

REGIONAL WATER AUTHORITY

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

JUNE 30, 2025 AND 2024

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REGIONAL WATER AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Regional Water Authority
Sacramento, California

Opinions

We have audited the accompanying financial statements of the Regional Water Authority (RWA) as of and for the years ended June 30, 2025 and 2024, 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, 2025 and 2024 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.

Change in Accounting Principle

As discussed in Note 12 to the financial statements, the Authority implemented Government Accounting Standards Board Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

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 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 1, 2025 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 1, 2025

REGIONAL WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025 AND 2024

The Regional Water Authority (RWA) promotes collaboration on water management and water supply reliability programs in the greater Sacramento area. The mission is to serve, represent and align the interests of regional water providers and stakeholders for the purpose of improving water supply reliability, availability, quality and affordability. The following discussion and analysis of the RWA financial performance provides an overview of the financial activities for the fiscal year ending June 30, 2025, and 2024. This discussion and analysis should be read in conjunction with the financial statements, which can be found on pages 14 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 and 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.

REGIONAL WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025 AND 2024

Condensed Statements of Net Position

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

	<u>2025</u>	<u>Restated 2024</u>	<u>Change</u>	<u>Restated 2023</u>	<u>Change</u>
Current Assets	\$ 3,461,701	\$ 3,287,788	\$ 173,913	\$ 3,528,888	\$ (241,100)
Non-Current Assets	-	-	-	117,369	(117,369)
Capital Assets	<u>178,862</u>	<u>224,936</u>	<u>(46,074)</u>	<u>19,168</u>	<u>205,768</u>
 Total Assets	 3,640,563	 3,512,724	 127,839	 3,665,425	 (152,701)
Deferred Outflows	<u>750,066</u>	<u>706,072</u>	<u>43,994</u>	<u>731,602</u>	<u>(25,530)</u>
Total Assets and Deferred Outflows	<u>4,390,629</u>	<u>4,218,796</u>	<u>171,833</u>	<u>4,397,027</u>	<u>(178,231)</u>
Current Liabilities	1,094,127	978,949	115,178	1,423,552	(444,603)
Non-Current Liabilities	<u>1,007,419</u>	<u>1,067,705</u>	<u>(60,286)</u>	<u>510,801</u>	<u>556,904</u>
Total Liabilities	<u>2,101,546</u>	<u>2,046,654</u>	<u>54,892</u>	<u>1,934,353</u>	<u>112,301</u>
Deferred Inflows	<u>199,484</u>	<u>217,306</u>	<u>(17,822)</u>	<u>286,838</u>	<u>(69,532)</u>
Net Position:					
Invested in capital assets	-	-	-	9,246	(9,246)
Restricted	256,939	355,162	(98,223)	524,310	(169,148)
Unrestricted	<u>1,832,660</u>	<u>1,599,674</u>	<u>232,986</u>	<u>1,642,280</u>	<u>(42,606)</u>
Total net position	<u>\$ 2,089,599</u>	<u>\$ 1,954,836</u>	<u>\$ 134,763</u>	<u>\$ 2,175,836</u>	<u>\$ (221,000)</u>

Amounts for 2024 and 2023 were restated to reflect the implementation of GASB 101 to record an accrual for sick leave expected to be used, including the revision of the receivable from Sacramento Groundwater Authority for its share of the additional sick leave accrual.

Fiscal Year 2025 Compared to Fiscal Year 2024

Total current assets increased \$173,913 primarily due to increased grant activity related to the Water Efficiency Program (WEP)-Drought Relief grant, Common Interest Management Services (CIMS)-American River Terms for Ecosystem Support and Infrastructure Needs (ARTESIAN) grant and the Watershed Resilience Pilot Program grant, resulting in an increase in grants receivable of \$617,267 and a decrease in total cash and investments of \$463,214.

Capital Assets decreased \$46,074 due to the addition of a weather station offset by increases in accumulated depreciation and amortization.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025 AND 2024

Current liabilities increased by \$115,178 primarily due to a decrease in accounts payable and accrued liabilities related to vendor invoices for the Watershed Resilience Pilot Program grant.

Non-current liabilities decreased by \$60,286 primarily due to a decrease in the non-current portion of the lease liability related to a year of lease payments for the RWA office.

Net position increased \$134,763 due to an unrestricted net position increase of \$232,986 offset by a decrease of \$98,223 in restricted net position due to the spend down for WEP projects.

Fiscal Year 2024 Compared to Fiscal Year 2023

Total current assets decreased \$241,100, 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 \$584,245. Increased activity in the WEP, CIMS, 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 \$444,603, primarily due to decreases in the current portion of subscription program advances for the Regional Water Bank and CIMS.

Non-current liabilities increased by \$556,904, primarily due to increases in the non-current portion of subscription program advances for the CIMS 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 \$169,148 due to the spend down for WEP projects, and unrestricted net position declined by \$42,606 for a total decrease in net position of \$221,000 from the prior year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025 AND 2024

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>2025</u>	<u>Restated 2024</u>	<u>Change</u>	<u>Restated 2023</u>	<u>Change</u>
Operating Revenues:					
Assessment Income	\$ 1,253,108	\$ 1,157,225	\$ 95,883	\$ 1,149,017	\$ 8,208
Subscription Program Fees	1,410,285	1,759,443	(349,158)	1,593,767	165,676
Incentives, Grants and Reimbursements	13,061,176	5,640,462	7,420,714	2,989,712	2,650,750
Other Income	10,223	38,944	(28,721)	4,907	34,037
Total Operating Revenues	<u>15,734,792</u>	<u>8,596,074</u>	<u>7,138,718</u>	<u>5,737,403</u>	<u>2,858,671</u>
Interest Income	108,091	110,806	(2,715)	75,817	34,989
Total Revenues	<u>15,842,883</u>	<u>8,706,880</u>	<u>7,136,003</u>	<u>5,813,220</u>	<u>2,893,660</u>
Operating Expenses:					
Administrative Expenses	1,908,483	2,030,770	(122,287)	2,267,126	(236,356)
Core Program Expenses	25,000	20,000	5,000	20,000	-
Subscription Program Direct Expenses	777,523	1,166,937	(389,414)	1,094,803	72,134
Grant Awards	12,977,412	5,658,517	7,318,895	2,874,022	2,784,495
Other Expenses	-	30,602	(30,602)	-	30,602
Total Operating Expenses	<u>15,688,418</u>	<u>8,906,826</u>	<u>6,781,592</u>	<u>6,255,951</u>	<u>2,650,875</u>
Interest Expense	19,702	21,054	(1,352)	2,319	18,735
Total Expenses	<u>15,708,120</u>	<u>8,927,880</u>	<u>6,780,240</u>	<u>6,258,270</u>	<u>2,669,610</u>
Change in Net Position	<u>134,763</u>	<u>(221,000)</u>	<u>355,763</u>	<u>(445,050)</u>	<u>224,050</u>
Net Position, July 1	<u>1,954,836</u>	<u>2,175,836</u>	<u>(221,000)</u>	<u>2,620,886</u>	<u>(445,050)</u>
Net Position, June 30	<u>\$ 2,089,599</u>	<u>\$ 1,954,836</u>	<u>\$ 134,763</u>	<u>\$ 2,175,836</u>	<u>\$ (221,000)</u>

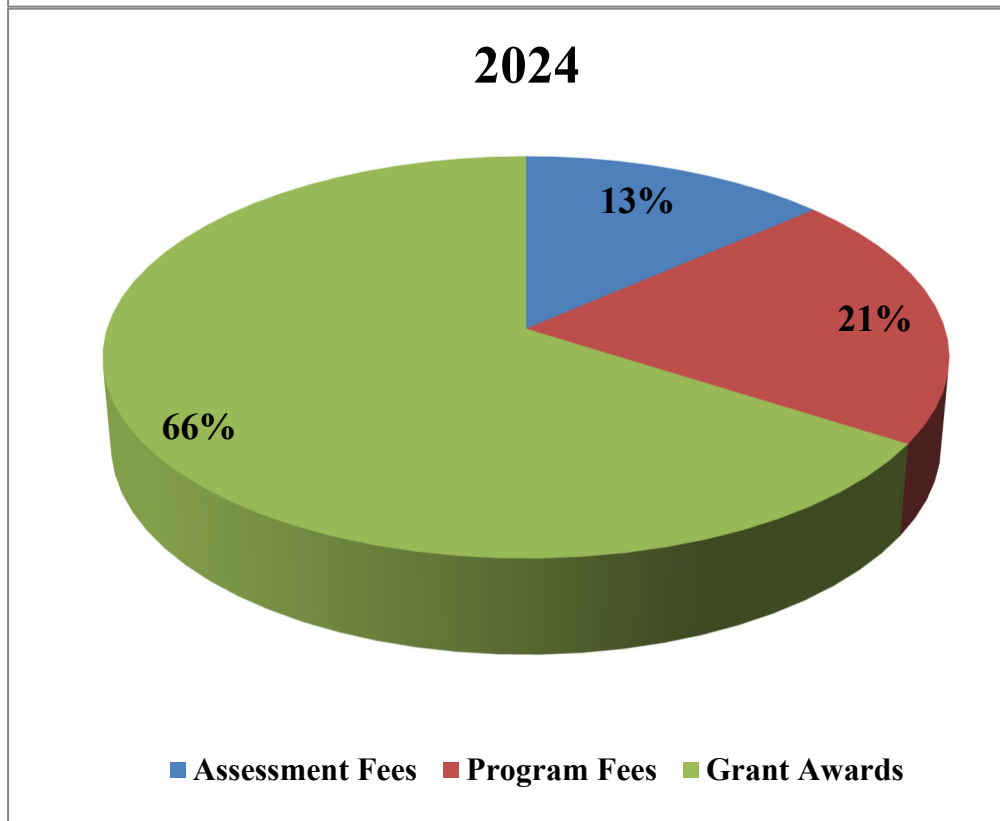
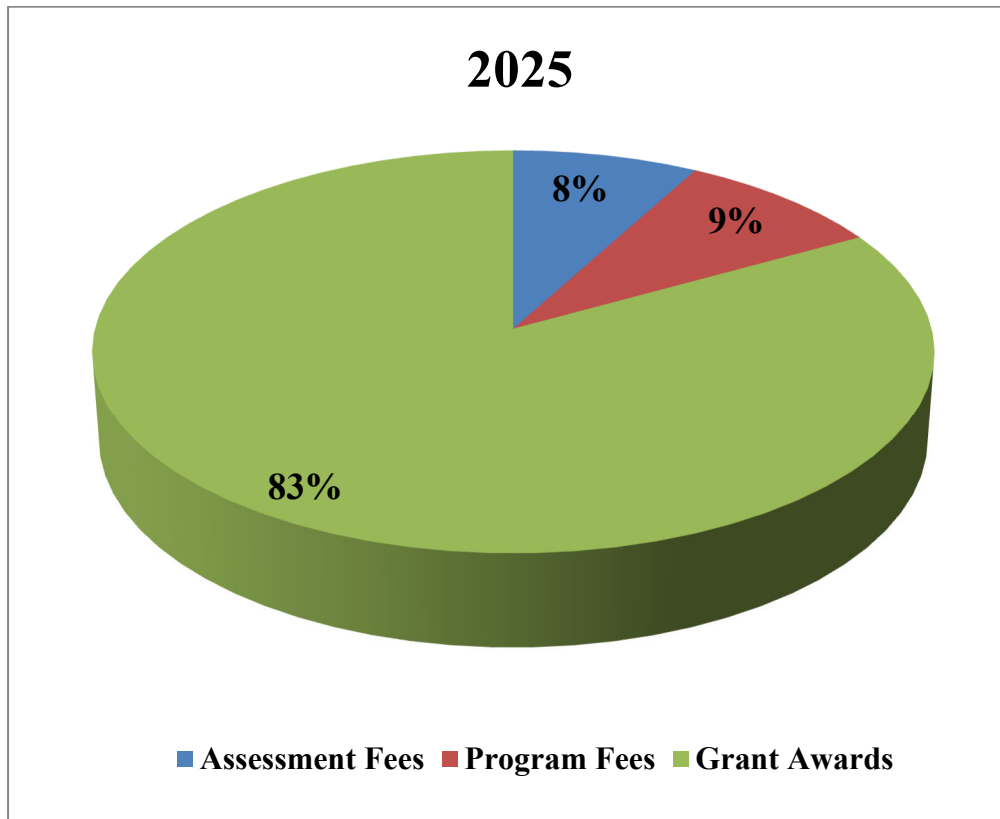
Amounts for 2024 and 2023 were restated to reflect the implementation of GASB 101 to record an accrual for sick leave expected to be used.

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 2025, the percentage of revenue from assessment fees decreased by 5% and program fees decreased by 12%, offset by an increase in grant awards of 17%. 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, 2025 AND 2024



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MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025 AND 2024

Fiscal Year 2025 Compared to Fiscal Year 2024

Total revenues – Total revenues including interest income are \$15,842,883 and was \$7,136,003 higher than the previous year. The increase is primarily the result of an increase in grant revenue of \$7,420,714 offset by other less significant decreases.

Assessment fees – The total assessment fees increased \$95,883 due to a Board approved dues rate increase of 5% and an increase in member agency retail connections.

Subscription Program Fees – During fiscal year 2025, the RWA mainly earned subscription program fees from the WEP, CIMS and Regional Water Bank. Program fees are not expected to be comparable from year to year. The program fees decreased overall by \$349,158. 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 2025, RWA earned \$13,061,176 in grant revenues from various grants, including Proposition 1 Round 1, 2021 Urban Drought Implementation grant, Regional Water Bank-Urban Planning grant, WEP-Drought Relief grant and CIMS-ARTESIAN grant. These programs contributed largely to the \$7,420,714 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 \$15,288 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 \$546,910 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 \$136,831.
4. The Watershed Resilience Pilot Program was developed to help California better handle climate change, the Department of Water Resources (DWR) launched the Watershed Resilience Program as part of the 2023 California Water Plan. As part of this program, the RWA received a grant that contributed \$739,494 to RWA during this period.
5. The WEP recognized a total of \$2,117,584 in grant revenues through the Water Efficiency Program's portion of Proposition 1 Round 1, WEP's Drought Relief grant and toilet/washer replacement incentives program.
6. The CIMS recognized \$9,505,069 in grant revenues from the ARTESIAN grant.

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 \$122,287 from the previous fiscal year primarily resulting from a decrease in professional fees of \$123,370.

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MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025 AND 2024

Core Program Expenses – For the year ended June 30, 2025, core expenses increased by \$5,000 due to an increase in the RWA core payment to the Powerhouse Science Center exhibits.

Subscription Program Direct Expenses – During fiscal year 2025, 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 2025, RWA expended \$12,977,412 in grant awards for various grants, including Proposition 1 Round 1, 2021 Urban Drought Implementation grant, Regional Water Bank-Urban Planning grant, WEP-Drought Relief grant, CIMS-ARTESIAN grant and the Watershed Resilience Pilot Program grant. These programs contributed largely to the overall \$7,318,895 increase in grant expenses.

Fiscal Year 2024 Compared to Fiscal Year 2023

Total revenues – Total revenues including interest income are \$8,706,880 and was \$2,893,660 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 WEP, CIMS and Regional Water Bank. Program fees are not expected to be comparable from year to year. The program fees increased overall by \$165,676. 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 \$5,640,462 in grant revenues from various grants, including Proposition 1 Round 1, 2021 Urban Drought Implementation grant, Regional Water Bank-Urban Planning grant, WEP-Drought Relief grant and CIMS-ARTESIAN grant. These programs contributed largely to the \$2,650,750 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 WEP recognized a total of \$1,163,843 in grant revenues through the Water Efficiency Program's portion of Proposition 1 Round 1, WEP's Drought Relief grant and toilet/washer replacement incentives program.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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5. The CIMS recognized \$48,428 in grant revenues from the ARTESIAN grant.

Additionally, the RWA received a \$2 million grant from DWR for the Watershed Resilience Pilot 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 \$236,356 from the previous fiscal year resulting from a decrease in pension expense of \$312,631 offset by normal inflationary increases in administrative expenses.

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 2024, 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 \$5,658,517 in grant awards for various grants, including Proposition 1 Round 1, 2021 Urban Drought Implementation grant, Regional Water Bank-Urban Planning grant, WEP-Drought Relief grant and CIMS-ARTESIAN grant. These programs contributed largely to the \$2,784,495 increase in grant expenses.

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MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025 AND 2024

Capital Assets

Capital assets include furniture, equipment, weather stations, 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>2025</u>	<u>2024</u>	<u>Increase</u>	<u>2023</u>
Furniture	\$ -	\$ -	\$ -	\$ 3,722
Office Equipment	18,561	18,561	-	22,190
Weather Stations	14,248	-	14,248	-
Website Development	-	-	-	15,604
Leasehold Improvements	-	-	-	14,785
Right-to-use Buildings	271,742	271,742	-	71,163
Right-to-use Equipment	-	8,944	(8,944)	8,944
Gross Capital Assets	<u>304,551</u>	<u>299,247</u>	<u>5,304</u>	<u>136,408</u>
Less Accumulated Depreciation	(16,992)	(12,646)	(4,346)	(46,674)
Less Accumulated Amortization	<u>(108,697)</u>	<u>(61,665)</u>	<u>(47,032)</u>	<u>(70,566)</u>
Total Accumulated Depreciation and Amortization	<u>(125,689)</u>	<u>(74,311)</u>	<u>(51,378)</u>	<u>(117,240)</u>
Net Capital Assets	<u>\$ 178,862</u>	<u>\$ 224,936</u>	<u>\$(46,074)</u>	<u>\$ 19,168</u>

Economic Factors and Assumptions for Fiscal Year June 30, 2026

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, 2026.

- 1) The RWA Board of Directors approved no changes to the assessment rate. 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 4.1 full-time-equivalent employees (FTE), the SGA is responsible for 3.4 FTE, the Water Efficiency Program is responsible for 0.6 FTE and the CIMS 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.
- 4) Office expenses budget includes normal inflationary-related increases.

REGIONAL WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025 AND 2024

- 5) The budget for professional fees increased due to a budgeted contribution from RWA for the American River Climate Adaptation Program and consulting expenses related to a Strategic Plan Update.
- 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 Director 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 WEP, CIMS and various other programs.
- 8) 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 Director, Regional Water Authority, 2295 Gateway Oaks Drive, Suite 100, Sacramento, CA 95833.

REGIONAL WATER AUTHORITY

STATEMENTS OF NET POSITION

June 30, 2025 and 2024

	2025	2024 (As Restated)
ASSETS		
Current Assets		
Cash and Investments	\$ 1,177,018	\$ 1,414,813
Restricted Cash and Investments	520,605	746,024
Grants/Incentives Receivable	1,246,231	628,964
Programs Receivable	258,556	252,757
Accounts Receivable	2,426	10,201
Receivable from Sacramento Groundwater Authority (SGA)	158,027	144,650
Interest Receivable	19,294	26,944
Prepaid Expenses	79,544	63,435
Total Current Assets	3,461,701	3,287,788
Non-Current Assets		
Capital Assets, Net	178,862	224,936
Total Non-Current Assets	178,862	224,936
Total Assets	3,640,563	3,512,724
DEFERRED OUTFLOWS		
Pension	351,114	341,150
OPEB	398,952	364,922
Total Deferred Outflows	750,066	706,072
TOTAL ASSETS AND DEFERRED OUTFLOWS	4,390,629	4,218,796
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	541,878	450,105
Compensated Absences, Current Portion	113,345	103,722
Lease Liability, Current Portion	61,416	56,188
Subscription Program Advances, Current Portion	352,488	343,535
Unearned Revenue, Current Portion	25,000	25,399
Total Current Liabilities	1,094,127	978,949
Non-Current Liabilities		
Compensated Absences, Net of Current Portion	118,408	120,798
Lease Liability, Net of Current Portion	146,479	207,895
Subscription Program Advances, Net of Current Portion	383,997	388,587
Unearned Revenue, Net of Current Portion	75,000	100,000
Net Pension Liability	214,388	223,583
Net OPEB Liability	69,147	26,842
Total Non-Current Liabilities	1,007,419	1,067,705
Total Liabilities	2,101,546	2,046,654
DEFERRED INFLOWS		
Pension	26,660	14,334
OPEB	172,824	202,972
Total Deferred Inflows	199,484	217,306
NET POSITION		
Restricted	256,939	355,162
Unrestricted	1,832,660	1,599,674
Total Net Position	\$ 2,089,599	\$ 1,954,836

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, 2025 and 2024

	2025	2024 (As Restated)
OPERATING REVENUES:		
Assessment Income	\$ 1,253,108	\$ 1,157,225
Subscription Program Fees	1,410,285	1,759,443
Incentives, Grants, and Reimbursements	13,061,176	5,640,462
Other Income	10,223	38,944
Total Operating Revenues	15,734,792	8,596,074
OPERATING EXPENSES:		
Administrative Expenses	1,908,483	2,030,770
Core Program Expenses	25,000	20,000
Subscription Program Direct Expenses	777,523	1,166,937
Grant Awards	12,977,412	5,658,517
Other Expenses	-	30,602
Total Operating Expenses	15,688,418	8,906,826
OPERATING INCOME (LOSS)	46,374	(310,752)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	108,091	110,806
Interest Expense	(19,702)	(21,054)
Total Nonoperating Revenues (Expenses)	88,389	89,752
DECREASE IN NET POSITION	134,763	(221,000)
Net Position, Beginning of Year	1,954,836	2,229,441
Restatement	-	(53,605)
Net Position, Beginning of Year, as Restated	1,954,836	2,175,836
NET POSITION, End of Year	\$ 2,089,599	\$ 1,954,836

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

REGIONAL WATER AUTHORITY

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2025 and 2024

	2025	2024 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members and participants	\$ 2,646,781	\$ 2,409,834
Cash received from SGA	897,638	786,978
Cash received from grants and other sources	12,443,909	5,280,795
Cash paid to employees, related benefits and taxes	(2,275,821)	(1,964,935)
Cash paid to suppliers	(3,921,645)	(2,981,751)
Cash paid to subscription program participants	(10,279,679)	(4,435,779)
Net Cash Used by Operating Activities	(488,817)	(904,858)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	(14,248)	-
Principal payments on lease liability	(56,188)	(17,581)
Interest payments on lease liability	(19,702)	(21,054)
Net Cash Used by Capital and Related Financing Activities	(90,138)	(38,635)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on cash and investments	108,091	107,999
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(470,864)	(835,494)
CASH AND CASH EQUIVALENTS, Beginning of Year		
	2,160,837	2,996,331
CASH AND CASH EQUIVALENTS, End of Year		
	\$ 1,689,973	\$ 2,160,837
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET:		
Cash and investments	\$ 1,177,018	\$ 1,414,813
Restricted cash and investments	520,605	746,024
Total cash and cash equivalents	\$ 1,697,623	\$ 2,160,837
RECONCILIATION OF (LOSS) INCOME FROM OPERATIONS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 46,374	\$ (310,752)
Adjustments to reconcile operating income to net cash used by operating activities:		
Depreciation	4,346	3,712
Amortization	55,976	62,262
Change in operating assets and liabilities:		
Grants/Incentives receivable	(617,267)	(359,667)
Programs receivable	(5,799)	(211,524)
Accounts receivable	7,775	34,130
Receivable from SGA	(13,377)	(44,377)
Prepaid expenses	(16,109)	(10,149)
Accounts payable and accrued liabilities	91,773	89,889
Compensated absences	7,233	23,783
Subscription program advances	4,363	(319,653)
Unearned revenue	(25,399)	(14,601)
Net pension liability	(9,195)	51,880
Net OPEB liability	42,305	144,211
Change in deferred outflows/inflows of resources for pension	(21,704)	(99,040)
Change in deferred outflows/inflows of resources for OPEB	(40,112)	55,038
Net Cash Used by Operating Activities	\$ (488,817)	\$ (904,858)
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, 2025 AND 2024

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.

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.

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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

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

Compensated Absences – Compensated absences are accrued and reported as a liability in the period earned. Amounts payable are included in the Statements of Net Position. RWA’s policy provides vacation leave to employees at a rate of 12 to 25 days per year based upon the number of years of employment and is considered earned on a pro-rata basis for each payroll period. Unused earned vacation leave is paid to employees upon separation. Total vacation hours are accrued and capped at 45 days. 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.

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:

	2025	2024
Valuation Date (VD)	June 30, 2023	June 30, 2022
Measurement Date (MD)	June 30, 2024	June 30, 2023
Measurement Period (MP)	July 1, 2023 to June 30, 2024	July 1, 2022 to June 30, 2023

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

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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:

	2025	2024
Valuation Date	June 30, 2023	June 30, 2023
Measurement Date	June 30, 2024	June 30, 2023
Measurement Period	July 1, 2023 to June 30, 2024	July 1, 2022 to June 30, 2023

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

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

	2025	2024
Common Interest Management Services	\$ 448,997	\$ 458,587
Regional Water Bank	213,802	193,954
Prop 84	40,848	40,848
Rachio Controller	31,626	20,223
Prop 1 Round 1	1,212	11,830
Urban Drought	-	6,680
Less: Current Portion	(352,488)	(343,535)
Non-Current Portion	\$ 383,997	\$ 388,587

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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

	<u>2025</u>	<u>2024</u>
Powerhouse Science Center	\$ 100,000	\$ 125,000
Annual Assessment	-	399
Less: Current Portion	<u>(25,000)</u>	<u>(25,399)</u>
Non-Current Portion	<u>\$ 75,000</u>	<u>\$ 100,000</u>

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.

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 \$256,939 and \$355,162 as of June 30, 2025, and 2024, 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.

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.

RWA receives and administers grant awards where RWA member agencies are program participants. For program participant grant awards, RWA simultaneously recognizes revenue and expenses when the actual cash is received and distributed.

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 2025, the minimum assessment was \$4,534 and the maximum assessment was \$98,655. During 2024, the minimum assessment was \$3,819 and the maximum assessment was \$94,342.

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

Non-voting associate members pay an annual fee subject to adjustments by the RWA Board, during 2025 and 2024 the maximum annual fee was \$16,419 and \$15,637, respectively. RWA affiliates pay an annual fee, during 2025 and 2024 the fee was \$800.

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 paid to the program participants are presented in the financial statements as grant awards.

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 \$911,015 and \$809,849 for the years ended June 30, 2025, and 2024, respectively. At June 30, 2025, and 2024, the amount receivable from SGA was \$158,027 and \$144,650, 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.

New 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. This Statement was implemented as of June 30, 2025. The effects of implementation of this Statement are disclosed in Note 12.

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, and Budgetary Comparison Information. The provisions of this Statement are effective for the year ended June 30, 2027.

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 is currently analyzing the impact of the required implementation of these new statements.

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

2. CASH AND INVESTMENTS

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

	<u>2025</u>	<u>2024</u>
Cash and Investments	\$ 1,177,018	\$ 1,414,813
Restricted Cash and Investments	<u>520,605</u>	<u>746,024</u>
	<u>\$ 1,697,623</u>	<u>\$ 2,160,837</u>

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

	<u>2025</u>	<u>2024</u>
Deposits with financial institutions	\$ 16,468	\$ 145,424
Investments in LAIF	<u>1,681,155</u>	<u>2,015,413</u>
Total cash and investments	<u>\$ 1,697,623</u>	<u>\$ 2,160,837</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, 2025, and 2024 was \$179,918,091,940 and \$179,046,993,600, respectively. For information on the types of investments made by LAIF, refer to the State of California Treasurer's separately issued investment reports. Copies of these investment reports may be obtained by calling (916) 653-3001, by writing to LAIF, 915 Capitol Mall, Room 106, Sacramento, CA 95814, or by logging on to the treasurer's website at www.treasurer.ca.gov/pmia-laif/reports/monthly.asp.

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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, an investment's sensitivity to the changes in market interest rates increases as the length of maturity increases. The average maturity of the investments in the LAIF investment pool on June 30, 2025, and 2024 was approximately 248 and 217 days, respectively.

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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 99% and 93% of its cash invested in LAIF for the years ended June 30, 2025, and 2024, 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, 2025, and 2024, the carrying amount of the deposits was \$16,468 and \$145,424 and the balance in financial institutions was \$4,172,221 and \$478,494, respectively. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance at June 30, 2025, and 2024, 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, 2025 AND 2024

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

	2025	2024
Regional Water Bank	\$ 278,193	\$ 160,636
Powerhouse Science Center	125,000	125,000
Common Interest Management Services	76,564	226,419
Prop 84 Program Management	40,848	40,848
Water Efficiency Program	-	151,641
Regional Emergency Preparedness Program	-	41,250
Urban Drought	-	230
	\$ 520,605	\$ 746,024

3. CAPITAL ASSETS

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

	Balance June 30, 2024	Increases	Decreases	Balance June 30, 2025
Office Equipment	\$ 18,561	\$ -	\$ -	\$ 18,561
Weather Stations	-	14,248	-	14,248
Right-of-use Asset - Buildings	271,742	-	-	271,742
Right-of-use Asset - Equipment	8,944	-	(8,944)	-
Total Capital Assets	299,247	14,248	(8,944)	304,551
Less Accumulated Depreciation	(12,646)	(4,346)	-	(16,992)
Less Accumulated Amortization	(61,665)	(55,976)	8,944	(108,697)
Total Accumulated Depreciation and Amortization	(74,311)	(60,322)	8,944	(125,689)
Capital Assets, Net	\$ 224,936	\$ (46,074)	\$ -	\$ 178,862

	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

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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.

4. LONG-TERM LIABILITIES

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

	Balance June 30, 2024 (As Restated)	Additions	Retirements	Balance June 30, 2025	Amounts Due Within One Year
Compensated Absences	\$ 224,520	\$ 143,731	\$ (136,498)	\$ 231,753	\$ 113,345
Lease Liability	264,083	-	(56,188)	207,895	61,416
Subscription Program Advances	732,122	225,204	(220,841)	736,485	352,488
Unearned Revenue	125,399	-	(25,399)	100,000	25,000
Net Pension Liability	223,583	-	(9,195)	214,388	-
Net OPEB Liability	26,842	42,305	-	69,147	-
Total Long-Term Liabilities	\$ 1,596,549	\$ 411,240	\$ (448,121)	\$ 1,559,668	\$ 552,249

	Balance June 30, 2023 (As Restated)	Additions	Retirements	Balance June 30, 2024 (as Restated)	Amounts Due Within One Year
Compensated Absences	\$ 200,737	\$ 135,471	\$ (111,688)	\$ 224,520	\$ 103,722
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	\$ 1,574,137	\$ 960,334	\$ (937,922)	\$ 1,596,549	\$ 528,844

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%.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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, ending January 2025. For purposes of discounting future payments on the leases, the RWA used the discount rate 4.75%.

The leased building 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:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2026	\$ 61,416	\$ 14,863	\$ 76,279
2027	69,056	9,512	78,568
2028	77,423	3,504	80,927
Total	<u>\$ 207,895</u>	<u>\$ 27,879</u>	<u>\$ 235,774</u>

5. EMPLOYEE PENSION PLANS

Plan Description

RWA participates in a public agency cost-sharing multiple-employer defined benefit pension plan (the Plan) administered by California Public Employees' Retirement System (CalPERS). Since RWA has less than 100 active members as of the years ended June 30, 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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:

	Employer		Employee	
	Classic	PEPRA	Classic	PEPRA
June 30, 2025	12.67%	8.18%	7.00%	8.25%
June 30, 2024	12.63%	8.00%	7.00%	8.25%

Employer contributions rates may change if plan contracts are amended. For the years ended June 30, 2025 and 2024, the employer required contributions to the plan were \$123,662 and \$109,012, respectively. RWA also made additional non-required employer pension contributions of \$77,300 for the year ended June 30, 2025 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, 2024 for the year ended June 30, 2025. The total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. As of June 30, 2025, and 2024 RWA's proportionate share of the Plan's NPL was \$214,388 and \$223,583, 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, 2024, and 2023 measurement dates. The following table shows RWA's employer allocation factors for the Plan as of the fiscal years ending June 30:

2025:

Proportion - June 30, 2025	0.00443%
Proportion - June 30, 2024	0.00447%
Change – decrease	-0.00004%

2024:

Proportion - June 30, 2024	0.00447%
Proportion - June 30, 2023	0.00367%
Change – increase	0.00080%

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

For the fiscal years ended June 30, 2025, and 2024, RWA incurred a pension expense of \$194,129 and \$254,759, respectively.

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

	Deferred Outflow of Resources	
	2025	2024
Contributions after measurement date	\$ 200,962	\$ 109,012
Difference between actual and expected experience	18,536	11,422
Changes in assumptions	5,510	13,499
Net difference between projected and actual earnings on plan investments	12,342	36,200
Difference between employer contributions and the employer's proportionate share of contributions	985	1,532
Adjustments due to differences in proportions	112,779	169,485
	<u>\$ 351,114</u>	<u>\$ 341,150</u>

The \$200,962 and \$109,012 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, 2026, and 2025, respectively.

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

	Deferred Inflow of Resources	
	2025	2024
Difference between actual and expected experience	\$ 723	\$ 1,772
Differences between employer contributions and the employer's proportionate share of contributions	25,937	12,562
	<u>\$ 26,660</u>	<u>\$ 14,334</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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

2025:

Measurement Period Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2026	\$ 79,864
2027	40,612
2028	7,245
2029	(4,229)

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, 2025 AND 2024

Actuarial Assumptions

For the measurement periods ended June 30, 2024, and 2023, the TPL was determined by rolling forward the June 30, 2023, and June 30, 2022 TPL, respectively. The TPL was based on the following actuarial methods and assumptions:

For the measurement period ending June 30:

	2024	2023
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 periods ended June 30, 2024, and 2023.

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2024, and 2023 (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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

The expected real rates of return by asset class for the measurement periods ended June 30, 2024, and 2023 are as follows:

Asset Class	June 30, 2024	
	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.

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, 2025 AND 2024

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, 2024, and 2023.

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, 2024 and 2023, 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:

2024:

	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Proportionate Share of Plan's NPL	<u>\$ 730,667</u>	<u>\$ 214,388</u>	<u>\$ (210,585)</u>

2023:

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

Payable to the Pension Plan

RWA had \$2,739 and \$2,258 in outstanding payables to the pension plan at June 30, 2025, and 2024, 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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

CERBT offers three investment strategies for employers to choose from depending on their expected levels of return and volatility. Benefit provisions are established by RWA.

Benefits Provided

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

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

Employees Covered

As of the June 30, 2024 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, 2025, RWA's cash contributions were \$64,415 in payments to the trust, benefit payments directly to retirees net of reimbursements was \$68,641 and the estimated implied subsidy was \$12,980, resulting in total payments of \$146,036. For the fiscal year ended June 30, 2024, RWA's benefit payments directly to retirees net of reimbursements were \$69,195 and the estimated implied subsidy was \$12,534, resulting in total payments of \$81,729. These assets accumulate and are invested in the CERBT. Employees are currently not required to contribute to the plan.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

Net OPEB Liability/Asset

The net OPEB asset for June 30, 2025, and 2024, was measured as of June 30, 2024, and 2023, respectively. The total OPEB liability used to calculate the net OPEB liability/asset was determined by an actuarial valuation dated June 30, 2023 to determine the June 30, 2025, and 2024 total OPEB liability, based on the following actuarial methods and assumptions:

	2025	2024
Valuation Date	June 30, 2023	June 30, 2023
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	6.25%	6.10%
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 2021 Experience Study ⁽²⁾
Healthcare Trend	6.00% to 3.90% ⁽³⁾	6.50% decreasing to 3.90% ⁽⁴⁾

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

⁽²⁾ Demographic actuarial assumptions used in this valuation are based on the 2021 experience study of CalPERS using data from 1997 to 2019, except for a different basis used to project future mortality improvements.

⁽³⁾ The healthcare trend ranges from increases of 6.00% in 2026 to 3.90% in 2075 and beyond.

⁽⁴⁾ The healthcare trend ranges from increases of 6.50% in 2025 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 weighing 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 6.25% and 6.10%, for measurement periods ended June 30, 2024, and 2023, respectively.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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	2025	2024
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, 2025 and 2024 was 6.25% and 6.10%, respectively. The projection of cash flows used to determine the discount rate assumed that RWA contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

Changes in the OPEB Liability/Asset

The changes in the net OPEB liability/asset are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (Asset) (c) = (a) - (b)
Balance at Fiscal Year Ending 6/30/2024			
Measurement Date 6/30/2023	\$ 1,473,213	\$ 1,446,371	\$ 26,842
Changes During the Period:			
Service Cost	125,825	-	125,825
Interest Cost	95,049	-	95,049
Employer Contributions	-	81,729	(81,729)
Net Investment Income	-	88,214	(88,214)
Benefit Payments	(81,729)	(81,729)	-
Plan Experience	(28,393)	-	(28,393)
Assumption Changes	89,065	-	89,065
Investment Experience	-	69,769	(69,769)
Administrative Expenses	-	(471)	471
Net Changes in Fiscal Year 2024-2025	199,817	157,512	42,305
Balance at Fiscal Year Ending 6/30/2025			
Measurement Date 6/30/2024	\$ 1,673,030	\$ 1,603,883	\$ 69,147
Changes in the OPEB Liability/Asset for Fiscal Year 2023-2024			
	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	OPEB Liability (Asset) (c) = (a) - (b)
Balance at Fiscal Year Ending 6/30/2023			
Measurement Date 6/30/2022	\$ 1,233,434	\$ 1,350,803	\$ (117,369)
Changes During the Period:			
Service Cost	93,184	-	93,184
Interest Cost	77,862	-	77,862
Employer Contributions	-	65,364	(65,364)
Net Investment Income	-	81,263	(81,263)
Benefit Payments	(57,821)	(57,821)	-
Plan Experience	140,280	-	140,280
Assumption Changes	(13,726)	-	(13,726)
Investment Experience	-	7,156	(7,156)
Administrative Expenses	-	(394)	394
Net Changes in Fiscal Year 2023-2024	239,779	95,568	144,211
Balance at Fiscal Year Ending 6/30/2024			
Measurement Date 6/30/2023	\$ 1,473,213	\$ 1,446,371	\$ 26,842

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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:

2025:

	Discount Rate -1% (5.25%)	Current Discount Rate (6.25%)	Discount Rate +1% (7.25%)
Net OPEB liability (asset)	\$ 274,510	\$ 69,147	\$ (101,170)

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)

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:

2025:

	Medical Trend Rate -1%	Current Medical Trend Rate	Medical Trend Rate +1%
Net OPEB Liability (asset)	\$ (112,680)	\$ 69,147	\$ 290,022

2024:

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

OPEB Plan Fiduciary Net Position

Detailed information about the Plan’s fiduciary net position is available on CalPERS’s website in an annual report titled “California Employers’ Retiree Benefit Trust, Agent Multiple-Employer Other Postemployment Benefits Plan, Schedule of Changes in Fiduciary Net Position by Employer”.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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, 2025, and 2024. All other amounts are recognized over the expected average remaining service lifetime (EARSL), which was 7.44 years at June 30, 2025, and 2024.

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

For the fiscal years ended June 30, 2025, and 2024, RWA recognized OPEB expense of \$124,163 and \$88,072, respectively. As of fiscal years ending June 30, deferred outflows of resources related to OPEB are from the following sources:

	2025	2024
	Deferred Outflows of Resources	Deferred Outflows of Resources
OPEB contributions subsequent to measurement date	\$ 146,036	\$ 81,729
Changes in assumptions	60,053	76,100
Differences between expected and actual experience	179,664	121,425
Net differences between projected and actual earnings on OPEB plan investments	13,199	85,668
Total	\$ 398,952	\$ 364,922

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

	2025	2024
	Deferred Inflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 73,451	\$ 69,666
Differences between expected and actual experience	99,373	133,306
Total	\$ 172,824	\$ 202,972

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

The \$146,036 and \$81,729 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2024 and 2023 measurement dates will be recognized as a reduction of the net OPEB liability during the fiscal years ended June 30, 2026, and 2025, respectively. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2025:

Fiscal Year Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2026	\$ (16,398)
2027	35,600
2028	(2,101)
2029	17,039
2030	26,726
Thereafter	19,226

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

7. BOARD DESIGNATIONS

The Board establishes and approves designations for the operating fund, membership dues stabilization fund and subscription program revenue fund on an annual basis as part of the budget process in accordance with the Financial Designation/Reserve Policy No. 500.1.

The designations as of June 30 are as follows:

<u>Board Designations</u>	2025	2024
Operating Fund	\$ 476,734	\$ 917,200
Membership Dues Stabilization Fund	184,096	169,700
Subscription Program Revenue Fund	79,179	51,656
Total Board Designations	\$ 740,009	\$ 1,158,556

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

The operating fund is designed to ensure 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 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:

<u>Coverage</u>	<u>ACWA/JPIA</u>	<u>Commercial Insurance</u>	<u>Deductible</u>
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	134,271	-	\$1,000 - \$100,000
Fidelity Insurance	-	100,000	1,000
Workers' Compensation Insurance	2,000,000	Statutory	None

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 for infrastructure projects in return for making available up to 30,000 acre-feet of water through

REGIONAL WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

groundwater replenishment for up to 3 years. As of June 30, 2024, \$44,356,042 million is remaining to pass through to participating members.

In September 2023, RWA entered into an agreement with Stantec Consulting Services, Inc. for professional services to support the Sacramento Regional Water Bank for an amount not to exceed \$948,900. As of June 30, 2025, the remaining commitment was \$154,041.

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, 2025, the remaining commitment was \$155,125.

In July 2024, RWA entered into an agreement with Jacobs Engineering Group, Inc. for professional services to support the Watershed Resilience Pilot Program for an amount not to exceed \$1,719,675. As of June 30, 2025, the remaining commitment was \$1,056,955.

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, 2025 and 2024 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 \$42,343 and \$24,060 at June 30, 2025 and 2024, respectively.

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 2029.

REGIONAL WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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 \$911,015 and \$809,849 for the years ended June 30, 2025, and 2024 which represents 32% and 29% of RWA's total administrative expenses, respectively. Additionally, RWA relies upon subscription-based programs to pay for administration expenses of 26% for the years ended June 30, 2025, and 2024. To the extent subscription-based programs did not exist or were reduced, RWA membership dues would need to increase to fund operating expenses.

12. RESTATEMENT

RWA implemented GASB 101, Compensated Absences, for the year ended June 30, 2025. This implementation resulted in the restatement of the 2024 financial statements. Balances were restated as follows:

	As Previously Reported	Change in Accounting Principle (GASB 101)	As Restated
Net position, July 1, 2023	\$ 2,229,441	\$ (53,605)	\$ 2,175,836
Programs receivable	251,203	1,554	252,757
Receivable from SGA	115,522	29,128	144,650
Compensated absence liability	145,926	78,594	224,520
Net position, June 30, 2024	2,002,748	(47,912)	1,954,836
Change in net position, June 30, 2024	(226,693)	5,693	(221,000)

REQUIRED SUPPLEMENTARY INFORMATION

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REGIONAL WATER AUTHORITY

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

	Measurement Date									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension (asset)/liability	0.004433%	0.004471%	0.003669%	-0.015469%	0.002520%	0.001757%	0.002383%	0.003917%	0.004247%	0.012618%
Proportionate share of the net pension (asset)/liability	\$ 214,388	\$ 223,583	\$ 171,703	\$ (293,724)	\$ 106,279	\$ 70,367	\$ 89,817	\$ 154,391	\$ 147,540	\$ 346,165
Covered - employee payroll	\$ 1,011,406	\$ 938,751	\$ 847,507	\$ 711,891	\$ 598,436	\$ 511,721	\$ 536,680	\$ 466,290	\$ 365,294	\$ 592,756
Proportionate share of the net pension (asset)/liability as a percentage of covered payroll	21.20%	23.82%	20.26%	-41.26%	17.76%	13.75%	16.74%	33.11%	40.39%	58.40%
Plan fiduciary net position as a percentage of the total pension liability	79.91%	77.97%	78.19%	88.29%	75.10%	75.26%	75.26%	73.31%	75.87%	78.40%
RWA fiduciary net position as a percentage of the RWA pension (asset)/liability	94.40%	93.42%	94.42%	110.71%	95.77%	96.82%	95.45%	90.24%	89.09%	83.50%

Notes to Schedule:

For the measurement period ended June 30, 2024, 2023, 2021, 2020, 2019 and 2016 there were 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 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.

REGIONAL WATER AUTHORITY

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

	Fiscal Year									
	<u>2024-2025</u>	<u>2023-2024</u>	<u>2022-2023</u>	<u>2021-2022</u>	<u>2020-2021</u>	<u>2019-2020</u>	<u>2018-2019</u>	<u>2017-2018</u>	<u>2016-2017</u>	<u>2015-2016</u>
Contractually required contribution (actuarially determined)	\$ 123,662	\$ 109,012	\$ 97,406	\$ 89,293	\$ 76,480	\$ 62,065	\$ 51,840	\$ 49,160	\$ 47,566	\$ 44,595
Contributions in relation to the actuarially determined contributions	200,962	109,012	134,106	125,993	113,180	77,065	114,840	91,160	89,566	181,995
Contribution deficiency (excess)	<u>\$ (77,300)</u>	<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>
Covered - employee payroll	\$ 1,024,320	\$ 1,011,406	\$ 938,751	\$ 847,507	\$ 711,891	\$ 598,436	\$ 511,721	\$ 536,680	\$ 466,290	\$ 365,294
Contributions as a percentage of covered - employee payroll	19.62%	10.78%	14.29%	14.87%	15.90%	12.88%	22.44%	16.99%	19.21%	49.82%
Contributions valuation 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
Contributions measurement date	June 30, 2023	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

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	Market Value
Investment Rate of Return	6.80%	6.80%	7.00%	7.00%	7.00%	7.25%	7.375%	7.50%	7.50%	7.50%
Inflation	2.30%	2.30%	2.50%	2.50%	2.50%	2.625%	2.75%	2.75%	2.75%	2.75%
Payroll Growth	2.80%	2.80%	2.75%	2.75%	2.75%	2.875%	3.00%	3.00%	3.00%	3.00%
Salary Increases	Varies by entry age and service									
Mortality	Most recent CalPERS Experience Study									

REGIONAL WATER AUTHORITY

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

Measurement Period	<u>2024</u>	<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	\$ 125,825	\$ 93,184	\$ 83,549	\$ 78,624	\$ 76,149	\$ 66,236	\$ 64,152	\$ 57,930
Interest Cost	95,049	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	(28,393)	140,280	-	(190,864)	-	(58,867)	-	(141,761)
Assumption Changes	89,065	(13,726)	65,842	49,216	-	(152,520)	-	139,794
Benefit Payments	<u>(81,729)</u>	<u>(57,821)</u>	<u>(63,155)</u>	<u>(79,394)</u>	<u>(75,036)</u>	<u>(55,816)</u>	<u>(42,919)</u>	<u>(40,972)</u>
Net change in OPEB Liability	199,817	239,779	159,425	(61,390)	76,820	(114,311)	99,368	86,690
Total OPEB Liability - Beginning	<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>	<u>986,832</u>
Total OPEB Liability - Ending (a)	<u>\$ 1,673,030</u>	<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	\$ 81,729	\$ 65,364	\$ 56,710	\$ 58,947	\$ 87,282	\$ 84,977	\$ 73,980	\$ 72,745
Net Investment Income	157,983	88,419	(211,501)	345,183	45,208	70,945	77,895	90,150
Benefit Payments	(81,729)	(57,821)	(63,155)	(79,394)	(75,036)	(55,816)	(42,919)	(40,972)
Administrative Expenses	(471)	(394)	(399)	(475)	(601)	(240)	(520)	(460)
Other Expenses	-	-	-	-	-	-	(1,297)	-
Net change in plan fiduciary net position	157,512	95,568	(218,345)	324,261	56,853	99,866	107,139	121,463
Plan fiduciary net position - Beginning	<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>	<u>859,566</u>
Plan fiduciary net position - Ending (b)	<u>\$ 1,603,883</u>	<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>\$ 69,147</u>	<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)	95.87%	98.18%	109.52%	146.10%	109.64%	112.23%	92.78%	91.38%
Covered Payroll (d)	\$ 1,528,284	\$ 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)	4.52%	2.13%	-10.05%	-48.60%	-11.73%	-16.20%	10.16%	12.30%

Notes to Schedule:

(1) 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 Years Ended June 30

Last Ten Years

Fiscal Year Ended June 30	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution (ADC) (a)	\$ 143,291	\$ 79,297	\$ 60,646	\$ 56,710	\$ 58,626	\$ 87,603	\$ 84,977	\$ 73,980
Contributions in Relation to ADC	146,036	81,729	(65,364)	(56,710)	(58,947)	(87,282)	(84,977)	(73,980)
Contribution Deficit (Excess)	<u>\$ (2,745)</u>	<u>\$ (2,432)</u>	<u>\$ (4,718)</u>	<u>\$ -</u>	<u>\$ (321)</u>	<u>\$ 321</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll (b)	\$ 1,595,061	\$ 1,528,284	\$ 1,259,512	\$ 1,168,267	\$ 1,018,771	\$ 933,449	\$ 799,048	\$ 833,750
ADC as a % of covered employee payroll (a)/(b)	9.16%	5.35%	5.19%	4.85%	5.79%	9.35%	10.63%	8.87%

Notes to Schedule:

Valuation Date	June 30, 2023	June 30, 2021	June 30, 2021	June 30, 2021	June 30, 2019	June 30, 2017	June 30, 2017	July 1, 2015
Actuarial Cost Method	Level Percent of Pay over a open 30-year period				Entry Age Normal	Level Percent of Pay over a closed 10-year period		
Amortization Method/Period					Market Value of Assets			
Asset Valuation Method								
Inflation	2.50%	2.50%	2.50%	2.50%	2.75%	2.75%	2.75%	2.75%
Salary Increase	3.00%	3.00%	3.00%	3.00%	3.25%	3.25%	3.25%	3.25%
Investment Rate of Return	6.10%	6.00%	6.50%	6.50%	6.90%	7.00%	7.00%	7.00%
Healthcare Trend	Actual 2025, 6.0% in 2026, decreasing to 3.9% in 2075	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 2021 Experience Study; Projected with MacLeod Watts Scale 2022	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:

(1) 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, 2025

	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	\$ 1,253,108	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,253,108
Subscription Program Fees	-	519,264	495,829	377,894	10,618	6,680	1,410,285
Incentives, Grants, and Reimbursements	739,494	2,117,584	9,505,069	136,831	15,288	546,910	13,061,176
Other Income	10,223	-	-	-	-	-	10,223
Total Operating Revenues	2,002,825	2,636,848	10,000,898	514,725	25,906	553,590	15,734,792
Operating Expenses							
Administrative Expenses	\$ 1,172,253	298,725	313,269	78,202	25,726	20,308	1,908,483
Core Program Expenses	25,000	-	-	-	-	-	25,000
Subscription Program Direct Expenses	-	287,157	187,458	302,908	-	-	777,523
Grant Awards	660,974	2,149,190	9,500,171	133,615	180	533,282	12,977,412
Total Operating Expenses	1,858,227	2,735,072	10,000,898	514,725	25,906	553,590	15,688,418
Net Operating Income	144,598	(98,224)	-	-	-	-	46,374
Nonoperating Revenues/ Expenses	88,389	-	-	-	-	-	88,389
Net Income (Loss)	\$ 232,987	\$ (98,224)	\$ -	\$ -	\$ -	\$ -	134,763
Net Position, Beginning of Year							1,954,836
Net Position, End of Year							\$ 2,089,599

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

	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	593,109	640,681	20,063	7,213	1,759,443
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	<u>1,200,085</u>	<u>1,662,220</u>	<u>641,537</u>	<u>919,649</u>	<u>1,863,593</u>	<u>2,308,990</u>	<u>8,596,074</u>
Operating Expenses							
Administrative Expenses	\$ 1,295,910	304,420	290,573	77,747	44,630	17,490	2,030,770
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	-	-	-	-	-	30,602
Total Operating Expenses	<u>1,346,512</u>	<u>1,831,368</u>	<u>636,714</u>	<u>919,649</u>	<u>1,863,593</u>	<u>2,308,990</u>	<u>8,906,826</u>
Net Operating Income	<u>(146,427)</u>	<u>(169,148)</u>	<u>4,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(310,752)</u>
Nonoperating Revenues/ Expenses	<u>89,752</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,752</u>
Net Income (Loss)	<u>\$ (56,675)</u>	<u>\$ (169,148)</u>	<u>\$ 4,823</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(221,000)</u>
Net Position, Beginning of Year							2,229,441
Restatement							(53,605)
Net Position, Beginning of Year, as Restated							<u>2,175,836</u>
Net Position, End of Year							<u>\$ 1,954,836</u>

REGIONAL WATER AUTHORITY

SCHEDULE OF ALLOCATED ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED JUNE 30, 2025

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, 2025 is:

	Staff Expenses	Office Expenses	Professional Fees	Total Administrative Expenses
RWA Administrative Expenses	\$ 2,296,852	\$ 219,074	\$ 303,572	\$ 2,819,498
Allocated to Sacramento Groundwater Authority	(776,490)	(105,622)	(28,903)	(911,015)
Total RWA Administrative Expenses - Net of SGA allocation	1,520,362	113,452	274,669	1,908,483
Allocated Administrative Expenses to Subscription Programs				
Water Efficiency Program	(274,134)	(20,612)	(3,979)	(298,725)
Common Interest Management Services	(286,214)	(20,612)	(6,443)	(313,269)
Regional Water Bank	(78,202)	-	-	(78,202)
Prop 1 Round 1	(25,726)	-	-	(25,726)
Urban Drought	(20,308)	-	-	(20,308)
Total Allocated Administrative Expenses - Subscription Programs	(684,584)	(41,224)	(10,422)	(736,230)
Net Agency Administrative Expenses - Agency Core Program	\$ 835,778	\$ 72,228	\$ 264,247	\$ 1,172,253

REGIONAL WATER AUTHORITY

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

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	\$ 2,173,831	\$ 239,846	\$ 426,942	\$ 2,840,619
Allocated to Sacramento Groundwater Authority	(664,345)	(80,894)	(64,610)	(809,849)
Total RWA Administrative Expenses - Net of SGA allocation	<u>1,509,486</u>	<u>158,952</u>	<u>362,332</u>	<u>2,030,770</u>
Allocated Administrative Expenses to Subscription Programs				
Water Efficiency Program	(275,860)	(17,904)	(10,656)	(304,420)
Common Interest Management Services	(263,083)	(16,834)	(10,656)	(290,573)
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	<u>(678,810)</u>	<u>(34,738)</u>	<u>(21,312)</u>	<u>(734,860)</u>
Net Agency Administrative Expenses - Agency Core Program	<u>\$ 830,676</u>	<u>\$ 124,214</u>	<u>\$ 341,020</u>	<u>\$ 1,295,910</u>

OTHER REPORT

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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, 2025, and the related notes to the financial statements, which collectively comprise RWA's basic financial statements, and have issued our report thereon dated December 1, 2025.

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 1, 2025