 was approximately 291 days and 191 days, respectively.

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 risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk

LAIF has a separate investment policy, governed by Government Code Sections 16480-16481.2 that provides credit standards for its investments. RWA has 96% and 98% of its cash invested in LAIF for the years ended June 30, 2021 and 2020, respectively.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The California Government Code and RWA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than 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. 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. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools such as LAIF.

At June 30, 2021 and 2020, RWA's bank balance was \$155,559 and \$167,266, respectively. The RWA bank balance is covered 100% by FDIC insurance up to \$250,000. From time to time RWA will be exposed to custodial credit risk since RWA can receive large deposits and write large checks due to grant activity. RWA does bank with a long-standing reputable national bank to mitigate some of this risk.

Restricted Cash

Restricted cash represents cash received by RWA for subscription-based program revenue restricted in use for these programs. The restriction is based upon contractual agreements on how to use the advanced program revenues. Additionally, the amounts received in advance for the Bonneville Environmental Foundation Grant and Powerhouse Science Center have been restricted.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

As of June 30, restricted cash by program is as follows:

	2021	2020
Water Efficiency Program	\$ 499,647	\$ 568,927
Regional Water Bank - Phase 1	276,540	253,247
Bonneville Environmental Foundation Grant - WEP	240,047	-
Regional Water Bank - Phase 2	236,900	-
Major Projects/Resilience Programs	189,652	-
Powerhouse Science Center	180,000	175,387
2014 Drought Program Management	27,254	32,518
Prop 84 Program Management	24,010	28,095
RWA Prop 84 Round 3 Program Management	14,207	14,207
CALFED Meter	7,131	10,911
USBR Drought Interties	4,030	8,230
Prop 1 Round 1 - Members	2,305	-
Total Restricted Cash	\$ 1,701,723	\$ 1,091,522

3. CAPITAL ASSETS

A summary of the capital assets at cost is as follows for the years ended June 30:

	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021
Furniture	\$ 3,722	\$ -	\$ -	\$ 3,722
Office Equipment	14,624	15,256	(10,995)	18,885
Website Development	15,604	-	-	15,604
Leasehold Improvements	14,785	-	-	14,785
Total	48,735	15,256	(10,995)	52,996
Less accumulated depreciation	(48,735)	(1,950)	10,995	(39,690)
Capital Assets, Net	\$ -	\$ 13,306	\$ -	\$ 13,306

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
Furniture	\$ 14,464	\$ -	\$ (10,742)	\$ 3,722
Office Equipment	17,307	-	(2,683)	14,624
Website Development	15,604	-	-	15,604
Leasehold Improvements	17,951	-	(3,166)	14,785
Total	65,326	-	(16,591)	48,735
Less accumulated depreciation	(65,326)	-	16,591	(48,735)
Capital Assets, Net	\$ -	\$ -	\$ -	\$ -

REGIONAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 and 2020

4. OPERATING LEASE COMMITMENTS

Office Lease

RWA is obligated under an operating lease agreement for office space. RWA’s rental expense was \$34,310 and \$31,783 for the years ended June 30, 2021 and 2020, respectively. During fiscal year 2021, RWA renewed its office lease through September 2023. Minimum lease payments are as follows:

Year Ending June 30,		
2022	\$	35,574
2023		35,574
2024		<u>5,929</u>
Total minimum lease payments	\$	<u>77,077</u>

Copier Lease

RWA entered into an operating lease agreement during fiscal year 2020 for a copier. The monthly lease payment is \$229, plus taxes and a per copy rate. RWA incurred \$3,210 and \$2,815 in rental expense for the years ended June 30, 2021 and 2020, respectively.

Minimum lease payments are as follows:

Year Ending June 30,		
2022	\$	2,748
2023		2,748
2024		2,748
2025		<u>1,832</u>
Total minimum lease payments	\$	<u>10,076</u>

5. EMPLOYEE PENSION PLANS

Plan Description

RWA participates in a public agency cost-sharing multiple-employer defined benefit pension plan (the Plan) administered by California Public Employees’ Retirement System (CalPERS). Since RWA has less than 100 active members as of the years ended June 30, 2020 and 2019 (measurement dates), qualified employees are covered under the Miscellaneous 2% at 55 Risk Pool. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calpers.ca.gov.

The California Legislature passed and the Governor signed the “Public Employees’ Pension Reform Act of 2013” (PEPRA) on September 12, 2012. PEPRA contained a number of provisions intended

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

to reduce future pension obligations. PEPRA primarily affects new pension plan members who are enrolled for the first time after December 2012. Benefit provisions and other requirements are established by State statute. The miscellaneous plan is closed to new employees unless the new employee is considered a classic member as defined by PEPRA.

Benefits Provided

The benefits for the Plan are established by contract with CalPERS, in accordance with the provisions of the California Public Employees' Retirement Law (PERL). The benefits are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. To be eligible for service retirement, members must be at least 50 and have a minimum of five years of CalPERS-credited service. Under the PEPRA plan, members after January 1, 2013 must be at least 52.

Contributions

Section 20814(c) of the PERL requires employer contribution rates for all public employers are determined on an annual basis by the actuary and are effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. RWA is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The required contribution rate for the June 30, 2020 and 2019 measurement periods are 12.275% and 11.164%, respectively.

Employer contributions rates may change if plan contracts are amended. For the years ended June 30, 2021 and 2020, the employer required contributions to the plan were \$76,480 and \$62,065, respectively. RWA also made additional non-required employer pension contributions of \$36,700 and \$15,000 for the years ended June 30, 2021 and 2020, respectively, towards payment of its unfunded liability.

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

RWA's net pension liability (NPL) for the Plan is measured as the proportionate share of the NPL. The NPL of the Plan is measured as of June 30, 2020 for the year ended June 30, 2021. The total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. As of June 30, 2021 and 2020, RWA's proportionate share of the Plan's NPL was \$106,279 and \$70,367, respectively.

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Using RWA’s individual employer rate plan’s share of the risk pool TPL and Fiduciary Net Position (FNP), the proportionate shares of the TPL and FNP at the measurement date are determined for RWA by the actuary for the June 30, 2020 measurement date. The following table shows RWA’s employer allocation factors for the Plan as of the measurement dates for June 30, 2020 and 2019:

2020

Proportion - June 30, 2020	0.002520%
Proportion - June 30, 2019	<u>0.001757%</u>
Change – increase	<u>0.000763%</u>

2019

Proportion - June 30, 2019	0.001757%
Proportion - June 30, 2018	<u>0.002383%</u>
Change - decrease	<u>(0.000626)%</u>

For the measurement period ended June 30, 2020 and 2019, RWA incurred a pension expense of \$98,362 and \$55,571, respectively.

At June 30, the deferred outflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	
	<u>2021</u>	<u>2020</u>
Contributions after measurement date	\$ 113,180	\$ 77,065
Difference between actual and expected experience	5,477	4,887
Changes in assumptions	-	3,355
Net difference between projected and actual earnings on plan investments	3,156	-
Adjustments due to differences in proportions	<u>27,874</u>	<u>17,130</u>
	<u>\$ 149,687</u>	<u>\$ 102,437</u>

The \$113,180 and \$77,065 reported as deferred outflows of resources related to employer contributions after the measurement date will be recognized as a reduction of the NPL for the years ended June 30, 2022 and 2021, respectively.

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At June 30, the deferred inflow of resources related to pensions from the following sources:

	Deferred Inflow of Resources	
	2021	2020
Difference between actual and expected experience	\$ -	\$ 379
Changes in assumptions	758	1,189
Net difference between projected and actual earnings on plan investments	-	1,230
Differences between employer contributions and the employer's proportionate share of contributions	44,731	39,294
Adjustments due to differences in proportions	9,388	16,264
	<u>\$ 54,877</u>	<u>\$ 58,356</u>

Amounts reported as deferred outflows and deferred inflows of resources related to pension will be recognized in future pension expense as follows:

2021:

Measurement Period Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2022	\$ (11,646)
2023	(9,878)
2024	1,642
2025	1,514

2020:

Measurement Period Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2021	\$ (9,244)
2022	(12,629)
2023	(11,359)
2024	248

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

Actuarial Assumptions

For the measurement period ended June 30, 2020, the TPL was determined by rolling forward the June 30, 2019 results. For the measurement period ended June 30, 2019, the TPL was determined by rolling forward the June 30, 2018 results. The TPL was based on the following actuarial methods and assumptions:

For the measurement period ending June 30	2020	2019
Valuation Date	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2020	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Salary Increases	Varies by Entry Age and Service	
Mortality Rate Table ⁽¹⁾	Derived using CalPERS' Membership data for all Funds	
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies	

⁽¹⁾ The mortality table was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Changes in Assumptions

No benefit or assumption changes were made for the measurement periods ended June 30, 2020 and 2019.

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2020 and 2019 (the measurement date) 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.

The long-term expected rate of return on pension 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 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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

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 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. The expected rate of return was set by calculating the 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 equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal years ended June 30, 2020 and 2019.

The tables below reflect the long-term expected real rate of return by asset class as of June 30. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation as follows:

Asset Class(a)	June 30, 2020			June 30, 2019		
	New Strategic	Real Return	Real Return	New Strategic	Real Return	Real Return
	Allocation	Years 1 - 10(b)	Years 11+(c)	Allocation	Years 1 - 10(b)	Years 11+(c)
Global Equity	50.0%	4.80%	5.98%	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%	1.0%	0.00%	-0.92%
Total	<u>100.0%</u>			<u>100.0%</u>		

Sensitivity of the Proportional Share of the NPL to Changes in the Discount Rate

The following presents RWA's Proportional Share of the NPL of the Plan, calculated using the discount rate of 7.15% for the measurement dates June 30, 2020 and 2019, as well as what the Proportional Share of the NPL would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Proportionate Share of Plan's NPL at June 30, 2020	\$440,901	\$106,279	(\$170,208)
Proportionate Share of Plan's NPL at June 30, 2019	\$367,895	\$70,367	(\$175,221)

Payable to the Pension Plan

At June 30, 2021 and 2020, RWA does not have outstanding payables to the pension plan.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

Deferred Compensation Plan

RWA offers its employees a deferred compensation plan (Deferred Plan) created in accordance with Internal Revenue Code Section 457 through CalPERS and is managed by ING. The Deferred Plan is available to all RWA employees and permits them to defer a portion of their salary until future years. The Deferred Plan deferred elections are not available to employees until termination, retirement, death or unforeseeable emergency. RWA does not contribute to the Plan on behalf of its employees. No unfunded accrued liabilities exist for this Plan.

6. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

RWA has established a retiree healthcare plan that provides other postemployment health care benefits for eligible retired employees and their dependents through the retiree healthcare plan (the Plan). RWA, through the authorization of their Board of Directors, elected to establish an irrevocable trust for the Plan through the California Employers' Retiree Trust (CERBT) fund, an agent multiple-employer plan, administered by CalPERS. The CERBT has pooled administrative and investment functions, while separate employer accounts are maintained to prefund and pay for health care or other postemployment benefits in accordance with the terms of the participating employers' plans. The CERBT offers three investment strategies for employers to choose from depending on their expected levels of return and volatility. Benefit provisions are established by RWA.

Benefits Provided

RWA's OPEB are provided in accordance with the CalPERS Law. The criteria to determine eligibility includes years of CalPERS service, employee age, and disability due to line of duty. Each eligible employee hired before September 1, 2007 who is covered by CalPERS health insurance subject to age and service limitations, is covered by the retiree health benefits insurance contract under Resolution 1993-001. This retiree benefit also covers qualified dependents. RWA pays for the retiree health benefit coverage as approved under Resolution 1993-001 and may be amended from time to time.

For employees hired after September 1, 2007, an employee must be eligible to retire in accordance with the RWA's CalPERS pension plan rules and have at least five years of credited service with RWA. Premiums are set annually by CalPERS for each retiree and eligible dependents. RWA's annual required contribution toward health benefit coverage premiums for these employees will be calculated as a percentage of the total eligible cost of such coverage based on the retired employees' total credited years of qualifying service under CalPERS' service credit rules. These employees with less than 10 years total CalPERS' service and/or less than five years credited service with the RWA will not be eligible for retiree health care coverage under RWA's plan. Any additional health plan premiums not paid by RWA's contribution toward the cost of the retiree's health benefits coverage must be paid by the retired employee.

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Employees Covered

As of the June 30, 2019 actuarial valuation, the following inactive and active employees were covered by the benefit terms under the OPEB Plan:

Inactive employees receiving benefits	3
Inactive employees entitled to but not receiving benefits	1
Participating active employees	<u>8</u>
Total	<u>12</u>

Contributions

RWA makes annual contributions to the CERBT fund. The current policy is to prefund benefits through annual contributions based on an actuarially determined contribution. For the fiscal year ended June 30, 2021, RWA's cash contributions were \$18,690 in payments to the trust and the estimated implied subsidy was \$40,257, resulting in total payments of \$58,947. For the fiscal year ended June 30, 2020, RWA's cash contributions were \$56,504 in payments to the trust and the estimated implied subsidy was \$30,778, resulting in total payments of \$87,282. These assets accumulate and are invested in the CERBT. Employees are currently not required to contribute to the plan.

Net OPEB Liability

The net OPEB liability for June 30, 2021 and 2020, was measured as of June 30, 2020 and 2019, respectively. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019 to determine the June 30, 2021 and 2020 total OPEB liability, based on the following actuarial methods and assumptions:

	2021	2020
Valuation Date	June 30, 2019	June 30, 2019
Funding Method	Entry Age Normal, Level Percent of Pay	Entry Age Normal, Level Percent of Pay
Asset Valuation Method	Market Value of Assets	Market Value of Assets
Discount Rate	6.90%	6.90%
Long-term Return on Assets (net of plan investment expenses and inflation)	6.90%	6.90%
Salary Increase	3.25%	3.25%
Inflation Rate	2.75%	2.75%
Mortality Rate	MacLeod Watts Scale 2018 applied generationally ⁽¹⁾	MacLeod Watts Scale 2018 applied generationally ⁽¹⁾
Pre-Retirement Turnover	CalPERS 1997-2015 Experience Study ⁽²⁾	CalPERS 1997-2015 Experience Study ⁽²⁾
Healthcare Trend	6.50% decreasing to 5.0% ⁽³⁾	6.50% decreasing to 5.0% ⁽³⁾

⁽¹⁾ The MacLeod Watts Scale 2018 was developed from a blending of data and methodologies found in two published sources: (1) the Society of Actuaries Mortality Improvement Scale MP-2017 Report, published in October 2017 and (2) the demographic assumptions used in the 2017 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, published July 2017.

⁽²⁾ Demographic actuarial assumptions used in this valuation are based on the 2017 experience study of CalPERS using data from 1997 to 2015, except for a different basis used to project future mortality improvements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

⁽³⁾ The healthcare trend ranges from increases of 6.50% starting in 2021 and decrease 0.5% per year to 5.0% in 2025 and beyond.

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. To achieve the goal set by the investment policy, plan assets will be managed to earn, on a long-term basis, a rate of return equal to or more than the target rate of return of 6.90 percent, for measurement periods ended June 30, 2020 and 2019.

The CERBT offers three diversified allocation strategies. RWA has elected to participate in CERBT's Strategy 1 which has the highest long-term expected rate of return and return volatility. The following table shows the target asset allocation for employers participating in CERBT Strategy 1:

Asset Class	2021	2020
Global Equity	59%	59%
Fixed Income	25%	25%
Inflation Assets	8%	8%
REITs	5%	5%
Commodities	3%	3%
Total	100%	100%

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2021 and 2020 was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that RWA 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

Changes in the OPEB Liability

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (Asset) (c) = (a) - (b)
Balance at Fiscal Year Ending 6/30/2020			
Measurement Date 6/30/2019	\$ 1,058,579	\$ 1,188,034	\$ (129,455)
Changes During the Period:			
Service Cost	76,149	-	76,149
Interest Cost	75,707	-	75,707
Employer Contributions	-	87,282	(87,282)
Net Investment Income	-	82,376	(82,376)
Benefit Payments	(75,036)	(75,036)	-
Administrative Expenses	-	(601)	601
Investment Experience	-	(37,168)	37,168
Net Changes in Fiscal Year 2020-2021	<u>76,820</u>	<u>56,853</u>	<u>19,967</u>
Balance at Fiscal Year Ending 6/30/2021			
Measurement Date 6/30/2020	<u>\$ 1,135,399</u>	<u>\$ 1,244,887</u>	<u>\$ (109,488)</u>

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at Fiscal Year Ending 6/30/2019			
Measurement Date 6/30/2018	\$ 1,172,890	\$ 1,088,168	\$ 84,722
Changes During the Period:			
Service Cost	66,236	-	66,236
Interest Cost	84,785	-	84,785
Employer Contributions	-	84,977	(84,977)
Net Investment Income	-	77,184	(77,184)
Changes of Benefit Terms	1,871	-	1,871
Benefit Payments	(55,816)	(55,816)	-
Assumption Changes	(152,520)	-	(152,520)
Administrative Expenses	-	(240)	240
Plan Experience	(58,867)	-	(58,867)
Investment Experience	-	(6,239)	6,239
Net Changes in Fiscal Year 2019-2020	<u>(114,311)</u>	<u>99,866</u>	<u>(214,177)</u>
Balance at Fiscal Year Ending 6/30/2020			
Measurement Date 6/30/2019	<u>\$ 1,058,579</u>	<u>\$ 1,188,034</u>	<u>\$ (129,455)</u>

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

The following presents the net OPEB liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement periods ended June 30:

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	Current		
	Discount Rate -1% (5.90%)	Discount Rate (6.90%)	Discount Rate +1% (7.90%)
Net OPEB liability (asset), June 30, 2020	\$ 20,799	\$ (109,488)	\$ (217,837)

	Current		
	Discount Rate -1% (5.90%)	Discount Rate (6.90%)	Discount Rate +1% (7.90%)
Net OPEB liability (asset), June 30, 2019	\$ (9,885)	\$ (129,455)	\$ (228,930)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement periods ended June 30:

	Current		
	Medical Trend Rate -1% (5.50%) decreasing to 4.0%)	Medical Trend Rate (6.50%) decreasing to 5.00%)	Medical Trend Rate +1% (7.50%) decreasing to 6.00%)
Net OPEB Liability (asset) at June 30, 2020	\$ (219,854)	\$ (109,488)	\$ 24,507

	Current		
	Medical Trend Rate -1% (5.50%) decreasing to 4.0%)	Medical Trend Rate (6.50%) decreasing to 5.00%)	Medical Trend Rate +1% (7.50%) decreasing to 6.00%)
Net OPEB Liability (asset) at June 30, 2019	\$ (232,354)	\$ (129,455)	\$ (4,526)

OPEB plan fiduciary net position

Detailed information about the Plan's fiduciary net position is available on CalPERS' website in an annual report titled "California Employers' Retiree Benefit Trust, Agent Multiple-Employer Other Postemployment Benefits Plan, Schedule of Changes in Fiduciary Net Position by Employer". Additionally, CalPERS annually issues a Comprehensive Annual Financial Report which includes the CERBT fund's financial information.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

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The recognition period differs depending on the source of the gain or loss. The net difference between projected and actual earnings on OPEB plan investments is recognized over 5 years at June 30, 2021 and 2020. All other amounts are recognized over the expected average remaining service lifetime (EARSL), which was 8.05 years at June 30, 2021 and 2020.

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

For the fiscal years ended June 30, 2021 and 2020, RWA recognized OPEB expense of \$44,789 and \$43,222, respectively. As of fiscal years ending June 30, deferred outflows of resources related to OPEB are from the following sources:

	<u>2021</u>	<u>2020</u>
	<u>Deferred Outflows of Resources</u>	<u>Deferred Outflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 58,947	\$ 87,282
Changes in assumptions	55,262	76,395
Net differences between projected and actual earnings on OPEB plan investments	<u>24,422</u>	<u>-</u>
Total	<u>\$ 138,631</u>	<u>\$ 163,677</u>

As of fiscal years ended June 30, deferred inflows of resources related to OPEB are from the following sources:

	<u>2021</u>	<u>2020</u>
	<u>Deferred Inflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 100,282	\$ 129,025
Net differences between projected and actual earnings on OPEB plan investments	-	11,481
Changes in assumptions	<u>114,626</u>	<u>133,573</u>
Total	<u>\$ 214,908</u>	<u>\$ 274,079</u>

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The \$58,947 and \$87,282 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 and 2019 measurement dates will be recognized as a reduction of the net OPEB liability during the fiscal years ended June 30, 2022 and 2021, respectively. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2021:

Measurement Period Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2022	\$ (25,291)
2023	(19,514)
2024	(17,764)
2025	(18,828)
2026	(26,260)
Thereafter	(27,567)

2020:

Measurement Period Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2021	\$ (32,726)
2022	(32,725)
2023	(26,948)
2024	(25,198)
2025	(26,260)
Thereafter	(53,827)

7. BOARD DESIGNATIONS

The Board establishes and approves the operating fund, membership dues, strategic plan fund, and subscription program designation target balances on an annual basis as part of the budget process based upon available cash and may modify these targets during the year so as to follow or temporarily modify the Financial/Designation Reserve Policy No. 500.1. The available cash at June 30, 2021 and 2020 is sufficient to set aside the designations for budget purposes.

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The designations as of June 30 are as follows:

	2021	2020
<u>Board Designations</u>		
Operating Fund	\$ 663,193	\$ 708,100
Membership Dues	157,100	149,700
Subscription Programs	21,354	19,400
Office Expansion/Relocation	20,000	-
Total Board Designations	\$ 861,647	\$ 877,200

The operating fund is designed to ensure cash resources are available to fund daily administration and operations for RWA as well as a resource for matching funds for grant partnership opportunities. The operating fund target designation is four to six months of operating expenses. For the years ended June 30, 2021 and 2020, this designation is approximately six months when considering the SGA reimbursement for expenses. The membership dues stabilization fund is fully funded and designed to supplement operating cash flow in the event a member does not renew and is targeted at 15% of membership dues. The subscription program revenue fund is designed to be used in the event subscription program revenue to support operating expenses does not materialize as planned. This fund is set at 10% of net subscription program support revenue. The office expansion/relocation fund is designed to be used for future RWA office expansion/relocation.

8. COMPENSATED ABSENCES

The changes to compensated absences balances at June 30 are as follows:

Balance 2020	Earned	Used	Balance 2021	Due Within One Year	Long-term
\$ 85,166	\$ 75,123	\$ (50,697)	\$ 109,592	\$ 69,092	\$ 40,500
Balance 2019	Earned	Used	Balance 2020	Due Within One Year	Long-term
\$ 59,501	\$ 73,153	\$ (47,488)	\$ 85,166	\$ 68,166	\$ 17,000

9. INSURANCE

RWA participates in the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA), a public entity risk pool of California water agencies, for general liability, public officials' liability, property damage, fidelity insurance, workers' compensation and employer's liability. ACWA/JPIA provides insurance through the pool up to a certain level.

RWA pays an annual premium to ACWA/JPIA that includes its pro-rata share of excess insurance premiums, charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate ACWA/JPIA.

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RWA's deductibles and maximum coverage are as follows:

Coverage	ACWA/JPIA	Commercial Insurance	Deductible
General, Auto and Public Officials, Errors & Omissions Liability	\$ 5,000,000	\$ 50,000,000	None
Cyber Liability	-	5,000,000	None
Property Coverage	100,000	499,900,000	\$1,000 - \$25,000/\$100,000 (1)
Fidelity Insurance	100,000	-	1,000
Workers' Compensation Insurance	2,000,000	Statutory	None

(1) Earthquake deductible varies

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Copies of ACWA/JPIA's annual financial reports and other pertinent data may be obtained from their website at www.acwajpia.org, their office at 2100 Professional Drive, Roseville, CA 95661-3700 or by calling (800) 231-5742.

10. CONTINGENCIES

Grant Awards and Payments

RWA participates in numerous grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies. Therefore, to the extent that RWA has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2021 and 2020 may be impaired. In the opinion of RWA's management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants. Therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

According to the voluntary grant agreements with the California Department of Water Resources (DWR), five to ten percent of the eligible grant award payment is withheld until program completion. Program completion is considered an eligibility requirement. Since these retention payments are withheld until the program is complete, the revenues related to these eligible and allowable costs are not reflected in the financial statements until the program is complete. Once the retention is received, RWA will then pay the program participants for the eligible costs incurred. This contingent grant award revenue and the related liability to program participants is estimated at \$214,279 and \$736,477 at June 30, 2021 and 2020, respectively, and is not currently reflected in the financial statements.

Powerhouse Science Center

RWA entered into an agreement with the Powerhouse Science to be a title sponsor for two water-related exhibits in the amount of \$500,000. These exhibits will be displayed in the science center in Sacramento and provide educational opportunities on the important role of reliable water supplies and efficient water use in protecting public health and the environment. After RWA's initial \$50,000 payment made July 7, 2014, fixed annual payments of \$25,000 are scheduled to be made over a 14 year period, for a total of \$400,000. The California Water Awareness Campaign (CWAC) paid the

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2021 and 2020

remaining \$100,000 to Powerhouse. RWA will provide on-going input for these exhibits and the related programming and materials provided at Powerhouse. RWA levied members an annual assessment over five years to fund this commitment through fiscal year 2019.

Contingencies due to COVID

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Authority's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on member agencies, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition or results of operations is uncertain.

11. ECONOMIC DEPENDENCIES

RWA incurs common administrative expenses to operate both RWA and SGA. RWA relies upon reimbursement of these expenses by SGA. As discussed in Note 1, summary of significant accounting policies, SGA reimbursed \$532,149 and \$521,405 for the years ended June 30, 2021 and 2020 which represents 28% and 27% of RWA's total administrative expenses, respectively. Additionally, RWA relies upon subscription-based programs to pay for administration expenses of 21% and 13% for the years ended June 30, 2021 and 2020, respectively. The WEP represents a substantial portion of the subscription-based programs that contributes towards administrative expenses. To the extent subscription-based programs did not exist or were reduced, RWA membership dues would need to increase to fund operating expenses.

REQUIRED SUPPLEMENTARY INFORMATION

REGIONAL WATER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE PROPORTIONATE SHARE OF
NET PENSION LIABILITY
Last Ten Years**

	Measurement Date						
	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.002520%	0.001757%	0.002383%	0.003917%	0.004247%	0.012618%	0.013650%
Proportionate share of the net pension liability	\$ 106,279	\$ 70,367	\$ 89,817	\$ 154,391	\$ 147,540	\$ 346,165	\$ 337,276
Covered - employee payroll	\$ 598,436	\$ 511,721	\$ 536,680	\$ 466,290	\$ 365,294	\$ 592,756	\$ 565,797
Proportionate share of the net pension liability as a percentage of covered payroll	17.76%	13.75%	16.74%	33.11%	40.39%	58.40%	59.61%
Miscellaneous Plan fiduciary net position as a percentage of the total pension liability	75.10%	75.26%	75.26%	73.31%	75.87%	78.40%	79.82%
RWA fiduciary net position as a percentage of the RWA pension liability	95.77%	96.82%	95.45%	90.24%	89.09%	83.50%	83.03%

Notes to Schedule:

For the measurement period ending June 30, 2020, there were no assumption changes.

For the measurement period ending June 30, 2019, there were no assumption changes.

For the measurement period ending June 30, 2018, the inflation rate was lowered from 2.75% to 2.5%.

For the measurement period ending June 30, 2017, the discount rate decreased from 7.65% to 7.15% due to an assumption change.

For the measurement period ending June 30, 2015, the discount rate changed from 7.50% (net of administrative expenses) to 7.65% to correct for an adjustment to exclude administrative expenses.

There were no benefit changes in any of the years presented.

Historical information is only required for the years in which GASB 68 is applicable. Future years' information will be displayed for up to 10 years as information becomes available.

REGIONAL WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN - MISCELLANEOUS PLAN FOR THE YEARS ENDED JUNE 30

	Fiscal Year							
	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
Contractually required contribution (actuarially determined)	\$ 76,480	\$ 62,065	\$ 51,840	\$ 49,160	\$ 47,566	\$ 44,595	\$ 70,182	\$ 62,822
Contributions in relation to the actuarially determined contributions	113,180	77,065	114,840	91,160	89,566	181,995	70,182	62,822
Contribution deficiency (excess)	\$ (36,700)	\$ (15,000)	\$ (63,000)	\$ (42,000)	\$ (42,000)	\$ (137,400)	\$ -	\$ -
Covered - employee payroll	\$ 711,891	\$ 598,436	\$ 511,721	\$ 536,680	\$ 466,290	\$ 365,294	\$ 592,756	\$ 565,797
Contributions as a percentage of covered - employee payroll	15.90%	12.88%	22.44%	16.99%	19.21%	49.82%	11.84%	11.10%
Contributions valuation date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011
Contributions measurement date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012

Methods and Assumptions Used to Determine Contribution Rates

	Entry age normal							
	Level percentage of payroll, closed							
	Varies, not more than 30 years							
	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	15-year smoothed market
Actuarial Cost Method								
Amortization Method								
Remaining amortization period								
Asset valuation method								
Investment Rate of Return	7.00% ⁽¹⁾	7.25% ⁽¹⁾	7.375% ⁽¹⁾	7.50% ⁽¹⁾	7.50% ⁽¹⁾	7.50% ⁽¹⁾	7.50% ⁽¹⁾	7.50% ⁽¹⁾
Inflation	2.500%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Payroll Growth	2.750%	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Salary Increases	Varies by entry age and service							
Mortality	(3)	(3)	(3)	(2)	(2)	(2)	(2)	(2)

Notes to Schedule:

- (1) Net of administrative expenses, includes inflation.
- (2) Probabilities of retirement and mortality are based on CalPERS' 2010 Experience Study for the period from 1997 to 2007.
- (3) Probabilities of retirement and mortality are based on CalPERS' 2014 Experience Study for the period from 1997 to 2011.

Historical information is only required for the years in which GASB 68 is applicable. Future years' information will be displayed for up to 10 years as information becomes available.

REGIONAL WATER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIO
FOR THE MEASUREMENT PERIOD ENDING JUNE 30**

Measurement Period	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability				
Service Cost	\$ 76,149	\$ 66,236	\$ 64,152	\$ 57,930
Interest Cost	75,707	84,785	78,135	71,699
Changes of Benefit Terms	-	1,871	-	-
Actual and Expected Experience Difference	-	(58,867)	-	(141,761)
Assumption Changes	-	(152,520)	-	139,794
Benefit Payments	<u>(75,036)</u>	<u>(55,816)</u>	<u>(42,919)</u>	<u>(40,972)</u>
Net change in OPEB Liability	76,820	(114,311)	99,368	86,690
Total OPEB Liability - Beginning	<u>1,058,579</u>	<u>1,172,890</u>	<u>1,073,522</u>	<u>986,832</u>
Total OPEB Liability - Ending (a)	<u>\$ 1,135,399</u>	<u>\$ 1,058,579</u>	<u>\$ 1,172,890</u>	<u>\$ 1,073,522</u>
Plan Fiduciary Net Position				
Employer Contributions	\$ 87,282	\$ 84,977	\$ 73,980	\$ 72,745
Net Investment Income	45,208	70,945	77,895	90,150
Benefit Payments	(75,036)	(55,816)	(42,919)	(40,972)
Administrative Expenses	(601)	(240)	(520)	(460)
Other Expenses	<u>-</u>	<u>-</u>	<u>(1,297)</u>	<u>-</u>
Net change in plan fiduciary net position	56,853	99,866	107,139	121,463
Plan fiduciary net position - Beginning	<u>1,188,034</u>	<u>1,088,168</u>	<u>981,029</u>	<u>859,566</u>
Plan fiduciary net position - Ending (b)	<u>\$ 1,244,887</u>	<u>\$ 1,188,034</u>	<u>\$ 1,088,168</u>	<u>\$ 981,029</u>
Net OPEB (Asset) Liability (a) - (b) = (c)	<u>\$ (109,488)</u>	<u>\$ (129,455)</u>	<u>\$ 84,722</u>	<u>\$ 92,493</u>
Plan fiduciary net position as a percentage of OPEB liability (b)/(a)	109.64%	112.23%	92.78%	91.38%
Covered Payroll (d)	\$ 933,449	\$ 799,048	\$ 834,157	\$ 752,115
Net OPEB (Asset) Liability as a percentage of covered payroll (c)/(d)	-11.73%	-16.20%	10.16%	12.30%

Notes to Schedule:

Historical information is only required for the years which GASB 75 is applicable. Future years' information will be displayed for up to 10 years as information becomes available.

REGIONAL WATER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30

Fiscal Year Ended June 30	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution (ADC) (a)	\$ 58,626	\$ 87,603	\$ 84,977	\$ 73,980
Contributions in Relation to ADC	<u>(58,947)</u>	<u>(87,282)</u>	<u>(84,977)</u>	<u>(73,980)</u>
Contribution Deficit (Excess)	<u>\$ (321)</u>	<u>\$ 321</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll (b)	\$ 1,018,771	\$ 933,449	\$ 799,048	\$ 833,750
ADC as a % of covered employee payroll (a)/(b)	5.79%	9.35%	10.63%	8.87%

Notes to Schedule:

Valuation Date	June 30, 2019	June 30, 2017	June 30, 2017	July 1, 2015
Actuarial Cost Method	Entry Age Normal			
Amortization Method/Period	Level Percent of Pay over a closed 10-year period			
Asset Valuation Method	Market Value of Assets			
Inflation	2.75%			
Salary Increase	3.25% per year, used only to allocate the cost of benefits between service years			
Investment Rate of Return	6.90%	7.00%		
Healthcare Trend	6.50% in 2021, stepping down by 0.5% to 5.00% in 2024	6.50% in 2021, stepping down by 0.5% to 5.00% in 2024		7.50% in 2017, stepping down by 0.5% to 4.50% in 2023
Retirement Age	From 50 to 75			
Mortality	CalPERS 2017 Experience Study; Projected with MacLeod Watts Scale 2018	CalPERS 2014 Experience Study; Projected with MacLeod Watts Scale 2017		CalPERS 2014 Experience Study; Projected with MacLeod Watts Scale 2014

Notes to Schedule:

Historical information is only required for the years which GASB 75 is applicable. Future years' information will be displayed for up to 10 years as information becomes available.

SUPPLEMENTARY INFORMATION

REGIONAL WATER AUTHORITY

PROGRAM SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2021

	Agency Core Program	Water Efficiency Program	PROP 84	2014 Drought PROP 84	PROP 84 Round 3	Prop 1 Round 1	USBR CALFED Program	Landscape Imagery Program	Water Transfer	USBR Drought Interties	Regional Water Bank Phase 1	Regional Water Bank Phase 2	Major Projects Resilience Programs	Total RWA
Operating Revenues														
Assessment Income	\$ 1,064,385	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,064,385
Subscription Program Fees	-	463,021	-	-	-	5,927	-	27,533	31,033	4,200	36,707	600	85,535	654,556
Incentives, Grants, and Reimbursements	-	187,247	551,184	462,870	466,808	18,178	3,780	-	-	-	-	-	-	1,690,067
Other Income	735	-	-	-	-	-	-	-	-	-	-	-	-	735
Total Operating Revenues	<u>1,065,120</u>	<u>650,268</u>	<u>551,184</u>	<u>462,870</u>	<u>466,808</u>	<u>24,105</u>	<u>3,780</u>	<u>27,533</u>	<u>31,033</u>	<u>4,200</u>	<u>36,707</u>	<u>600</u>	<u>85,535</u>	<u>3,409,743</u>
Operating Expenses														
Administrative Expenses	949,087	221,446	4,085	6,962	12,308	24,105	3,780	-	31,033	4,200	3,200	600	85,535	1,346,341
Core Program Expenses	20,000	5,000	-	-	-	-	-	-	-	-	-	-	-	25,000
Subscription Program Direct Expenses	29,351	284,350	-	-	-	-	-	27,533	-	-	33,507	-	-	374,741
Grant Awards	-	187,491	547,099	455,908	454,500	-	-	-	-	-	-	-	-	1,644,998
Total Operating Expenses	<u>998,438</u>	<u>698,287</u>	<u>551,184</u>	<u>462,870</u>	<u>466,808</u>	<u>24,105</u>	<u>3,780</u>	<u>27,533</u>	<u>31,033</u>	<u>4,200</u>	<u>36,707</u>	<u>600</u>	<u>85,535</u>	<u>3,391,080</u>
Net Operating Income	<u>66,682</u>	<u>(48,019)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,663</u>
Interest Income	<u>15,007</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,007</u>
Net Income (Loss)	<u>\$ 81,689</u>	<u>\$ (48,019)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>33,670</u>
Net Position, Beginning of the Year														<u>1,854,555</u>
Net Position, End of the Year														<u>\$ 1,888,225</u>

REGIONAL WATER AUTHORITY

PROGRAM SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2020

	Agency Core Program	Water Efficiency Program	PROP 84	2014 Drought PROP 84	PROP 84 Round 3	USBR CALFED Program	Landscape Imagery Program	ASR Information Study	Water Transfer	Prop 1 IRWM	USBR Drought Interties	Regional Water Bank	Total RWA
Operating Revenues													
Assessment Income	\$ 1,048,114	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,048,114
Subscription Program Fees	26,806	479,055	21,458	2,684	11,495	-	15,117	60,000	19,385	-	4,560	179,753	820,313
Incentives, Grants, and Reimbursements	-	166,728	2,777,818	110,788	120,283	1,837	-	-	-	20,795	-	-	3,198,249
Other Income	44,692	-	-	-	-	-	-	-	-	-	-	-	44,692
Total Operating Revenues	<u>1,119,612</u>	<u>645,783</u>	<u>2,799,276</u>	<u>113,472</u>	<u>131,778</u>	<u>1,837</u>	<u>15,117</u>	<u>60,000</u>	<u>19,385</u>	<u>20,795</u>	<u>4,560</u>	<u>179,753</u>	<u>5,111,368</u>
Operating Expenses													
Administrative Expenses	1,142,042	164,004	21,458	6,542	12,305	1,837	-	4,750	19,385	21,120	4,560	-	1,398,003
Core Program Expenses	20,000	5,000	-	-	-	-	-	-	-	-	-	-	25,000
Subscription Program Direct Expenses	10,469	259,652	-	-	-	-	15,117	55,233	-	-	-	179,753	520,224
Grant Awards	-	154,984	2,777,818	106,930	129,312	-	-	-	-	-	-	-	3,169,044
Total Operating Expenses	<u>1,172,511</u>	<u>583,640</u>	<u>2,799,276</u>	<u>113,472</u>	<u>141,617</u>	<u>1,837</u>	<u>15,117</u>	<u>59,983</u>	<u>19,385</u>	<u>21,120</u>	<u>4,560</u>	<u>179,753</u>	<u>5,112,271</u>
Net Operating Income	<u>(52,899)</u>	<u>62,143</u>	<u>-</u>	<u>-</u>	<u>(9,839)</u>	<u>-</u>	<u>-</u>	<u>17</u>	<u>-</u>	<u>(325)</u>	<u>-</u>	<u>-</u>	<u>(903)</u>
Interest Income	<u>56,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,813</u>
Net Income (Loss)	<u>\$ 3,914</u>	<u>\$ 62,143</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,839)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17</u>	<u>\$ -</u>	<u>\$ (325)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>55,910</u>
Net Position, Beginning of the Year													<u>1,798,645</u>
Net Position, End of the Year													<u>\$ 1,854,555</u>

REGIONAL WATER AUTHORITY

SCHEDULE OF ALLOCATED ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED JUNE 30, 2021

RWA manages the SGA and shares 50% of the common administrative costs. Additionally, RWA administers subscription-based programs and allocates administrative costs to run these programs. The subscription-based programs include the ongoing Water Efficiency Program as well as one-time projects that may span over several years. The information below details total administrative expenses incurred by RWA by type and how these costs are then allocated to SGA and the various subscription-based programs. The remaining net agency administrative expenses are expected to be paid for by member annual assessment dues or by designations.

The allocation of administrative expenses for the year ended June 30, 2021 is:

	Staff Expenses	Office Expenses	Professional Fees	Total Administrative Expenses
RWA Administrative Expenses	\$ 1,344,869	\$ 168,219	\$ 365,402	\$ 1,878,490
Allocated to Sacramento Groundwater Authority	(420,614)	(67,350)	(44,185)	(532,149)
Total RWA Administrative Expenses - Net of SGA allocation	924,255	100,869	321,217	1,346,341
Allocated Administrative Expenses to Subscription Programs				
Water Efficiency Program	(191,434)	(18,242)	(11,770)	(221,446)
Proposition 84 Grant	(4,085)	-	-	(4,085)
2014 Drought Proposition 84	(6,962)	-	-	(6,962)
Proposition 84 Round 3	(12,308)	-	-	(12,308)
Proposition 1 Round 1	(24,105)	-	-	(24,105)
USBR CalFED Program	(3,780)	-	-	(3,780)
Water Transfer	(31,033)	-	-	(31,033)
USBR Drought Interties	(4,200)	-	-	(4,200)
Regional Water Bank - Phase 1	(3,200)	-	-	(3,200)
Regional Water Bank - Phase 2	(600)	-	-	(600)
Major Projects/Resilience Programs	(79,539)	(4,434)	(1,562)	(85,535)
Total Allocated Administrative Expenses - Subscription Programs	(361,246)	(22,676)	(13,332)	(397,254)
Net Agency Administrative Expenses - Agency Core Program	\$ 563,009	\$ 78,193	\$ 307,885	\$ 949,087

REGIONAL WATER AUTHORITY

SCHEDULE OF ALLOCATED ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED JUNE 30, 2020

The allocation of administrative expenses for the year ended June 30, 2020 is:

	Staff Expenses	Office Expenses	Professional Fees	Total Administrative Expenses
RWA Administrative Expenses	\$ 1,303,640	\$ 171,897	\$ 443,871	\$ 1,919,408
Allocated to Sacramento Groundwater Authority	(402,480)	(60,839)	(58,086)	(521,405)
Total RWA Administrative Expenses - Net of SGA allocation	901,160	111,058	385,785	1,398,003
Allocated Administrative Expenses to Subscription Programs				
Water Efficiency Program	(140,682)	(12,545)	(10,777)	(164,004)
Proposition 84 Grant	(21,458)	-	-	(21,458)
2014 Drought Proposition 84	(6,542)	-	-	(6,542)
Proposition 84 Round 3	(12,305)	-	-	(12,305)
USBR CalFED Program	(1,837)	-	-	(1,837)
ASR Information Study	(4,750)	-	-	(4,750)
Water Transfer	(19,385)	-	-	(19,385)
Prop 1 IRWM	(21,120)	-	-	(21,120)
USBR Drought Interties	(4,560)	-	-	(4,560)
Total Allocated Administrative Expenses - Subscription Programs	(232,639)	(12,545)	(10,777)	(255,961)
Net Agency Administrative Expenses - Agency Core Program	\$ 668,521	\$ 98,513	\$ 375,008	\$ 1,142,042

OTHER REPORT

**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***

Independent Auditor's Report

**Board of Directors
Regional Water Authority
Sacramento, 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 Regional Water Authority (the Authority) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 1, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gilbert CPAs
GILBERT CPAs
Sacramento, California

December 1, 2021