

REGIONAL WATER AUTHORITY

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

JUNE 30, 2023 AND 2022

REGIONAL WATER AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Regional Water Authority
Sacramento, California

Opinions

We have audited the accompanying financial statements of the Regional Water Authority (RWA) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise RWA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RWA as of June 30, 2023 and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of RWA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RWA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about RWA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise RWA's basic financial statements. The Program Schedule of Revenues, Expenses, and Changes in Net Position, and Schedule of Allocated Administrative Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Program Schedule of Revenues, Expenses, and Changes in Net Position, and Schedule of Allocated Administrative Expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Matters

The financial statements of RWA as of June 30, 2022 were audited by other auditors whose report dated December 14, 2022 expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2023 on our consideration of RWA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 RWA's internal control over financial reporting and compliance.



December 13, 2023

REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022

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 year ending June 30, 2023, and 2022. This discussion and analysis should be read in conjunction with the financial statements, which can be found on pages 6 to 44 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 statement of net position includes 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 statement of revenues, expenses, and changes in net position reports all of RWA's revenues and expenses during the period 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 statement of cash flows shows 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 19 to 44 of this report.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022

Condensed Statements of Net Position

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

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>2021</u>	<u>Change</u>
Current Assets	\$ 3,524,312	\$ 3,394,268	\$ 130,044	\$ 3,313,576	\$ 80,692
Non-Current Assets	117,369	788,863	(671,494)	109,488	679,375
Capital Assets	<u>19,168</u>	<u>58,163</u>	<u>(38,995)</u>	<u>93,413</u>	<u>(35,250)</u>
Total Assets	3,660,849	4,241,294	(580,445)	3,516,477	724,817
Deferred Outflows	<u>731,602</u>	<u>585,643</u>	<u>145,959</u>	<u>288,318</u>	<u>297,325</u>
Total Assets and Deferred Outflows	<u>4,392,451</u>	<u>4,826,937</u>	<u>(434,486)</u>	<u>3,804,795</u>	<u>1,022,142</u>
Current Liabilities	1,415,559	905,117	510,442	1,259,900	(354,783)
Non-Current Liabilities	<u>460,613</u>	<u>709,205</u>	<u>(248,592)</u>	<u>386,886</u>	<u>322,319</u>
Total Liabilities	<u>1,876,172</u>	<u>1,614,322</u>	<u>261,850</u>	<u>1,646,786</u>	<u>(32,464)</u>
Deferred Inflows	<u>286,838</u>	<u>580,225</u>	<u>(293,387)</u>	<u>269,784</u>	<u>310,441</u>
Net Position:					
Invested in capital assets	9,246	12,238	(2,992)	22,250	(10,012)
Restricted	526,712	599,879	(73,167)	739,694	(139,815)
Unrestricted	<u>1,693,483</u>	<u>2,020,273</u>	<u>(326,790)</u>	<u>1,126,281</u>	<u>893,992</u>
Total net position	<u>\$ 2,229,441</u>	<u>\$ 2,632,390</u>	<u>\$ (402,949)</u>	<u>\$ 1,888,225</u>	<u>\$ 744,165</u>

Fiscal Year 2023 Compared to Fiscal Year 2022

Total current assets, mainly cash and investments increased \$130,044, primarily due to the close-out and release of retention of grants and improved performance of LAIF interest earnings. The June 30, 2023 receivables reflect amounts earned for fulfillment of obligations from the Proposition 1 (Round 1), Proposition 84 (Round 3), Regional Water Bank project along with the 2022 Urban Planning grant, 2021 Urban Drought grant, Bonneville Environmental Foundation (BEF), 2014 Drought grant and Other Water Efficiency Programs (WEP).

Non-current assets decreased by \$671,494. This is due to a decrease in net pension assets due to a change of market conditions as of the pension valuation date of June 30, 2021. In the prior year's valuation date, investment income on the investment pools were unusually large, which resulted in a significant reduction in the net pension liability of the plan and caused RWA's share of the plan assets to be higher than its share of the pension liability, resulting in a net pension asset. During this period, this has essentially been reversed. RWA made additional contributions to the plan.

REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022

The deferred outflows amount is \$731,602. This is comprised of pension in the amount \$450,368 which is slightly down by \$2,084 from last year and OPEB in the amount of \$281,234 which is up by \$148,043 from the prior year. This represents an overall increase of \$145,959 from the prior year.

Current liabilities increased by \$510,442 primarily due to subscription program advances for the second phase of Regional Water Bank and Biological Opinion Support Services. Non-current liabilities decreased by \$248,592 as several RWA and WEP projects such as Regional Water Bank Phase I, Bonneville Environmental Foundation Grant and 2014 Drought Grant came to a close and/or retention was released which reduced unearned revenue.

The deferred inflows amount is \$286,838. This is comprised of pension in the amount \$29,686 which is down from last year by \$34,227 and OPEB in the amount of \$257,152 which is down from last year by \$259,160. This represents an overall combined decrease of \$293,387 from the prior year.

Net position invested in capital assets slightly changed by \$2,992 due to the depreciation of capital assets, restricted net position decreased by \$73,167 due to the spend down of WEP projects, and unrestricted net position declined by \$326,790 for a total change of \$402,949 decrease in net position from the prior year. This type of fluctuation is expected as a result of varying beginning and closure of project and grant programs.

Fiscal Year 2022 Compared to Fiscal Year 2021

Total assets increased \$724,817. This was primarily due to an increase in current assets and included grant receivables which were higher from the prior year due to completion and release of project retainage of some of the multi-year grants.

The non-current assets increased \$679,375 due to the market conditions of the pension and net Other Post-Employment Benefits (OPEB) asset. Additional contributions RWA made to the plan also contributed to RWA having a net pension asset.

Total liabilities in fiscal year 2022 decreased by \$32,464 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), Major Projects and Resilience Program, and increased accounts payable and accrued liabilities which was caused by the timing of vendor payments.

Restricted net position decreased by \$139,815 due to RWA Core and Water Efficiency Program (WEP) having a decrease in their net earnings in excess of expenses in current fiscal year primarily due to prior advanced payments of subscription programs and grant awards being spent down.

Unrestricted net position of \$2,020,273 reflected an increase of \$893,992, due to a decrease 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.

REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022

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:

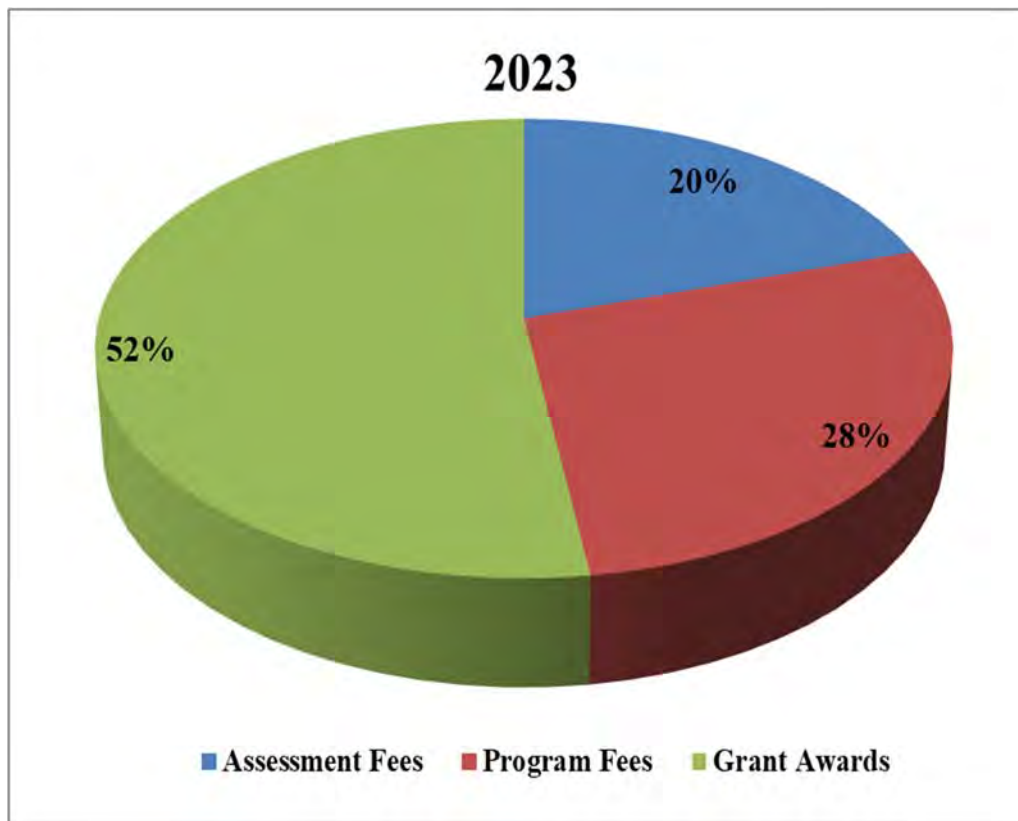
	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>2021</u>	<u>Change</u>
Operating Revenues:					
Assessment Income	\$ 1,149,017	\$ 1,074,246	\$ 74,771	\$ 1,064,385	\$ 9,861
Subscription Program Fees	1,591,194	869,785	721,409	654,556	215,229
Incentives, Grants and Reimbursements	2,989,712	2,420,970	568,742	1,690,067	730,903
Other Income	4,907	6,270	(1,363)	735	5,535
Total Operating Revenues	<u>5,734,830</u>	<u>4,371,271</u>	<u>1,363,559</u>	<u>3,409,743</u>	<u>961,528</u>
Interest Income	75,817	11,937	63,880	15,007	(3,070)
Total Revenues	<u>5,810,647</u>	<u>4,383,208</u>	<u>1,427,439</u>	<u>3,424,750</u>	<u>958,458</u>
Operating Expenses:					
Administrative Expenses	2,231,177	855,870	1,375,307	1,346,341	(490,471)
Core Program Expenses	25,000	25,000	-	25,000	-
Subscription Program Direct Expenses	1,081,078	382,010	699,068	374,741	7,269
Grant Awards	2,874,022	2,372,023	501,999	1,644,998	727,025
Total Operating Expenses	<u>6,211,277</u>	<u>3,634,903</u>	<u>2,576,374</u>	<u>3,391,080</u>	<u>243,823</u>
Interest Expense	2,319	4,140	(1,821)	-	4,140
Total Expenses	<u>6,213,596</u>	<u>3,639,043</u>	<u>2,574,553</u>	<u>3,391,080</u>	<u>247,963</u>
Increase in Net Position	(402,949)	744,165	(1,147,114)	33,670	710,495
Net Position, July 1	<u>2,632,390</u>	<u>1,888,225</u>	<u>744,165</u>	<u>1,854,555</u>	<u>33,670</u>
Net Position, June 30	<u>\$ 2,229,441</u>	<u>\$ 2,632,390</u>	<u>\$ (402,949)</u>	<u>\$ 1,888,225</u>	<u>\$ 744,165</u>

REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022

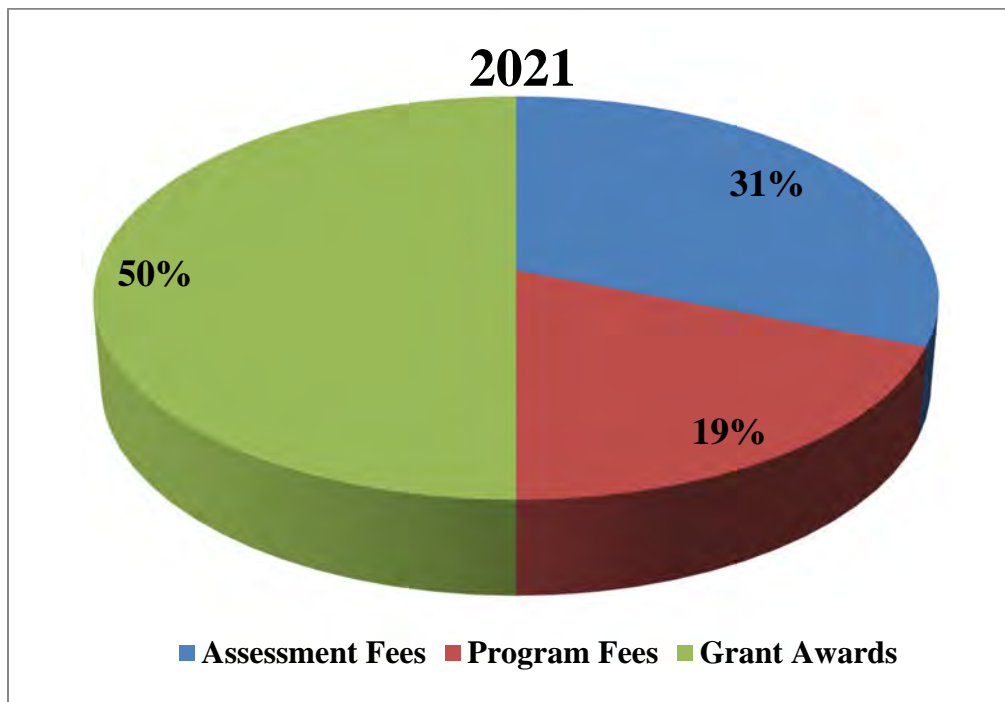
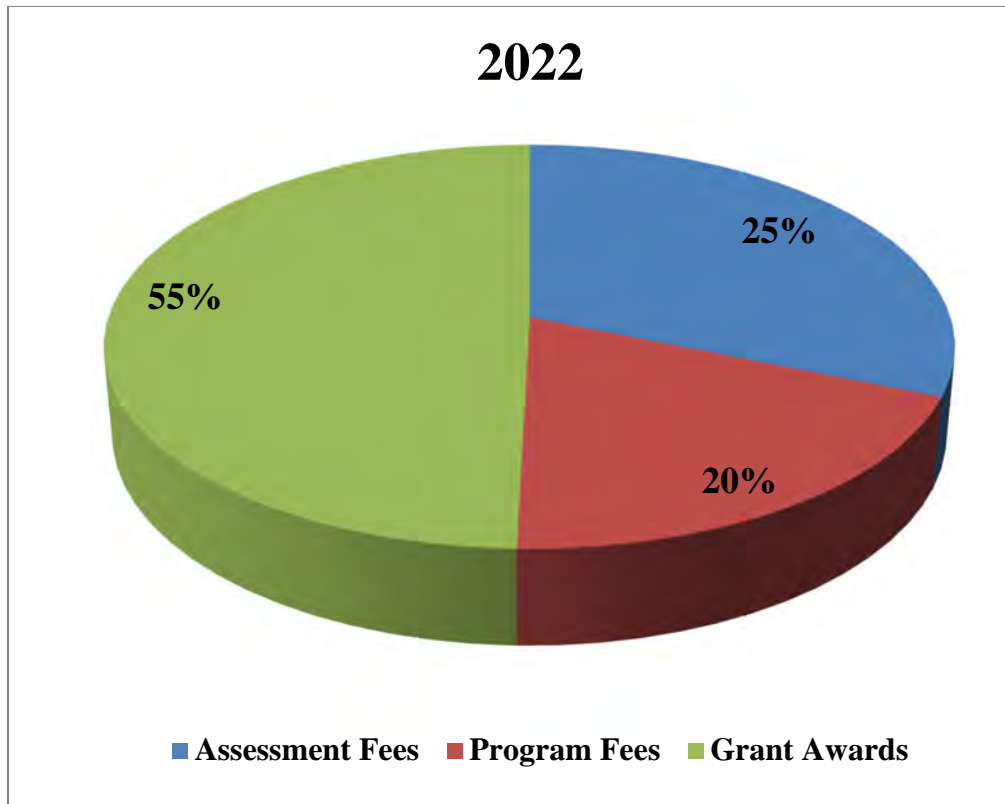
Operating Revenues

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 chart graphically displays the percentage of operating revenues by category.

For fiscal year 2023, the percentage of program fees have increased by 8% in response to decreasing assessment fees and grant awards from the prior year. These percentages will fluctuate from year to year depending on the amount of grant awards.



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Fiscal Year 2023 Compared to Fiscal Year 2022

Total revenues – Total revenues including interest income are \$5,810,647 and was \$1,427,439 higher than the previous year. The increase is a compilation of increased member dues, higher grant revenues, the start of new subscription programs and improved LAIF interest income performance.

Assessment fees – The \$74,771 increase in assessment fees is due to a Board approved dues increase for the year ended June 30, 2023 in the amount of 3.7% for the additional funding needed to support staff salary and benefits, 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 2023, RWA mainly earned subscription program fees from the Water Efficiency Program (WEP), Regional Water Bank Phase I and II, Common Interest Management Services (CIMS) formerly Major Project Management Services (MPMS)/Biological Opinion Support Services (BOSS) programs and water transfers. Program fees are not expected to be comparable from year to year. The program fees increased overall by \$721,409 mainly due to WEP programs, the completion of Regional Water Bank Phase I and the kickoff of Regional Water Bank Phase II, and the CIMS/BOSS programs. For the details 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 2023, RWA earned over \$2.9 million in grant revenues from 2014 Drought Prop 84, Prop 84 Round 3 grants, Proposition 1 Round 1, 2021 Urban Drought Implementation grant, 2022 Urban Planning grant, and the WEP. These programs contributed largely to the overall \$568,742 net increase in grant awards.

1. The 2014 Drought Prop 84 grant revenue increased by \$18,250 as a result of a grant extension. These grant projects are now closed, and all retention has been released.
2. The Prop 84 Round 3 grant increased by \$72,148. 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 Integrated Regional Water Management (IRWM) Plan. This project is nearing completion.
3. Proposition 1 (Prop 1) authorized \$510 million in IRWM funding. Funds are allocated to 12 hydrologic region-based Funding Areas including the Sacramento Region. Prop 1 Round 1 contributed \$637,313 to RWA in revenues during this period.
4. The 2021 Urban Drought Implementation is a DWR awarded grant in an amount over \$4 million in grant funding to RWA and two of its members for projects that advance drought and climate resiliency. Funded projects include planning for the Sacramento Regional Water Bank, groundwater wells for the Fair Oaks Water District, Orange Vale Water Company, Carmichael Water District, and grant administration. This project comprised \$951,956 towards RWA grant revenue total.
5. The 2022 Urban Planning is a recent DWR grant that is complimentary to the Regional Water Bank efforts. The amount of revenue received from this grant during the fiscal year is \$75,226.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022

6. The WEP Program experienced a total of \$1,234,819 in grant revenues for its own WEP Project funded through 2014 WEP Drought grant, WEP Proposition 1 project, WEP Prop 84 Round 3, as well as some private foundational grants.

Additionally, WEP programs received new grant awards from DWR for Direct Installs exceeding \$3 million during fiscal year 2023. Although these grants did not make significant contributions to revenues, 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 increased by \$1,375,307 from the previous fiscal year resulting from an increase in salary expense with the completion of the 5-year compensation survey and a reversal of the pension asset to a pension liability resulting from market conditions during this period.

Core Program Expenses – For the year ended June 30, 2023, core expenses showed no change from 2022; continued \$25,000 annual payment related to the Powerhouse Science Center exhibits.

Subscription Program Direct Expenses – During fiscal year 2023, RWA incurred subscription program expenses from the core program, WEP, Regional Water Bank, and CIMS and BOSS programs. Program expenses are not expected to be comparable from year to year. The program expenses increased overall by \$699,068. 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 2023, RWA expended over \$2.8 million in grant awards coming from 2014 Drought Prop 84, Prop 84 Round 3 grants, Proposition 1 Round 1, 2021 Urban Drought Implementation grant, 2022 Urban Planning grant, and the WEP. These programs contributed largely to the overall \$501,999 net increase in grant expenses.

- 1) The 2014 Drought Prop 84 grant revenue expended only \$7,297 in funds as this grant ends.
- 2) The Prop 84 Round 3 grant spent \$65,700 as the projects are in the final stages of finishing up.
- 3) Prop 1 Round 1 had \$616,614 in expenses which aligns with RWA revenues received.
- 4) The 2021 Urban Drought Implementation had expenses of \$947,762 which supports RWA revenue amounts received.
- 5) The 2022 Urban Planning had a total of \$71,415 which aligns with RWA revenues received.
- 6) The WEP Program experienced a total of \$1,165,234 in grant expenses for its own WEP Project funded through 2014 WEP Drought grant, WEP Proposition 1 project, WEP Prop 84 Round 3, as well as some private foundational grants from the Bonneville Environmental Foundation and Sierra Institute.

As previously mentioned, WEP received new grant awards from DWR for Direct Installations during fiscal year 2023. These grant awards will contribute significantly to future expenses. The timing of these award expenses varies from year to year.

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Fiscal Year 2022 Compared to Fiscal Year 2021

Operating revenues – Operating revenues totaled \$4,371,271 and were \$961,528 higher than the previous year. The increase was mainly a result of higher grant awards due to the completion of some of the multi-year grants and the start of new grants.

Assessment fees – The \$9,861 increase in assessment fees was due to a Board approved dues increase for the year ended June 30, 2022 and the addition of one new RWA member to be used 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 2022, 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), Proposition 1 Round 1, the 2014 Integrated Regional Water Management Drought Proposition 84 Grant (2014 Drought Prop 84), the Prop 84 Round 3 grant, Major Projects/Resilience Programs, Regional Emergency Preparedness Program (REPP), and water transfers. Program fees are not expected to be comparable from year to year. The program fees increased by \$215,229 mainly due to the timing of these programs as many of them draw near to completion.

Incentives, grants, and reimbursements – In fiscal year 2022, RWA earned grant revenues from the WEP, 2014 Drought Prop 84, Proposition 1 Round 1, Prop 84 Round 3, and some revenues from a new grant, 2021 Urban Drought Implementation. These programs contributed largely to the overall \$730,903 net increase 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 decreased by \$490,471 from the previous fiscal year resulting from the pension and OPEB net asset and a decrease in office expenses and professional fees due to the COVID-19 pandemic which still affected operations for more than six months of fiscal year 2022.

Core Program Expenses – For the year ended June 30, 2022, core expenses showed no change from 2021; continued \$25,000 annual payment related to the Powerhouse Science Center exhibits.

Subscription Program Direct Expenses – During fiscal year 2022, RWA incurred subscription program expenses from the core program, WEP, Regional Water Bank, Major Projects/Resilience programs and REPP. Program expenses are not expected to be comparable from year to year.

Grant Awards – In fiscal year 2022, RWA earned grant awards from the WEP including the 2014 Drought Prop 84 program, Prop 84 Round 3, Proposition 1 Round 1 grant and newly award 2021 Urban Drought Implementation grant. These programs generated over \$2.3 million in grant expense in 2022. The following contributed largely to the overall net increase of \$727,025 in grant awards expense from 2021: the 2014 Drought Grant had an increase of \$612,046 from the prior year; the Prop 84 Round 3 grant expended \$163,925. This is a decrease of \$290,575 from 2021; the Proposition 1 Round 1 grant is in its first full year and accounted for \$818,842 in expenses; WEP grant expenses accounted for \$385,375 in 2022; an increase of \$197,884 from 2021; and Urban Drought Implementation expenses accounted for \$6,930.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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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.

	<u>2023</u>	<u>2022</u>	<u>Increase</u>	<u>2021</u>
Furniture	\$ 3,722	\$ 3,722	\$ -	\$ 3,722
Equipment	22,190	22,190	-	18,885
Website Development	15,604	15,604	-	15,604
Leasehold Improvements	14,785	14,785	-	14,785
Right-to-use Buildings	71,163	71,163	-	71,163
Right-to-use Equipment	8,944	8,944	-	8,944
Gross Capital Assets	<u>136,408</u>	<u>136,408</u>	-	<u>133,103</u>
Less Accumulated Depreciation	(46,674)	(42,962)	(3,712)	(39,690)
Less Accumulated Amortization	<u>(70,566)</u>	<u>(35,283)</u>	<u>(35,283)</u>	-
Total Accumulated Depreciation and Amortization	<u>(117,240)</u>	<u>(78,245)</u>	<u>(38,995)</u>	<u>(39,690)</u>
Net Capital Assets	<u>\$ 19,168</u>	<u>\$ 58,163</u>	<u>\$ (38,995)</u>	<u>\$ 93,413</u>

Economic factors and assumptions for fiscal year June 30, 2024

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, 2024.

- 1) In accordance with the RWA Board of Directors approved dues structure, a 0% increase on all membership fees is proposed for fiscal year 2024 using a base retail connection fee of \$2.28 per connection. Some member dues may be slightly different if the number of 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, 100% of the Associate Program Manager and excludes the Water Efficiency Program and Strategic Affairs Manager positions.
- 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 and Common Interest Management Services (formerly Major Project Management Services).

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- 4) RWA received an award for \$55 million from the California Department of Natural Resources and DWR to assist in the construction of groundwater infrastructure. The American River Terms for Ecosystem Support and Infrastructure Assistance Needs (ARTESIAN) agreement was executed in July 2023.
- 5) 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.
- 6) 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 Affair Manager is 100% funded by the CIMS/BOSS Programs and the Project Research Assistant is funded 80% by WEP and 20% by SGA, and RWA hired a new Associate Program Manager in early fiscal year 2023 which is 100% reimbursed by SGA. These allocations result in 5.7 FTEs for RWA and 3.3 FTEs for SGA for a total of 9.0 full-time equivalent positions.
- 7) Beginning in fiscal year 2019, staff members pay the full employee share of their pension contributions. Staff salaries are within ranges assigned by the 2022 total compensation survey and reflect a possible 4% increase for merit if applicable plus 6% COLA. RWA completed a compensation survey in 2022 in accordance with their policy to ensure that staff compensation is market competitive.
- 8) Benefit costs also include projected increases for OPEB and health care. Benefits also include estimates for future OPEB costs for new employees.
- 9) Based on the most recent valuation report and in accordance with their policy, RWA will not make an additional CalPERS pension payment for the unfunded liability in FY24. Rather, the Board opted to apply any savings to RWA in the form of reduced member dues.
- 10) Office cost increases are based upon estimated increases in fiscal year 2024. For FY24 and beyond, office costs are estimated at 3% annual increases or less, unless specific increases have been identified.
- 11) Professional fees include audit, accounting and actuarial analysis fees due to the reporting requirement for GASB Statement No. 68, 75 and 87, increased public relations, human resources assistance, increased legal costs associated with advocacy, IRWM consulting costs, water advocacy consulting fees and general consulting costs.
- 12) Other expenses include office equipment and furniture purchases and also include moving costs for a primary office relocation.
- 13) Core program expenses include costs associated with the Powerhouse Science Center partnership and Integrated Regional Water Management (IRWM).

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- 14) 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.

- 15) 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, 2023 AND 2022

	2023	2022
ASSETS		
Current Assets		
Cash and Investments	\$ 1,239,721	\$ 1,390,567
Restricted Cash and Investments	1,756,610	1,620,999
Grants/Incentives Receivable	306,627	241,714
Accounts Receivable	47,469	27,265
Receivable from Sacramento Groundwater Authority (SGA)	96,462	75,526
Interest Receivable	24,137	5,699
Prepaid Expenses	53,286	32,498
Total Current Assets	3,524,312	3,394,268
Non-Current Assets		
Net Pension Asset	-	293,724
Net Other Post Employment Benefits (OPEB) Asset	117,369	495,139
Capital Assets, Net	19,168	58,163
Total Non-Current Assets	136,537	847,026
Total Assets	3,660,849	4,241,294
DEFERRED OUTFLOWS		
Pension	450,368	452,452
OPEB	281,234	133,191
Total Deferred Outflows	731,602	585,643
TOTAL ASSETS AND DEFERRED OUTFLOWS	4,392,451	4,826,937
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	360,216	210,783
Compensated Absences	78,056	65,912
Lease Liability	8,177	36,003
Subscription Program Advances	949,110	380,384
Unearned Revenue	20,000	212,035
Total Current Liabilities	1,415,559	905,117
Non-Current Liabilities		
Compensated Absences	64,500	74,400
Lease Liability	1,745	9,922
Subscription Program Advances	102,665	484,883
Unearned Revenue	120,000	140,000
Net Pension Liability	171,703	-
Total Non-Current Liabilities	460,613	709,205
Total Liabilities	1,876,172	1,614,322
DEFERRED INFLOWS		
Pension	29,686	63,913
OPEB	257,152	516,312
Total Deferred Inflows	286,838	580,225
NET POSITION		
Net Investment in Capital Assets	9,246	12,238
Restricted	526,712	599,879
Unrestricted	1,693,483	2,020,273
Total Net Position	\$ 2,229,441	\$ 2,632,390

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, 2023 AND 2022

	2023	2022
OPERATING REVENUES:		
Assessment Income	\$ 1,149,017	\$ 1,074,246
Subscription Program Fees	1,591,194	869,785
Incentives, Grants, and Reimbursements	2,989,712	2,420,970
Other Income	4,907	6,270
Total Operating Revenues	5,734,830	4,371,271
OPERATING EXPENSES:		
Administrative Expenses	2,231,177	855,870
Core Program Expenses	25,000	25,000
Subscription Program Direct Expenses	1,081,078	382,010
Grant Awards	2,874,022	2,372,023
Total Operating Expenses	6,211,277	3,634,903
OPERATING (LOSS) INCOME	(476,447)	736,368
NONOPERATING REVENUES (EXPENSES)		
Interest Income	75,817	11,937
Interest Expense	(2,319)	(4,140)
Total Nonoperating Revenues	73,498	7,797
(DECREASE) INCREASE IN NET POSITION	(402,949)	744,165
Net Position, Beginning of Year	2,632,390	1,888,225
NET POSITION, End of Year	\$ 2,229,441	\$ 2,632,390

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

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STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members and participants	\$ 2,893,751	\$ 2,022,017
Cash received from SGA	725,534	527,428
Cash received from grants and other sources	2,750,639	2,270,427
Cash paid to employees, related benefits and taxes	(1,927,094)	(1,555,644)
Cash paid to suppliers	(2,164,618)	(1,240,843)
Cash paid to subscription program participants	(2,312,504)	(1,986,648)
Net Cash (Used) Provided by Operating Activities	(34,292)	36,737
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	-	(3,305)
Principal payments on lease liability	(36,003)	(34,182)
Interest payments on lease liability	(2,319)	(4,140)
Net Cash Used by Capital and Related Financing Activities	(38,322)	(41,627)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on cash	57,379	8,612
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(15,235)	3,722
CASH AND CASH EQUIVALENTS, Beginning of Year	3,011,566	3,007,844
CASH AND CASH EQUIVALENTS, End of Year	\$ 2,996,331	\$ 3,011,566
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET:		
Cash and investments	\$ 1,239,721	\$ 1,390,567
Restricted cash and investments	1,756,610	1,620,999
Total cash and cash equivalents	\$ 2,996,331	\$ 3,011,566
RECONCILIATION OF (LOSS) INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating (loss) income	\$ (476,447)	\$ 736,368
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,712	3,272
Amortization	35,283	35,283
Change in operating assets and liabilities:		
Grants/Incentives receivable	(64,913)	(84,656)
Accounts receivable	(20,204)	11,872
Receivable from SGA	(20,936)	1,256
Prepaid expenses	(20,788)	(2,117)
Net pension asset/liability	465,427	(400,003)
Net OPEB asset	377,770	(385,651)
Accounts payable and accrued liabilities	149,433	71,448
Compensated absences	2,244	30,720
Subscription program advances	186,508	73,841
Unearned revenue	(212,035)	(68,012)
Change in deferred outflows/inflows of resources for pension	(182,270)	14,477
Change in deferred outflows/inflows of resources for OPEB	(257,076)	(1,361)
Net Cash (Used) Provided by Operating Activities	\$ (34,292)	\$ 36,737

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

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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 2022, the GASB issued Statement No. 101, Compensated Absences. This statement requires that liabilities for compensated absences be recognized for leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or paid in cash or settled through noncash means and leave that has been used but not paid in cash or settled through noncash means. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in the liability for compensated absences. This Statement requires that a liability for certain types of compensated absences, including parental leave, military leave and jury duty leave, not be recognized until the leave commences. Certain salary related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. Governments are allowed to disclose the net change in the liability if identified as such in the footnotes to the financial statements. The provisions of this Statement are effective for years beginning after December 15, 2023.

RWA will analyze the impact of this new statement prior to the effective date listed above.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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.

Right-to-use lease assets are recognized at the lease commencement date and represent the District's right to use an underlying asset for the lease term. Right-to-use lease assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right-to-use assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method.

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 terms. Investments are reported at fair value by CalPERS and not reported by RWA. CalPERS audited

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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>2023</u>	<u>2022</u>
Valuation Date (VD)	June 30, 2021	June 30, 2020
Measurement Date (MD)	June 30, 2022	June 30, 2021
Measurement Period (MP)	July 1, 2021 to June 30, 2022	July 1, 2020 to June 30, 2021

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>2023</u>	<u>2022</u>
Valuation Date	June 30, 2021	June 30, 2021
Measurement Date	June 30, 2022	June 30, 2021
Measurement Period	July 1, 2021 to June 30, 2022	July 1, 2020 to June 30, 2021

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:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Biological Opinion Support Services (BOSS)	\$ 521,703	\$ -
Regional Water Bank - Phase 2	379,635	458,598
REPP Agency Fees	41,250	28,750
Prop1 Round 1 - Members	31,893	46,636
Rachio Controller - Members	22,235	3,439
Prop 84 Program Management	20,985	21,510
2014 Drought Program Management	16,701	17,384
Urban Drought	13,893	-
RWA Prop 84 Round 3 Program Management	3,162	12,442
SRCS Water Suppliers	318	788
Regional Water Bank - Phase 1	-	275,720
Less: Current Portion	(949,110)	(380,384)
Non-Current Portion	\$ 102,665	\$ 484,883

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:

	2023	2022
Powerhouse Science Center	\$ 140,000	\$ 160,000
Bonneville Environmental Foundation Grant - WEP	-	174,160
Annual Assessment	-	17,875
Less: Current Portion	(20,000)	(212,035)
Non-Current Portion	\$ 120,000	\$ 140,000

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, the Bonneville Environmental Foundation Grant received by 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 and a prepayment by a member for the annual assessment.

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

Net investment in capital assets: Capital assets, net of accumulated depreciation and amortization, and related payables and long-term liabilities.

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.

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Restricted net position consists of cumulative Water Efficiency Program fees in excess of expenses incurred of \$526,712 and \$599,879 as of June 30, 2023 and 2022, respectively.

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.

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 2023, the minimum assessment was \$4,106 and the maximum assessment was \$94,236. During 2022, the minimum assessment was \$3,962 and the maximum assessment was \$90,724.

Non-voting associate members pay an annual fee with a maximum annual fee of \$15,637 per year in 2023 and \$14,492 in 2022, 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. 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.

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 \$746,470 and \$526,172 for the years ended June 30, 2023 and 2022, respectively. The Statements of Revenues, Expenses, and

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Changes in Net Position reflect the net expenses of RWA after reimbursement by SGA. The Statements of Cash Flows reflect 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>2023</u>	<u>2022</u>
Cash and Investments	\$ 1,239,721	\$ 1,390,567
Restricted Cash and Investments	1,756,610	1,620,999
	<u>\$ 2,996,331</u>	<u>\$ 3,011,566</u>

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

	<u>2023</u>	<u>2022</u>
Deposits with financial institutions	\$ 163,916	\$ 102,530
Investments in LAIF	2,832,415	2,909,036
Total cash and investments	<u>\$ 2,996,331</u>	<u>\$ 3,011,566</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 PMIA at June 30, 2023 and 2022 was \$177,045,532,802 and \$231,867,874,452, 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.

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

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

as the length of maturity increases. The average maturity of the investments in the LAIF investment pool on June 30, 2023 and 2022 was approximately 260 and 311 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 95% and 97% of its cash invested in LAIF for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, the carrying amount of the deposits was \$163,916 and \$102,530 and the balance in financial institutions was \$275,373 and \$172,333, respectively. Of the balance in financial institutions, \$250,000 and \$172,333 was covered by federal depository insurance at June 30, 2023 and 2022, respectively, and the remaining amounts were secured by a pledge of securities by the financial institution, but not in the name of RWA.

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, 2023 AND 2022

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

	<u>2023</u>	<u>2022</u>
BOSS	\$ 650,847	\$ -
Regional Water Bank - Phase 2	440,439	458,598
Water Efficiency Program	377,440	425,799
Powerhouse Science Center	160,000	160,000
REPP Agency Fees	41,250	28,750
Prop 1 Round 1 - Members	31,893	46,636
Prop 84 Program Management	20,985	21,510
2014 Drought Program Management	16,701	17,384
Urban Drought	13,893	-
RWA Prop 84 Round 3 Program Management	3,162	12,442
Regional Water Bank - Phase 1	-	275,720
Bonneville Environmental Foundation Grant - WEP	-	174,160
	<u> </u>	<u> </u>
Total Restricted Cash	<u>\$ 1,756,610</u>	<u>\$ 1,620,999</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

3. CAPITAL ASSETS

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

	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023
Furniture	\$ 3,722	\$ -	\$ -	\$ 3,722
Office Equipment	22,190	-	-	22,190
Website Development	15,604	-	-	15,604
Leasehold Improvements	14,785	-	-	14,785
Right-to-use Buildings	71,163	-	-	71,163
Right-to-use Equipment	8,944	-	-	8,944
Total Capital Assets	<u>136,408</u>	<u>-</u>	<u>-</u>	<u>136,408</u>
Less Accumulated Depreciation	(42,962)	(3,712)	-	(46,674)
Less Accumulated Amortization	<u>(35,283)</u>	<u>(35,283)</u>	<u>-</u>	<u>(70,566)</u>
Total Accumulated Depreciation and Amortization	<u>(78,245)</u>	<u>(38,995)</u>	<u>-</u>	<u>(117,240)</u>
Capital Assets, Net	<u>\$ 58,163</u>	<u>\$ (38,995)</u>	<u>\$ -</u>	<u>\$ 19,168</u>

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022
Furniture	\$ 3,722	\$ -	\$ -	\$ 3,722
Office Equipment	18,885	3,305	-	22,190
Website Development	15,604	-	-	15,604
Leasehold Improvements	14,785	-	-	14,785
Right-to-use Buildings	71,163	-	-	71,163
Right-to-use Equipment	8,944	-	-	8,944
Total Capital Assets	<u>133,103</u>	<u>3,305</u>	<u>-</u>	<u>136,408</u>
Less Accumulated Depreciation	(39,690)	(3,272)	-	(42,962)
Less Accumulated Amortization	<u>-</u>	<u>(35,283)</u>	<u>-</u>	<u>(35,283)</u>
Total Accumulated Depreciation and Amortization	<u>(39,690)</u>	<u>(38,555)</u>	<u>-</u>	<u>(78,245)</u>
Capital Assets, Net	<u>\$ 93,413</u>	<u>\$ (35,250)</u>	<u>\$ -</u>	<u>\$ 58,163</u>

RWA entered into a lease agreement for office space at 5620 Birdcage Street Suite 110 and 180 in Citrus Heights, California beginning September 1, 2018 for a period of 60 months. The intangible right of use asset is being amortized over the remaining term of the lease. Terms of this lease are described in Note 4.

RWA entered into a 60 month lease agreement for a copier beginning February 20, 2020. The intangible right of use asset is being amortized over the remaining term of the lease. Terms of this lease are described in Note 4.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

4. LONG-TERM LIABILITIES

The following summarizes the changes in long-term liabilities for the years ended June 30:

	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023	Amounts Due Within One Year
Compensated Absences	\$ 140,312	\$ 104,819	\$ (102,575)	\$ 142,556	\$ 78,056
Lease Liability	45,925	-	(36,003)	9,922	8,177
Subscription Program Advances	865,267	566,892	(380,384)	1,051,775	949,110
Unearned Revenue	352,035	-	(212,035)	140,000	20,000
Net Pension Liability	-	171,703	-	171,703	-
Total Long-Term Liabilities	<u>\$ 1,403,539</u>	<u>\$ 843,414</u>	<u>\$ (730,997)</u>	<u>\$ 1,515,956</u>	<u>\$ 1,055,343</u>

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022	Amounts Due Within One Year
Compensated Absences	\$ 109,592	\$ 92,166	\$ (61,446)	\$ 140,312	\$ 65,912
Lease Liability	80,107	-	(34,182)	45,925	36,003
Subscription Program Advances	791,426	295,567	(221,726)	865,267	380,384
Unearned Revenue	420,047	17,875	(85,887)	352,035	212,035
Net Pension Liability	106,279	-	(106,279)	-	-
Total Long-Term Liabilities	<u>\$ 1,507,451</u>	<u>\$ 405,608</u>	<u>\$ (509,520)</u>	<u>\$ 1,403,539</u>	<u>\$ 694,334</u>

Leases

RWA entered into a lease agreement for office space at 5620 Birdcage Street Suite 110 and 180 in Citrus Heights, California beginning September 1, 2018. The lease extends through August 31, 2023 and contains base rents of \$2,695 to \$2,965 per month. For purposes of discounting future payments on the lease, RWA used the discount rate of 4.75%.

On February 20, 2020, RWA leased a copier for a term of 60 months at \$229 per month. For purposes of discounting future payments on the leases, the RWA used the discount rate 4.75%.

The leased building and equipment and accumulated amortization of the right-to-use assets are outlined in Note 3. Minimum lease payments over the remaining term of the leases include:

Year ended June 30,	Principal	Interest	Totals
2024	\$ 8,177	\$ 500	\$ 8,677
2025	1,745	87	1,832
Total	<u>\$ 9,922</u>	<u>\$ 587</u>	<u>\$ 10,509</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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, 2022 and 2021 (measurement date), 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 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 rates were as follows:

	<u>Employer</u>		<u>Employee</u>	
	<u>Classic</u>	<u>PEPRA</u>	<u>Classic</u>	<u>PEPRA</u>
June 30, 2023	11.06%	7.76%	7.00%	7.25%
June 30, 2022	11.06%	7.73%	7.00%	6.75%

Employer contributions rates may change if plan contracts are amended. For the years ended June 30, 2023 and 2022, the employer required contributions to the plan were \$97,406 and \$89,293, respectively.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

RWA also made additional non-required employer pension contributions of \$36,700 for the years ended June 30, 2023 and 2022 towards payment of its unfunded liability.

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

RWA's net pension asset/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, 2022 for the year ended June 30, 2023. The total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. As of June 30, 2023 and 2022 RWA's proportionate share of the Plan's NPL was \$171,703 and \$(293,724), respectively.

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, 2022 and 2021 measurement dates. The following table shows RWA's employer allocation factors for the Plan as of the fiscal years ending June 30:

2023:

Proportion - June 30, 2023	0.00367%
Proportion - June 30, 2022	<u>(0.01547)%</u>
Change – decrease	<u><u>0.01914%</u></u>

2022:

Proportion - June 30, 2022	(0.01547)%
Proportion - June 30, 2021	<u>0.00252%</u>
Change – decrease	<u><u>(0.01799)%</u></u>

For the fiscal years ended June 30, 2023 and 2022, RWA incurred a pension expense of \$567,390 and a pension credit of \$567,738, respectively.

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

	Deferred Outflow of Resources	
	<u>2023</u>	<u>2022</u>
Contributions after measurement date	\$ 134,106	\$ 125,993
Difference between actual and expected experience	3,448	-
Changes in assumptions	17,595	-
Net difference between projected and actual earnings on plan investments	31,451	256,404
Adjustments due to differences in proportions	<u>263,768</u>	<u>70,055</u>
	<u><u>\$ 450,368</u></u>	<u><u>\$ 452,452</u></u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

The \$134,106 and \$125,993 reported as deferred outflows of resources related to employer contributions after the measurement dates will be recognized as a reduction of the NPL for the years ended June 30, 2024 and 2023, respectively.

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

	Deferred Inflow of Resources	
	2023	2022
Difference between actual and expected experience	\$ 2,309	\$ 32,938
Differences between employer contributions and the employer's proportionate share of contributions	27,377	26,803
Adjustments due to differences in proportions	-	4,172
	\$ 29,686	\$ 63,913

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

2023:

Measurement Period Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2024	\$ 107,434
2025	100,625
2026	59,280
2027	19,237

2022:

Measurement Period Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2023	\$ 52,902
2024	68,574
2025	70,213
2026	70,857

Actuarial Assumptions

For the measurement periods ended June 30, 2022 and 2021, the TPL was determined by rolling forward the June 30, 2021 and June 30, 2020 TPL, respectively. The TPL was based on the following actuarial methods and assumptions:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

For the measurement period ending June 30:	2022	2021
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	6.90%	7.15%
Inflation	2.30%	2.50%
Salary Increases	Varies by Entry Age and Service	Varies by Entry Age and Service
Mortality Rate Table ⁽¹⁾	Derived using CalPERS' Membership data for all	Derived using CalPERS' Membership data for all
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies	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.

Changes in Assumptions

For the measurement period ended June 30, 2022, changes in actuarial assumptions consisted of decreases in the discount rate, the inflation rate and the post retirement benefit and changes in mortality rate table. No benefit or assumption changes were made for the measurement period ended June 30, 2021.

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2022 and 2021 (the measurement date) was 6.90% and 7.15%, respectively. 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 for the measurement period ended June 30, 2021 and 2020 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 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 next 20 years for 2021 and over the short-term (first 10 years) and the long-term (11+ years) for 2020 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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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 expected real rates of return by asset class for the measurement period ended June 30, 2022 are as follows:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10(a)(b)</u>
Global equity - cap-weighted	30.00%	4.45%
Global equity - non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
	<u>100.00%</u>	

(a) An expected inflation of 2.30% used for this period.

(b) Figures are based on the 2021-22 Asset Liability Management study.

The expected real rates of return by asset class for the measurement period ended June 30, 2021 are as follows:

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

(a) In the System's ACFR, Fixed income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.00% used for this period.

(c) An expected inflation of 2.92% used for this period.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

The long-term expected real rates of return by asset class can be found in CalPERS' Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022 and 2021.

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 rates of 6.90% and 7.15% for the measurement periods ended June 30, 2022 and 2021, respectively, 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:

2022:

	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Proportionate Share of Plan's NPL	\$591,298	\$171,703	(\$173,520)

2021:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Proportionate Share of Plan's NPL	\$68,454	(\$293,724)	(\$593,132)

Payable to the Pension Plan

At June 30, 2023, RWA had \$2,096 in outstanding payables to the pension plan at June 30, 2023. At June 30, 2022, RWA does not have an outstanding payable to the pension plan.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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.

Employees Covered

As of the June 30, 2021 actuarial valuation, the following inactive and active employees were covered by the benefit terms under the OPEB Plan:

Inactive employees receiving benefits	4
Inactive employees entitled to but not receiving benefits	1
Participating active employees	<u>8</u>
Total	<u>13</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, 2023, RWA's cash contributions were \$51,874 in payments to the trust, benefit payments directly to retirees net of reimbursements was \$4,718 and the estimated implied subsidy was \$8,772, resulting in total payments of \$65,364. For the fiscal year ended June 30, 2022, RWA's cash contributions were \$33,515 in payments to the trust and the estimated implied subsidy was \$23,195, resulting in total payments of \$56,710. These assets accumulate and are invested in the CERBT. Employees are currently not required to contribute to the plan.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Net OPEB Asset

The net OPEB asset for June 30, 2023 and 2022, was measured as of June 30, 2022 and 2021, respectively. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation dated June 30, 2021 to determine the June 30, 2023 and 2022 total OPEB liability, based on the following actuarial methods and assumptions:

	2023	2022
Valuation Date	June 30, 2021	June 30, 2021
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	6.00%	6.50%
Long-term Return on Assets (net of plan investment expenses and inflation)	6.00%	6.50%
Salary Increase	3.00%	3.00%
Inflation Rate	2.50%	2.50%
Mortality Improvement	MacLeod Watts Scale 2022 applied generationally ⁽¹⁾	MacLeod Watts Scale 2022 applied generationally ⁽¹⁾
Mortality	CalPERS 2017 Experience Study ⁽²⁾	CalPERS 2017 Experience Study ⁽²⁾
Healthcare Trend	5.60% decreasing to 3.90% ⁽³⁾	5.60% decreasing to 3.90% ⁽³⁾

⁽¹⁾ The MacLeod Watts Scale 2022 was developed from a blending of data and methodologies found in two published sources: (1) the Society of Actuaries Mortality Improvement Scale MP-2021 Report, published in October 2021 and (2) the demographic assumptions used in the 2021 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, published August 2021.

⁽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.

⁽³⁾ The healthcare trend ranges from increases of 5.60% in 2023 to 3.90% in 2075 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 6.00% and 6.50%, for measurement periods ended June 30, 2022 and 2021, respectively.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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	2023	2022
Global Equity	49%	59%
Fixed Income	23%	25%
Global Real Estate (REITs)	20%	8%
Treasury Inflation Protected Securities	5%	5%
Commodities	3%	3%
Total	100%	100%

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2023 and 2022 was 6.00% and 6.50%, respectively. 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, 2023 AND 2022

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

The following presents the net OPEB asset 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:

2022:

	Discount Rate -1% (5.00%)	Current Discount Rate (6.00%)	Discount Rate +1% (7.00%)
Net OPEB liability (asset)	\$ 33,612	\$ (117,369)	\$ (243,428)

2021:

	Discount Rate -1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1% (7.90%)
Net OPEB liability (asset)	\$ (368,381)	\$ (495,139)	\$ (601,048)

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

The following presents the net OPEB asset 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:

2022:

	Medical Trend Rate -1%	Current Medical Trend Rate	Medical Trend Rate +1%
Net OPEB Liability (asset)	\$ (249,885)	\$ (117,369)	\$ 43,291

2021:

	Medical Trend Rate -1%	Current Medical Trend Rate	Medical Trend Rate +1%
Net OPEB Liability (asset)	\$ (610,527)	\$ (495,139)	\$ (355,245)

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".

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Additionally, CalPERS annually issues a ACFR 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.

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, 2023 and 2022. All other amounts are recognized over the expected average remaining service lifetime (EARSL), which was 7.17 years at June 30, 2023 and 2022.

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

For the fiscal years ended June 30, 2023 and 2022, RWA recognized OPEB expense of \$35,931 and OPEB credit of \$22,097, respectively. As of fiscal years ending June 30, deferred outflows of resources related to OPEB are from the following sources:

	<u>2023</u>	<u>2022</u>
	Deferred Outflows of Resources	Deferred Outflows of Resources
OPEB contributions subsequent to measurement date	\$ 65,364	\$ 56,710
Changes in assumptions	105,143	76,481
Net differences between projected and actual earnings on OPEB plan investments	110,727	-
Total	<u>\$ 281,234</u>	<u>\$ 133,191</u>

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

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
	Deferred Inflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 180,420	\$ 235,783
Net differences between projected and actual earnings on OPEB plan investments	-	184,850
Changes in assumptions	76,732	95,679
Total	\$ 257,152	\$ 516,312

The \$65,364 and \$56,710 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2022 and 2021 measurement dates will be recognized as a reduction of the net OPEB liability during the fiscal years ended June 30, 2023 and 2022, respectively. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2023:

Fiscal Year Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2024	\$ (17,684)
2025	(18,748)
2026	(26,178)
2027	25,820
2028	(11,880)
Thereafter	7,388

2022:

Measurement Period Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2023	\$ (91,272)
2024	(89,522)
2025	(90,586)
2026	(98,016)
2027	(46,016)
Thereafter	(24,419)

7.

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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, 2023 and 2022 is sufficient to set aside the designations for budget purposes.

The designations as of June 30 are as follows:

	<u>2023</u>	<u>2022</u>
<u>Board Designations</u>		
Operating Fund	\$ 917,200	\$ 729,271
Membership Dues	169,700	168,100
Subscription Programs	<u>51,656</u>	<u>52,357</u>
Total Board Designations	<u>\$ 1,138,556</u>	<u>\$ 969,728</u>

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, 2023 and 2022, this designation is approximately 5.5 and 4.7 months, respectively, 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.

8. 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.

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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	\$75,000 - \$100,000
Property Coverage	10,000,000	490,000,000	\$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.

9. 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, 2023 and 2022 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.

RWA entered into 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 \$72,997 at June 30, 2022, and is not currently reflected in the financial statements. There was no contingent grant award revenue and related liability to program participants at June 30, 2023.

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

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

period, for a total of \$400,000. The California Water Awareness Campaign (CWAC) paid the 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.

10. 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 \$746,470 and \$526,172 for the years ended June 30, 2023 and 2022 which represents 25% and 38% of RWA's total administrative expenses, respectively. Additionally, RWA relies upon subscription-based programs to pay for administration expenses of 23% and 39% for the years ended June 30, 2023 and 2022, 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.

11. SUBSEQUENT EVENTS

In April 2023, RWA entered into an agreement to lease 2295 Gateway Oaks Drive, Suite 100 in Sacramento, California under a non-cancelable operating lease. The lease term is from July 2023 through June 2028 and contains one 5-year option to renew. The lease has a 7-month rent-free period and monthly payments of \$5,992 to \$6,744 during the original term. During the option period monthly payments are at the fair market rate.

In July 2023, RWA entered into a grant agreement with the California Natural Resources Agency and DWR for the American River Terms for Ecosystem Support and Infrastructure Assistance Needs project (ARTESIAN). Under terms of this agreement RWA will receive up to \$1.1 million for project administration and participating members will receive up to \$53.9 million for infrastructure projects in return for making available up to 30,000 acre-feet of water through groundwater replenishment for up to 3 years.

REQUIRED SUPPLEMENTARY INFORMATION

REGIONAL WATER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

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

	Measurement Date								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension (asset)/liability	0.003669%	-0.015469%	0.002520%	0.001757%	0.002383%	0.003917%	0.004247%	0.012618%	0.013650%
Proportionate share of the net pension (asset)/liability	\$ 171,703	\$ (293,724)	\$ 106,279	\$ 70,367	\$ 89,817	\$ 154,391	\$ 147,540	\$ 346,165	\$ 337,276
Covered - employee payroll	\$ 847,507	\$ 711,891	\$ 598,436	\$ 511,721	\$ 536,680	\$ 466,290	\$ 365,294	\$ 592,756	\$ 565,797
Proportionate share of the net pension (asset)/liability as a percentage of covered payroll	20.26%	-41.26%	17.76%	13.75%	16.74%	33.11%	40.39%	58.40%	59.61%
Plan fiduciary net position as a percentage of the total pension liability	78.19%	88.29%	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 (asset)/liability	94.42%	110.71%	95.77%	96.82%	95.45%	90.24%	89.09%	83.50%	83.03%

Notes to Schedule:

For the measurement periods ended June 30, 2022, the discount rate decreased from 7.15% to 6.90%, the inflation rate decreased from 2.50% to 2.30%, the post retirement benefit decreased and the mortality rate table changed.
For the measurement periods ended June 30, 2021, 2020 and 2019 there were no assumption changes.
For the measurement period ended June 30, 2018, the inflation rate was lowered from 2.75% to 2.5%.
For the measurement period ended June 30, 2017, the discount rate decreased from 7.65% to 7.15% due to an assumption change.
For the measurement period ended 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 CONTRIBUTIONS TO THE PENSION PLAN
Last Ten Years

	Fiscal Year									
	2022-2023	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
Contractually required contribution (actuarially determined)	\$ 97,406	\$ 89,293	\$ 76,480	\$ 62,065	\$ 51,840	\$ 49,160	\$ 47,566	\$ 44,595	\$ 70,182	\$ 62,822
Contributions in relation to the actuarially determined contributions	134,106	125,993	113,180	77,065	114,840	91,160	89,566	181,995	70,182	62,822
Contribution deficiency (excess)	\$ (36,700)	\$ (36,700)	\$ (36,700)	\$ (15,000)	\$ (63,000)	\$ (42,000)	\$ (42,000)	\$ (137,400)	\$ -	\$ -
Covered - employee payroll	\$ 938,751	\$ 847,507	\$ 711,891	\$ 598,436	\$ 511,721	\$ 536,680	\$ 466,290	\$ 365,294	\$ 592,756	\$ 565,797
Contributions as a percentage of covered - employee payroll	14.29%	14.87%	15.90%	12.88%	22.44%	16.99%	19.21%	49.82%	11.84%	11.10%
Contributions valuation date	June 30, 2020	June 30, 2019	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, 2021	June 30, 2020	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

	Market Value	Market Value	Market Value	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%	7.00%	7.00%	7.25%	7.375%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Inflation	2.500%	2.500%	2.500%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Payroll Growth	2.750%	2.750%	2.750%	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Salary Increases											
Mortality											

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	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service Cost	\$ 83,549	\$ 78,624	\$ 76,149	\$ 66,236	\$ 64,152	\$ 57,930
Interest Cost	73,189	81,028	75,707	84,785	78,135	71,699
Changes of Benefit Terms	-	-	-	1,871	-	-
Actual and Expected Experience Difference	-	(190,864)	-	(58,867)	-	(141,761)
Assumption Changes	65,842	49,216	-	(152,520)	-	139,794
Benefit Payments	(63,155)	(79,394)	(75,036)	(55,816)	(42,919)	(40,972)
Net change in OPEB Liability	159,425	(61,390)	76,820	(114,311)	99,368	86,690
Total OPEB Liability - Beginning	1,074,009	1,135,399	1,058,579	1,172,890	1,073,522	986,832
Total OPEB Liability - Ending (a)	\$ 1,233,434	\$ 1,074,009	\$ 1,135,399	\$ 1,058,579	\$ 1,172,890	\$ 1,073,522
Plan Fiduciary Net Position						
Employer Contributions	\$ 56,710	\$ 58,947	\$ 87,282	\$ 84,977	\$ 73,980	\$ 72,745
Net Investment Income	(211,501)	345,183	45,208	70,945	77,895	90,150
Benefit Payments	(63,155)	(79,394)	(75,036)	(55,816)	(42,919)	(40,972)
Administrative Expenses	(399)	(475)	(601)	(240)	(520)	(460)
Other Expenses	-	-	-	-	(1,297)	-
Net change in plan fiduciary net position	(218,345)	324,261	56,853	99,866	107,139	121,463
Plan fiduciary net position - Beginning	1,569,148	1,244,887	1,188,034	1,088,168	981,029	859,566
Plan fiduciary net position - Ending (b)	\$ 1,350,803	\$ 1,569,148	\$ 1,244,887	\$ 1,188,034	\$ 1,088,168	\$ 981,029
Net OPEB (Asset) Liability (a) - (b) = (c)	\$ (117,369)	\$ (495,139)	\$ (109,488)	\$ (129,455)	\$ 84,722	\$ 92,493
Plan fiduciary net position as a percentage of OPEB liability (b)/(a)	109.52%	146.10%	109.64%	112.23%	92.78%	91.38%
Covered Payroll (d)	\$ 1,168,267	\$ 1,018,771	\$ 933,449	\$ 799,048	\$ 834,157	\$ 752,115
Net OPEB (Asset) Liability as a percentage of covered payroll (c)/(d)	-10.05%	-48.60%	-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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution (ADC) (a)	\$ 60,646	\$ 56,710	\$ 58,626	\$ 87,603	\$ 84,977	\$ 73,980
Contributions in Relation to ADC	<u>(65,364)</u>	<u>(56,710)</u>	<u>(58,947)</u>	<u>(87,282)</u>	<u>(84,977)</u>	<u>(73,980)</u>
Contribution Deficit (Excess)	<u>\$ (4,718)</u>	<u>\$ -</u>	<u>\$ (321)</u>	<u>\$ 321</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll (b)	\$ 1,259,512	\$ 1,168,267	\$ 1,018,771	\$ 933,449	\$ 799,048	\$ 833,750
ADC as a % of covered employee payroll (a)/(b)	5.19%	4.85%	5.79%	9.35%	10.63%	8.87%
Notes to Schedule:						
Valuation Date	June 30, 2021	June 30, 2021	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 open 30-year period			Level Percent of Pay over a closed 10-year period		
Asset Valuation Method	Market Value of Assets					
Inflation	2.50%	2.50%	2.75%	2.75%	2.75%	2.75%
Salary Increase	3.00%	3.00%	3.25%	3.25%	3.25%	3.25%
Investment Rate of Return	6.50%	6.50%	6.90%	7.00%	7.00%	7.00%
Healthcare Trend	5.6% in 2024, fluctuating down to 3.9% by 2075		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 2022		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, 2023

	Agency Core Program	Water Efficiency Program	Prop 84	2014 Drought Prop 84	Prop 84 Round 3	Prop 1 Round 1	Water Transfer	Regional Water Bank Phase 1	Regional Water Bank Phase 2	Common Interest Management Services	Urban Drought	Urban Planning	BOSS	Total RWA
Operating Revenues														
Assessment Income	\$ 1,149,017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,149,017
Subscription Program Fees	-	501,291	525	683	9,280	14,743	47,661	275,720	213,963	322,925	6,106	-	198,297	1,591,194
Incentives, Grants, and Reimbursements	-	1,234,819	-	18,250	72,148	637,313	-	-	-	-	951,956	75,226	-	2,989,712
Other Income	4,907	-	-	-	-	-	-	-	-	-	-	-	-	4,907
Total Operating Revenues	<u>1,153,924</u>	<u>1,736,110</u>	<u>525</u>	<u>18,933</u>	<u>81,428</u>	<u>652,056</u>	<u>47,661</u>	<u>275,720</u>	<u>213,963</u>	<u>322,925</u>	<u>958,062</u>	<u>75,226</u>	<u>198,297</u>	<u>5,734,830</u>
Operating Expenses														
Administrative Expenses	1,546,571	271,975	525	683	9,280	35,442	36,772	12,710	22,060	281,802	9,607	3,750	-	2,231,177
Core Program Expenses	20,000	5,000	-	-	-	-	-	-	-	-	-	-	-	25,000
Subscription Program Direct Expenses	-	367,068	-	-	-	-	14,854	263,010	191,903	45,946	-	-	198,297	1,081,078
Grant Awards	-	1,165,234	-	7,297	65,700	616,614	-	-	-	-	947,762	71,415	-	2,874,022
Total Operating Expenses	<u>1,566,571</u>	<u>1,809,277</u>	<u>525</u>	<u>7,980</u>	<u>74,980</u>	<u>652,056</u>	<u>51,626</u>	<u>275,720</u>	<u>213,963</u>	<u>327,748</u>	<u>957,369</u>	<u>75,165</u>	<u>198,297</u>	<u>6,211,277</u>
Net Operating Income	<u>(412,647)</u>	<u>(73,167)</u>	<u>-</u>	<u>10,953</u>	<u>6,448</u>	<u>-</u>	<u>(3,965)</u>	<u>-</u>	<u>-</u>	<u>(4,823)</u>	<u>693</u>	<u>61</u>	<u>-</u>	<u>(476,447)</u>
Nonoperating Revenues/ Expenses	<u>73,498</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>73,498</u>
Net Income (Loss)	<u>\$ (339,149)</u>	<u>\$ (73,167)</u>	<u>\$ -</u>	<u>\$ 10,953</u>	<u>\$ 6,448</u>	<u>\$ -</u>	<u>\$ (3,965)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,823)</u>	<u>\$ 693</u>	<u>\$ 61</u>	<u>\$ -</u>	<u>(402,949)</u>
Net Position, Beginning of the Year														<u>2,632,390</u>
Net Position, End of the Year														<u>\$ 2,229,441</u>

REGIONAL WATER AUTHORITY

PROGRAM SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2022

	Agency Core Program	Water Efficiency Program	2014 Drought PROP 84	Prop 84 Round 3	Prop 1 Round 1	Water Transfer	USBR Drought Interties	Regional Water Bank Phase 1	Regional Water Bank Phase 2	Major Projects Resilience Programs	Urban Drought	Urban Planning	Regional Emergency Preparedness	Total RWA
Operating Revenues														
Assessment Income	\$ 1,074,246	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,074,246
Subscription Program Fees	-	497,401	2,500	9,870	1,765	13,293	32,339	4,030	820	48,302	229,465	-	30,000	869,785
Incentives, Grants, and Reimbursements	-	391,067	-	1,058,156	160,107	804,849	-	-	-	-	6,237	554	-	2,420,970
Other Income	6,270	-	-	-	-	-	-	-	-	-	-	-	-	6,270
Total Operating Revenues	<u>1,080,516</u>	<u>888,468</u>	<u>2,500</u>	<u>1,068,026</u>	<u>161,872</u>	<u>818,142</u>	<u>32,339</u>	<u>4,030</u>	<u>820</u>	<u>48,302</u>	<u>229,465</u>	<u>6,237</u>	<u>554</u>	<u>4,371,271</u>
Operating Expenses														
Administrative Expenses	314,760	210,515	-	9,870	27,125	26,450	21,940	2,665	820	4,715	229,465	6,930	615	855,870
Core Program Expenses	20,000	5,000	-	-	-	-	-	-	-	-	-	-	-	25,000
Subscription Program Direct Expenses	-	295,524	2,500	-	-	-	10,399	-	-	43,587	-	-	30,000	382,010
Grant Awards	-	385,375	-	1,058,156	136,800	791,692	-	-	-	-	-	-	-	2,372,023
Total Operating Expenses	<u>334,760</u>	<u>896,414</u>	<u>2,500</u>	<u>1,068,026</u>	<u>163,925</u>	<u>818,142</u>	<u>32,339</u>	<u>2,665</u>	<u>820</u>	<u>48,302</u>	<u>229,465</u>	<u>6,930</u>	<u>615</u>	<u>3,634,903</u>
Net Operating Income	<u>745,756</u>	<u>(7,946)</u>	<u>-</u>	<u>-</u>	<u>(2,053)</u>	<u>-</u>	<u>-</u>	<u>1,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(693)</u>	<u>(61)</u>	<u>736,368</u>
Interest Income	<u>7,797</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>7,797</u>
Net Income (Loss)	<u>\$ 753,553</u>	<u>\$ (7,946)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,053)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (693)</u>	<u>\$ (61)</u>	<u>\$ -</u>	<u>744,165</u>
Net Position, Beginning of the Year														<u>1,888,225</u>
Net Position, End of the Year														<u>\$ 2,632,390</u>

REGIONAL WATER AUTHORITY

SCHEDULE OF ALLOCATED ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED JUNE 30, 2023

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, 2023 is:

	Staff Expenses	Office Expenses	Professional Fees	Total Administrative Expenses
RWA Administrative Expenses	\$ 2,359,836	\$ 190,043	\$ 427,768	\$ 2,977,647
Allocated to Sacramento Groundwater Authority	(613,159)	(77,708)	(55,603)	(746,470)
Total RWA Administrative Expenses - Net of SGA allocation	1,746,677	112,335	372,165	2,231,177
Allocated Administrative Expenses to Subscription Programs				
Water Efficiency Program	(246,410)	(10,308)	(15,257)	(271,975)
Prop 84	(525)	-	-	(525)
2014 Drought Prop 84	(683)	-	-	(683)
Prop 84 Round 3	(9,280)	-	-	(9,280)
Prop 1 Round 1	(35,442)	-	-	(35,442)
Water Transfer	(36,772)	-	-	(36,772)
Regional Water Bank Phase 1	(12,710)	-	-	(12,710)
Regional Water Bank Phase 2	(22,060)	-	-	(22,060)
Major Projects Resilience Program	(272,159)	(7,417)	(2,226)	(281,802)
Urban Drought	(9,607)	-	-	(9,607)
Urban Planning	(3,750)	-	-	(3,750)
Total Allocated Administrative Expenses - Subscription Programs	(649,398)	(17,725)	(17,483)	(684,606)
Net Agency Administrative Expenses - Agency Core Program	\$ 1,097,279	\$ 94,610	\$ 354,682	\$ 1,546,571

REGIONAL WATER AUTHORITY

SCHEDULE OF ALLOCATED ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED JUNE 30, 2022

The allocation of administrative expenses for the year ended June 30, 2022 is:

	Staff Expenses	Office Expenses	Professional Fees	Total Administrative Expenses
RWA Administrative Expenses	\$ 835,128	\$ 148,666	\$ 398,248	\$ 1,382,042
Allocated to Sacramento Groundwater Authority	(401,944)	(77,852)	(46,376)	(526,172)
Total RWA Administrative Expenses - Net of SGA allocation	433,184	70,814	351,872	855,870
Allocated Administrative Expenses to Subscription Programs				
Water Efficiency Program	(185,170)	(10,237)	(15,108)	(210,515)
2014 Drought Prop 84	(9,870)			(9,870)
Prop 84 Round 3	(27,125)			(27,125)
Prop 1 Round 1	(26,450)			(26,450)
USBR CalFED Program				-
Water Transfer	(21,940)			(21,940)
USBR Drought Interties	(2,665)			(2,665)
Regional Water Bank - Phase 1	(820)			(820)
Regional Water Bank - Phase 2	(4,715)			(4,715)
Major Projects/Resilience Programs	(229,244)		(221)	(229,465)
Urban Drought	(6,930)			(6,930)
Urban Planning	(615)			(615)
Total Allocated Administrative Expenses - Subscription Programs	(515,544)	(10,237)	(15,329)	(541,110)
Net Agency Administrative Expenses - Agency Core Program	\$ (82,360)	\$ 60,577	\$ 336,543	\$ 314,760

OTHER REPORT

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

To the Board of Directors
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 governmental activities and special revenue fund of the Regional Water Authority (RWA) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise RWA's basic financial statements, and have issued our report thereon dated December 13, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered RWA'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 RWA's internal control. Accordingly, we do not express an opinion on the effectiveness of RWA'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 RWA'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 RWA'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*.

Board of Directors
Regional Water Authority

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

Richardson & Company, LLP

December 13, 2023