

REGIONAL WATER AUTHORITY

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

JUNE 30, 2024 AND 2023

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REGIONAL WATER AUTHORITY

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550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

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 years ended June 30, 2024 and 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, 2024 and 2023 and the changes in financial position for the years 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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

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Regional Water Authority

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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2024 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.

Richardson & Company, LLP

December 2, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2024 AND 2023

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, 2024, and 2023. This discussion and analysis should be read in conjunction with the financial statements, which can be found on pages 6 to 42 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 17 to 42 of this report.

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MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2024 AND 2023

Condensed Statements of Net Position

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

	<u>2024</u>	<u>2023</u>	<u>Change</u>	<u>2022</u>	<u>Change</u>
Current Assets	\$ 3,257,106	\$ 3,524,312	\$ (267,206)	\$ 3,394,268	\$ 130,044
Non-Current Assets	-	117,369	(117,369)	788,863	(671,494)
Capital Assets	224,936	19,168	205,768	58,163	(38,995)
Total Assets	3,482,042	3,660,849	(178,807)	4,241,294	(580,445)
Deferred Outflows	706,072	731,602	(25,530)	585,643	145,959
Total Assets and Deferred Outflows	4,188,114	4,392,451	(204,337)	4,826,937	(434,486)
Current Liabilities	969,153	1,415,559	(446,406)	905,117	510,442
Non-Current Liabilities	998,907	460,613	538,294	709,205	(248,592)
Total Liabilities	1,968,060	1,876,172	91,888	1,614,322	261,850
Deferred Inflows	217,306	286,838	(69,532)	580,225	(293,387)
Net Position:					
Invested in Capital Assets	-	9,246	(9,246)	12,238	(2,992)
Restricted	357,881	526,712	(168,831)	599,879	(73,167)
Unrestricted	1,644,867	1,693,483	(48,616)	2,020,273	(326,790)
Total net position	\$ 2,002,748	\$ 2,229,441	\$ (226,693)	\$ 2,632,390	\$ (402,949)

Fiscal Year 2024 Compared to Fiscal Year 2023

Total current assets decreased \$267,206, primarily due to a decrease in restricted cash and investments related to subscription programs of \$1,010,586, offset by an increase in unrestricted cash and investments of \$175,092 and an increase in receivables of \$558,139. Increased activity in the Water Efficiency Program, Common Interest Management Services, Regional Water Bank programs resulted in a decrease in restricted cash and investments available to those programs, as well as an increase in related receivables.

Non-current assets decreased by \$117,369. This is due to the Other Post Employment Benefits (OPEB) representing a liability for the year ended June 30, 2024, as opposed to an asset for the year ended June 30, 2023.

Capital Assets increased \$205,768, primarily due to recognizing a right-of-use asset for the new office lease that the RWA moved into on July 1, 2023.

Current liabilities decreased by \$446,406, primarily due to decreases in the current portion of subscription program advances for the Regional Water Bank and Common Interest Management Services. Non-current liabilities increased by \$538,294, primarily due to increases in the non-current portion of subscription

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MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2024 AND 2023

program advances for the Common Interest Management Services and lease liability related to the RWA new office lease.

Net position invested in capital assets has no balance due to the lease liability associated with the RWA new office lease, restricted net position decreased by \$168,831 due to the spend down of WEP projects, and unrestricted net position declined by \$48,616 for a total decrease in net position of \$226,693 from the prior year.

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.

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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024 AND 2023

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>2024</u>	<u>2023</u>	<u>Change</u>	<u>2022</u>	<u>Change</u>
Operating Revenues:					
Assessment Income	\$ 1,157,225	\$ 1,149,017	\$ 8,208	\$ 1,074,246	\$ 74,771
Subscription Program Fees	1,758,654	1,591,194	167,460	869,785	721,409
Incentives, Grants and Reimbursements	5,640,462	2,989,712	2,650,750	2,420,970	568,742
Other Income	38,944	4,907	34,037	6,270	(1,363)
Total Operating Revenues	<u>8,595,285</u>	<u>5,734,830</u>	<u>2,860,455</u>	<u>4,371,271</u>	<u>1,363,559</u>
Interest Income	110,806	75,817	34,989	11,937	63,880
Total Revenues	<u>8,706,091</u>	<u>5,810,647</u>	<u>2,895,444</u>	<u>4,383,208</u>	<u>1,427,439</u>
Operating Expenses:					
Administrative Expenses	2,035,674	2,222,452	(186,778)	855,870	1,366,582
Core Program Expenses	20,000	20,000	-	25,000	(5,000)
Subscription Program					
Direct Expenses	1,166,937	1,094,803	72,134	382,010	712,793
Grant Awards	5,658,517	2,874,022	2,784,495	2,372,023	501,999
Other Expenses	30,602	-	30,602	-	-
Total Operating Expenses	<u>8,911,730</u>	<u>6,211,277</u>	<u>2,700,453</u>	<u>3,634,903</u>	<u>2,576,374</u>
Interest Expense	21,054	2,319	18,735	4,140	(1,821)
Total Expenses	<u>8,932,784</u>	<u>6,213,596</u>	<u>2,719,188</u>	<u>3,639,043</u>	<u>2,574,553</u>
Increase in Net Position	<u>(226,693)</u>	<u>(402,949)</u>	<u>176,256</u>	<u>744,165</u>	<u>(1,147,114)</u>
Net Position, July 1	<u>2,229,441</u>	<u>2,632,390</u>	<u>(402,949)</u>	<u>1,888,225</u>	<u>744,165</u>
Net Position, June 30	<u>\$ 2,002,748</u>	<u>\$ 2,229,441</u>	<u>\$ (226,693)</u>	<u>\$ 2,632,390</u>	<u>\$ (402,949)</u>

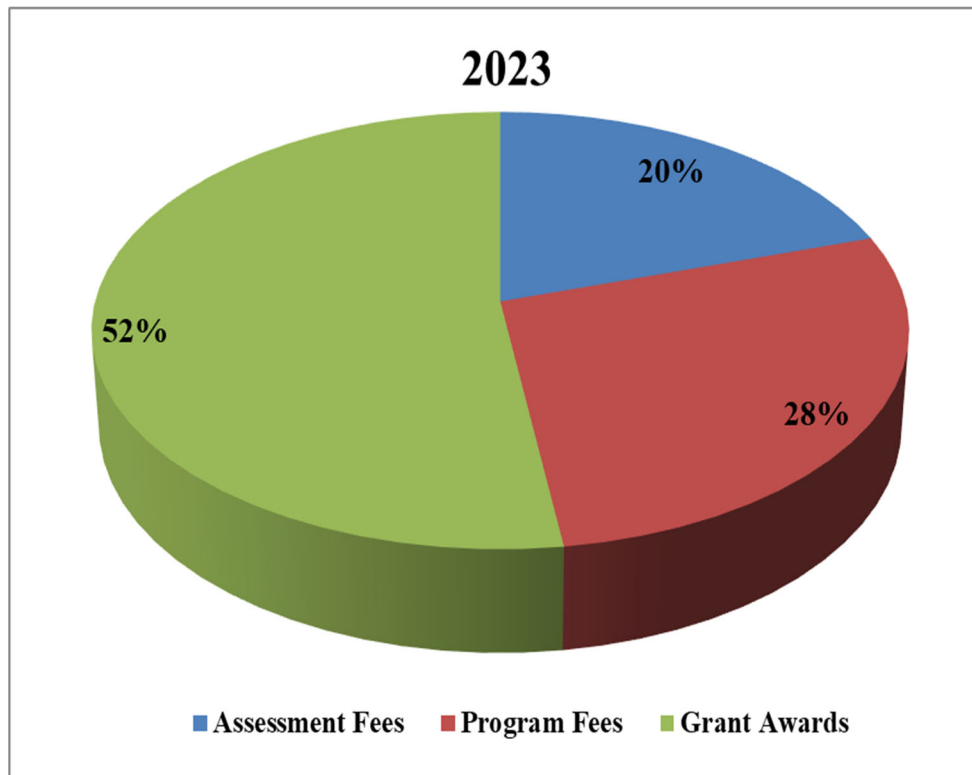
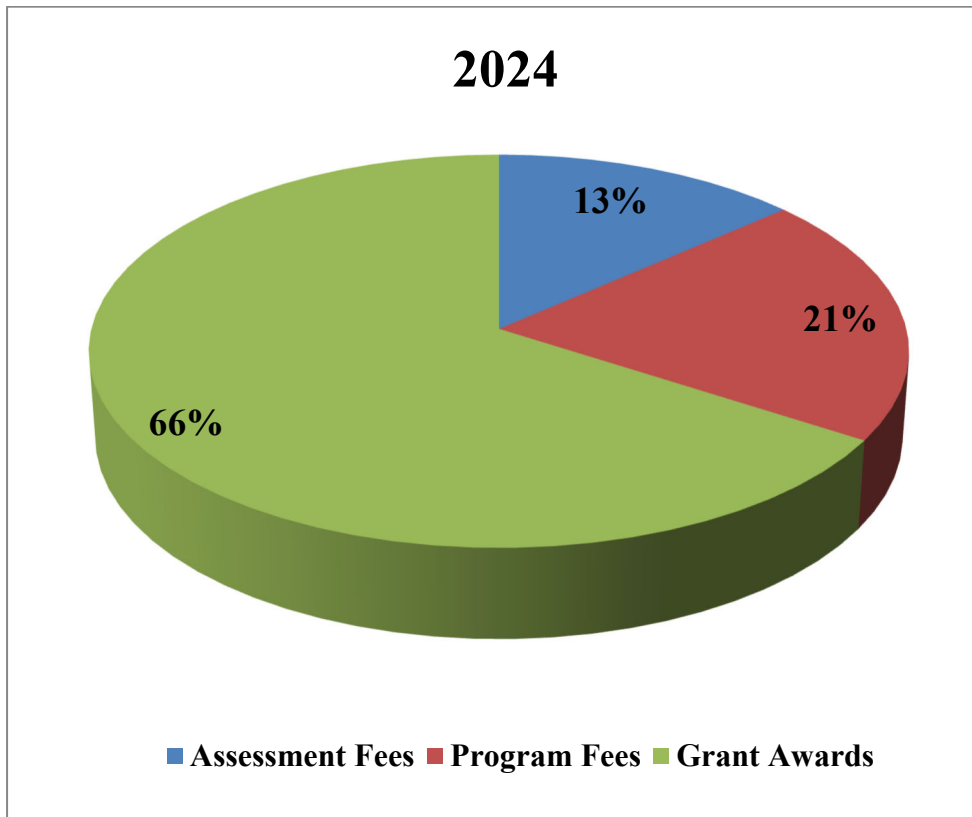
Operating Revenues

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 2024, the percentage of assessment fees and program fees both decreased by 7%, offset by an increase in grant awards of 14%. This was primarily due to a significant increase in grant awards from the prior year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2024 AND 2023



Fiscal Year 2024 Compared to Fiscal Year 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2024 AND 2023

Total revenues – Total revenues including interest income are \$8,706,091 and was \$2,895,444 higher than the previous year. The increase is primarily the result of an increase in grant revenue of \$2,650,750 along with other less significant increases.

Assessment fees – There was no rate increase for the year ended 2024. The \$8,208 increase in assessment fees was primarily due to changes in the number of member agency retail connections.

Subscription Program Fees – During fiscal year 2024, the RWA mainly earned subscription program fees from the Water Efficiency Program, Regional Water Bank, Common Interest Management Services. Program fees are not expected to be comparable from year to year. The program fees increased overall by \$167,460. 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 2024, RWA earned over \$5.6 million in grant revenues from various grants, including Proposition 1 Round 1, 2021 Urban Drought Implementation grant, Regional Water Bank-Urban Planning grant, Water Efficiency Program-Drought Relief grant and Common Interest Management Services-ARTESIAN grant. These programs contributed largely to the overall \$2.7 million increase in grant awards.

1. Proposition 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 grant funds contributed \$1,843,530 to RWA in revenues during this period.
2. 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 groundwater wells for the Fair Oaks Water District, Orange Vale Water Company, Carmichael Water District, and grant administration. This project comprised \$2,301,777 towards RWA grant revenue total.
3. The 2022 Urban Planning is a DWR grant that is complimentary to the Regional Water Bank efforts. The amount of revenue received from this grant during the fiscal year is \$278,968.
4. The Water Efficiency Program recognized a total of \$1,163,843 in grant revenues through the Water Efficiency Program's portion of Proposition 1 Round 1, Water Efficiency Program's Drought Relief grant and toilet/washer replacement incentives program.
5. The Common Interest Management Services recognized \$48,428 in grant revenues from the ARTESIAN grant.

Additionally, the RWA received a \$2 million grant from DWR for the Watershed Resilience program subsequent to year end.

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

Administrative Expenses – Total administrative expenses decreased by \$186,778 from the previous fiscal year resulting from a decrease in pension expense of \$312,631 offset by normal inflationary increases in administrative expenses.

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MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2024 AND 2023

Core Program Expenses – For the year ended June 30, 2024, core expenses was unchanged from 2023; continued \$20,000 annual payment from the RWA core to the Powerhouse Science Center exhibits.

Subscription Program Direct Expenses – During fiscal year 2023, RWA incurred subscription program expenses from the core program, Water Efficiency Program, Regional Water Bank, and Common Interest Management Services programs. Program expenses are not expected to be comparable from year to year. 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 2024, RWA expended over \$5.7 million in grant awards for various grants, including Proposition 1 Round 1, 2021 Urban Drought Implementation grant, Regional Water Bank-Urban Planning grant, Water Efficiency Program-Drought Relief grant and Common Interest Management Services-ARTESIAN grant. These programs contributed largely to the overall \$2.8 million net increase in grant expenses.

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, Regional Water Bank, Common Interest Management Services formerly Major Project Management Services/Biological Opinion Support Services 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 Water Efficiency Program, the completion of Regional Water Bank Phase I and the kickoff of Regional Water Bank Phase II, and the Common Interest Management Services program. 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 Water Efficiency Program. 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2024 AND 2023

3. Proposition 1 authorized \$510 million in IRWM funding. Funds are allocated to 12 hydrologic region-based Funding Areas including the Sacramento Region. Proposition 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 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.
6. The Water Efficiency Program experienced a total of \$1,234,819 in grant revenues for its own Water Efficiency Program Project funded through 2014 Water Efficiency Program Drought grant, Water Efficiency Program Proposition 1 project, Water Efficiency Program Prop 84 Round 3, as well as some private foundational grants.

Additionally, the Water Efficiency Program 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 – 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 decreased by \$5,000 related to the Powerhouse Science Center exhibits.

Subscription Program Direct Expenses – During fiscal year 2023, RWA incurred subscription program expenses from the core program, Water Efficiency Program, Regional Water Bank, and Common Interest Management Services 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 Water Efficiency Program. These programs contributed largely to the overall \$501,999 net increase in grant expenses.

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MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2024 AND 2023

Capital Assets

Capital assets include furniture, equipment, website development, leasehold improvements, right-of-use buildings and right-of-use equipment.

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

	<u>2024</u>	<u>2023</u>	<u>Increase</u>	<u>2022</u>
Furniture	\$ -	\$ 3,722	\$ (3,722)	\$ 3,722
Equipment	18,561	22,190	(3,629)	22,190
Website Development	-	15,604	(15,604)	15,604
Leasehold Improvements	-	14,785	(14,785)	14,785
Right-to-use Buildings	271,742	71,163	200,579	71,163
Right-to-use Equipment	8,944	8,944	-	8,944
Gross Capital Assets	<u>299,247</u>	<u>136,408</u>	<u>162,839</u>	<u>136,408</u>
Less Accumulated Depreciation	(12,646)	(46,674)	34,028	(42,962)
Less Accumulated Amortization	<u>(61,665)</u>	<u>(70,566)</u>	<u>8,901</u>	<u>(35,283)</u>
Total Accumulated Depreciation and Amortization	<u>(74,311)</u>	<u>(117,240)</u>	<u>42,929</u>	<u>(78,245)</u>
Net Capital Assets	<u>\$ 224,936</u>	<u>\$ 19,168</u>	<u>\$ 205,768</u>	<u>\$ 58,163</u>

Economic Factors and Assumptions for Fiscal Year June 30, 2025

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, 2025.

- 1) The RWA Board of Directors approved a 5% membership fee rate increase for fiscal year 2025. The new base retail connection fee is \$2.39 per connection. Member agency fees will vary based on their change in retail connections from the previous year.
- 2) Staff expenses include nine employees, of which the RWA core program is responsible for 3.9 full-time-equivalent employees (FTE), the SGA is responsible for 3.4 FTE, the Water Efficiency Program is responsible for 0.8 FTE and the Common Interest Management Services program is responsible for 0.9 FTE.
- 3) Increases in budgeted staff expenses include increases in salaries/wages due to merit and cost of living adjustments; increases in expenses for pension and OPEB due to changes in actuarial valuations; and normal increases for health benefits due to inflation. Additionally, in accordance with policy and based on the most recent actuarial valuations, the RWA will make additional payments to CalPERS and the OPEB trust related to their respective unfunded liabilities.

REGIONAL WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2024 AND 2023

- 4) Office expenses budget includes increases in rent due to fiscal year 2025 being the first full year of rent payments for the new RWA office lease.
- 5) The projected budget decreased for professional fees due to the RWA no longer needing an accounting consultant, and other consultant fees expected to remain relatively constant.
- 6) The RWA has an Administrative and Management Services agreement with the Sacramento Groundwater Authority. As part of the agreement, the SGA is responsible for 50% of shared administrative and management costs. Additionally, the allocation of employee costs to SGA is as follows: 50% of the Executive Director, Manager of Technical Services, Finance & Administrative Services Manager and Executive Assistant; 20% of the Manager of Government Relations and Project Research Assistant; and 100% of the Senior Project Manager.
- 7) Subscription program revenues provide reimbursement to RWA for providing staffing and office support to subscription-based programs. These programs include the Water Efficiency Program, Common Interest Management Services and various other programs.
- 8) The 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. The program was in its infancy during fiscal year 2024 and the RWA is expecting significant activity to occur during fiscal year 2025.
- 9) The Watershed Resilience Pilot Program grant from DWR in the amount of \$2 million was awarded subsequent to the fiscal year ending June 30, 2024. The grant provides funding to develop the blueprint and direction for implementation of strategies, projects and actions that will provide a resilient water future.
- 10) The RWA core budget projects a net deficit for fiscal year 2025 that will be offset by operating fund reserves.

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, 2295 Gateway Oaks Drive, Suite 100, Sacramento, CA 95833.

REGIONAL WATER AUTHORITY

STATEMENTS OF NET POSITION

June 30, 2024 and 2023

	2024	2023
ASSETS		
Current Assets		
Cash and Investments	\$ 1,414,813	\$ 1,239,721
Restricted Cash and Investments	746,024	1,756,610
Grants/Incentives Receivable	628,964	269,297
Programs Receivable	251,203	40,468
Accounts Receivable	10,201	44,331
Receivable from Sacramento Groundwater Authority (SGA)	115,522	96,462
Interest Receivable	26,944	24,137
Prepaid Expenses	63,435	53,286
Total Current Assets	3,257,106	3,524,312
Non-Current Assets		
Net Other Post Employment Benefits (OPEB) Asset	-	117,369
Capital Assets, Net	224,936	19,168
Total Non-Current Assets	224,936	136,537
Total Assets	3,482,042	3,660,849
DEFERRED OUTFLOWS		
Pension	341,150	450,368
OPEB	364,922	281,234
Total Deferred Outflows	706,072	731,602
TOTAL ASSETS AND DEFERRED OUTFLOWS	4,188,114	4,392,451
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	450,105	360,216
Compensated Absences, Current Portion	93,926	78,056
Lease Liability, Current Portion	56,188	8,177
Subscription Program Advances, Current Portion	343,535	949,110
Unearned Revenue, Current Portion	25,399	20,000
Total Current Liabilities	969,153	1,415,559
Non-Current Liabilities		
Compensated Absences, Net of Current Portion	52,000	64,500
Lease Liability, Net of Current Portion	207,895	1,745
Subscription Program Advances, Net of Current Portion	388,587	102,665
Unearned Revenue, Net of Current Portion	100,000	120,000
Net Pension Liability	223,583	171,703
Net OPEB Liability	26,842	-
Total Non-Current Liabilities	998,907	460,613
Total Liabilities	1,968,060	1,876,172
DEFERRED INFLOWS		
Pension	14,334	29,686
OPEB	202,972	257,152
Total Deferred Inflows	217,306	286,838
NET POSITION		
Net Investment in Capital Assets	-	9,246
Restricted	357,881	526,712
Unrestricted	1,644,867	1,693,483
Total Net Position	\$ 2,002,748	\$ 2,229,441

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, 2024 and 2023

	2024	2023
OPERATING REVENUES:		
Assessment Income	\$ 1,157,225	\$ 1,149,017
Subscription Program Fees	1,758,654	1,591,194
Incentives, Grants, and Reimbursements	5,640,462	2,989,712
Other Income	38,944	4,907
Total Operating Revenues	8,595,285	5,734,830
OPERATING EXPENSES:		
Administrative Expenses	2,035,674	2,222,452
Core Program Expenses	20,000	20,000
Subscription Program Direct Expenses	1,166,937	1,094,803
Grant Awards	5,658,517	2,874,022
Other Expenses	30,602	-
Total Operating Expenses	8,911,730	6,211,277
OPERATING LOSS	(316,445)	(476,447)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	110,806	75,817
Interest Expense	(21,054)	(2,319)
Total Nonoperating Revenues (Expenses)	89,752	73,498
DECREASE IN NET POSITION	(226,693)	(402,949)
Net Position, Beginning of Year	2,229,441	2,632,390
NET POSITION, End of Year	\$ 2,002,748	\$ 2,229,441

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

REGIONAL WATER AUTHORITY

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members and participants	\$ 2,409,834	\$ 2,853,283
Cash received from SGA	786,978	725,534
Cash received from grants and other sources	5,280,795	2,787,969
Cash paid to employees, related benefits and taxes	(1,964,935)	(1,923,956)
Cash paid to suppliers	(2,981,751)	(2,164,618)
Cash paid to subscription program participants	(4,435,779)	(2,312,504)
Net Cash Used by Operating Activities	(904,858)	(34,292)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal payments on lease liability	(17,581)	(36,003)
Interest payments on lease liability	(21,054)	(2,319)
Net Cash Used by Capital and Related Financing Activities	(38,635)	(38,322)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on cash and investments	107,999	57,379
NET DECREASE IN CASH AND CASH EQUIVALENTS	(835,494)	(15,235)
CASH AND CASH EQUIVALENTS, Beginning of Year	2,996,331	3,011,566
CASH AND CASH EQUIVALENTS, End of Year	\$ 2,160,837	\$ 2,996,331
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET:		
Cash and investments	\$ 1,414,813	\$ 1,239,721
Restricted cash and investments	746,024	1,756,610
Total cash and cash equivalents	\$ 2,160,837	\$ 2,996,331
RECONCILIATION OF (LOSS) INCOME FROM OPERATIONS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (316,445)	\$ (476,447)
Adjustments to reconcile operating income to net cash used by operating activities:		
Depreciation	3,712	3,712
Amortization	62,262	35,283
Change in operating assets and liabilities:		
Grants/Incentives receivable	(359,667)	(27,583)
Programs receivable	(210,735)	(40,468)
Accounts receivable	34,130	(17,066)
Receivable from SGA	(19,060)	(20,936)
Prepaid expenses	(10,149)	(20,788)
Accounts payable and accrued liabilities	89,889	149,433
Compensated absences	3,370	2,244
Subscription program advances	(319,653)	186,508
Unearned revenue	(14,601)	(212,035)
Net pension liability	51,880	465,427
Net OPEB asset/liability	144,211	377,770
Change in deferred outflows/inflows of resources for pension	(99,040)	(182,270)
Change in deferred outflows/inflows of resources for OPEB	55,038	(257,076)
Net Cash Used by Operating Activities	\$ (904,858)	\$ (34,292)
NONCASH TRANSACTIONS:		
Right-of-use asset obtained in exchange for new lease liability	\$ 271,742	\$ -

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, 2024 AND 2023

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.

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The provisions of this Statement are effective for the year ended June 30, 2025.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This statement will implement changes to the financial reporting model including the Management's Discussion and Analysis, Unusual or Infrequent Items, presentation of the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position, Major Component Unit Information, and Budgetary Comparison Information. The provisions of this Statement are effective for year ended June 30, 2026.

In October 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, that requires certain types of assets to be disclosed separately in the note disclosures and establishes requirements for capital assets held for sale.

RWA will analyze the impact of these new statements prior to the effective date listed above.

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

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

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

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

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.

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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. 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 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:

	2024	2023
Valuation Date (VD)	June 30, 2022	June 30, 2021
Measurement Date (MD)	June 30, 2023	June 30, 2022
Measurement Period (MP)	July 1, 2022 to June 30, 2023	July 1, 2021 to June 30, 2022

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:

	2024	2023
Valuation Date	June 30, 2023	June 30, 2021
Measurement Date	June 30, 2023	June 30, 2022
Measurement Period	July 1, 2022 to June 30, 2023	July 1, 2021 to June 30, 2022

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

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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:

	2024	2023
Common Interest Management Services	\$ 458,587	\$ 521,703
Regional Water Bank	193,954	379,635
Prop 84	40,848	40,848
Rachio Controller	20,223	22,235
Prop 1 Round 1	11,830	31,893
Urban Drought	6,680	13,893
Regional Emergency Preparedness Program	-	41,250
Water Suppliers Incentives	-	318
Less: Current Portion	(343,535)	(949,110)
Non-Current Portion	\$ 388,587	\$ 102,665

Unearned Revenue – Unearned revenue is comprised of the following at June 30:

	2024	2023
Powerhouse Science Center	\$ 125,000	\$ 140,000
Annual Assessment	399	-
Less: Current Portion	(25,399)	(20,000)
Non-Current Portion	\$ 100,000	\$ 120,000

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, 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.

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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, along with expenses to administer these programs. Restricted net position consists of cumulative Water Efficiency Program fees in excess of expenses incurred of \$357,881 and \$526,712 as of June 30, 2024 and 2023, 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 2024, the minimum assessment was \$3,819 and the maximum assessment was \$94,342. During 2023, the minimum assessment was \$4,106 and the maximum assessment was \$94,236.

Non-voting associate members pay an annual fee with a maximum annual fee of \$15,637 per year in 2024 and 2023, subject to adjustments from time to time by the RWA Board. Lastly, RWA affiliates pay an annual fee of \$800 and \$750 per year in 2024 and 2023, respectively.

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. The amounts payable to the program participants and the related expenses are presented in the financial statements as grant awards.

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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 \$806,038 and \$746,470 for the years ended June 30, 2024 and 2023, respectively. At June 30, 2024 and 2023, the amount receivable from SGA was \$115,522 and \$96,462, respectively, for these administrative related costs. The Statements of Revenues, Expenses, and 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>2024</u>	<u>2023</u>
Cash and Investments	\$ 1,414,813	\$ 1,239,721
Restricted Cash and Investments	746,024	1,756,610
	<u>\$ 2,160,837</u>	<u>\$ 2,996,331</u>

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

	<u>2024</u>	<u>2023</u>
Deposits with financial institutions	\$ 145,424	\$ 163,916
Investments in LAIF	2,015,413	2,832,415
Total cash and investments	<u>\$ 2,160,837</u>	<u>\$ 2,996,331</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, 2024 and 2023 was \$179,046,993,600 and \$177,045,532,802, respectively. For information on the types of investments made by LAIF, refer to the State of California Treasurer’s separately issued investment reports. Copies of these investment reports may be obtained by calling (916) 653-3001, by writing to LAIF, 915 Capitol Mall, Room 106, Sacramento, CA 95814, or by logging on to the treasurer’s website at www.treasurer.ca.gov/pmia-laif/reports/monthly.asp.

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, an investment's sensitivity to the changes in market interest rates increases as the length of maturity increases. The average maturity of the investments in the LAIF investment pool on June 30, 2024 and 2023 was approximately 217 and 260 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 93% and 95% of its cash invested in LAIF for the years ended June 30, 2024 and 2023, 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, 2024 and 2023, the carrying amount of the deposits was \$145,424 and \$163,916 and the balance in financial institutions was \$478,494 and \$275,373, respectively. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance at June 30, 2024 and 2023, 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 Powerhouse Science Center have been restricted.

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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

	2024	2023
Common Interest Management Services	\$ 226,419	\$ 650,847
Regional Water Bank	160,636	440,439
Water Efficiency Program	151,641	377,440
Powerhouse Science Center	125,000	160,000
Regional Emergency Preparedness Program	41,250	41,250
Prop 84 Program Management	40,848	40,848
Urban Drought	230	13,893
Prop 1 Round 1	-	31,893
	\$ 746,024	\$ 1,756,610

3. CAPITAL ASSETS

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

	Balance June 30, 2023	Increases	Decreases	Balance June 30, 2024
Furniture	\$ 3,722	\$ -	\$ (3,722)	\$ -
Office Equipment	22,190	-	(3,629)	18,561
Website Development	15,604	-	(15,604)	-
Leasehold Improvements	14,785	-	(14,785)	-
Right-of-use Asset - Buildings	71,163	271,742	(71,163)	271,742
Right-of-use Asset - Equipment	8,944	-	-	8,944
Total Capital Assets	136,408	271,742	(108,903)	299,247
Less Accumulated Depreciation	(46,674)	(3,712)	37,740	(12,646)
Less Accumulated Amortization	(70,566)	(62,262)	71,163	(61,665)
Total Accumulated Depreciation and Amortization	(117,240)	(65,974)	108,903	(74,311)
Capital Assets, Net	\$ 19,168	\$ 205,768	\$ -	\$ 224,936

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	Balance			Balance
	June 30, 2022	Increases	Decreases	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-of-use Asset - Buildings	71,163	-	-	71,163
Right-of-use Asset - Equipment	8,944	-	-	8,944
Total Capital Assets	136,408	-	-	136,408
Less Accumulated Depreciation	(42,962)	(3,712)	-	(46,674)
Less Accumulated Amortization	(35,283)	(35,283)	-	(70,566)
Total Accumulated Depreciation and Amortization	(78,245)	(38,995)	-	(117,240)
Capital Assets, Net	\$ 58,163	\$ (38,995)	\$ -	\$ 19,168

On April 5, 2023, RWA entered into a lease agreement for office space at 2295 Gateway Oaks Drive Suite 100 in Sacramento, California beginning July 1, 2023 for a period of 60 months ending June 30, 2028. 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.

On January 11, 2018, 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 ending August 31, 2023. 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, 2024 AND 2023

4. LONG-TERM LIABILITIES

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

	Balance June 30, 2023	Additions	Retirements	Balance June 30, 2024	Amounts Due Within One Year
Compensated Absences	\$ 142,556	\$ 110,580	\$ (107,210)	\$ 145,926	\$ 93,926
Lease Liability	9,922	271,742	(17,581)	264,083	56,188
Subscription Program Advances	1,051,775	474,000	(793,653)	732,122	343,535
Unearned Revenue	140,000	399	(15,000)	125,399	25,399
Net Pension Liability	171,703	51,880	-	223,583	-
Net OPEB Liability	-	26,842	-	26,842	-
Total Long-Term Liabilities	<u>\$ 1,515,956</u>	<u>\$ 935,443</u>	<u>\$ (933,444)</u>	<u>\$ 1,517,955</u>	<u>\$ 519,048</u>

	Balance June 30, 2022	Increases	Decreases	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>

Leases

On April 5, 2023, RWA entered into a lease agreement for office space at 2295 Gateway Oaks Drive Suite 100 in Sacramento, California beginning July 1, 2023. The lease extends through June 30, 2028 and contains base rents of \$5,992 to \$6,744 per month. As part of the lease RWA received seven rent free months. The lease has an option to extend for an additional five-year term at fair market rent rates. For purposes of discounting future payments on the lease, RWA used the discount rate of 8.25%.

On January 11, 2018, 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-of-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
2025	\$ 56,188	\$ 19,702	\$ 75,890
2026	61,416	14,863	76,279
2027	69,056	9,512	78,568
2028	77,423	3,504	80,927
Total	<u>\$ 264,083</u>	<u>\$ 47,581</u>	<u>\$ 311,664</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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, 2023 and 2022 (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, 2024	12.63%	8.00%	7.00%	8.25%
June 30, 2023	11.06%	7.76%	7.00%	7.25%

Employer contributions rates may change if plan contracts are amended. For the years ended June 30, 2024 and 2023, the employer required contributions to the plan were \$109,012 and \$97,406, respectively. RWA also made additional non-required employer pension contributions of \$36,700 for the year ended

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

June 30, 2023 towards payment of its unfunded liability. No additional contribution was made for the year ended June 30, 2024.

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, 2023 for the year ended June 30, 2024. The total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. As of June 30, 2024 and 2023 RWA's proportionate share of the Plan's NPL was \$223,583 and \$171,703, 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, 2023 and 2022 measurement dates. The following table shows RWA's employer allocation factors for the Plan as of the fiscal years ending June 30:

2024:

Proportion - June 30, 2024	0.00447%
Proportion - June 30, 2023	<u>0.00367%</u>
Change – increase	<u><u>0.00080%</u></u>

2023:

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

For the fiscal years ended June 30, 2024 and 2023, RWA incurred a pension expense of \$254,759 and \$567,390, respectively.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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

	Deferred Outflow of Resources	
	2024	2023
Contributions after measurement date	\$ 109,012	\$ 134,106
Difference between actual and expected experience	11,422	3,448
Changes in assumptions	13,499	17,595
Net difference between projected and actual earnings on plan investments	36,200	31,451
Difference between employer contributions and the employer's proportionate share of contributions	1,532	
Adjustments due to differences in proportions	169,485	263,768
	\$ 341,150	\$ 450,368

The \$109,012 and \$134,106 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, 2025 and 2024, respectively.

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

	Deferred Inflow of Resources	
	2024	2023
Difference between actual and expected experience	\$ 1,772	\$ 2,309
Differences between employer contributions and the employer's proportionate share of contributions	12,562	27,377
	\$ 14,334	\$ 29,686

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

2024:

Measurement Period Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2025	\$ 113,599
2026	71,145
2027	32,022
2028	1,038

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

2023:

Measurement Period Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2024	\$ 107,434
2025	100,625
2026	59,280
2027	19,238

Actuarial Assumptions

For the measurement periods ended June 30, 2023 and 2022, the TPL was determined by rolling forward the June 30, 2022 and June 30, 2021 TPL, respectively. The TPL was based on the following actuarial methods and assumptions:

For the measurement period
ending June 30:

	2023	2022
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	6.90%	6.90%
Inflation	2.30%	2.30%
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 Funds	Derived using CalPERS' Membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

(1) The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

Changes in Assumptions

No benefit or assumption changes were made for the measurement period ended June 30, 2023. 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 the mortality rate table.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2023 and 2022 (the measurement date) was 6.90%. 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 expected real rates of return by asset class for the measurement periods ended June 30, 2023 and 2022 are as follows:

Asset Class	June 30, 2023	
	Assumed Asset Allocation	Real Return Years 1-10(a)(b)
Global equity - cap-weighted	30.00%	4.54%
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%)
	100.00%	

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

Asset Class	June 30, 2022	
	Assumed Asset Allocation	Real Return Years 1-10(a)(b)
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%)
	100.00%	

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

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

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, 2023 and 2022.

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% for the measurement periods ended June 30, 2023 and 2022, 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:

2023:

	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Proportionate Share of Plan's NPL	\$ 683,346	\$ 223,583	\$ (154,840)

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)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

Payable to the Pension Plan

RWA had \$2,258 and \$2,096 in outstanding payables to the pension plan at June 30, 2024 and 2023, respectively.

Deferred Compensation Plan

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

6. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

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

Benefits Provided

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

Employees Covered

As of the June 30, 2023 actuarial valuation, the following inactive and active employees were covered by the benefit terms under the OPEB Plan:

Inactive employees receiving benefits	6
Inactive employees entitled to but not receiving benefits	1
Participating active employees	<u>9</u>
Total	<u>16</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, 2024, RWA's benefit payments directly to retirees net of reimbursements was \$69,195 and the estimated implied subsidy was \$12,534, resulting in total payments of \$81,729. 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 were \$4,718 and the estimated implied subsidy was \$8,772, resulting in total payments of \$65,364. These assets accumulate and are invested in the CERBT. Employees are currently not required to contribute to the plan.

Net OPEB Liability/Asset

The net OPEB asset for June 30, 2024 and 2023, was measured as of June 30, 2023 and 2022, respectively. The total OPEB liability used to calculate the net OPEB liability/asset was determined by an actuarial valuation dated June 30, 2023 and 2021 to determine the June 30, 2024 and 2023 total OPEB liability, based on the following actuarial methods and assumptions:

	2024	2023
Valuation Date	June 30, 2023	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	6.10%	6.00%
Long-term Return on Assets (net of plan investment expenses and inflation)	6.10%	6.00%
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 2021 Experience Study ⁽²⁾	CalPERS 2017 Experience Study ⁽³⁾
Healthcare Trend	6.50% decreasing to 3.90% ⁽⁴⁾	5.60% decreasing to 3.90% ⁽⁵⁾

⁽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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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 2021 experience study of CalPERS using data from 1997 to 2019, except for a different basis used to project future mortality improvements.
- (3) 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.
- (4) The healthcare trend ranges from increases of 6.50% in 2025 to 3.90% in 2075 and beyond.
- (5) The healthcare trend ranges from increases of 5.60% in 2024 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 6.10% and 6.00%, for measurement periods ended June 30, 2023 and 2022, respectively.

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	2024	2023
Global Equity	49%	49%
Fixed Income	23%	23%
Global Real Estate (REITs)	20%	20%
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, 2024 and 2023 was 6.10% and 6.00%, 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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Sensitivity of the Net OPEB Liability/Asset to Changes in the Discount Rate

The following presents the net OPEB liability/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:

2024:

	Discount Rate -1% (5.10%)	Current Discount Rate (6.10%)	Discount Rate +1% (7.10%)
Net OPEB liability (asset)	\$ 208,787	\$ 26,842	\$ (123,957)

2023:

	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)

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

The following presents the net OPEB liability/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:

2024:

	Medical Trend Rate -1%	Current Medical Trend Rate	Medical Trend Rate +1%
Net OPEB Liability (asset)	\$ (133,269)	\$ 26,842	\$ 221,337

2023:

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

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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Additionally, CalPERS annually issues an 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, 2024 and 2023. All other amounts are recognized over the expected average remaining service lifetime (EARSL), which was 7.44 and 7.17 years at June 30, 2024 and 2023, respectively.

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

For the fiscal years ended June 30, 2024 and 2023, RWA recognized OPEB expense of \$88,072 and \$35,931, respectively. As of fiscal years ending June 30, deferred outflows of resources related to OPEB are from the following sources:

	2024	2023
	Deferred Outflows of Resources	Deferred Outflows of Resources
OPEB contributions subsequent to measurement date	\$ 81,729	\$ 65,364
Changes in assumptions	76,100	105,143
Differences between expected and actual experience	121,425	-
Net differences between projected and actual earnings on OPEB plan investments	85,668	110,727
Total	\$ 364,922	\$ 281,234

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

	2024	2023
	Deferred Inflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 133,306	\$ 180,420
Changes in assumptions	69,666	76,732
Total	\$ 202,972	\$ 257,152

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

The \$81,729 and \$65,364 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2023 and 2022 measurement dates will be recognized as a reduction of the net OPEB liability during the fiscal years ended June 30, 2025 and 2024, respectively. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2024:

Fiscal Year Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2025	\$ (3,169)
2026	(10,599)
2027	41,399
2028	3,698
2029	22,837
Thereafter	26,055

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

7. BOARD DESIGNATIONS

The Board establishes and approves the operating fund, membership dues, 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, 2024 and 2023 is sufficient to set aside the designations for budget purposes.

The designations as of June 30 are as follows:

	2024	2023
<u>Board Designations</u>		
Operating Fund	\$ 917,200	\$ 729,271
Membership Dues	169,700	168,100
Subscription Programs	51,656	52,357
Total Board Designations	\$ 1,138,556	\$ 969,728

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

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. 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.

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	\$50,000 - \$100,000
Property Coverage	10,000,000	490,000,000	\$1,000 - \$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. COMMITMENTS

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 the terms of this agreement RWA will receive up to \$1.1 million for grant administration and RWA is committed to passing-through up to \$53.9 million to participating members

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

for infrastructure projects in return for making available up to 30,000 acre-feet of water through groundwater replenishment for up to 3 years.

In January 2024, RWA entered into an agreement with West Yost Associates, Inc. to provide ARTESIAN grant administration services for an amount not to exceed \$380,000, as of June 30, 2024, the remaining commitment was \$336,213.

10. CONTINGENCIES

Grant Awards and Payments

RWA participates in numerous grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies. Therefore, to the extent that RWA has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2024 and 2023 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. This contingent grant award revenue is estimated at \$19,217 at June 30, 2024. There was no contingent grant award revenue 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 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.

11. ECONOMIC DEPENDENCIES

RWA incurs common administrative expenses to operate both RWA and SGA. RWA relies upon reimbursement of these expenses by SGA. As discussed in Note 1, summary of significant accounting policies, SGA reimbursed \$806,038 and \$746,470 for the years ended June 30, 2024 and 2023 which represents 28% and 25% of RWA's total administrative expenses, respectively. Additionally, RWA relies upon subscription-based programs to pay for administration expenses of 26% and 23% for the years ended June 30, 2024 and 2023, respectively. To the extent subscription-based programs did not exist or were reduced, RWA membership dues would need to increase to fund operating expenses.

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

12. SUBSEQUENT EVENTS

In July 2024, RWA entered into a grant agreement with DWR for the Watershed Resilience Pilot Program. Under terms of this agreement RWA will receive up to \$2 million to complete a Watershed Resilience Plan that provides the blueprint and direction for implementation of strategies, projects and actions that will provide a resilient water future. Related to this grant, in July 2024, RWA entered into an agreement for professional Services with Jacobs Engineering Group, Inc. for an amount not to exceed \$1.7 million.

REQUIRED SUPPLEMENTAL INFORMATION

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REGIONAL WATER AUTHORITY

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

	Measurement Date									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension (asset)/liability	0.004471%	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	\$ 223,583	\$ 171,703	\$ (293,724)	\$ 106,279	\$ 70,367	\$ 89,817	\$ 154,391	\$ 147,540	\$ 346,165	\$ 337,276
Covered - employee payroll	\$ 938,751	\$ 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	23.82%	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	77.97%	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	93.42%	94.42%	110.71%	95.77%	96.82%	95.45%	90.24%	89.09%	83.50%	83.03%

Notes to Schedule:

For the measurement period ended June 30, 2023 there was no assumption changes.

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

**SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN
Last Ten Years**

	Fiscal Year									
	2023-2024	2022-2023	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
Contractually required contribution (actuarially determined)	\$ 109,012	\$ 97,406	\$ 89,293	\$ 76,480	\$ 62,065	\$ 51,840	\$ 49,160	\$ 47,566	\$ 44,595	\$ 70,182
Contributions in relation to the actuarially determined contributions	109,012	134,106	125,993	113,180	77,065	114,840	91,160	89,566	181,995	70,182
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (36,700)</u>	<u>\$ (36,700)</u>	<u>\$ (36,700)</u>	<u>\$ (15,000)</u>	<u>\$ (63,000)</u>	<u>\$ (42,000)</u>	<u>\$ (42,000)</u>	<u>\$ (137,400)</u>	<u>\$ -</u>
Covered - employee payroll	\$ 1,011,406	\$ 938,751	\$ 847,507	\$ 711,891	\$ 598,436	\$ 511,721	\$ 536,680	\$ 466,290	\$ 365,294	\$ 592,756
Contributions as a percentage of covered - employee payroll	10.78%	14.29%	14.87%	15.90%	12.88%	22.44%	16.99%	19.21%	49.82%	11.84%
Contributions valuation 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
Contributions measurement date	June 30, 2022	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

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry age normal									
Amortization Method	Level percentage of payroll, closed									
Remaining amortization period	Varies, not more than 30 years									
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	15-year smoothed market
Investment Rate of Return	6.80%	7.00%	7.00%	7.00%	7.25%	7.375%	7.50%	7.50%	7.50%	7.50%
Inflation	2.30%	2.50%	2.50%	2.50%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Payroll Growth	2.80%	2.75%	2.75%	2.75%	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%
Salary Increases	Varies by entry age and service									
Mortality	Most recent CalPERS Experience Study									

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

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIO
For the Measurement Period Ended June 30**

Measurement Period	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability							
Service Cost	\$ 93,184	\$ 83,549	\$ 78,624	\$ 76,149	\$ 66,236	\$ 64,152	\$ 57,930
Interest Cost	77,862	73,189	81,028	75,707	84,785	78,135	71,699
Changes of Benefit Terms	-	-	-	-	1,871	-	-
Actual and Expected Experience Difference	140,280	-	(190,864)	-	(58,867)	-	(141,761)
Assumption Changes	(13,726)	65,842	49,216	-	(152,520)	-	139,794
Benefit Payments	(57,821)	(63,155)	(79,394)	(75,036)	(55,816)	(42,919)	(40,972)
Net change in OPEB Liability	239,779	159,425	(61,390)	76,820	(114,311)	99,368	86,690
Total OPEB Liability - Beginning	1,233,434	1,074,009	1,135,399	1,058,579	1,172,890	1,073,522	986,832
Total OPEB Liability - Ending (a)	<u>\$ 1,473,213</u>	<u>\$ 1,233,434</u>	<u>\$ 1,074,009</u>	<u>\$ 1,135,399</u>	<u>\$ 1,058,579</u>	<u>\$ 1,172,890</u>	<u>\$ 1,073,522</u>
Plan Fiduciary Net Position							
Employer Contributions	\$ 65,364	\$ 56,710	\$ 58,947	\$ 87,282	\$ 84,977	\$ 73,980	\$ 72,745
Net Investment Income	88,419	(211,501)	345,183	45,208	70,945	77,895	90,150
Benefit Payments	(57,821)	(63,155)	(79,394)	(75,036)	(55,816)	(42,919)	(40,972)
Administrative Expenses	(394)	(399)	(475)	(601)	(240)	(520)	(460)
Other Expenses	-	-	-	-	-	(1,297)	-
Net change in plan fiduciary net position	95,568	(218,345)	324,261	56,853	99,866	107,139	121,463
Plan fiduciary net position - Beginning	1,350,803	1,569,148	1,244,887	1,188,034	1,088,168	981,029	859,566
Plan fiduciary net position - Ending (b)	<u>\$ 1,446,371</u>	<u>\$ 1,350,803</u>	<u>\$ 1,569,148</u>	<u>\$ 1,244,887</u>	<u>\$ 1,188,034</u>	<u>\$ 1,088,168</u>	<u>\$ 981,029</u>
Net OPEB Liability (Asset) (a) - (b) = (c)	<u>\$ 26,842</u>	<u>\$ (117,369)</u>	<u>\$ (495,139)</u>	<u>\$ (109,488)</u>	<u>\$ (129,455)</u>	<u>\$ 84,722</u>	<u>\$ 92,493</u>
Plan fiduciary net position as a percentage of OPEB liability (b)/(a)	98.18%	109.52%	146.10%	109.64%	112.23%	92.78%	91.38%
Covered Payroll (d)	\$ 1,259,512	\$ 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)	2.13%	-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

**SCHEDULE OF OPEB CONTRIBUTIONS
For the Measurement Period Ended June 30**

Fiscal Year Ended June 30	2024	2023	2022	2021	2020	2019	2018
Actuarially Determined Contribution (ADC) (a)	\$ 79,297	\$ 60,646	\$ 56,710	\$ 58,626	\$ 87,603	\$ 84,977	\$ 73,980
Contributions in Relation to ADC	81,729	(65,364)	(56,710)	(58,947)	(87,282)	(84,977)	(73,980)
Contribution Deficit (Excess)	<u>\$ (2,432)</u>	<u>\$ (4,718)</u>	<u>\$ -</u>	<u>\$ (321)</u>	<u>\$ 321</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll (b)	\$ 1,526,256	\$ 1,259,512	\$ 1,168,267	\$ 1,018,771	\$ 933,449	\$ 799,048	\$ 833,750
ADC as a % of covered employee payroll (a)/(b)	5.35%	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, 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%	2.50%	2.75%	2.75%	2.75%	2.75%
Salary Increase	3.00%	3.00%	3.00%	3.25%	3.25%	3.25%	3.25%
Investment Rate of Return	6.00%	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

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Regional Water Authority
Statement of Revenues, Expenses and Changes in Net Assets - By Program
For the Year Ended June 30, 2024

	Agency Core Program	Water Efficiency Program	Common Interest Management Services	Regional Water Bank	Prop 1 Round 1	Urban Drought	Total RWA
Operating Revenues							
Assessment Income	\$ 1,157,225	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,157,225
Subscription Program Fees	-	498,377	592,320	640,681	20,063	7,213	1,758,654
Incentives, Grants, and Reimbursements	3,916	1,163,843	48,428	278,968	1,843,530	2,301,777	5,640,462
Other Income	38,944	-	-	-	-	-	38,944
Total Operating Revenues	1,200,085	1,662,220	640,748	919,649	1,863,593	2,308,990	8,595,285
Operating Expenses							
Administrative Expenses	\$ 1,301,920	304,103	289,784	77,747	44,630	17,490	2,035,674
Core Program Expenses	20,000	-	-	-	-	-	20,000
Subscription Program Direct Expenses	-	296,700	302,353	567,884	-	-	1,166,937
Grant Awards	-	1,230,248	43,788	274,018	1,818,963	2,291,500	5,658,517
Other Expenses	30,602	0	-	0	-	0	30,602
Total Operating Expenses	1,352,522	1,831,051	635,925	919,649	1,863,593	2,308,990	8,911,730
Net Operating Income	(152,437)	(168,831)	4,823	-	-	-	(316,445)
Nonoperating Revenues/ Expenses	89,752	-	-	-	-	-	89,752
Net Income (Loss)	\$ (62,685)	\$ (168,831)	\$ 4,823	\$ -	\$ -	\$ -	(226,693)
Net Position, Beginning of the Year							2,229,441
Net Position, End of the Year							\$ 2,002,748

Regional Water Authority
Statement of Revenues, Expenses and Changes in Net Assets - By Program
For the Year Ended June 30, 2023

	Agency Core Program	Water Efficiency Program	Common Interest Management Services	Regional Water Bank	Prop 1 Round 1	Urban Drought	Prop 84	Water Transfers	Total RWA
Operating Revenues									
Assessment Income	\$ 1,149,017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,149,017
Subscription Program Fees	-	501,291	521,222	489,683	14,743	6,106	10,488	47,661	1,591,194
Incentives, Grants, and Reimbursements	-	1,234,819	-	75,226	637,313	951,956	90,398	-	2,989,712
Other Income	4,907	-	-	-	-	-	-	-	4,907
Total Operating Revenues	<u>1,153,924</u>	<u>1,736,110</u>	<u>521,222</u>	<u>564,909</u>	<u>652,056</u>	<u>958,062</u>	<u>100,886</u>	<u>47,661</u>	<u>5,734,830</u>
Operating Expenses									
Administrative Expenses	\$ 1,537,846	271,975	281,802	38,520	35,442	9,607	10,488	36,772	2,222,452
Core Program Expenses	20,000	-	-	-	-	-	-	-	20,000
Subscription Program Direct Expenses	221,876	372,068	45,946	454,913	-	-	-	-	1,094,803
Grant Awards	(14,854)	1,165,234	-	71,415	616,614	947,762	72,997	14,854	2,874,022
Other Expenses	-	-	-	-	-	-	-	-	-
Total Operating Expenses	<u>1,764,868</u>	<u>1,809,277</u>	<u>327,748</u>	<u>564,848</u>	<u>652,056</u>	<u>957,369</u>	<u>83,485</u>	<u>51,626</u>	<u>6,211,277</u>
Net Operating Income	<u>(610,944)</u>	<u>(73,167)</u>	<u>193,474</u>	<u>61</u>	<u>-</u>	<u>693</u>	<u>17,401</u>	<u>(3,965)</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>73,498</u>
Net Income (Loss)	<u>\$ (537,446)</u>	<u>\$ (73,167)</u>	<u>\$ 193,474</u>	<u>\$ 61</u>	<u>\$ -</u>	<u>\$ 693</u>	<u>\$ 17,401</u>	<u>\$ (3,965)</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

SCHEDULE OF ALLOCATED ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED JUNE 30, 2024

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 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, 2024 is:

	Staff Expenses	Office Expenses	Professional Fees	Total Administrative Expenses
RWA Administrative Expenses	\$ 2,174,924	\$ 239,846	\$ 426,942	\$ 2,841,712
Allocated to Sacramento Groundwater Authority	(660,534)	(80,894)	(64,610)	(806,038)
Total RWA Administrative Expenses - Net of SGA allocation	1,514,390	158,952	362,332	2,035,674
Allocated Administrative Expenses to Subscription Programs				
Water Efficiency Program	(275,543)	(17,904)	(10,656)	(304,103)
Common Interest Management Services	(262,294)	(16,834)	(10,656)	(289,784)
Regional Water Bank	(77,747)	-	-	(77,747)
Prop 1 Round 1	(44,630)	-	-	(44,630)
Urban Drought	(17,490)	-	-	(17,490)
Total Allocated Administrative Expenses - Subscription Programs	(677,704)	(34,738)	(21,312)	(733,754)
Net Agency Administrative Expenses - Agency Core Program	\$ 836,686	\$ 124,214	\$ 341,020	\$ 1,301,920

REGIONAL WATER AUTHORITY

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

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	\$ 2,351,111	\$ 190,043	\$ 427,768	\$ 2,968,922
Allocated to Sacramento Groundwater Authority	(613,159)	(77,708)	(55,603)	(746,470)
Total RWA Administrative Expenses - Net of SGA allocation	1,737,952	112,335	372,165	2,222,452
Allocated Administrative Expenses to Subscription Programs				
Water Efficiency Program	(246,410)	(10,308)	(15,257)	(271,975)
Common Interest Management Services	(272,159)	(7,417)	(2,226)	(281,802)
Regional Water Bank	(38,520)			(38,520)
Prop 1 Round 1	(35,442)			(35,442)
Urban Drought	(9,607)			(9,607)
Prop 84	(10,488)			(10,488)
Water Transfers	(36,772)			(36,772)
Total Allocated Administrative Expenses - Subscription Programs	(649,398)	(17,725)	(17,483)	(684,606)
Net Agency Administrative Expenses - Agency Core Program	\$ 1,088,554	\$ 94,610	\$ 354,682	\$ 1,537,846

OTHER REPORTS

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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, 2024, and the related notes to the financial statements, which collectively comprise RWA's basic financial statements, and have issued our report thereon dated December 2, 2024.

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 2, 2024