Walnut Valley Water District
Walnut, California

Annual Comprehensive Financial Report

Fiscal Years Ended
June 30, 2021 and 2020

Our Mission Statement

"Dedicated to meeting the water supply needs of the communities we serve."

Walnut Valley Water District
Board of Directors as of June 30, 2021

Scarlett P. Kwong
President
2020-2024

Jerry Tang
1st Vice President
2020-2024

Edwin M. Hiden
2nd Vice President
2018-2022

Kevin Hayakawa
Assistant Treasurer
2020-2024

Theresa Lee
Director
2020-2022

District Management

Erik Hitchman
General Manger/Chief Engineer
Secretary

Josh Byerrum
Director of Finance

Walnut Valley Water District
271 S Brea Canyon Road
Walnut, CA 91789
(909) 595-7554 | www.wvwd.com

Annual Comprehensive Financial Statement

Fiscal Years Ended
June 30, 2021 and 2020

Prepared by:
Finance Department

Walnut Valley Water District
271 S Brea Canyon Road
Walnut, CA 91789

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Introductory Section

WALNUT VALLEY WATER DISTRICT

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(909) 595-7554 • (626) 964-6551
www.wvwd.com • Fax: (909) 444-5521

December 15, 2021

To the Honorable Board of Directors and Customers of Walnut Valley Water District:

It is our pleasure to submit Walnut Valley Water District's (District) Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021. This report meets the requirements set forth by the Governmental Accounting Standards Board for an annual report prepared in accordance with accounting principles generally accepted in the United States and contains information to help readers gain a reasonable understanding of the District's financial position and activities.

The District is responsible for both the accuracy of the data and the completeness and fairness of its presentation, including all disclosures in this financial report. District staff certifies that the data presented to you in this report is accurate in all material respects.

Generally Accepted Accounting Principles (GAAP) require that District management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A) section. This letter of transmittal complements the MD&A and should be read in conjunction with it.

The District's financial statements have been audited by Fedak & Brown, LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2021, are free of material misstatement.

The independent audit is a test basis examination of the evidence supporting the District's financial statements, an assessment of the accounting principles used by District management, and an evaluation of the overall financial statement presentation. The auditor's report is included as the first component of the financial section of this report. Based on the report's findings, it is concluded that there is a reasonable basis for rendering an unmodified opinion for the fiscal year ended June 30, 2021, and that the District's financial statements are fairly presented in conformity with GAAP.

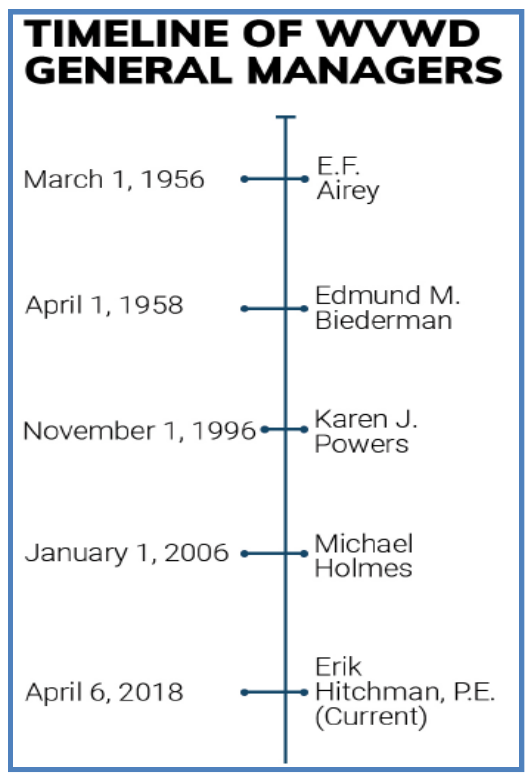
Sincerely,

Erik Hitchman
General Manager
Walnut Valley Water District

STRUCTURE AND LEADERSHIP PROFILE

Formed in 1952, the Walnut Valley Water District (District), an independent special district, operates under the authority of Division 13 of the California Water Code. The District provides water service to customers in the City of Diamond Bar, portions of the cities of Industry, Pomona, Walnut, West Covina, and the easterly section of the unincorporated area of Rowland Heights. WVWD is governed by a five-member Board of Directors who are elected to overlapping four-year terms in even-numbered years. The District has five separate election divisions, each represented by a Director residing in, and elected by the voters, of the division. The Board of Directors is responsible for setting District policy and establishing long-range goals and direction for the District to ensure that its operations continue to run efficiently and effectively, both today and in the decades to come. The District's Board of Directors meets on the third Monday of each month, meetings are publicly noticed and citizens are encouraged to attend.

The Board of Directors oversees the appointment of the General Manager. As the Chief Executive Officer of the District, the General Manager is responsible for the daily operations of the District and works with the Board of Directors to develop long-range plans for the betterment of the District. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The General Manager oversees and manages District staff that includes up to 55 full-time employees.



STRATEGIC VISION

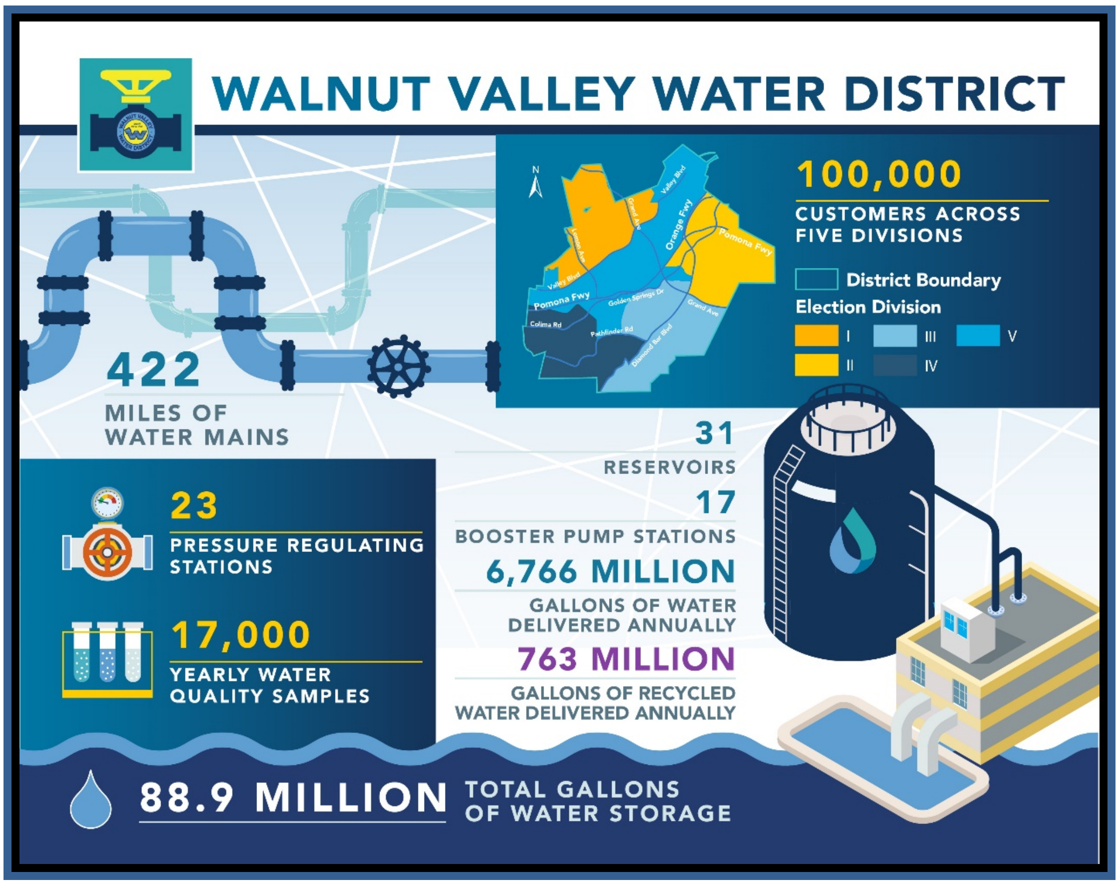
The goals, objectives, and activities of the Board and District staff are driven by its Mission Statement: “Dedicated to meeting the water supply needs of the communities we serve.” In support of its mission, in June 2019, the Board of Directors adopted the District’s first comprehensive Strategic Plan, which represented a disciplined effort to identify initiatives and tactics to advance the District’s vision and address the ongoing water supply issues plaguing California. Initiatives laid out in the District’s Strategic Vision are based on six core principles as outlined below.

1. **Thriving Workforce:** Foster a culture of employee empowerment and continuous innovation
2. **Financial Strength:** Agile fiscal management supporting District needs
3. **System Resilience:** Achieve system readiness under any circumstance
4. **Supply Reliability:** Transform the water supply portfolio
5. **Collaborative Leadership:** Match industry influence with regional relevance
6. **Customer Engagement:** Elevate the community conversation

WATER SYSTEM OVERVIEW

The District is located about 20 miles east of Los Angeles in the San Gabriel Valley and encompasses an area of approximately 17,900 acres of land, comprising 29 square miles. The District serves a population of approximately 100,000 and currently provides service to 27,000 residential, multi-family, commercial, and industrial connections.

With almost seven decades of service to the community, the District operates and maintains two large imported water pipelines, 382 miles of distribution mains (ranging in size from 4 inches to 51 inches), 15 pump plants, and 28 reservoirs with a storage capacity of 89 million gallons of water. The District delivers an average of 5 billion gallons of water to its customers every year.



Recycled water, used for irrigation and to decrease reliance on imported water, is delivered through a separate distribution system comprised of approximately 40 miles of water mains, 5 production wells, 2 pump plants, and 3 reservoirs with a combined capacity of 5.2 million gallons.

The District's entire service area is monitored by a supervisory control and data acquisition (SCADA) system that records reservoir levels, system pressures, and pump operations. The District owns and operates a 182-kilowatt hydroelectric generating station. The power generated by this station is sold to Southern California Edison Company.

WATER SYSTEM OVERVIEW, continued

Potable Water Supply

Due to the limited availability of local groundwater sources, the District is almost 100% dependent on treated imported water obtained from the Metropolitan Water District of Southern California (MWD) through its member agency Three Valleys Municipal Water District (TVMWD). MWD's primary sources of water include imports from the Colorado River and the State Water Project. All the District's potable water is treated at either MWD's Weymouth Treatment Plant, or TVMWD's Miramar Treatment Plant. Annually the District purchases approximately 17,000 acre-feet of water from MWD/TVMWD.

Unlike other regional water districts, the District is unique in that it is nearly 100% reliant on imported water. Because of the demand and pressure placed on water systems throughout California, the District has invested in several water supply reliability projects to decrease our reliance on treated imported water. The District, along with Rowland Water District (RWD), through a joint powers agreement, formed the Puente Basin Water Agency (PBWA). Through the PBWA, the Districts identified, and have completed or are in the process of completing the La Habra Heights Pipeline Project, California Domestic Water Project, and the Pomona Basin Project. In total these projects are expected to provide the District up to 4,000-acre feet of water per annum, decreasing the District's dependence on treated imported water supplies, and enhancing overall water supply reliability.

- La Habra Heights Project (Completed) - The District in partnership with the Rowland Water District (RWD) entered into a project agreement to construct and operate the La Habra Heights County Water District Pipeline Project. The project is expected to yield up to 2,000-acre feet per year of potable water from the Central Basin. Water from the project is shared equally by the District and RWD.
- Cal Domestic Project/Pathfinder Pipeline Project (Completed) - The Walnut Valley Water District (WVWD) in partnership with the RWD has entered into a Water Production and Delivery agreement with the California Domestic Water Company for the delivery of up to approximately 5,000-acre feet per year of potable water from the Main San Gabriel Basin. Water produced from the project is dependent on the agencies purchasing and storing untreated imported water in the basin. Water produced will be shared by the District and RWD.

WATER SYSTEM OVERVIEW, continued

Potable Water Supply, continued

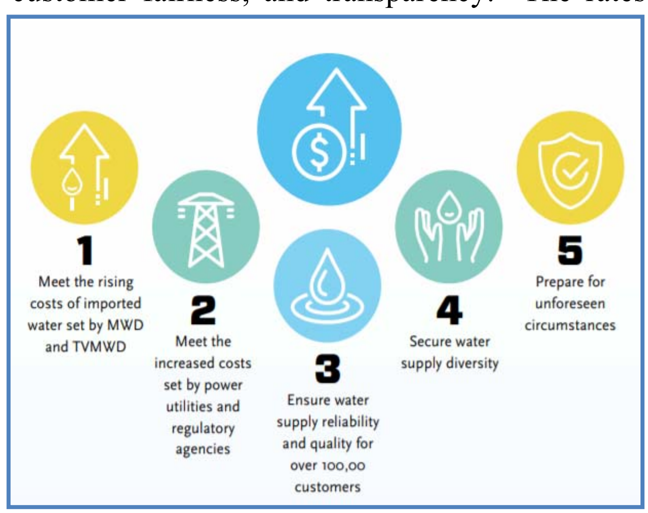
- Pomona Basin Project (Expected Completion 2022) - The Project involves the production of water from Six Basins. Once completed, the project will provide approximately 1,250 acre-feet per year of local groundwater. Water produced from the project will be shared equally by the District and RWD.

Recycled Water Supply

The District operates a recycled water system that provides nearly three million gallons of water each day to irrigate landscape areas such as parks, medians, and school grounds. Investment in recycled water adds a low-cost water supply to our water portfolio and lessens our dependence on imported water. The District purchases recycled water from the Los Angeles County Sanitation District's Pomona Water Reclamation Plant. These supplies are augmented by groundwater from the District's recycled water wells. On average the District delivers 2,300 acre-feet of recycled water per year, representing 12% of total water demand. The District continues to promote the use of recycled water and is committed to identifying further opportunities to expand the system.

WATER RATES & CHARGES

The District is dedicated to providing safe and reliable water and excellence in customer service under the guiding principles of affordability, customer fairness, and transparency. The rates customers are charged are impacted by several factors that include operation and maintenance expenses, infrastructure, expenditures, and administrative costs. In January 2020, the Board approved a detailed cost of service study and a proposed schedule of rate adjustments covering a five-year period beginning February 2020. The average rate adjustment for the 5-year period is 5% per year. The Board of Directors, in light of COVID-19 and the economic hardship caused by it, elected a 3% rate increase January 2021 instead of the proposed 5%.



WATER RATES & CHARGES, continued

Water rates are user charges imposed on customers for services and are the major source of revenue for the District. Water rates include a monthly meter charge, commodity charge, pump zone charge, and fire protection charge.

ECONOMIC CONDITIONS AND OUTLOOK

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment in which the District operates.

Economy/COVID-19 Pandemic

A new coronavirus disease began spreading across the world at the end of 2019. The first confirmed cases in both the United States and the state of California occurred in January 2020, and by March, the World Health Organization declared the new coronavirus disease a pandemic. As an essential service, the District's initial priority was to ensure safe and reliable service to our customers. Throughout the pandemic, the District has maintained a continuity of service throughout its service area, avoiding any service interruptions, and ensuring the highest level of water quality and customer service.

In late 2020, the first vaccines against the COVID-19 virus began to roll out across the nation. Through the first half of 2021, mass distribution of inoculations progressed and will continue with the goal of reaching herd immunity. The restrictions imposed in early 2020 were slowly lifted in a phased approach with most all restrictions eliminated in California by mid-June 2021, allowing individuals and businesses to resume some sort of normalcy. The economic impacts of the pandemic have been highly variable depending on the segment of the population and economy involved. Economic recovery will be a slow process and may take years for a full recovery, especially for those industries and individuals that have been hit hardest by the pandemic. Los Angeles County (the County) was at the height of nearly ten years of strong economic growth prior to the pandemic. The unemployment rate had been on a steady decline reaching a low of 4.5% through early 2020. There were strong gains in average wages, GDP growth was a little slow but consistently positive, and the chance for a recession was low.

ECONOMIC CONDITIONS AND OUTLOOK, continued

Economy/COVID-19 Pandemic, continued

The County's population was hard hit by the pandemic with some of the highest reported infection rates with about 1 in every 10 Angelinos having contracted the virus. There have been over 1.2 million confirmed cases and nearly 25 thousand deaths in the County through June 2021. The high infection rate and business restrictions caused dramatic spikes in unemployment. Some of the County's industries that were most impacted include hospitality and tourism, the motion picture and television industry, non-essential retail, personal care services, arts and entertainment, recreation, and commercial aviation.

As a result of the pandemic, and the resulting economic shutdown, unemployment surged to 20.8% in May 2020, and as of June 2021 improved to 10.6%.

In compliance with Governor Newsom's Executive Order N-42-20, the District has temporarily suspended the levy of all late charges and fees, and has placed a moratorium on all service disconnections for residential and business customers. The District continues to work with its customers in managing their accounts, arranging payment extensions, or scheduling alternative payment arrangements. Since the executive order went into effect, the District has seen an increase in the amount and number of past due accounts, but the overall financial impact has remained relatively minor. As of June 30, 2021, the balance for accounts more than 60 days past due was $160,813, or 0.7% of the total receivable balance.

The COVID-19 Pandemic has had a profound impact on the national, state, and local economy. Recent progress with vaccines and treatment have lifted expectations, but managing the pandemic is expected to impose strains in the near term. Many economists believe the California economy, and in particular, Los Angeles County will underperform in the next year. According to the U.S. Bureau of Labor Statistics, the unemployment rate for Los Angeles County was 4.5% as of February 2020.

Industry Outlook

California continues to face a decreasing water supply due to significantly dry conditions year over year. The hot and dry weather have not only contributed to a decrease in water supply, but also an increase in wildfires. Per the Metropolitan Water District, the amount of California's Sierra Nevada Snowpack was measured at 59% of the April 1 average, when it is historically at its peak. The mountain snowpack normally provides California with 30% of its freshwater supply. The state received approximately 50% of precipitation in the current year and its major reservoirs are a little over half full. California is now experiencing a second consecutive year of severe drought only a few years after the 2012-2016 drought.

Along with looming drought conditions, California legislation has enacted Assembly Bill 1668 and Senate Bill 606, which will reduce the amount of water allocated to residents in California. The current standard to meet is 55 gallons per person per day (GPD). This number is reduced to 52.5 GPD and 50 GPD on January 1, 2025 and January 1, 2030 respectively.

ECONOMIC CONDITIONS AND OUTLOOK, continued

Water Use Efficiency

In 2016, Governor Brown issued an Executive Order calling for Californians to build on the actions taken during the recent statewide drought, and to “Make Conservation a Way of Life in California”. In response, legislation requiring statewide long-term water use efficiency passed in 2018. As a result, the state will establish new long-term water efficiency objectives by June 30, 2022. The District has a long history of implementing cost-effective water efficiency programs and recently completed a comprehensive water use efficiency strategic plan to help ensure the District is well prepared to meet future efficiency standards.

Water Supply

California’s water supply continues to pose many new and complex challenges for water agencies throughout the state. In recent years, the District has been an active participant and leader in addressing these concerns. Through coordination and planning with other local and regional water agencies, the District continues to engage in developing long-term solutions to the various water supply challenges, inclusive of drought resiliency efforts.

Although the District seeks to increase local water supplies, as evidenced by the District’s water supply reliability projects, it remains heavily dependent upon MWD for its potable water. MWD continues to experience increases in the cost of acquiring water and delivering water to its member agencies. As a result, MWD’s Tier 1 rate will increase from $1,104 per acre-foot to $1,134 per acre-foot on January 1, 2022, a 2.7% increase. Since 2011, the cost of imported water has increased by 54%. Managing these costs and ensuring supply reliability remains a strategic focus of the District.

FISCAL MANAGEMENT & FINANCIAL POLICIES

Internal Control Structure

District management is responsible for the internal control structure established to protect its assets from theft or loss, ensure compliance with District policies, and allow for accurate and reliable financial statements. When establishing and implementing controls, management must consider the cost of the control and the value of the benefit derived. Management maintains only those controls for which value exceeds its costs.

Budgetary Control

The District’s Board of Directors annually adopts an operating budget and capital expenditure budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and controlling financial operations and accountability for the District’s enterprise operations and capital projects. The budget and reporting treatment applied to the District is consistent with the accrual basis of accounting and the financial statement basis.

FISCAL MANAGEMENT & FINANCIAL POLICIES

Debt Administration

The District has one bonded indebtedness and additional obligations under three separate agreements. Additional information regarding these issues can be found in the District's audited financial statements and accompanying notes.

Description	Purpose
2013 Series A Water Revenue Bonds	Provided to finance certain capital facilities of the District, as well as the District's share of capital facilities to be owned by the Puente Basin Water Agency.

Investment Policy

The investment policy is adopted annually and provides guiding objectives of safety, liquidity, and yield. The policy lists, in detail, the investment types, percentage of each type, and rating of the investment type. It applies to all cash and investment assets of the District, except those held in a non-revocable trust.

Reserve Policy

The policy states the purpose, source, minimum/maximum funding levels for each of its designated reserves. These reserves have been established to meet internal requirements and/or external legal requirements. These policy guidelines enable restricting funds for further infrastructure needs, replacement of aging facilities, bond compliance, and to mitigate unexpected occurrences.

Audit and Financial Reporting

State law and District bylaws require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Fedak & Brown, LLP, has conducted the audit of the District's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

Risk Management

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA). The purpose of the ACWA/JPIA is to arrange and administer risk management programs for the pooling of self-insured losses and the purchase of excess insurance and workers' compensation coverage.

MAJOR INITIATIVES AND PROJECTS

<u>Meter Replacement Program</u>

The District's Advanced Metering Infrastructure (AMI) project started in FY 2015/2016 and is planned to be completed by FY 2024/2025. To date, approximately 54% of the District's 27,000 water meters have been replaced with automated "smart" meters. The goal of the project is to modernize existing infrastructure to increase water conservation through accurate and automated real-time meter readings that will further aid in leak detection and system loss reporting. AMI technology provides a link from the customer's meter to the District, allowing almost near real-time monitoring to occur. The technology eliminates the need to manually read water meters therefore reducing District costs and environmental impacts by minimizing mileage driven by District vehicles.

<u>Asset Replacement & Refurbishment Plan</u>

The District developed a 20-year ARR plan that addresses the need to repair and rehabilitate its water system infrastructure. The plan includes various programs totaling 81 million dollars over the next 20 years. Through proper long-term planning, the District can collect the necessary funding over time, avoiding significant financial fluctuations, while ensuring overall system reliability.

<u>Water Use Efficiency Programs & Conservation</u>

The District is committed to providing its customers with the tools and resources they need to lead a water-efficient lifestyle. The District has been implementing water-efficient and demand management practices for decades. Details of the District's water use efficiency programs and activities can be found in the District's 2021 Strategic Communications Plan, 2020 Urban Water Management Plan, and 2020 Water Use Efficiency Strategic Plan. The District manages a variety of water education and awareness activities through various mediums to further promote water use efficiency. Conservation messaging, program information, and events are available on the District's website at www.wvwd.com/conservation, TikTok, Facebook, Twitter, YouTube, and Instagram as well as its monthly bill inserts, snipes, and e-newsletter.

MAJOR INITIATIVES AND PROJECTS, continued

Water Use Efficiency Programs & Conservation

The District conducts multiple conservation programs that are available at no cost to customers within its service area. These programs include District specific classes, workshops, webinars, distributions, and giveaways as well as rebates and retrofits through industry partnerships. Conservation goodie bags are provided to customers who participate in the District's varied conservation programs and include items such as water-efficient showerheads, hose nozzles, rain buckets, and moisture meters.

- Landscape & Garden Design Workshops

  The District offers several landscape classes with topics focused on"Fire Resistant Landscaping," "California Friendly & Native Plant Landscaping," and "Turf Removal & Garden Transformation." These events are held in-person and online. Participation in this conservation program includes a conservation goodie bag, landscape design worksheets, and manuals to provide continued support.

- Fix-A-Leak Week

  The District participates in the Environmental Protection Agency's (EPA) annual Fix a Leak Week. This WaterSense program serves to educate customers about water savings in and around their homes. The District offers a free leak detection virtual and in-person class to customers in English and Mandarin and distributes leak detection kits throughout the year for customers to effectively manage their water savings efforts.

- Turf Removal Program

  Turf grass is a common and expensive landscape covering which often consumes a large percentage of a property's water use and requires regular maintenance. The District offers turf removal workshops in-person and online and assists customers in applying for and submitting turf replacement rebate.

- High-Efficiency Device Rebates

  The District promotes rebates for high-efficiency devices for both residential and commercial customers within its service area. Applicable devices include water-efficient clothes washers, premium high-efficiency toilets, sprinkler nozzles, rain barrels, weather-based irrigation controllers (WBIC), moisture sensors, plumbing fixtures, landscaping equipment, food equipment, and more. In 2021, the District launched new rebate offerings that includes pool covers, urinals for commercial customers, and leak detection devices such as the Flume water sensor. Detailed information for each device, qualifying products, and access to the application portal is available on the District's website.

MAJOR INITIATIVES AND PROJECTS, continued

Public Education & Outreach

Walnut Valley Water District recently completed its 2021 Strategic Communications Plan. The plan details the District's efforts to revolutionize water conservation programs and outreach in order to achieve a sustainable water future.

Programs to connect customers, students and the local community with drought resilient resources are ever growing as water supply demand grows and water supply resources decrease. The District offers multiple programs through various medium to customers, students, elected officials, and the public.

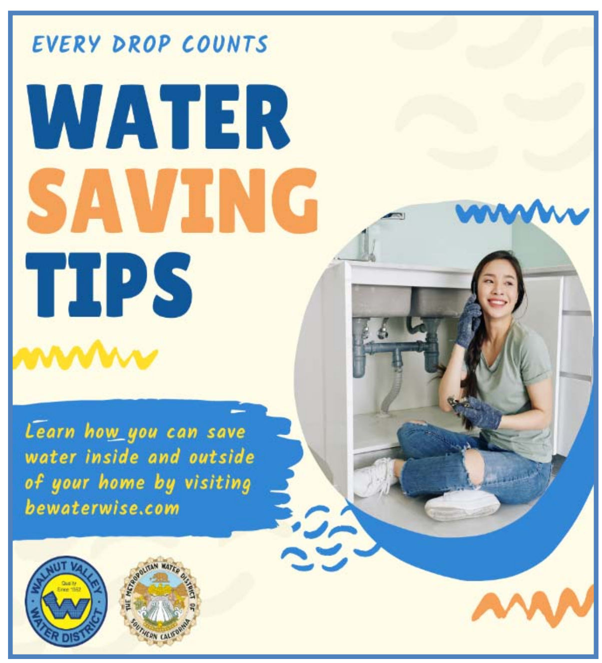
- Education Programs

  Education programs are available to students in grades 3 through 12 attending school within the WVWD service area. Utilizing the theme "Use Water Wisely, It's a Way of Life", students are given the opportunity to demonstrate their artistic abilities while learning the value of water through an annual poster contest. Each year WVWD establishes a unique theme based on the current climate and state of water to host a high school digital and broadcast media contest. Classroom presentations are available to teachers throughout the service area which includes audience participation and information on water distribution and treatment, the water cycle, and conservation techniques. Classroom and community presentations are accompanied by water awareness goodie bags to bring the conservation conversation home.

- Outreach/Communications

  Constant communication with customers through various mediums creates a unique opportunity to foster relationships, meeting customers where they are most comfortable. WVWD maintains a robust social media presence on TikTok, Facebook, Instagram, Twitter, and YouTube to promote water conservation in and around their home.

  Monthly billing inserts, monthly e-newsletters, community newspaper ads, local event sponsorship, participation in numerous community events and club meetings, water awareness giveaways, online and in-person workshops/events, virtual tours, and an interactive website further serve to promote water use efficiency.



MAJOR INITIATIVES AND PROJECTS, continued

Public Education & Outreach, continued

- WaterNow Project Accelerator Diversity & Inclusion

  The District is a recipient of the WaterNow Project Accelerator program. Every year the WaterNow Alliance partners with cities and water agencies to champion sustainable, innovative water solutions. This program will support the District's Asian American and Pacific Islanders (AAPI) & Mandarin Language Water Use Efficiency Program Enhancements. WVWD and WaterNow will collaborate to develop outreach tools and enhance communications specifically for AAPI communities. The District's service area population, based on census data, identifies over 65% of community members as AAPI. Efforts to ensure all community members receive equitable tools to enhance their water conservation toolbox include diversity and inclusion.

  - Workforce Recruitment & Education

    An integral part of the District's education and communications programs include industry education. Not only is the District committed to informing the public about all things water, the District is equally committed to professional awareness and engagement. In non-pandemic years, the District hosted an annual high school internship program and currently provides internships in various departments such as operations, general services, and IT. To attract and retain talent, the District participates in the California Water Professionals Appreciation Week (WPAW), hosts booths at in-person and virtual career fairs, presents internship opportunities in the classroom, and highlights employees.

MAJOR INITIATIVES AND PROJECTS, continued

Risk and Resiliency Plan/Emergency Response Plan

In early 2020 the District completed a Risk and Resilience Assessment (RRA) in accordance with America's Water Infrastructure Act of 2018 (AWIA). The results of the RRA were used to review and update the District's Emergency Response Plan (ERP). With a rapidly changing climate, the District's service area is regularly faced with public safety power shutoff (PSPS) warnings, wildfires, extreme weather advisories, earthquakes, and other natural disasters. The District's completed RRA and ERP paired with a crisis communications plan outline a detailed response to planned and unplanned disasters. The District's commitment to reliable water service is unfaltering, these efforts ensure the District is adequately prepared to respond to any situation with minimal, to no disruption in service and quality.

OTHER REFERENCES

Detailed information is contained in the *Management's Discussion and Analysis* and the *Notes to the Basic Financial Statements* found in the Financial Section of this report.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to WVWD for its ACFR for the fiscal year ended June 30, 2020. This was the first year that WVWD has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

planning and implementation of Walnut Valley Water District’s fiscal policies.

Respectfully submitted,

Erik Hitchman
General Manager

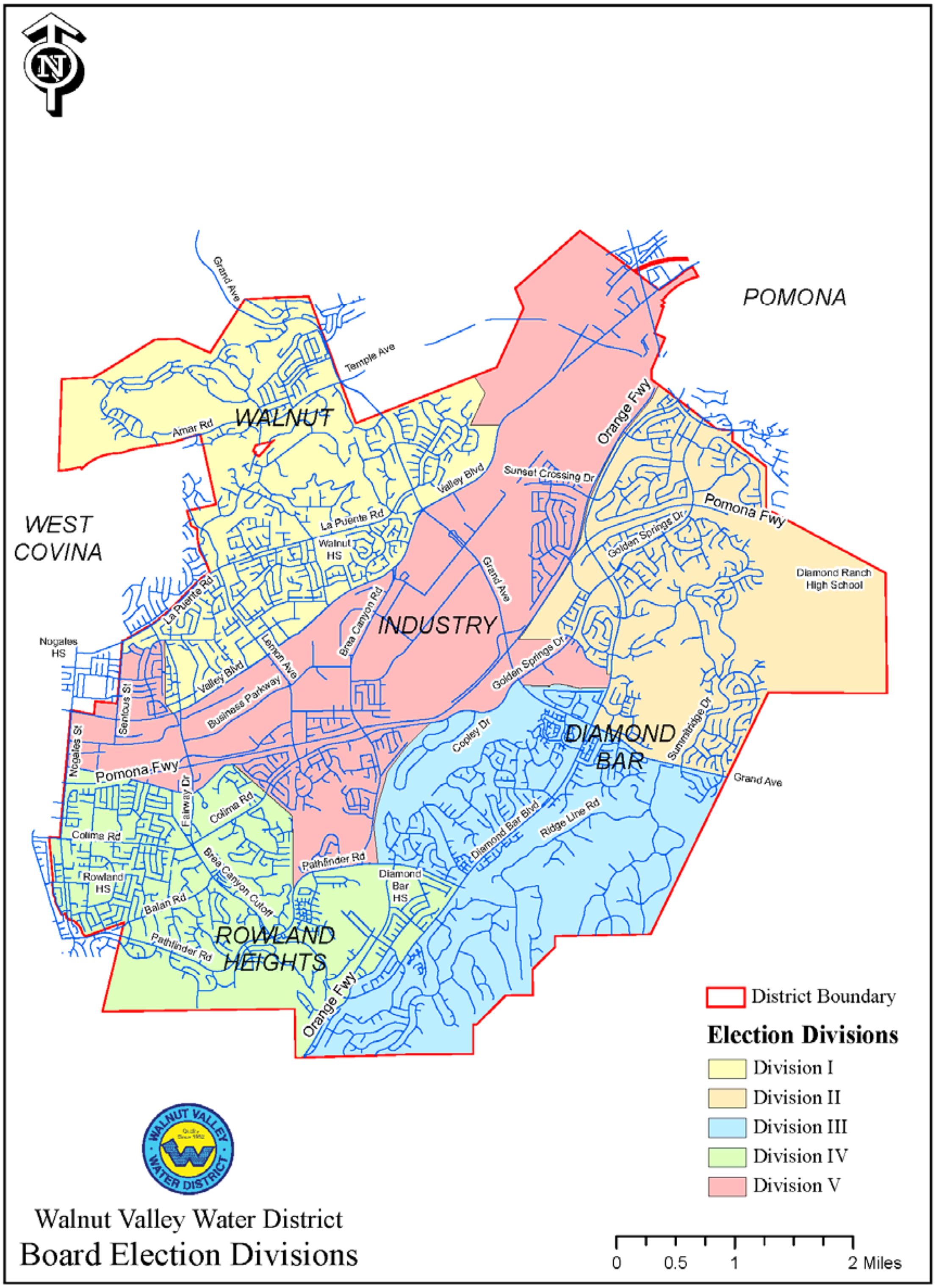
Josh Byerrum
Director of Finance

Walnut Valley Water District

Organizational Chart

As of June 30, 2021

Walnut Valley Water District
District Service Area



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Walnut Valley Water District
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

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Financial Section

Fedak & Brown LLP
Certified Public Accountants

Charles Z. Fedak, CPA, MBA
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Independent Auditor's Report

Board of Directors
Walnut Valley Water District
Walnut, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Walnut Valley Water District (District), which comprises the statements of net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses and changes in net position for the fiscal years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 22 through 30 and the required supplementary information on pages 77 through 81 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section on pages 1 through 19, and statistical section on pages 82 through 95, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 96 and 97.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
December 13, 2021

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Walnut Valley Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2021 and 2020. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In fiscal year 2021, the District's net position increased 0.87% or $1,227,442 to $142,178,426, primarily due to a decrease of $176,278 from ongoing operations and $1,403,720 in capital contributions. In fiscal year 2020, the District's net position increased 1.35% or $1,878,575 to $140,950,984, primarily due to income of $303,984 from ongoing operations and $1,574,591 in capital contributions.
- Total revenues increased 3.29% or $1,468,676 to $46,108,598. In fiscal year 2020, the District's total revenues increased 4.82% or $2,052,917 to $44,639,922.
- Operating revenues increased 9.40% or $3,804,185 to $44,260,619. In fiscal year 2020, the District's operating revenues increased 6.71% or $2,543,926 to $40,456,434.
- Non-operating revenues decreased by 55.83% or $2,335,509 to $1,847,979. In fiscal year 2020, the District's non-operating revenues decreased by 10.50% or $491,009 to $4,183,488.
- Total expenses including depreciation increased 4.40% or $1,948,938 to $46,284,876. In fiscal year 2020, the District's total expenses including depreciation increased 10.76% or $4,307,550 to $44,335,938.
- Operating expenses before depreciation increased 4.87% or $1,859,349 to $40,065,073. In fiscal year 2020, the District's operating expenses before depreciation increased 11.88% or $4,055,969 to $38,205,724.
- Depreciation expense increased by 0.24% or $13,251 to $5,468,374. In fiscal year 2020, the District's depreciation expense increased by 4.51% or $235,187 to $5,455,123.
- Non-operating expenses increased by 11.31% or $76,338 to $751,429. In fiscal year 2020, the District's non-operating expenses increased by 2.49% or $16,394 to $675,091.
- Capital contributions from developers decreased 10.85% or $170,871 to $1,403,720. In fiscal year 2020, the District's capital contributions from developers decreased 49.48% or $1,542,223 to $1,574,591.

Required Financial Statements

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

Required Financial Statements, continued

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

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid. These two statements report the District's *net position* and changes in it. One can think of the District's net position – the difference between assets plus deferred outflows of resources, less liabilities plus deferred inflows of resources – as a way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 36 through 76.

Statements of Net Position

Condensed Statements of Net Position

	2021	2020	Change	2019	Change
Assets:					
Current assets	$ 26,987,118	29,071,118	(2,084,000)	28,917,465	153,653
Non-current assets	50,795,791	47,934,906	2,860,885	45,600,804	2,334,102
Capital assets, net	111,425,215	112,601,859	(1,176,644)	112,828,300	(226,441)
Total assets	189,208,124	189,607,883	(399,759)	187,346,569	2,261,314
Deferred outflows of resources	6,918,554	5,194,644	1,723,910	5,379,241	(184,597)
Liabilities:					
Current liabilities	16,776,241	16,829,537	(53,296)	16,428,091	401,446
Non-current liabilities	36,515,162	36,313,399	201,763	36,683,534	(370,135)
Total liabilities	53,291,403	53,142,936	148,467	53,111,625	31,311
Deferred inflows of resources:	656,849	708,607	(51,758)	541,776	166,831
Net position:					
Net investment in capital assets	103,734,985	104,609,392	(874,407)	104,543,390	66,002
Restricted	26,199,369	22,367,499	3,831,870	24,163,164	(1,795,665)
Unrestricted	12,244,072	13,974,093	(1,730,021)	10,365,855	3,608,238
Total net position	$ 142,178,426	140,950,984	1,227,442	139,072,409	1,878,575

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of the District by $142,178,426 and $140,950,984 as of June 30, 2021 and 2020, respectively.

Compared to the prior year, net position of the District increased 0.87% or $1,227,442 to $142,178,426, primarily due to a decrease of $176,278 in from ongoing operations and $1,403,720 in capital contributions. In fiscal year 2020, the District's net position increased 1.35% or $1,878,575 to $140,950,984, primarily due to income of $303,984 from ongoing operations and $1,574,591 in capital contributions. The District's total net position is made-up of three components: (1) net investment in capital assets, (2) restricted net position and (2) unrestricted net position.

By far the largest portion of the District's net position (73% and 74% as of June 30, 2021 and 2020, respectively) reflects its investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

Restricted net position represents assets restricted for use by statutory requirements or contractual agreements. At the end of fiscal years 2021 and 2020, the District showed a positive balance in its unrestricted net position of $12,244,072 and $13,974,093, respectively, which may be utilized in future years.

The Board of Directors has taken action to reserve aspects of the unrestricted net position for specified purposes such as asset replacement, growth accommodation and emergency reserves.

Statements of Net Position, continued

The District has committed to the following funds and objectives:

- Replacement Reserve – Established for the funding of the replacement of capital assets when they reach the end of their useful lives.
- Capital Improvement Reserve – Established for the funding of new capital assets necessary to improve or maintain the District's water infrastructure.
- Project Reserve – Established to provide future funding derived from connection fees collected on new development resulting in increased service demand to the District's operating and distribution system.
- Badillo Grand Catastrophic Insurance Reserve – Established to provide self-insurance for the funding emergency repair and maintenance of the Badillo Grand Line.
- Rate Stabilization Reserve – Established for the purpose of funding the development, improvement, or acquisition of local water resource projects or efforts. This fund is designated by the Board to reduce the District's reliance on costly imported water. The District may use funds herein for either capital or operating purposes in accordance with Board approval.
- Stored Water Reserve – Established for the purpose of obtaining stored water to offset the cost and availability of water reserves for the coming year.
- Operating Fund Reserve – Established to cover temporary cash flow deficiencies that occur as a result of timing differences between the receipt of operating revenue and expenditure requirements and unexpected expenditures occurring as a result of doing business.
- Employee Liabilities Fund Reserve – Established to accumulate funds for repayment of employee legacy liabilities such as pension benefits or other post-employment benefits.

Statements of Revenues, Expenses and Changes in Net Position

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

		2021	2020	Change	2019	Change
Revenues:						
Operating revenues	$	44,260,619	40,456,434	3,804,185	37,912,508	2,543,926
Non-operating revenues		1,847,979	4,183,488	(2,335,509)	4,674,497	(491,009)
Total revenues		46,108,598	44,639,922	1,468,676	42,587,005	2,052,917
Expenses:						
Operating expenses		40,065,073	38,205,724	1,859,349	34,149,755	4,055,969
Depreciation expense		5,468,374	5,455,123	13,251	5,219,936	235,187
Non-operating expenses		751,429	675,091	76,338	658,697	16,394
Total expenses		46,284,876	44,335,938	1,948,938	40,028,388	4,307,550
Net (loss) income before capital contributions		(176,278)	303,984	(480,262)	2,558,617	(2,254,633)
Capital contributions		1,403,720	1,574,591	(170,871)	3,116,814	(1,542,223)
Changes in net position		1,227,442	1,878,575	(651,133)	5,675,431	(3,796,856)
Net position, beginning of year		140,950,984	139,072,409	1,878,575	133,396,978	5,675,431
Net position, end of year	$	142,178,426	140,950,984	1,227,442	139,072,409	1,878,575

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

The statements of revenues, expenses and changes in net position show how the District's net position changed during the fiscal years. In the case of the District, net position increased 0.87% or $1,227,442 to $142,178,426, in fiscal year 2021, primarily due to a decrease of $176,278 from ongoing operations and $1,403,720 in capital contributions. In fiscal year 2020, the District's net position increased 1.35% or $1,878,575 to $140,950,984, primarily due to income of $303,984 from ongoing operations and $1,574,591 in capital contributions.

Financial Analysis for Fiscal Year 2021

A closer examination of the sources of changes in net position:

In 2021, the District's total revenues increased 3.29% or $1,468,676 to $46,108,598. The District's operating revenues increased 9.40% or $3,804,185 to $44,260,619, primarily due to increases of $3,039,208 in water sales, $424,083 in meter charges, $383,108 in recycled water sales, which were offset by decreases of $28,776 in standby charges and $13,887 in other water charges as compared to the previous year.

In 2021, the District's non-operating revenues decreased by 55.83% or $2,335,509 to $1,847,979, primarily due to decreases of $1,946,320 in investment earnings, $180,329 in share of joint venture income, $255,492 in other non-operating revenues, which were offset by increases of $36,981 in property taxes and $9,651 in rental revenue from cellular site leases as compared to the previous year.

In 2021, the District's total expenses including depreciation increased 4.40% or $1,948,938 to $46,284,876. The District's operating expenses before depreciation increased 4.87% or $1,859,349 to $40,065,073, primarily due to increases of $2,182,162 in source of supply, $115,505 in pumping, $99,997 in operating expenses capitalized during the construction period, and $63,124 in transmission and distribution expenses, which were offset by decreases of $306,572 in consumer accounts and $294,867 in general and administrative as compared to the previous year.

In 2021, the District's depreciation expense increased by 0.24% or $13,251 to $5,468,374, due to the ongoing maturation on existing depreciable assets.

In 2021, the District's non-operating expenses increased by 11.31% or $76,338 to $751,429, primarily due to increases of $59,892 in loss on disposition of capital assets and $41,029 in share of joint venture loss, which were offset by a decrease of $24,583 in interest expense related to long-term debt.

In 2021, the District's capital contributions from developers decreased 10.85% or $170,871 to $1,403,720, primarily due a decrease in developer contributed assets as compared to the previous year.

Financial Analysis for Fiscal Year 2020

A closer examination of the sources of changes in net position:

In 2020, the District's total revenues increased 4.82% or $2,052,917 to $44,639,922. In 2020, District's operating revenues increased 6.71% or $2,543,926 to $40,456,434, primarily due to increases of $2,085,498 in water sales, $281,232 in meter charges, $182,377 in recycled water sales, $19,588 in other water charges, and $16,642 in hydroelectric sales, which were offset by a decrease of $41,411 in standby charges as compared to the previous year.

In 2020, the District's non-operating revenues decreased by 10.50% or $491,009 to $4,183,488, primarily due to decreases of $693,769 in share of joint venture income, $59,507 in investment earnings and $18,098 in gain on disposition of assets, which were offset by increases of $196,232 in other non-operating revenues, $64,089 in property taxes, and $20,044 in rental revenue from cellular site leases as compared to the previous year.

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

Financial Analysis for Fiscal Year 2020, continued

In 2020, the District's total expenses including depreciation increased 10.76% or $4,307,550 to $44,335,938. The District's operating expenses before depreciation increased 11.88% or $4,055,969 to $38,205,724, primarily due to increases of $2,156,670 in source of supply, $778,854 in transmission and distribution, $642,520 in general and administrative, $200,291 in consumer accounts, and a decrease of $246,019 in operating expenses capitalized during the construction period as compared to the previous year.

In 2020, the District's depreciation expense increased by 4.51% or $235,187 to $5,455,123, due to the ongoing maturation on existing depreciable assets.

In 2020, the District's non-operating expenses increased by 2.49% or $16,394 to $675,091, primarily due to increases of $39,748 in loss on disposition of capital assets, offset by a decrease of $23,354 in interest expense related to long-term debt.

Total District Revenues

	2021	2020	Change	2019	Change
Operating revenues:					
Water sales	$ 32,236,607	29,197,399	3,039,208	27,111,901	2,085,498
Meter charges	8,406,618	7,982,535	424,083	7,701,303	281,232
Recycled water sales	2,199,928	1,816,820	383,108	1,634,443	182,377
Standby charges	766,999	795,775	(28,776)	837,186	(41,411)
Hydroelectric sales	39,341	38,892	449	22,250	16,642
Other water charges	611,126	625,013	(13,887)	605,425	19,588
Total operating revenues	44,260,619	40,456,434	3,804,185	37,912,508	2,543,926
Non-operating revenues:					
Property taxes	1,199,446	1,162,465	36,981	1,098,376	64,089
Rental income – cellular site leases	327,799	318,148	9,651	298,104	20,044
Investment earnings	63,284	2,009,604	(1,946,320)	2,069,111	(59,507)
Share of joint venture income	-	180,329	(180,329)	874,098	(693,769)
Gain on disposition of capital assets	-	-	-	18,098	(18,098)
Other non-operating income	257,450	512,942	(255,492)	316,710	196,232
Total non-operating revenues	1,847,979	4,183,488	(2,335,509)	4,674,497	(491,009)
Total revenues	$ 46,108,598	44,639,922	1,468,676	42,587,005	2,052,917

In 2021 and 2020, total District revenues increased $1,468,676 and $2,052,917, respectively.

Total District Expenses

	2021	2020	Change	2019	Change
Operating expenses including depreciation expense:					
Source of supply	$ 25,338,762	23,156,600	2,182,162	20,999,930	2,156,670
Pumping	1,819,324	1,703,819	115,505	1,672,204	31,615
Transmission and distribution	6,181,794	6,118,670	63,124	5,339,816	778,854
Consumer accounts	1,804,476	2,111,048	(306,572)	1,910,757	200,291
General and administrative	5,240,165	5,535,032	(294,867)	4,892,512	642,520
Operating expenses capitalized during construction period	(319,448)	(419,445)	99,997	(665,464)	246,019
Depreciation and amortization	5,468,374	5,455,123	13,251	5,219,936	235,187
Total operating expenses including depreciation expense	45,533,447	43,660,847	1,872,600	39,369,691	4,291,156
Non-operating expenses:					
Share of joint venture loss	41,029	-	41,029	-	-
Loss on disposition of capital assets	99,640	39,748	59,892	-	39,748
Interest expense – long-term debt	610,760	635,343	(24,583)	658,697	(23,354)
Total non-operating expenses	751,429	675,091	76,338	658,697	16,394
Total expenses	$ 46,284,876	44,335,938	1,948,938	40,028,388	4,307,550

In 2021 and 2020, total District expenses increased $1,948,938 and $4,307,550, respectively.

Capital Asset Administration

Changes in capital assets for 2021 were as follows:

	Balance 2020	Additions	Transfers/ Deletions	Balance 2021
Capital assets:				
Non-depreciable assets	$ 9,645,608	4,416,709	(6,029,541)	8,032,776
Depreciable assets	218,714,792	5,963,578	(1,418,926)	223,259,444
Accumulated depreciation	(115,758,541)	(5,468,374)	1,359,910	(119,867,005)
Total capital assets, net	$ 112,601,859	4,911,913	(6,088,557)	111,425,215

At the end of fiscal year 2021 the District's investment in capital assets amounted to $111,425,215 (net of accumulated depreciation). This investment in capital assets includes master plan, terminal storage, pumping equipment, transmission and distribution systems, PWR capacity, hydroelectric system, recycled water system and general plant. Major capital asset additions during the year include the acquisition of pumping equipment, transmission and distribution systems, recycled water systems, and general plant assets. See Note 5 to the basic financial statements for further detailed information on the District's capital assets.

Capital Asset Administration, continued

Changes in capital assets for 2020 were as follows:

		Balance 2019	Additions	Transfers/ Deletions	Balance 2020
Capital assets:					
Non-depreciable assets	$	11,931,783	5,277,649	(7,563,824)	9,645,608
Depreciable assets		211,204,794	7,523,666	(13,668)	218,714,792
Accumulated depreciation		(110,308,277)	(5,455,123)	4,859	(115,758,541)
Total capital assets, net	$	112,828,300	7,346,192	(7,572,633)	112,601,859

At the end of fiscal year 2020 the District's investment in capital assets amounted to $112,601,859 (net of accumulated depreciation). This investment in capital assets includes master plan, terminal storage, pumping equipment, transmission and distribution systems, PWR capacity, hydroelectric system, recycled water system and general plant. Major capital asset additions during the year include the acquisition of pumping equipment, transmission and distribution systems, PWR capacity, recycled water systems, and general plant assets. See Note 5 to the basic financial statements for further detailed information on the District's capital assets.

Debt Administration

Changes in long-term debt amounts for 2021 were as follows:

		Balance 2020	Additions	Principal Payments	Balance 2021
Long-term debt:					
Bonds payable	$	16,319,151	-	(617,115)	15,702,036
Less: current portion		(510,000)			(535,000)
Non-current portion	$	15,809,151			15,167,036

In 2021, long-term debt decreased by $617,115, due to scheduled principal payments. See further detailed information in Note 7.

Changes in long-term debt amounts for 2020 were as follows:

		Balance 2019	Additions	Principal Payments	Balance 2020
Long-term debt:					
Bonds payable	$	16,916,266	-	(597,115)	16,319,151
Less: current portion		490,000			(510,000)
Non-current portion	$	17,406,266			15,809,151

In 2020, long-term debt decreased by $597,115, due to scheduled principal payments. See further detailed information in Note 7.

Conditions Affecting Current Financial Position

Management is unaware of any conditions, which could have a significant impact on the District's current financial position, net position, or operating results in terms of past, present, and future periods.

Requests for Information

This financial report is designed to provide the District's present users, including funding sources, customers, stakeholders, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Finance Director, Josh Byerrum at Walnut Valley Water District at 271 South Brea Canyon Road, Walnut, California 91789 or (909) 595-7554.

Basic Financial Statements

Walnut Valley Water District
Statements of Net Position
June 30, 2021 and 2020

		2021	2020
Current assets:			
Cash and cash equivalents (note 2)	$	11,114,867	9,814,695
Restricted – cash and cash equivalents (note 2)		2,628,623	2,649,327
Investments (note 2)		2,869,465	2,281,574
Restricted – investments (note 2)		2,607,383	2,744,838
Accrued interest receivable		164,810	212,894
Restricted – accrued interest receivable		1,018	4,161
Accounts receivable – water sales and services		4,836,233	4,489,548
Accounts receivable – other		1,495,035	1,836,239
Property tax receivable		132,922	132,901
Prepaid expenses		411,840	424,923
Inventory – materials and supplies		724,922	904,838
Inventory – water-in-storage (note 4)		-	3,575,180
Total current assets		26,987,118	29,071,118
Non-current assets:			
Investments (note 2)		19,534,762	19,447,238
Restricted – Investments (note 2)		10,459,213	11,494,673
Restricted – Investment in joint ventures (note 3)		20,801,816	16,992,995
Capital assets – not being depreciated (note 5)		8,032,776	9,645,608
Capital assets – being depreciated, net (note 5)		103,392,439	102,956,251
Total non-current assets		162,221,006	160,536,765
Total assets		189,208,124	189,607,883
Deferred outflows of resources:			
Deferred OPEB outflows (note 8)		3,705,955	2,195,979
Deferred pension outflows (note 9)		3,212,599	2,998,665
Total deferred outflows of resources	$	6,918,554	5,194,644

Continued on next page

See accompanying notes to the basic financial statements

Walnut Valley Water District
Statements of Net Position, continued
June 30, 2021 and 2020

		2021	2020
Current liabilities:			
Accounts payable and accrued expenses	$	7,088,506	6,225,039
Accrued payroll and employee benefits		341,478	352,461
Customer and developer deposits		2,083,318	1,782,706
Construction advances		6,194,605	7,396,250
Unearned revenue		157,385	192,687
Accrued interest payable		57,875	60,000
Long-term liabilities – due in one year:			
Compensated absences (note 6)		318,074	310,394
Bonds payable (note 7)		535,000	510,000
Total current liabilities		16,776,241	16,829,537
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences (note 6)		954,222	888,037
Bonds payable (note 7)		15,167,036	15,809,151
Net OPEB liability (note 8)		4,973,211	5,314,868
Net pension liability (note 9)		15,420,693	14,301,343
Total non-current liabilities		36,515,162	36,313,399
Total liabilities		53,291,403	53,142,936
Deferred inflows of resources:			
Deferred pension inflows (note 9)		656,849	708,607
Total deferred inflows of resources		656,849	708,607
Net position: (note 10)			
Net investment in capital assets		103,734,985	104,609,392
Restricted:			
Reservoir capacity charge		2,277,066	2,427,650
Acreage supply charge		340,513	332,096
Investment in joint venture – PBWA		20,737,091	16,980,625
Investment in joint venture – Spadra		64,725	12,370
Badillo Grand surcharge		283,076	291,636
Water supply charge		2,496,898	2,323,122
Unrestricted		12,244,072	13,974,093
Total net position	$	142,178,426	140,950,984

See accompanying notes to the basic financial statements

Walnut Valley Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2021 and 2020

		2021	2020
Operating revenues:			
Water sales	$	32,236,607	29,197,399
Meter charges		8,406,618	7,982,535
Recycled water sales		2,199,928	1,816,820
Standby charges		766,999	795,775
Hydroelectric sales		39,341	38,892
Other water charges		611,126	625,013
Total operating revenues		44,260,619	40,456,434
Operating expenses:			
Source of supply		25,338,762	23,156,600
Pumping		1,819,324	1,703,819
Transmission and distribution		6,181,794	6,118,670
Consumer accounts		1,804,476	2,111,048
General and administrative		5,240,165	5,535,032
Operating expenses capitalized during construction period		(319,448)	(419,445)
Total operating expenses		40,065,073	38,205,724
Operating income before depreciation expense		4,195,546	2,250,710
Depreciation expense		(5,468,374)	(5,455,123)
Operating loss		(1,272,828)	(3,204,413)
Non-operating revenue(expense):			
Property taxes		1,199,446	1,162,465
Rental income – cellular site leases		327,799	318,148
Investment earnings		63,284	2,009,604
Share of joint venture (loss) income		(41,029)	180,329
Loss on disposition of capital assets		(99,640)	(39,748)
Interest expense – long-term debt		(610,760)	(635,343)
Other non-operating income		257,450	512,942
Total non-operating revenues(expense), net		1,096,550	3,508,397
Net (loss) income before capital contributions		(176,278)	303,984
Capital contributions:			
Contributed capital		1,403,720	1,574,591
Total capital contributions		1,403,720	1,574,591
Change in net position		1,227,442	1,878,575
Net position, beginning of the year		140,950,984	139,072,409
Net position, end of year	$	142,178,426	140,950,984

See accompanying notes to the basic financial statements

Walnut Valley Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2021 and 2020

		2021	2020
Cash flows from operating activities:			
Cash receipts from customers for sales and services	$	44,777,898	40,218,350
Cash paid to vendors and suppliers		(28,830,722)	(30,284,066)
Cash paid to employees for salaries and wages		(5,826,722)	(5,697,844)
Cash paid to OPEB trust		(1,711,076)	(750,969)
Net cash provided by operating activities		8,409,378	3,485,471
Cash flows from non-capital financing activities:			
Proceeds from property taxes		1,199,425	1,124,809
Payments to joint ventures		(3,849,850)	(167,591)
Net cash (used in) provided by non-capital financing activities		(2,650,425)	957,218
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets		(4,416,708)	(5,277,650)
Proceeds from the sale of capital assets		-	13,768
Proceeds from capital contributions		202,075	838,032
Principal paid on long-term debt		(510,000)	(490,000)
Interest paid on long-term debt		(612,885)	(744,500)
Net cash used in capital and related financing activities		(5,337,518)	(5,660,350)
Cash flows from investing activities:			
Interest and investment earnings		442,310	2,369,584
Purchase of securities		(9,390,000)	(6,922,253)
Proceeds from sale of securities		9,805,723	7,428,489
Net cash provided by investing activities		858,033	2,875,820
Net increase in cash and cash equivalents		1,279,468	1,658,159
Cash and cash equivalents, beginning of year		12,464,022	10,805,863
Cash and cash equivalents, end of year	$	13,743,490	12,464,022

Reconciliation of cash and cash equivalents to statement of net position:

		2021	2020
Cash and cash equivalents	$	11,114,867	9,814,695
Cash and cash equivalents – restricted		2,628,623	2,649,327
Total cash and cash equivalents	$	13,743,490	12,464,022

Continued on next page

See accompanying notes to the basic financial statements

Walnut Valley Water District
Statements of Cash Flows, continued
For the Fiscal Years Ended June 30, 2021 and 2020

		2021	2020
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	(1,272,828)	(3,204,413)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation expense		5,468,374	5,455,123
Other non-operating income		257,450	512,942
Change in assets, deferred outflows, liabilities, and deferred inflows:			
(Increase)Decrease in assets:			
Accounts receivable – water sales and services		(346,685)	(74,883)
Accounts receivable – other		341,204	(646,008)
Prepaid expenses and other deposits		13,083	(25,935)
Materials and supplies inventory		179,916	(249,810)
Water-in-storage inventory		3,575,180	-
(Increase)Decrease in deferred outflows of resources:			
Deferred OPEB outflows		(1,509,976)	279,473
Deferred pension outflows		(213,934)	(94,876)
Increase(Decrease) in liabilities:			
Accounts payable and accrued expenses		863,467	1,099,748
Accrued payroll and employee benefits		(10,983)	45,998
Deposits for work-orders		300,612	(31,908)
Unearned revenues		(35,302)	1,773
Compensated absences		73,865	16,942
Net OPEB liability		(341,657)	(910,503)
Net pension liability		1,119,350	1,144,977
Increase(Decrease) in deferred inflows of resources:			
Deferred OPEB inflows		-	(140,075)
Deferred pension inflows		(51,758)	306,906
Total adjustments		9,682,206	6,689,884
Net cash provided by operating activities	$	8,409,378	3,485,471
Non-cash investing, capital, and financing transaction:			
Changes in fair value of investments	$	750,891	(1,044,552)

See accompanying notes to the basic financial statements

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Walnut Valley Water District (District) is an independent special district formed in July 1952, which operates under the authority of Division 12 of the California Water Code. The District's service area includes the communities of Diamond Bar, portion of the cities of Walnut, Industry, West Covina and Pomona, as well as the easterly unincorporated area of Rowland Heights. The District is governed by a five-member Board of Directors who serve overlapping four-year terms in even-numbered years.

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

Complete financial statements for the Walnut Valley Water District are available at the District's office or upon request of the District's Assistant General Manager, Thomas Monk at Walnut Valley Water District at 271 South Brea Canyon Road, Walnut, California 91789.

B. Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its customers on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales along with water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal value. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses. Non-operating revenues and expenses, such as grant funding, investment income and interest expense, result from non-exchange transactions, in which the District gives (receives) value without directly receiving (giving) value in exchange.

C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

The District has adopted the following GASB pronouncement in the current year:

Governmental Accounting Standards Board Statement No. 84

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

Governmental Accounting Standards Board Statement No. 84, continued

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 90

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Uncertainty

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on District and the duration cannot be estimated at this time.

3. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest-bearing accounts. The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

For purposes of the statement of cash flows, cash and cash equivalents have been defined as demand deposits, money market mutual funds, and external cash management pools (local agency investment fund).

4. Investments and Investment Policy

The District has adopted an investment policy directing the Assistant General Manager to deposit and invest funds in financial institutions in accordance with California Government Code section 53600. The investment policy applies to all financial assets and investment activities of the District.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

5. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- **Level 1** – Valuation is based on quoted prices in active markets for identical assets.
- **Level 2** – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3 –** Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

6. Restricted Assets

Restricted assets are financial resources generated for a specific purpose such as capital projects or debt service. These assets are for the benefit of a specified purpose and, as such, are legally or contractually restricted by an external third-party agreement.

7. Accounts Receivable and Allowance for doubtful accounts

The District extends credit to customers in the normal course of operations. Management evaluates all accounts receivable, and if determined that they are uncollectable, the District uses the allowance method for the reservation and write-off of those accounts.

8. Materials and Supplies Inventory

Materials and supplies inventory consist primarily of water meters, pipe and pipefittings for construction and repair to the District's water transmission and distribution system. Inventory is valued at lower of cost or market. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

9. Water-in-Storage Inventory

Water in storage inventory consists of purchased water supplies available to the District. Water in storage is valued using the first-in-first-out (FIFO) methodology. Stored water is reported at cost.

10. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

11. Property Taxes

The County of Los Angeles Assessor's Office assesses all real and personal property within the County each year. The County of Los Angeles Tax Collector's Office bills and collects the District's share of property taxes. The County of Los Angeles Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the County of Los Angeles, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien date	January 1
Levy date	July 1
Due dates	November 10 and February 10
Collection dates	December 10 and April 10

12. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at $5,000. Donated assets are recorded at acquisition value rather than fair value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

12. Capital Assets, continued

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Wells	30 years
Terminal storage	30 years
Telemetering SCADA equipment	20 years
Pumping, transmission facilities and meters	20 – 60 years
PWR capacity	75 years
Recycled water system	30 years
General structures	30 years
Office equipment/GIS	5 – 7 years
Vehicles and equipment	7 years
Master plan	7 years

13. Deferred Outflows of Resources

The statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of resources applicable to future periods and therefore will *not* be recognized as an outflow of resources (expenditure) until that time. The District has the following items that qualify for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net OPEB liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year.
- Deferred outflow for the changes in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan.
- Deferred outflow for the differences between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan.
- Deferred outflow for the net difference in projected and actual earnings on investments of the OPEB plans fiduciary net position. This amount is amortized over a 5-year period.

Pensions

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net pension liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year.
- Deferred outflow for the net differences between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net difference in projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over a 5-year period.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

13. Deferred Outflows of Resources, continued

Pensions, continued

- Deferred outflow for the net changes due to differences in the changes in proportions of the net pension liability which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

14. Compensated Absences

The District's policy is to permit employees to accumulate a limited amount of earned vacation and sick leave. Accumulated vacation time is accrued at year-end to account for the District's obligation to the employees for the amount owed.

15. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District’s OPEB plan (Plan) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date: June 30, 2019
- Measurement Date: June 30, 2020
- Measurement Period: July 1, 2019 to June 30, 2020

16. Pensions

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

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date: June 30, 2019
- Measurement Date: June 30, 2020
- Measurement Period: July 1, 2019 to June 30, 2020

17. Premium on Issued Debt

Premiums received on issued debt are amortized over the life of the respective debt service.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

18. Deferred Inflows of Resources

The statement of net position will sometimes report a separate section for deferred inflows of resources. This financial statement element, deferred inflows of resources, represents an acquisition of resources applicable to future periods and therefore will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

Pensions

- Deferred inflow for the net changes in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred inflow for the net difference in actual and proportionate share of employer contribution and net changes in proportion which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

19. Water Sales

Water sales are billed on a monthly basis. Estimated unbilled water revenue through June 30 has been accrued at year-end.

20. Overhead Absorption

Certain operating expenses are allocated to capital assets using management's allocation of manpower and services estimates that are directly related to the construction of capital assets.

21. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies, or real estate developers desiring services that require capital expenditures or capacity commitment.

22. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- *Net Investment in Capital Assets Component of Net Position*– This component of net position consists of capital assets, net of accumulated depreciation, and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt is included in this component of net position

- *Restricted Component of Net Position* – This component of net position consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.

- *Unrestricted Component of Net Position* – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

23. Budgetary Policies

The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

(2) Cash and Investments

Cash and investments as of June 30 are classified in the Statements of Net Position as follows:

		2021	2020
Cash and cash equivalents	$	11,114,867	9,814,695
Restricted – cash and cash equivalents		2,628,623	2,649,327
Total cash and cash equivalents		13,743,490	12,464,022
Investments		2,869,465	2,281,574
Restricted – investments		2,607,383	2,744,838
Investments non-current		19,534,762	19,447,238
Restricted – Investments non-current		10,459,213	11,494,673
Total investments		35,470,823	35,968,323
Total cash and investments	$	49,214,313	48,432,345

Cash and investments as of June 30 consist of the following:

		2021	2020
Cash and investments			
Cash on hand	$	3,200	3,200
Deposits with financial institutions		5,061,667	3,790,525
Investments		44,149,446	44,638,620
Total cash and investments	$	49,214,313	48,432,345

(2) Cash and Investments, continued

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio *	Maximum Investment in One Issuer
State and Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years**	None	None
U.S. Agency Securities	5 years**	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Non-negotiable Certificates of Deposit	1 year	30%	None
Negotiable Certificates of Deposit	5 years	30%	None
Medium-Term Notes	5 years	30%	None
Repurchase agreements	1 year	20%	None
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
Supranational Obliagtions	N/A	30%	None
County Pooled Investment Funds	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None

* Excluding amounts held by bond trustee that are not subject to California Government Code.
** Except when authorized by the District's legislative body in accordance with Government Code Section 53601
N/A – Not Applicable

Investments Authorized by Debt Agreements

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

(2) Cash and Investments, continued

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio *	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	1 year	None	None
Commercial Paper	None	None	None
Investment Agreements	None	None	None
Local Agency Obligations	None	None	None
Non-negotiable Certificates of Deposit	None	None	None
Negotiable Certificates of Deposit	None	None	None
Medium-Term Notes	3 years	None	None
Repurchase agreements	30 days	None	None
Money Market Mutual Funds	None	None	None
Asset Backed Securities	5 years	None	None
Mortgage Backed Securities	5 years	20%	None
California Local Agency Investment Fund (LAIF)	None	None	None

Investment in State Investment Pool

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

The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

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 the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. 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).

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit), and, the District's investment policy that requires no more than two-thirds of the District's deposits in a depository shall be collateralized by mortgage-backed securities, with the remainder to be secured by non-mortgage-backed securities.

(2) Cash and Investments, continued

Custodial Credit Risk, continued

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the District's bank balances, up to $250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures, or comes close to maturity evenly over time, as necessary to provide requirements for cash flow and liquidity needed for operations.

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balances, up to $250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date:

Investment maturities as of June 30, 2021 were as follows:

		Remaining Maturity		
Investment Type	**Amount**	**12 Months Or Less**	**13 to 24 Months**	**25-60 Months**
California Local Agency Investment Fund	$ 6,349,845	6,349,845	-	-
Certificates-of-deposit	757,231	-	-	757,231
United States Government Sponsored Agency Securities	14,392,958	2,219,061	980,989	11,192,908
United States Treasury notes	9,937,457	1,845,695	1,179,299	6,912,463
Corporate obligations	8,275,532	906,902	4,304,662	3,063,968
Supranational obligations	2,107,645	505,190	509,415	1,093,040
Held by Bond Trustee:				
Money market mutual fund	1,087,867	1,087,867	-	-
California Local Agency Investment Fund	1,240,911	1,240,911	-	-
Total	$ 44,149,446	14,155,471	6,974,365	23,019,610

(2) Cash and Investments, continued

Investment maturities as of June 30, 2020 were as follows:

Investment Type		Amount	Remaining Maturity: 12 Months Or Less	13 to 24 Months	25-60 Months
California Local Agency Investment Fund	$	6,326,917	6,326,917	-	-
Certificates-of-deposit		773,082	-	-	773,082
Money market mutual fund		105,774	105,774	-	-
United States Government Sponsored Agency Securities		16,440,938	2,898,731	3,457,884	10,084,323
United States Treasury notes		7,955,504	931,772	1,875,659	5,148,073
Corporate obligations		9,663,315	1,090,135	921,820	7,651,360
Supranational obligations		1,029,710	-	513,515	516,195
Held by Bond Trustee:					
Money market mutual fund		1,112,892	1,112,892	-	-
California Local Agency Investment Fund		1,230,488	1,230,488	-	-
Total	$	44,638,620	13,696,709	6,768,878	24,173,033

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Per the District's investment policy, credit risk is mitigated by investing in safe securities, and diversifying the investment portfolio so the failure of one issuer would not materially affect the District's cash flow. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Credit ratings of investments as of June 30, 2021 were as follows:

Investment Type	Minimum Legal Rating		Amount	Rating as of year-end: Exempt from Disclosure	AAAm/A-1+ AA/AA+/AA-	A-1/A+/ A/A-
California Local Agency Investment Fund	N/A	$	7,590,756	7,590,756	-	-
Certificates-of-deposit	N/A		757,231	757,231	-	-
Money market mutual funds	Aaa		1,087,867	-	1,087,867	-
United States Government Sponsored Agency Securities	N/A		14,392,958	-	14,392,958	-
United States Treasury notes	N/A		9,937,457	9,937,457	-	-
Corporate obligations	A		8,275,532	-	2,701,419	5,574,113
Supranational obligations	AA		2,107,645	-	2,107,645	-
Total		$	44,149,446	18,285,444	20,289,889	5,574,113

(2) Cash and Investments, continued

Credit ratings of investments as of June 30, 2020 were as follows:

Investment Type	Minimum Legal Rating	Amount	Rating as of year-end: Exempt from Disclosure	AAAm/A-1+ AA/AA+/AA-	A-1/A+/ A/A-
California Local Agency Investment Fund	N/A	$ 7,557,405	7,557,405	-	-
Certificates-of-deposit	N/A	773,082	773,082	-	-
Money market mutual funds	Aaa	1,218,666	-	1,218,666	-
United States Government Sponsored Agency Securities	N/A	16,440,938	-	16,440,938	-
United States Treasury notes	N/A	7,955,504	7,955,504	-	-
Corporate obligations	A	9,663,315	-	2,348,657	7,314,658
Supranational obligations	AA	1,029,710	-	1,029,710	-
Total		$ 44,638,620	16,285,991	21,037,971	7,314,658

Concentration of Credit Risk

The District's investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The District's deposit portfolio with governmental agencies, LAIF, is 17% as of June 30, 2021 and 2020, respectively, of the District's total depository and investment portfolio.

Instruments in any one issuer that represent 5% or more of the District's investments as of June 30, 2021 are as follows (excluding external investment pools and debt explicitly guaranteed by the U.S. government):

Investment	Issuer Type	Fair Value Holdings	Percentage Holdings
Federal National Mortgage Association	Government Sponsored	$ 3,954,797	8.96%
Federal Home Loan Bank	Government Sponsored	7,297,104	16.53%
Federal Home Loan Mortgage Corporation	Government Sponsored	2,353,872	5.33%

Instruments in any one issuer that represent 5% or more of the District's investments as of June 30, 2020 are as follows (excluding external investment pools and debt explicitly guaranteed by the U.S. government):

Investment	Issuer Type	Fair Value Holdings	Percentage Holdings
Federal National Mortgage Association	Government Sponsored	$ 4,661,628	10.44%
Federal Home Loan Bank	Government Sponsored	8,748,071	19.60%

(2) Cash and Investments, continued

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments measured at fair value on a recurring and non-recurring basis, are as follows:

		Fair Value Measurement at Reporting Date using:		
Description	June 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates-of-deposit	$ 757,231	-	757,231	-
United States Government Sponsored Agency securities	14,392,958	-	14,392,958	-
United States Treasury notes	9,937,457	9,937,457	-	-
Corporate obligations	8,275,532	-	8,275,532	-
Supranational obligations	2,107,645	-	2,107,645	-
	35,470,823	9,937,457	24,776,135	-
Investments not subject to fair value hierachy:				
Local Agency Investment Fund	7,590,756			
Money market mutual funds	1,087,867			
Total	$ 44,149,446			

The District has the following recurring fair value measurements as of June 30, 2021:

- Certificates-of-deposit of $757,231 are valued using a matrix pricing model (Level 2 inputs).
- U.S. Governmental Sponsored Agency securities of $14,392,958 are valued using a matrix pricing model (Level 2 inputs).
- U.S. Treasury securities of $9,937,457 are valued using quoted market prices (Level 1 inputs).
- Corporate obligations of $8,275,532 are valued using a matrix pricing model (Level 2 inputs).
- Supranational obligations of $2,107,645 are valued using a matrix pricing model (Level 2 inputs).
- Local Agency Investment funds of $7,590,756 are valued at amortized cost and are not subject to fair value hierarchy.
- Money Market Mutual funds of $1,087,867 are not subject to fair value hierarchy.

(2) Cash and Investments, continued

Fair Value Measurements, continued

		Fair Value Measurement at Reporting Date using:		
Description	June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates-of-deposit	$ 773,082	-	773,082	-
United States Government Sponsored Agency securities	$ 16,440,938	-	16,440,938	-
United States Treasury notes	7,955,504	7,955,504	-	-
Corporate obligations	9,663,315	-	9,663,315	-
Supranational obligations	1,029,710	-	1,029,710	-
Total	35,862,549	7,955,504	27,907,045	-
Investments not subject to fair value hierarchy:				
Local Agency Investment Fund	7,557,405			
Money market mutual funds	1,218,666			
Total	$ 44,638,620			

The District has the following recurring fair value measurements as of June 30, 2020:

- Certificates-of-deposit of $773,082 are valued using a matrix pricing model (Level 2 inputs).
- U.S. Governmental Sponsored Agency securities of $16,440,938 are valued using a matrix pricing model (Level 2 inputs).
- U.S. Treasury securities of $7,955,504 are valued using quoted market prices (Level 1 inputs).
- Corporate obligations of $9,663,315 are valued using a matrix pricing model (Level 2 inputs).
- Supranational obligations of $1,029,710 are valued using a matrix pricing model (Level 2 inputs).
- Local Agency Investment funds of $7,557,405 are valued at amortized cost and are not subject to fair value hierarchy.
- Money Market Mutual funds of $1,218,666 are not subject to fair value hierarchy.

(3) Investment in Joint Ventures

Changes in investments in joint-powers-authorities for 2021 were as follows:

	Balance 2020	Additions	Deletions	Balance 2021
Investment in joint-powers-authorities:				
Puente Basin Water Agency	$ 16,980,625	3,756,466	-	20,737,091
Spadra Basin Groundwater Sustainability Agency	12,370	52,355	-	64,725
Total investment in joint-powers-authorities	$ 16,992,995	3,808,821	-	20,801,816

(3) Investment in Joint Ventures

Changes in investments in joint-powers-authorities for 2020 were as follows:

		Balance 2019	Additions	Deletions	Balance 2020
Investment in joint-powers-authorities:					
Puente Basic Water Agency	$	16,642,575	338,050	-	16,980,625
Spadra Basin Groundwater Sustainability Agency		2,500	9,870	-	12,370
Total investment in joint-powers-authorities	$	16,645,075	347,920	-	16,992,995

Puente Basin Water Agency

The District is a member of the Puente Basin Water Agency (the "Agency"). The Agency was created April 1, 1971 by the execution of a Joint Powers Agreement between Rowland Water District and Walnut Valley Water District. The agreement was made pursuant to Article 1, Chapter 5, Division 7, and Title 1 of the Government Code of the State of California. The Agency was organized for the purpose of protection and utilization of the local, imported, and recycled water supply within the Puente Basin. The Agency is governed by an appointed board of Commissioners consisting of four members. Since the Agency undertakes projects of interest to the District, an ongoing financial interest exists. Furthermore, the District has an ongoing financial responsibility because the Agency's continued existence depends on continued funding by the District. The District's equity in the Puente Basin Water Agency is reflected in the accompanying Statement of Net Position as an investment in joint venture.

The Walnut Valley Water District performs the administration and operating functions of the Agency. The District purchased $12,851,527 and $12,211,668 in water from the Agency in the years ended June 30, 2021 and 2020, respectively. Complete financial statements may be obtained from the Puente Basin Water Agency, 271 S. Brea Canyon Road, Walnut, California.

Spadra Basin Groundwater Sustainability Agency

The District is a member of the Spadra Basin Groundwater Sustainability Agency (the "Spadra"). Spadra was created February 28, 2017 by the execution of an agreement between the City of Pomona and the Walnut Valley Water District. The agreement was made pursuant to the Sustainable Groundwater Management Act of 2014 of the Government Code of the State of California. Spadra was organized to provide groundwater management for the Spadra Basin, which was previously unmanaged. Spadra is governed by an appointed Executive Committee consisting of two members.

The Walnut Valley Water District performs the administration and operating functions of the Agency. Complete financial statements may be obtained from the Spadra Basin Groundwater Sustainability Agency, 271 S. Brea Canyon Road, Walnut, California.

Pomona-Walnut-Rowland Joint Water Line Commission

The District is also a member of the Pomona-Walnut-Rowland Joint Water Line Commission (the "Commission"). The Commission was formed under the Joint Powers Agreement of 1956 between the City of Pomona, the Walnut Valley Water District and the Rowland Water District for the purpose of constructing, operating, and managing a water transmission pipeline for the benefit of the three member agencies. On December 21, 2006, the Agreement was amended, and renewed for an additional twenty years, with three, ten-year extensions allowed upon the consent of each of the member agencies. The governing body of the Commission is comprised of three members, with one representative appointed by the governing body of each member agency.

(3) Investment in Joint Ventures, continued

Pomona-Walnut-Rowland Joint Water Line Commission, continued

The Commission purchases water for resale to the member agencies at a price sufficient to provide reserve funds for emergencies. In addition, the member agencies are billed for the cost of maintenance and operation of the pipeline.

Since the Commission undertakes projects of interest to the District, an ongoing financial interest exists. Furthermore, the District has an ongoing financial responsibility because the Commission's continued existence depends on continued funding by the District. The District's equity in the Pomona-Walnut-Rowland Joint Water Line Commission is reflected in the accompanying Statement of Net Position, within capital assets. In addition to its equity interest in the Commission, the District also has an undivided interest in certain capacity rights associated with the Water Line.

This undivided interest is reported in the accompanying financial statements as PWR capacity rights that are included as an intangible asset in the capital assets note of the accompanying financial statements. See note 4 for further information. The Walnut Valley Water District performs the administration and operating functions of the Commission. Complete financial statements may be obtained from the Pomona-Walnut-Rowland Joint Water Line Commission, 271 S. Brea Canyon Road, Walnut, California.

(4) Water-In-Storage Inventory

Water-in-storage inventory consists primarily of water purchased and held in storage with the Main San Gabriel Basin Watermaster.

In 2021, the District did not purchase any water inventory. During the fiscal year, the District transferred its water-in-storage inventory to Puente Basin Water Agency. At June 30, 2021, the District did not have water-in-storage inventory.

In 2020, the District did not purchase any water inventory. As of June 30, 2020, the District had a total of 6,000 acre-feet of water-in-storage valued using the first-in-first-out method. At June 30, 2020, the District's water-in-storage inventory was valued at $3,575,180.

(5) Capital Assets

Changes in capital assets for 2021 were as follows:

	Balance 2020	Additions/ Transfers	Deletions/ Transfers	Balance 2021
Non-depreciable assets:				
Land	$ 5,148,000	-	-	5,148,000
Water rights	6,638	-	-	6,638
Construction-in-process	4,490,970	4,416,709	(6,029,541)	2,878,138
Total non-depreciable assets	9,645,608	4,416,709	(6,029,541)	8,032,776
Depreciable assets:				
Master plan	1,167,489	-	(1,167,489)	-
Terminal storage	26,160,388	-	-	26,160,388
Pumping equipment	19,213,128	1,032,794	-	20,245,922
Transmission and distribution	129,231,500	3,964,104	(755,977)	132,439,627
PWR capacity	927,744	-	-	927,744
Hydroelectric	924,270	-	-	924,270
Recycled water system	29,177,841	21,741	755,977	29,955,559
General plant	11,912,432	944,939	(251,437)	12,605,934
Total depreciable assets	218,714,792	5,963,578	(1,418,926)	223,259,444
Accumulated depreciation:				
Master plan	(1,167,489)	-	1,167,489	-
Terminal storage	(21,811,370)	(572,941)	-	(22,384,311)
Pumping equipment	(10,827,882)	(645,400)	-	(11,473,282)
Transmission and distribution	(64,197,618)	(3,010,985)	52,093	(67,156,510)
PWR capacity	(607,978)	(29,073)	-	(637,051)
Hydroelectric	(541,696)	(26,289)	-	(567,985)
Recycled water system	(11,111,447)	(573,392)	(52,093)	(11,736,932)
General plant	(5,493,061)	(610,294)	192,421	(5,910,934)
Total accumulated depreciation	(115,758,541)	(5,468,374)	1,359,910	(119,867,005)
Total depreciable assets, net	102,956,251	495,204	(59,016)	103,392,439
Total capital assets, net	$ 112,601,859	4,911,913	(6,088,557)	111,425,215

Major depreciable capital assets additions during the fiscal year ended 2021 consists of additions to the following categories: pumping equipment, transmission and distribution systems, recycled water system, and general plant assets. A significant portion of this rehabilitation were constructed by the District and/or sub-contractors and transferred out of construction-in-process upon completion of these various projects.

(5) Capital Assets, continued

Changes in capital assets for 2020 were as follows:

	Balance 2019	Additions/ Transfers	Deletions/ Transfers	Balance 2020
Non-depreciable assets:				
Land	$ 5,148,000	-	-	5,148,000
Water rights	6,638	-	-	6,638
Construction-in-process	6,777,145	5,277,649	(7,563,824)	4,490,970
Total non-depreciable assets	11,931,783	5,277,649	(7,563,824)	9,645,608
Depreciable assets:				
Master plan	1,167,489	-	-	1,167,489
Terminal storage	26,128,123	32,265	-	26,160,388
Pumping equipment	18,365,119	848,009	-	19,213,128
Transmission and distribution	125,078,127	3,813,312	340,061	129,231,500
PWR capacity	1,274,036	-	(346,292)	927,744
Hydroelectric	665,393	258,877	-	924,270
Recycled water system	27,244,936	1,932,905	-	29,177,841
General plant	11,281,571	638,298	(7,437)	11,912,432
Total depreciable assets	211,204,794	7,523,666	(13,668)	218,714,792
Accumulated depreciation:				
Master plan	(1,138,581)	(28,908)	-	(1,167,489)
Terminal storage	(20,994,512)	(816,858)	-	(21,811,370)
Pumping equipment	(10,231,672)	(596,210)	-	(10,827,882)
Transmission and distribution	(61,073,696)	(2,778,054)	(345,868)	(64,197,618)
PWR capacity	(925,198)	(29,072)	346,292	(607,978)
Hydroelectric	(522,575)	(19,121)	-	(541,696)
Recycled water system	(10,564,301)	(547,146)	-	(11,111,447)
General plant	(4,857,742)	(639,754)	4,435	(5,493,061)
Total accumulated depreciation	(110,308,277)	(5,455,123)	4,859	(115,758,541)
Total depreciable assets, net	100,896,517	2,068,543	(8,809)	102,956,251
Total capital assets, net	$ 112,828,300	7,346,192	(7,572,633)	112,601,859

Major depreciable capital assets additions during the fiscal year ended 2020 consists of additions to the following categories: pumping equipment, transmission and distribution systems, PWR capacity, recycled water systems, and general plant assets. A significant portion of this rehabilitation were constructed by the District and/or sub-contractors and transferred out of construction-in-process upon completion of these various projects.

(5) Capital Assets, continued

Construction-In-Process

The District has been involved in various construction projects throughout the year. The balance of the various construction projects that comprise the construction-in-process balances at year-end are as follows:

The balance at June 30 consists of the following projects:

		2021	2020	2019
Construction-in-progress:				
Developer projects	$	1,246,302	2,469,498	2,976,302
System modifications		549,089	516,221	2,813,430
General projects		916,885	1,379,019	888,271
Vehicles and equipment		142,132	112,146	49,046
Various small projects under $100,000		23,730	14,086	50,096
Total construction-in-progress	$	2,878,138	4,490,970	6,777,145

(6) Compensated Absences

Compensated absences comprise unpaid vacation leave and a limited amount of sick leave, which is accrued as earned based on the District's policy. The District's liability for compensated absences is determined annually and will be liquidated through the water fund.

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

	Balance 2020	Earned	Taken	Balance 2021	Current Portion	Long-term Portion
$	1,198,431	359,103	(285,238)	1,272,296	329,524	942,772

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

	Balance 2019	Earned	Taken	Balance 2020	Current Portion	Long-term Portion
$	1,181,489	318,261	(301,319)	1,198,431	310,394	888,037

(7) Long-term Debt

Changes in long-term debt for the year ended June 30, were as follows:

	Balance 2020	Additions/ Deletions	Principal Payments	Balance 2021
Bonds payable:				
2013 Series A Water Revenue Bonds	$ 14,400,000	-	(510,000)	13,890,000
Add: Unamortized premium	1,919,151	-	(107,115)	1,812,036
Total bonds payable	16,319,151	-	(617,115)	15,702,036
Current portion	(510,000)			(535,000)
Non-current portion	$ 15,809,151			15,167,036

Changes in long-term debt for the year ended June 30, were as follows:

	Balance 2019	Additions/ Deletions	Principal Payments	Balance 2020
Bonds payable:				
2013 Series A Water Revenue Bonds	$ 14,890,000	-	(490,000)	14,400,000
Add: Unamortized premium	2,026,266	-	(107,115)	1,919,151
Total bonds payable	16,916,266	-	(597,115)	16,319,151
Current portion	490,000			(510,000)
Non-current portion	$ 17,406,266			15,809,151

2013 Series A Water Revenue Bonds

On March 1, 2013, the Puente Basin Water Agency ("Agency") issued $17,300,000 of 2013 Series A Water Revenue Bonds. The Bonds will be used to finance certain capital facilities of the District, as well as the District's share of capital facilities to be owned by the Agency. Under terms of the Installment Purchase Contract associated with the Bonds, the District makes semiannual installment purchase payments that are equal in amount and timing to the principal and interest payments that are paid on a semiannual basis by the Agency to the holders of the Bonds. The bonds were issued at a premium of $2,695,738 which will be amortized over the life of the debt service. Interest is payable on December 1st and June 1st of each year, and principal is payable June 1st of each year commencing June 1, 2014 with interest rates ranging from 1.0% to 5.0%. The Bonds are scheduled to mature on June 1, 2038. The rate covenants of the Installment Purchase Contract require that net revenues of the District for each fiscal year be equal to at least 125% of the annual debt service payments required for that fiscal year.

(7) Long-term Debt, continued

2013 Series A Water Revenue Bonds, continued

Future principal and interest obligations on the note as of June 30, are as follows:

Year		Principal	Interest	Total
2022	$	535,000	694,500	1,229,500
2023		565,000	667,750	1,232,750
2024		595,000	639,500	1,234,500
2025		620,000	609,750	1,229,750
2026		655,000	578,750	1,233,750
2027-2031		3,790,000	2,369,750	6,159,750
2032-2036		4,840,000	1,322,250	6,162,250
2037-2039		2,290,000	173,250	2,463,250
Total		13,890,000	7,055,500	20,945,500
Premium		1,812,036		
Current		(535,000)		
Non-current	$	15,167,036		

(8) Other Post-Employment Benefits (OPEB) Plan

Plan Description

The District's defined benefit Other Post-Employment Benefit (OPEB) Plan (Plan) provides OPEB for all vested full-time employees with at least 5 years of service, 15 years of service if hired on or after July 1, 2005, with the District. The Plan is a single-employer defined benefit OPEB plan administered by the District. The District's Board has the authority to establish and amend the benefit terms and financing requirements of the Plan. The District participates in Public Agency Retirement Services (PARS), a Prefunding Plan trust fund intended to perform an essential government function within the meaning of Section 115 of the Internal Revenue Code. Copies of CalPERS CERBT audited financial report may be obtained from their executive Office: 400 P Street, Sacramento, CA 95814.

Benefits Provided

The District offers post-employment medical and dental benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any plan available through the District's medical and dental programs. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

The District's financial obligation varies based on an eligible retiree's date of hire. For eligible retirees hired prior to March 1, 1989, the District provides full coverage for medical, dental, vision and Medicare Part B premiums for the retiree and any covered spouse. For eligible retirees hired on or after March 1, 1989, the District provides full coverage for medical, dental vision and Medicare Part B premiums for the retiree only. Coverage for an eligible spouse is also available to these retirees but is subject to a vesting schedule which varies by employee group. In addition to health benefits, the District also provides some life insurance coverage for retired employees.

(8) Other Post-Employment Benefits (OPEB) Plan, continued

Employees Covered by Benefit Terms

Membership in the OPEB plan consisted of the following members as of June 30:

	2021	2020
Inactive employees or beneficiaries currently receiving benefit payments	45	40
Active employees	56	54
Total plan membership	101	94

Contributions

The contribution requirements of plan members and the District are established and may be amended by the District, District's Board of Directors, and/or the employee associations. The District pays 100% of its share of the cost of health insurance for retirees under any group plan offered by Association of California Water Agencies (ACWA) Health Program, subject to certain restrictions as determined by the District. Currently, contributions are not required from plan members. The District has established a trust for the purpose of holding funds that have been irrevocably contributed by the District toward funding of its OPEB obligation. This trust is being administered by Public Agency Retirement Services (PARS). Annually, the Board of Directors determines the amount that the District will fund to this trust.

As of the fiscal year ended June 30, the contributions were as follows:

	2021	2020
Contributions premium payment – employer	$ 711,454	675,417
Contributions to trust by – employer	1,711,076	750,969
Total employer paid contributions	$ 2,422,530	1,426,386

As of June 30, 2021 and 2020, employer pension contributions of $2,422,530 and $1,426,386, respectively, were reported as deferred outflows of resources related to contributions subsequent to the measurement dates. Of the reported contributions $711,454 and $675,417 will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2021 and 2020, respectively. The remaining balance of $1,711,076 and $750,969 at June 30, 2021 and 2020 will be/was recognized as a contribution towards the District’s fiduciary net position at June 30, 2022 and 2021, respectively.

Actuarial Assumptions and Other Inputs

The net OPEB liability in the June 30, 2020 and 2019 actuarial valuations, which were measured at June 30, 2019 and 2018, respectively, were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	3.25 percent, average, including inflation
Discount rate	6.25 percent
Healthcare cost trend rates	Medical premiums assumed to increase 5 percent per year. Dental and vision premiums are assumed to increase 4 percent per year.

(8) Other Post-Employment Benefits (OPEB) Plan, continued

Discount Rate

As of June 30, 2021 and 2020, the discount rate used to measure the net OPEB liability was 6.25 percent, respectively. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates.

Changes in the Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2020	$ 16,102,074	10,787,206	5,314,868
Changes for the year:			
Service cost	212,981	-	212,981
Interest	981,944	-	981,944
Differences between expected and actual experience	263,923	-	263,923
Changes in assumptions or other inputs	220,291	-	220,291
Employer contributions	-	1,532,902	(1,532,902)
Net investment income	-	487,894	(487,894)
Changes of benefit terms	-	-	-
Benefit payments	(781,933)	(781,933)	-
Net change	897,206	1,238,863	(341,657)
Balance at June 30, 2021	$ 16,999,280	12,026,069	4,973,211

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2019	$ 15,640,256	9,414,885	6,225,371
Changes for the year:			
Service cost	206,277	-	206,277
Interest	955,638	-	955,638
Employer contributions	-	1,789,827	(1,789,827)
Net investment income	-	282,591	(282,591)
Benefit payments	(700,097)	(700,097)	-
Net change	461,818	1,372,321	(910,503)
Balance at June 30, 2020	$ 16,102,074	10,787,206	5,314,868

(8) Other Post-Employment Benefits (OPEB) Plan, continued

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

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

As of June 30, 2021, the discount rate comparison was the following:

	Discount Rate 1% Lower	Valuation Discount Rate	Discount Rate 1% Higher
Net OPEB liability	$ 7,469,223	4,973,211	2,942,140

As of June 30, 2020, the discount rate comparison was the following:

	Discount Rate 1% Lower	Valuation Discount Rate	Discount Rate 1% Higher
Net OPEB liability	$ 7,737,673	5,314,868	3,347,654

Sensitivity of the net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

As of June 30, 2021, the healthcare cost trend rate comparison was the following:

	Trend 1% Lower	Valuation Trend	Trend 1% Higher
Net OPEB liability	$ 2,897,400	4,973,211	7,544,303

As of June 30, 2020, the healthcare cost trend rate comparison was the following:

	Trend 1% Lower	Valuation Trend	Trend 1% Higher
Net OPEB liability	$ 3,105,351	5,314,868	8,063,657

For the year ended June 30, 2021 and 2020, the District recognized OPEB expense of $570,897 and $655,281, respectively.

(8) Other Post-Employment Benefits (OPEB) Plan, continued

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

At June 30, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2021		June 30, 2020	
Description	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
OPEB contributions subsequent to the measurement date	$ 2,422,530	-	1,426,386	-
Change of assumptions	556,481	-	395,322	-
Difference between expected and actual experience	436,271	-	215,760	-
Net difference between projected and actual earnings on investments	290,673	-	158,511	-
Total	$ 3,705,955	-	2,195,979	-

As of June 30, 2021 and 2020, employer OPEB contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of $2,422,530 and $1,426,386 will be/were recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2022 and 2021, respectively.

At June 30, 2021, there were amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB which are required to be recognized in OPEB expense over future periods, respectively. OPEB related amounts will be recognized as pension expense as follows.

Fiscal Year Ending June 30,	Deferred Net Outflows(Inflows) of Resources
2022	$ 156,689
2023	203,382
2024	200,972
2025	139,806
2026	102,544
Thereafter	480,032

Schedules of Changes in the District's Net OPEB Liability and Related Ratios

Schedules of Other Post-Employment Benefits Plan Contributions

See pages 77 and 78 for the Required Supplementary Schedules.

(9) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's separate Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website or may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. Classic Plan members are eligible for one year final compensation and a 3.0% cost of living adjustment.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.5% at 55 Risk Pool Retirement Plan to new employee entrants effective December 31, 2013. All employees hired after January 1, 2013, are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The Plans' provision and benefits in effect at June 30, 2021, are summarized as follows:

	Classic	**New Classic**	**PEPRA**
Hire date	Prior to October 1, 2010	On or after January 1, 2010 and before January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 63	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.4% to 2.0%	1.0% to 2.0%
Required employee contribution rates	7.956%	6.908%	7.250%
Required employer contribution rates	15.202%	11.816%	7.847%

(9) Defined Benefit Pension Plan, continued

Contributions

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

For the fiscal years ended June 30, the contributions were as follows:

	2021	2020
Contributions – employer	$ 1,623,306	1,464,186

Net Pension Liability

As of the fiscal year ended June 30, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan were as follows:

	2021	2020
Proportionate share of net pension liability	$ 15,420,693	14,301,343

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020 and 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and 2018, rolled forward to June 30, 2020 and 2019, respectively, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's change in the proportionate share of the pension liability for the Plan as of the fiscal year end June 30, was as follows:

	Proportionate Share
Proportion – June 30, 2020	0.13957 %
Changes in proportion	0.00216
Proportion – June 30, 2021	0.14173 %

	Proportionate Share
Proportion – June 30, 2019	0.13653 %
Changes in proportion	0.00304
Proportion – June 30, 2020	0.13957 %

(9) Defined Benefit Pension Plan, continued

Net Pension Liability

As a result of the implementation of the GASB 68 pronouncement at June 30, 2021 and 2020, the District recognized pension expense of $2,476,964 and $2,821,933, respectively.

Deferred Pension Outflows (Inflows) of Resources

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

	June 30, 2021		June 30, 2020	
Description	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Pension contributions subsequent to measurement date at June 30	$ 1,623,306	-	1,464,186	-
Net, differences between actual and expected experience	794,674	-	916,324	-
Net, changes in assumptions	-	(109,987)	440,205	-
Net, differences between projected and actual earnings on plan investments	458,096	-	-	(250,031)
Net, differences between actual contribution and proportionate share of contributions	-	(546,862)	-	(458,576)
Net, change due to differences in proportion of net pension liability	336,523	-	177,950	-
Total	$ 3,212,599	(656,849)	2,998,665	(708,607)

As of June 30, 2021 and 2020, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of $1,623,306 and $1,464,186 will be/were recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022 and 2021, respectively.

As a result of the implementation of the GASB 68 at June 30, 2021, the District recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the pension liability. Pension related amounts will be recognized as pension expense as follows.

Fiscal Year Ending December 31,	Deferred Net Outflows(Inflows) of Resources
2022	$ 118,697
2023	337,780
2024	270,039
2025	205,928
2026	-
Thereafter	-

(9) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liabilities were determined as of June 30, 2019 and 2018, which were rolled forward to June 30, 2020 and 2019, respectively, using the following actuarial assumptions:

Valuation dates	June 30, 2019 and 2018
Measurement dates	June 30, 2020 and 2019
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2019 and 2018 – 2.50%
Salary increase	Varies by Entry Age and Service
Investment Rate of Return	7.50 % Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Period upon which actuarial Experience Survey assumptions were based	2019 and 2018 – 1997–2015
Post Retirement Benefit	2019 and 2018 – Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods recently adopted by CalPERS were utilized. The crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments.

Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan.

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

(9) Defined Benefit Pension Plan, continued

Discount Rate, continued

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

As of June 30, 2021, the target allocation and the long-term expected real rate of return by asset class were as follows:

Asset Class	Target Allocation	Real Return Years 1-10	Real Return Years 11+
Global Equity	50.00 %	4.80 %	5.38 %
Global Fixed Income	28.00	1.00	2.62
Private Equity	8.00	6.30	7.23
Real Asset	13.00	3.75	4.93
Liquidity	1.00	0.00	(0.92)
Total	100.00 %		

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

The following tables presents the District's proportionate share of the net position liability for the Plan, calculated using the discount rate, as well as what the District's proportional share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

As of June 30, 2021, the discount rate comparison was the following:

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
District's net pension liability	$ 21,596,588	15,420,693	8,279,633

(9) Defined Benefit Pension Plan, continued

As of June 30, 2020, the discount rate comparison was the following:

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
District's net pension liability	$ 21,596,588	14,301,343	8,279,633

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 79 through 81 for the Required Supplementary Schedules.

Payable to the Pension Plan

As of June 30, 2021 and 2020, the District reported no payables for the outstanding amount of contribution to the pension plan, respectively.

(10) Net Position

Calculation of net position as of June 30 was as follows:

	2021	2020
Net investment in capital assets:		
Capital assets, net	$ 111,425,215	112,601,859
Bond payable, current	(535,000)	(510,000)
Bond payable, non-current	(13,355,000)	(13,890,000)
Bond premium	(1,812,036)	(1,919,151)
Less debt related to PBWA:		
Bond payable, current	272,978	260,222
Bond payable, non-current	6,814,255	7,087,234
Bond premium	924,573	979,228
Total investment in capital assets	103,734,985	104,609,392
Restricted net position:		
Capital projects	1,808,954	1,823,556
Unspent capital project debt	(1,808,954)	(1,823,556)
Reservoir capacity charge	2,277,066	2,427,650
Acreage supply charge	340,513	332,096
Investment in joint venture – PBWA	20,737,091	16,980,625
Investment in joint venture – Spadra	64,725	12,370
Badillo Grand surcharge	283,076	291,636
Water supply charge	2,496,898	2,323,122
Total restricted net position	26,199,369	22,367,499
Unrestricted net position:		
Operating reserve	(9,558,121)	(7,754,520)
Replacement	15,635,369	14,816,544
Capital improvements	533,098	1,557,688
Employee liabilities	2,093,169	2,012,024
Rate stabilization	1,543,125	1,543,125
Project reserve	967,232	967,232
Badillo Grand catastrophic insurance	500,000	500,000
Stored water	530,200	332,000
Total unrestricted net position	12,244,072	13,974,093
Total net position	$ 142,178,426	140,950,984

Restricted Net Position

The District's Investment in Joint Venture is restricted to the uses determined by the Board of Directors of the joint venture.

Unrestricted Net Position

Unrestricted assets, although not legally restricted, have been reserved pursuant to Board determined levels for various purposes. While these reserves may not be externally restricted, the Board adopted this policy in its desire to provide a stable and equitable rate structure.

(11) Deferred Compensation Savings Plan

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

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District and are not subject to claims of the District's general creditors. Market value of all plan assets held in trust by CalPERS and Mission Square at June 30, 2021 and 2020, amounted to $9,223,699 and $7,757,196, respectively.

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

(12) Risk Management

The Agency is a member of the Association of California Water Agencies Joint Powers Insurance Authority (JPIA).

Description of JPIA

JPIA is an intergovernmental risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of JPIA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

On June 30, 2021, the Agency's participation in the self-insurance programs of JPIA is as follows:

- General, Automobile, Employment Practices & Public Officials' Liability. Broad coverage against third-party claims for the Agency, its directors, employees and volunteers. Covered up to the following limits: the JPIA pools for first $5 million and purchases excess coverage with limit up to $55 million with aggregated policy limits.
- Property Loss: Scheduled property is covered up to replacement value with a $2,500 deductible per occurrence on scheduled buildings, fixed equipment and contents, actual cash value on scheduled mobile equipment with a $1,000 deductible per occurrence and actual cash value on scheduled vehicles with a $500 deductible per occurrence. JPIA is self-insured up to $100,000 per loss and has purchased re-insurance coverage up to a $500,000,000 limit per occurrence. Scheduled fixed equipment is covered for Accidental Mechanical Breakdown up to sub-limit of $100,000,000 with deductible $25,000 to $50,0000 depending on type of equipment.
- Workers' Compensation: Covered for statutory limits, and Employer's Liability is Covered up to $2,000,000 per accident and $2,000,000 per disease. JPIA is self-insured up to $2,000,000 and excess insurance coverage has been purchased.

In addition, the District also has the following insurance coverage:

- Cyber Liability: Limit up to $5,000,000 per occurrence and $5,000,000 Aggregate Limit. Cyber Liability Deductible varies from $10,000 to $50,000 depending on Agency total scheduled values.

(12) Risk Management, continued

- Employee Dishonesty/Crime Coverage: Covered up to $100,000 per occurrence with a $1,000 deductible for employee dishonesty, forgery or alteration and computer fraud. The program covers all employees, the Board of Directors, and the Treasurer.
- Underground storage tank pollution liability program: Provides coverage for third-party claims arising from bodily injury and property damage caused by environmental incidents resulting from a UST. It also includes coverage for government mandated clean-up costs. This is a claims-made coverage. The JPIA pools for the first $500,000 and has purchased excess insurance up to $3 million. Deductible $10,000

Separate financial statements of JPIA can be obtained at 2100 Professional Drive, Roseville, CA 95661 or http://www.acwajpia.com/FinancialStatements.aspx.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years, and there were no reductions in the District's insurance coverage during the fiscal years ended June 30, 2021, 2020 and 2019. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred, but not reported (IBNR). There was no IBNR claims payable as of June 30, 2021, 2020 and 2019.

(13) Benefit Assessment District

Beginning with the tax year 1982-83, the District elected to levy a standby charge on all lands within the District. This standby charge is calculated on the size of each parcel, with a minimum of $14 for any parcel one-quarter of an acre or less in size. The proceeds of this charge are used for the construction of the District's fire related storage requirements and its terminal storage facilities to procure alternate sources of supply, to defray the ordinary operation or maintenance expenses incurred in providing fire protection facilities, and for any other lawful District purpose.

(14) Acreage and Water Supply and Reservoir Capacity Fees

Every applicant that requests water service from any of the District's lines or works or requests a modification of service or change in land use, with respect to the land to be served, is assessed by the District an acreage supply and a water supply charge which is computed at a per-acre rate. The acreage supply charge is $1,465 per acre, with a minimum parcel charge of $50. The water supply charge is $2,810 per acre multiplied by project demands.

Reservoir capacity fees are charged for the purpose of accumulating funds for the construction of future water storage. The current charges are:

- Residential – $750.00 per acre or fraction thereof rounded to the nearest hundredth or $300.00 per family unit or equivalent, whichever is greater.
- Commercial – $1,000.00 per acre or fraction thereof rounded to the nearest hundredth.
- Industrial – $1,613.00 per acre or fraction thereof rounded to the nearest hundredth.

(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2021, that has effective dates that may impact future financial presentations.

The following pronouncement implementation dates have been delayed due to the COVID-19 pandemic.

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by 18 months. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 89

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 92

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 92

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(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap;(6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

(17) Commitments and Contingencies

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement, or modification of water facilities and distribution systems and other District activities. The financing of such contracts is being provided primarily from the District's replacement reserves and advances for construction.

As of June 30, 2021, the District's open balance of construction contract commitments is $2,437,619, shown as follows:

Funding Source / Project Purpose	Project Name		Total Approved Contract	Construction Costs to Date	Balance to Complete
Developer	Recycled Reservoir	$	2,791,000	(378,248)	2,412,752
Capital	Main Extension - Pathfinder to Brea Canyon Road		339,900	(322,905)	16,995
Developer	20650 San Jose Hills		24,825	(16,953)	7,872
		$	3,155,725	(718,106)	2,437,619

Litigation

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

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such an audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

(18) Subsequent Events

Events occurring after June 30, 2021, have been evaluated for possible adjustment to the financial statements or disclosure as of December 13, 2021, which is the date the financial statements were available to be issued.

Required Supplementary Information

Walnut Valley Water District
Schedules of the Changes in Net OPEB Liability and Related Ratios
As of June 30, 2021
Last Ten Years*

	Measurement Dates			
	2020	2019	2018	2017
Total OPEB liability				
Service cost	$ 212,981	206,277	207,344	200,817
Interest	981,944	955,638	912,011	877,856
Employer contributions	-	-	-	-
Changes of benefit terms	-	-	-	-
Difference between expected and actual	-	-	-	-
experience	263,923	-	261,666	-
Changes of assumptions or other inputs	220,291	-	479,432	-
Benefit payments	(781,933)	(700,097)	(588,894)	(514,282)
Net change in total OPEB liability	897,206	461,818	1,271,559	564,391
Total OPEB liability – beginning	16,102,074	15,640,256	14,368,697	13,804,306
Total OPEB liability – ending	16,999,280	16,102,074	15,640,256	14,368,697
Plan fiduciary net position				
Contribution – employer	1,532,902	1,789,827	1,684,754	1,662,734
Net investment income	487,894	282,591	494,962	625,506
Benefit payments	(781,933)	(700,097)	(588,894)	(514,282)
Administrative expense	-	-	-	-
Net change in plan fiduciary net positio	1,238,863	1,372,321	1,590,822	1,773,958
Plan fiduciary net position – beginning	10,787,206	9,414,885	7,824,063	6,050,105
Plan fiduciary net position – ending	12,026,069	10,787,206	9,414,885	7,824,063
Net OPEB liability	$ 4,973,211	5,314,868	6,225,371	6,544,634
Covered payroll	$ 5,291,282	5,203,041	4,900,008	5,313,725
Total OPEB liability as a percentage of covered payroll	93.99%	102.15%	127.05%	123.16%

Notes:

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Walnut Valley Water District
Schedules of Other Post-Employment Benefits Plan Contributions
As of June 30, 2021
Last Ten Years*

		Fiscal Years Ended			
Description		**6/30/2021**	**6/30/2020**	**6/30/2019**	**6/30/2018**
Actuarially determined contribution	$	1,532,902	1,789,827	1,684,754	1,662,734
Contributions in relation to the actuarially determined contribution		(1,789,732)	(1,789,732)	(1,703,516)	(1,662,734)
Contribution deficiency(excess)	$	(256,830)	95	(18,762)	-
District's covered payroll	$	5,148,856	5,291,282	5,203,041	4,900,008
Contribution's as a percentage of covered payroll		29.77%	33.83%	32.38%	33.93%

Note:

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Walnut Valley Water District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2021
Last Ten Years*

		Measurement Dates					
Description	**6/30/2020**	**6/30/2019**	**6/30/2018**	**6/30/2017**	**6/30/2016**	**6/30/2015**	**6/30/2014**
District's proportion of the net pension liability	0.14173%	0.13957%	0.13653%	0.13506%	0.13391%	0.13080%	0.11033%
District's proportionate share of the net pension liability	$ 15,420,693	14,301,343	13,156,366	13,394,625	11,587,515	8,978,245	6,865,131
District's covered payroll	$ 5,148,856	4,884,068	5,168,829	4,856,448	4,868,910	4,653,252	4,450,158
District's proportionate share of the net pension liability as a percentage of its covered payroll	299.50%	292.82%	254.53%	275.81%	237.99%	192.95%	154.27%
Plan's fiduciary net position as a percentage of the total pension liability	73.32%	73.63%	74.67%	73.08%	74.36%	78.96%	83.03%

Notes to the Schedules of the Project's Proportionate Share of the Net Pension Liability

Changes in Benefit Terms – Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

Changes of Assumptions – The CalPERS Board of Administration adopted a new amortization policy effective with the June 30, 2019, actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019. In fiscal year 2020, no changes have occurred to the actuarial assumptions in relation to financial reporting.

In fiscal year 2020, CalPERS implemented a new actuarial valuation software system for the June 30, 2018 valuation. This new system has refined and improved calculation methodology.

In December 2017, the CalPERS Board adopted new mortality assumptions for plans participating in the PERF. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90% of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75% to 2.50%.

Notes to the Schedules of the Project's Proportionate Share of the Net Pension Liability, continued

Changes of Assumptions, continued

The assumptions for individual salary increases and overall payroll growth are reduced from 3.00% to 2.75%. These changes will be implemented in two steps commencing in the June 30, 2017 funding valuation. However, for financial reporting purposes, these assumption changes are fully reflected in the results for fiscal year 2018.

In fiscal year 2017, the financial reporting discount rate for the PERF C was lowered from 7.65% to 7.15%. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF C from 7.50% to 7.00%, which is to be phased in over a three-year period (7.50% to7.375%, 7.375% to 7.25%, and 7.25% to 7.00%) beginning with the June 30, 2016, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In fiscal year 2015, the financial reporting discount rate was increased from 7.50% to 7.65% resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50% during this period, and remained adjusted for administrative expenses.

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Walnut Valley Water District
Schedules of Pension Plan Contributions
As of June 30, 2021
Last Ten Years*

Description		Fiscal Years Ended					
	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Actuarially determined contribution	$ 1,719,003	1,630,495	1,411,486	1,165,468	1,097,578	989,754	790,287
Contributions in relation to the actuarially determined contribution	(1,623,306)	(1,464,186)	(1,307,070)	(1,163,663)	(1,120,609)	(989,754)	(790,287)
Contribution deficiency(excess)	$ 95,697	166,309	104,416	1,805	(23,031)	-	-
District's covered payroll	$ 5,600,262	5,148,856	4,884,068	5,168,829	4,856,448	4,868,910	4,653,252
Contribution's as a percentage of covered payroll	30.70%	31.67%	28.90%	22.55%	22.60%	20.33%	16.98%

Note:

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

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Statistical Section

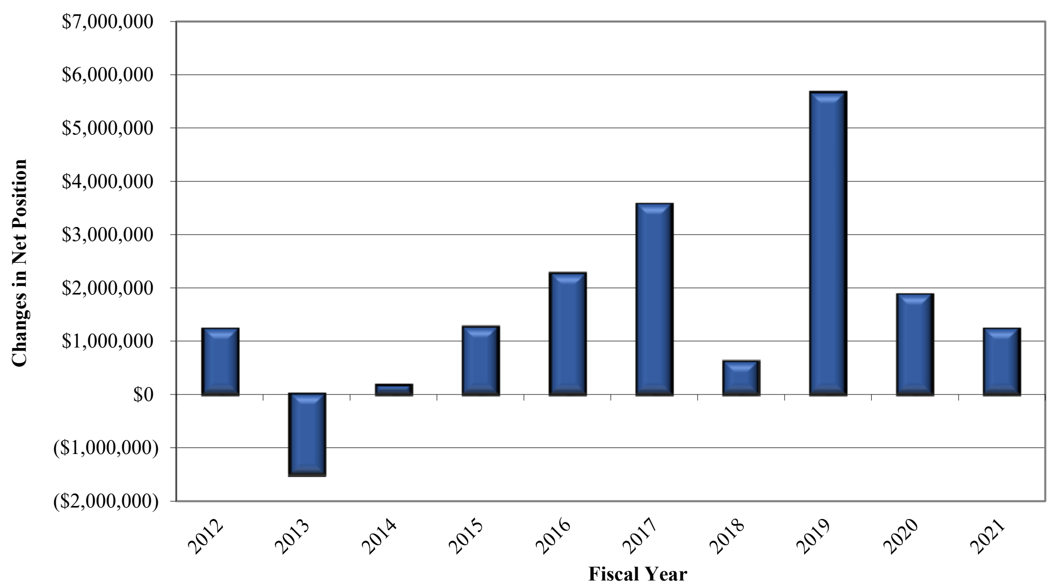
Walnut Valley Water District
Statistical Section

This part of the District's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the District's overall financial health.

Table of Contents

Walnut Valley Water District
Changes in Net Position and Net Position by Component
Last Ten Fiscal Years

		Fiscal Year	
	2012	**2013**	**2014**
Changes in net position:			
Operating revenues (see Schedule 2)	$ 27,804,837	31,331,491	39,351,318
Operating expenses (see Schedule 3)	(27,538,255)	(30,275,622)	(36,219,892)
Depreciation and amortization	(4,253,343)	(4,274,258)	(4,484,973)
Operating income (loss)	(3,986,761)	(3,218,389)	(1,353,547)
Non-operating revenues (expenses)			
Property taxes	776,715	816,200	842,519
Rental income – cellular site leases	244,391	251,527	260,091
Investment income	769,758	150,885	481,929
Share in investment in joint venture income (loss)	81,417	(37,518)	(28,086)
Amounts received for annexation	-	-	-
Gain (Loss) on disposition of assets	5,404	20,580	8,502
Contributions to other agencies	-	(596,632) (2)	(692,868)
Interest expense	-	-	(422,882) (3)
Other revenue (expense), net	261,905	134,049	280,157
Total non-operating revenues (expenses), net	2,139,590	739,091	729,362
Net income (loss) before capital contributions	(1,847,171)	(2,479,298)	(624,185)
Capital contributions	3,072,987	955,821	780,994
Changes in net position	$ 1,225,816	(1,523,477)	156,809
Net position by component:			
Net investment in capital assets	$ 100,132,080	102,759,463	102,351,576
Restricted	7,480,154	6,490,227	8,361,253
Unrestricted	37,847,258	36,425,328	35,118,998
Total net position	$ 145,459,492	145,675,018	145,831,827



Notes:

(1) In FY10/11 made final payment for District's 1998 Certification if Participation.

(2) The decrease in Contributions to other agencies due to a contribution for joint capital project.

(3) Started with FY 13/14 expenses included the 2013 Series A Water Revenue Bonds interest.

(4) The increase in Contributions from other agency for joint venture due to a annexation fees related to large development in service area

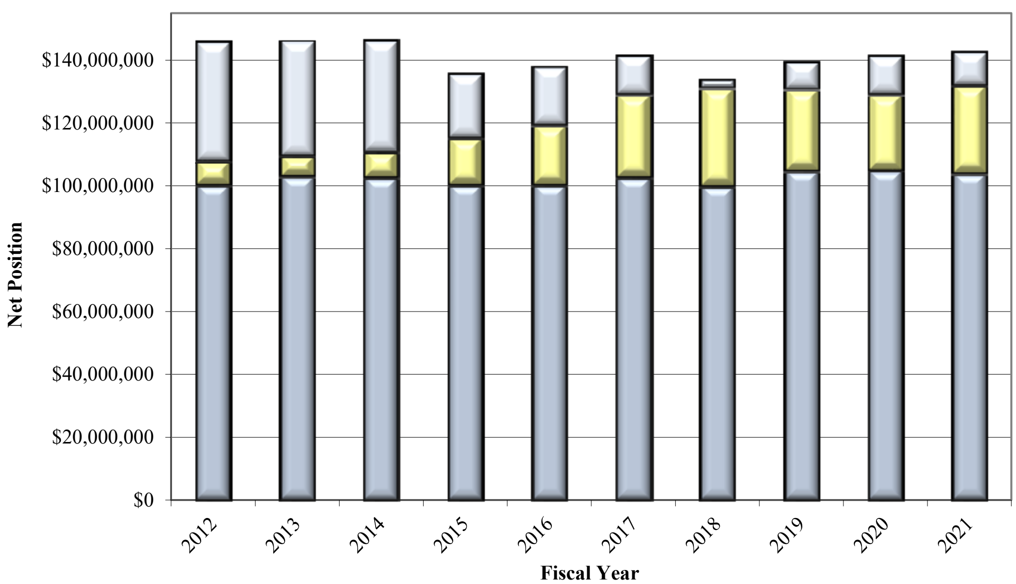
(5) The increase in loss on disposition of assets related to abandoned project

Source: Walnut Valley Water District Accounting Department

Walnut Valley Water District
Changes in Net Position and Net Position by Component
Last Ten Fiscal Years, Continued

Schedule 1

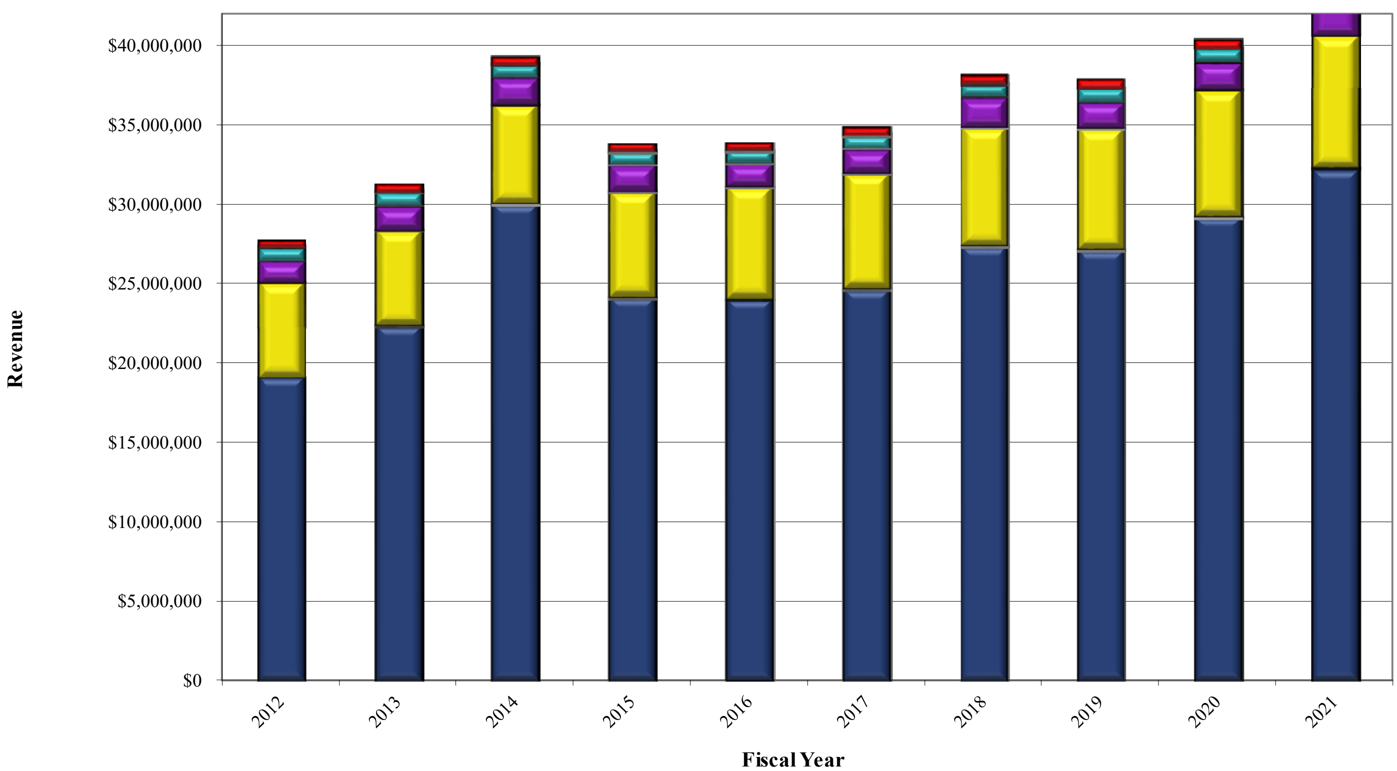
Fiscal Year						
As Restated 2015	2016	2017	As Restated 2018	2019	2020	2021
33,854,771	33,924,726	34,916,303	38,210,311	37,912,508	40,456,434	44,260,619
(30,261,703)	(30,721,847)	(31,827,660)	(35,341,238)	(34,149,759)	(38,205,724)	(40,065,073)
(5,303,916)	(5,021,533)	(5,109,038)	(5,286,808)	(5,219,938)	(5,455,123)	(5,468,374)
(1,710,848)	(1,818,654)	(2,020,395)	(2,417,735)	(1,457,189)	(3,204,413)	(1,272,828)
950,932	943,033	985,113	999,707	1,098,378	1,162,465	1,199,446
270,105	284,011	277,607	284,849	298,104	318,148	327,799
416,825	824,415	1,635	122,673	2,069,109	2,009,604	63,284
4,737	315,763	(8,092)	(139,606)	874,098	180,329	(41,029)
-	1,065,457 (4)	-	-	-	-	-
(66,950)	(129,390)	(85,825)	(798,859) (5)	18,098	(39,748)	(99,640)
-	-	-	-	-	-	-
(422,504)	(377,577)	(386,321)	(676,951)	(658,698)	(635,343)	(610,760)
440,930	210,384	271,605	283,851	316,717	512,941	257,450
1,594,075	3,136,096	1,055,722	75,664	4,015,806	3,508,396	1,096,550
(116,773)	1,317,442	(964,673)	(2,342,071)	2,558,617	303,983	(176,278)
1,373,775	946,623	4,545,716	2,950,904	3,116,814	1,574,591	1,403,720
1,257,002	2,264,065	3,581,043	608,833	5,675,431	1,878,574	1,227,442
100,091,614	100,096,835	102,444,898	99,730,658	104,543,390	104,609,392	103,734,985
14,950,173	18,983,396	26,408,666	31,189,404	25,986,720	24,191,055	28,008,323
20,179,472	18,405,093	12,212,803	2,476,916	8,542,299	12,150,536	10,435,117
135,221,259	137,485,324	141,066,367	133,396,978	139,072,409	140,950,983	142,178,425



Walnut Valley Water District
Operating Revenue by Source
Last Ten Fiscal Years

Schedule 2

Fiscal Year		Water Consumption Fees	Monthly Water Service Charges	Recycled Water Sales	Standby Charges	Hydroelectric Sales	Other Water Service Charges	Total Operating Revenue
2012	$	19,100,257	6,007,984	1,376,526	821,860	31,448	466,762	27,804,837
2013		22,316,359	6,096,414	1,555,051	832,977	20,936	509,754	31,331,491
2014		29,991,065	6,290,973	1,701,382	827,259	11,801	528,838	39,351,318
2015		24,155,800	6,676,754	1,632,666	825,584	31,916	532,051	33,854,771
2016		23,995,290	7,094,212	1,497,329	820,221	(10,000)	527,674	33,924,726
2017		24,649,066	7,285,380	1,609,661	815,294	10,534	546,368	34,916,303
2018		27,341,339	7,487,410	1,926,283	822,514	24,072	608,693	38,210,311
2019		27,111,901	7,701,303	1,634,443	837,186	22,250	605,425	37,912,508
2020		29,197,399	7,982,535	1,816,820	795,775	38,892	625,013	40,456,434
2021		32,236,607	8,406,618	2,199,928	766,999	39,341	611,126	44,260,619

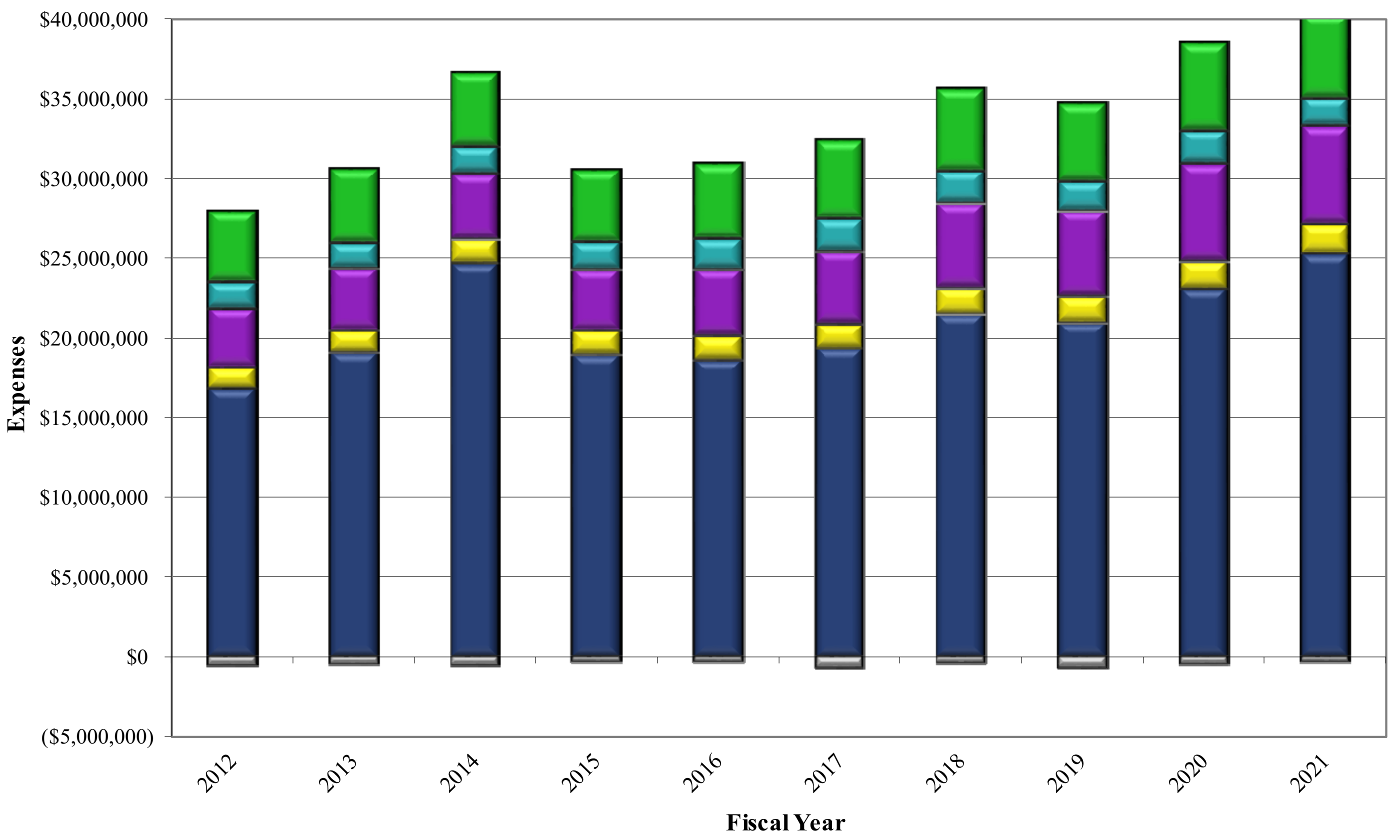


Source: Walnut Valley Water District Accounting Department

Walnut Valley Water District
Operating Expenses by Activity
Last Ten Fiscal Years

Schedule 3

Fiscal Year	Source of Supply	Pumping	Transmission and Distribution	Customer Accounts	General and Administrative	Operating Exp. Capitalized during Constr. Period	Total Operating Expenses
2012	$ 16,916,246	1,278,354	3,747,193	1,636,674	4,450,039	(490,251)	27,538,255
2013	19,142,158	1,415,584	3,919,828	1,592,601	4,640,032	(434,581)	30,275,622
2014	24,716,865	1,522,225	4,148,061	1,713,168	4,644,398	(524,825)	36,219,892
2015	19,012,134	1,551,831	3,854,786	1,693,976	4,493,281	(344,305)	30,261,703
2016	18,694,558	1,507,275	4,167,820	1,967,633	4,682,473	(297,912)	30,721,847
2017	19,397,392	1,540,557	4,598,923	2,042,953	4,918,327	(670,492)	31,827,660
2018	21,505,419	1,712,649	5,280,765	2,091,767	5,165,828	(415,196)	35,341,232
2019	20,999,925	1,672,204	5,339,816	1,910,756	4,892,522	(665,464)	34,149,759
2020	23,156,600	1,703,819	6,118,670	2,111,048	5,535,032	(419,445)	38,205,724
2021	25,338,762	1,819,324	6,181,794	1,804,476	5,240,165	(319,448)	40,065,073



Note:

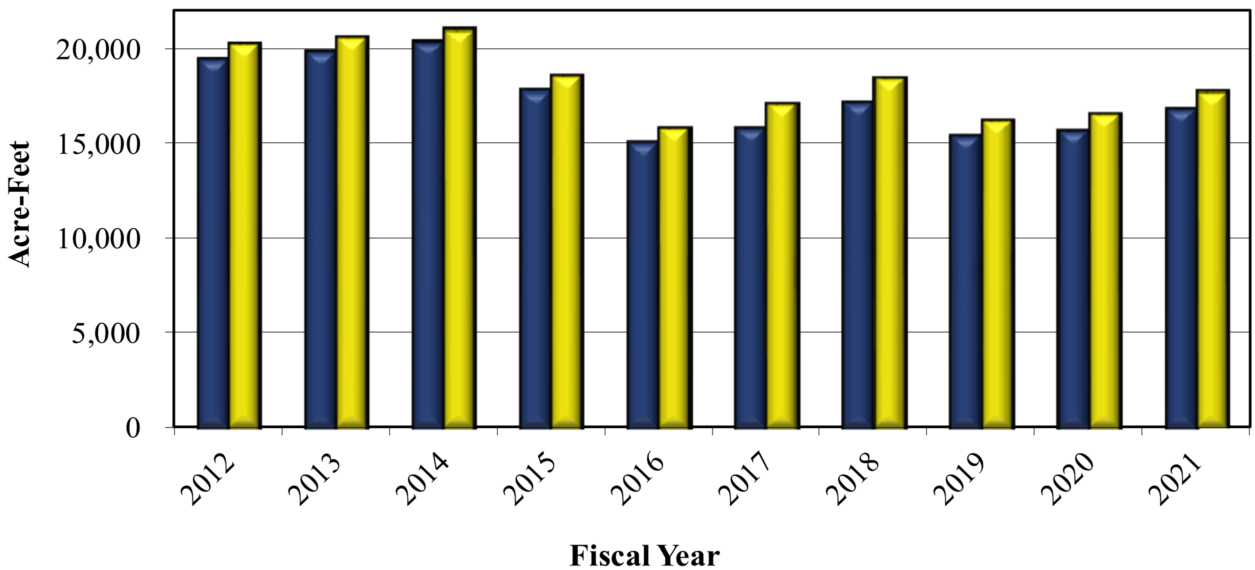
(1) Account groupings were revised in 2020 and regrouped for the prior two fiscal years

Source: Walnut Valley Water District Accounting Department

Walnut Valley Water District
Revenue Base
Last Ten Fiscal Years

Schedule 4

Fiscal Year	Water Sales (Acre Feet) [1]	Water Produced (Acre Feet) [1]
2012	19,548	20,361
2013	19,965	20,740
2014	20,541	21,137
2015	17,876	18,666
2016	15,111	15,905
2017	15,905	17,197
2018	17,245	18,485
2019	15,444	16,275
2020	15,751	16,630
2021	16,953	17,854



Note: See Schedule 2 "Operating Revenue by Source" for information regarding water revenues.
(1) Excludes wholesale water sales and purchases

Source: Walnut Valley Water District Accounting Department

Walnut Valley Water District
Revenue Rates(1)
Last Ten Fiscal Years

Schedule 5

Commodity Rates
Fiscal Year

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Residential - Tier 1 (per HCF)	$ 1.92	2.16	2.46	2.69	2.85	2.97	3.16	3.27	2.94	3.03
Residential - Tier 2 (per HCF)	2.40	2.70	3.08	3.08	3.25	3.39	3.58	3.69	3.93	4.05
Residential - Tier 3 (per HCF)	2.40	2.70	3.08	3.08	3.25	3.39	3.58	3.69	4.52	4.66
Multi-Family (per HCF)	2.32	2.56	2.77	2.89	3.06	3.19	3.38	3.49	3.36	3.47
Non-Residential (per HCF)	2.39	2.61	2.81	2.95	3.12	3.25	3.44	3.55	3.56	3.67
Recycled (per HCF)	1.49	1.49	1.49	1.56	1.63	1.71	1.79	1.88	1.87	1.97
Pump Zone - Zone 1 (per HCF)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Pump Zone - Zone 2 (per HCF)	0.18	0.18	0.19	0.19	0.19	0.20	0.21	0.22	0.24	0.25
Pump Zone - Zone 3 (per HCF)	0.33	0.34	0.35	0.36	0.37	0.39	0.34	0.42	0.44	0.46

Meter Charge Fees per Month
Fiscal Year

Meter Size	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
All District Accounts:										
3/4" or smaller	$ 16.03	16.33	17.08	18.29	18.87	19.43	20.00	20.54	20.67	21.30
1"	20.21	20.75	21.60	23.04	23.77	24.47	25.20	25.88	32.60	33.58
1 1/2"	42.74	44.64	46.18	54.43	56.17	57.82	59.53	61.14	62.42	64.30
2"	65.25	68.51	70.73	71.07	73.34	75.51	77.73	79.84	98.20	101.15
3"	118.67	125.12	128.92	145.53	150.17	154.60	159.17	163.48	193.64	199.45
4"	194.78	205.80	211.86	229.30	236.63	243.61	250.80	257.59	301.00	310.03
6"	380.43	402.72	414.54	435.87	449.79	463.07	476.74	489.65	599.22	617.20
8"	603.79	639.61	658.34	671.11	692.54	712.98	734.02	753.90	957.09	985.81

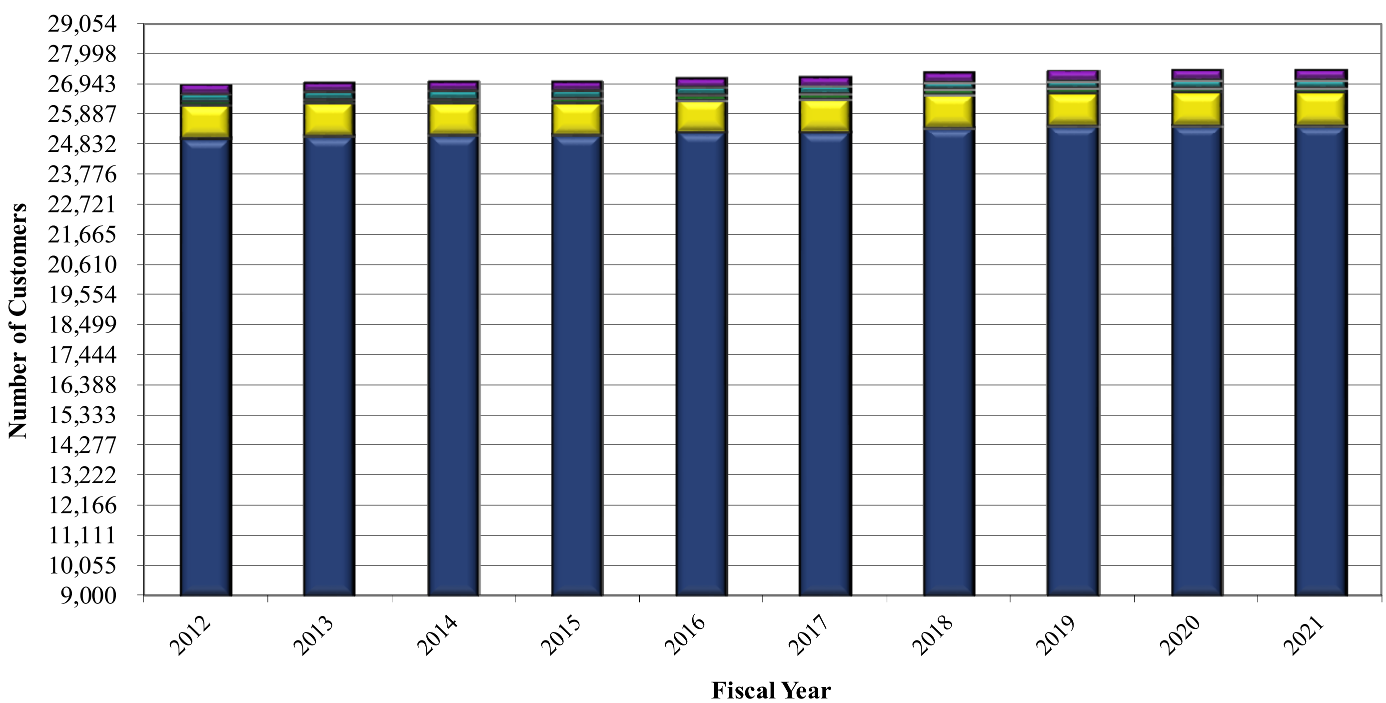
Notes:
(1) Rates as of June 30 of each fiscal year.

Source: Walnut Valley Water District Board of Directors approved rate ordinances and resolutions

Walnut Valley Water District
Customers by Type
Last Ten Fiscal Years

Schedule 6

Fiscal Year	Residential	Commercial/ Industrial	Multi-User	Government	Recycled	Total
	Customer Type					
2012	25,059	1,160	157	259	286	26,920
2013	25,112	1,164	155	263	286	26,980
2014	25,139	1,159	155	266	291	27,011
2015	25,142	1,156	158	270	294	27,019
2016	25,258	1,154	161	268	290	27,131
2017	25,275	1,164	163	272	302	27,176
2018	25,415	1,174	163	276	302	27,330
2019	25,467	1,165	163	277	309	27,381
2020	25,474	1,166	163	276	332	27,411
2021	25,479	1,174	163	277	343	27,436



Note: Number of customers as of June 30 of fiscal year.

Source: Walnut Valley Water District Accounting Department

Walnut Valley Water District
Principal Customers
Current Fiscal Year and Ten Years Ago

Schedule 7

		2021			2012	
Rank	**Customer**	**Water Consumed (AF)**	**Percentage of Total**	**Rank**	**Water Consumed (AF)**	**Percentage of Total**
1	City Of Walnut	483	20.2%	1	441	19.8%
2	City of Diamond Bar	324	13.5%	3	317	14.3%
3	American Golf Corp	298	12.5%	2	373	16.8%
4	Walnut Unified School Dist	276	11.5%	4	302	13.6%
5	City Of Industry	261	10.9%	5	259	11.6%
6	Montefino Homeowners Assoc	257	10.7%			-
7	Pomona Unified School Dist	157	6.6%	6	154	6.9%
8	Diamond Bar Tennis Club HOA	142	5.9%	7	137	-
9	Rowland Unified School Dist	100	4.2%	8	91	4.1%
10	Muller Gateway LLC	95	4.0%	9	76	-
-	Cimarron Oaks Village No 5	-	-	10	74	3.3%
	Total	2,393	100.00%		2,224	90.42%
	Total Water Consumed (AF)	19,309	100.00%		21,439	100.00%
	Percentage of Total	12.4%			10.4%	

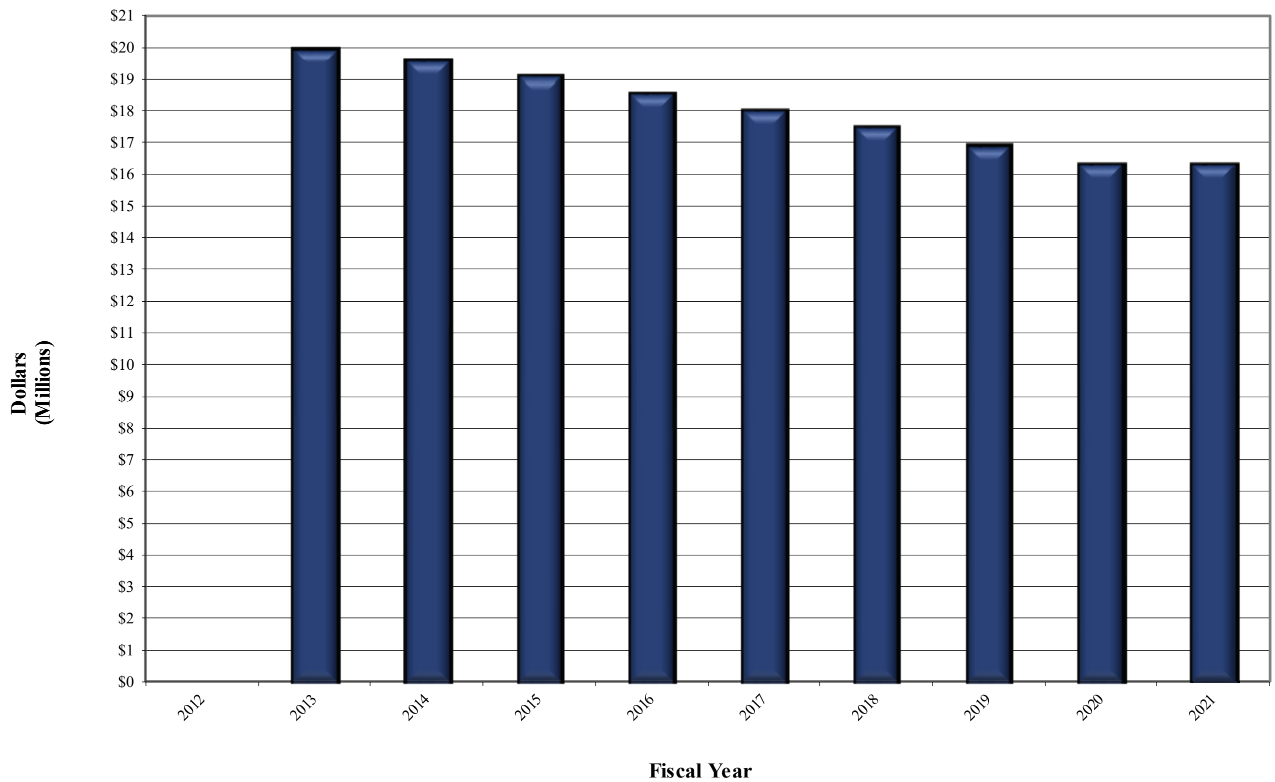
AF = Acre Feet

Source: Walnut Valley Water District Accounting Department

Walnut Valley Water District
Ratio of Outstanding Debt
Last Ten Fiscal Years

Schedule 8

Fiscal Year	Bonds Payable	Notes Payable	Capital Lease	Total Debt	Per Capita	As a Share of Personal Income
2012	$ -	-	-	-	-	0.00%
2013	19,968,959	-	-	19,968,959	196.21	0.44%
2014	19,611,843	-	-	19,611,843	191.90	0.40%
2015	19,099,727	-	-	19,099,727	186.12	0.36%
2016	18,577,613	-	-	18,577,613	180.29	0.33%
2017	18,040,497	-	-	18,040,497	174.36	0.31%
2018	17,488,382	-	-	17,488,382	168.33	0.27%
2019	16,916,266	-	-	16,916,266	160.39	0.25%
2020	16,319,151	-	-	16,319,151	153.65	0.24%
2021	16,319,151	-	-	16,319,151	163.26	0.24%



Source: Walnut Valley Water District Accounting Department

Walnut Valley Water District
Debt Coverage
Last Ten Fiscal Years

Schedule 9

Fiscal Year		Net Revenues[1]	Operating Expenses[2]	Net Available Revenues	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage Ratio
2012	$	29,857,606	(28,028,506)	1,829,100	-	-	-	0.00
2013		32,479,508	(31,152,204)	1,327,304	-	-	-	0.00
2014		41,150,445	(35,355,496)	5,794,949	250,000	975,191	1,225,191	0.00
2015		35,900,112	(29,861,742)	6,038,370	405,000	827,450	1,232,450	4.90
2016		36,862,499	(30,321,989)	6,540,510	415,000	819,350	1,234,350	5.30
2017		36,914,828	(31,642,531)	5,272,297	430,000	802,750	1,232,750	4.28
2018		40,259,265	(34,156,423)	6,102,842	445,000	785,550	1,230,550	4.96
2019		40,383,991	(33,550,440)	6,833,551	465,000	767,750	1,232,750	5.54
2020		43,210,890	(36,868,845)	6,342,045	490,000	744,500	1,234,500	5.14
2021		46,531,690	(37,017,212)	9,514,478	510,000	717,875	1,227,875	7.75

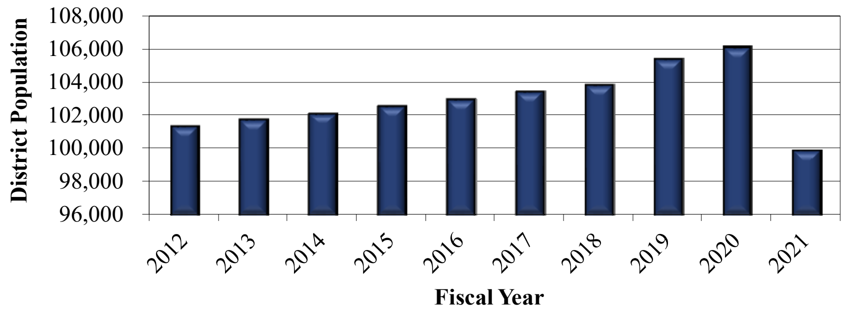
Note:
(1) Operating revenues excludes: unrealized gain (loss) on investment income.
Operating revenues includes property tax revenue, investment income, and other non-operating revenue.
(2) Operating expenses before depreciation excludes: GASB 68 pension expense, GASB 75 OPEB expense.
Operating expenses before depreciation includes: overhead on capital construction expense.

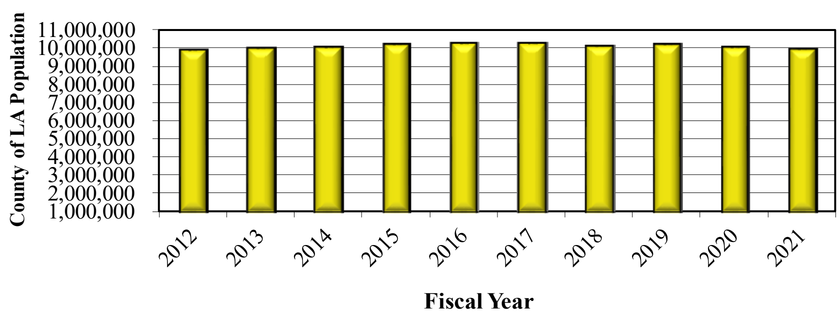
Source: Walnut Valley Water District Accounting Department

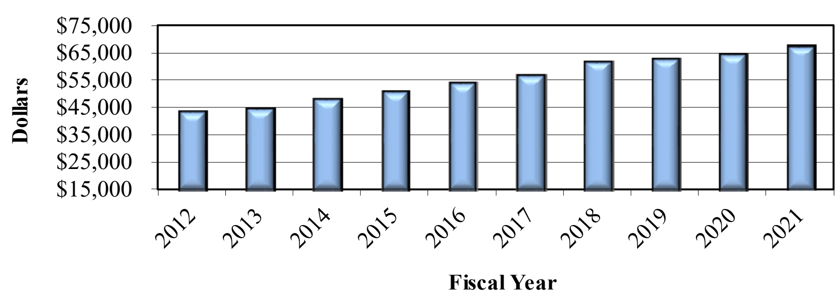
Walnut Valley Water District
Demographic and Economic Statistics
Last Ten Fiscal Years

Schedule 10

Year	District Population	County of Los Angeles[1] Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
2012	101,352	11.3%	9,912,000	435,300,000	43,916
2013	101,775	10.2%	10,019,000	451,100,000	45,024
2014	102,199	8.3%	10,069,000	487,900,000	48,456
2015	102,622	6.9%	10,192,000	521,900,000	51,207
2016	103,045	540.0%	10,240,000	557,382,000	54,432
2017	103,469	4.9%	10,278,000	585,515,000	56,968
2018	103,892	4.9%	10,106,000	628,809,000	62,221
2019	105,469	4.6%	10,184,000	646,400,000	63,472
2020	106,213	17.9%	10,039,107	653,482,910	65,094
2021	99,956 (3)	10.3%	9,943,046	678,829,092	68,272







Sources: Bureau of Labor Statistics
California Department of Finance, Bureau of Economic Analysis (BEA)

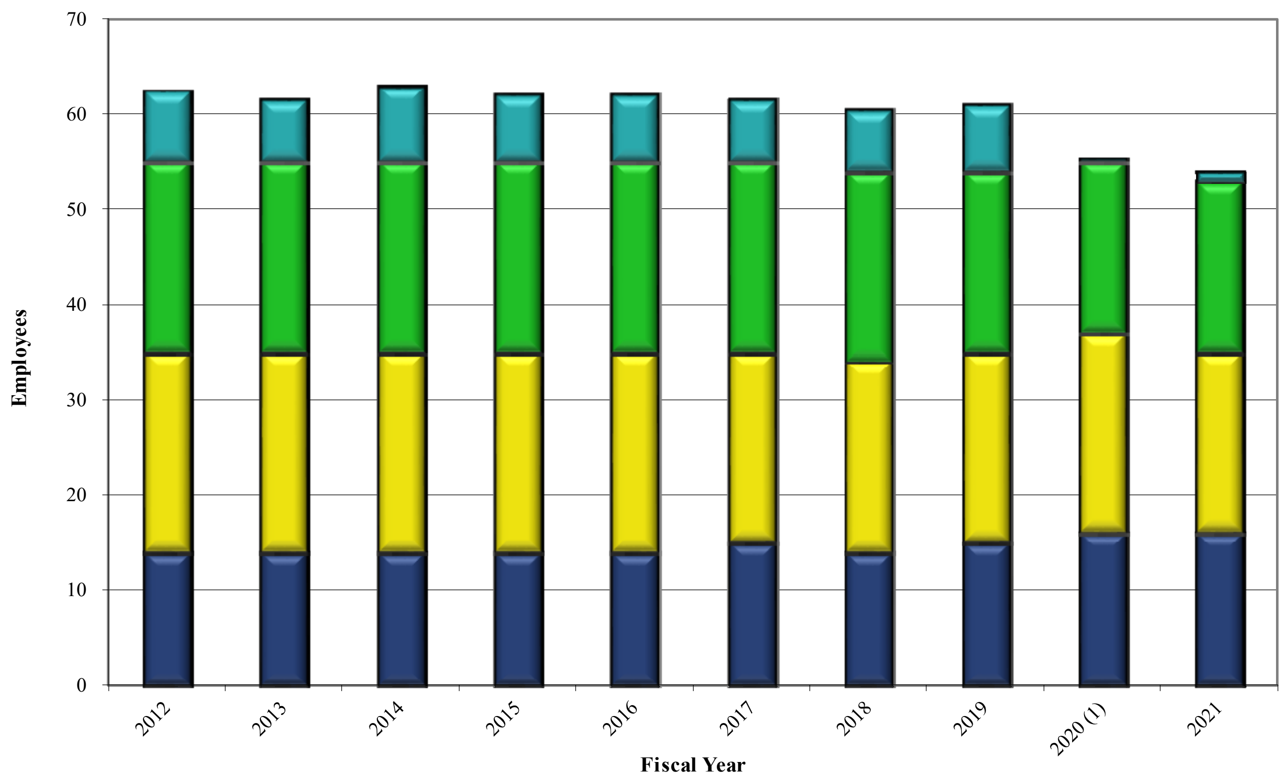
Notes:
(1) Only County data is updated annually. Therefore, the District has chose to use its data since the District believes that the County data is representative of the conditions and experience of the District.
(2) Amount is a projection as of October
(3) Recalculated through Urban Water Management Plan

Walnut Valley Water District
Full-Time Equivalent Employees
Last Ten Fiscal Years

Schedule 11

Full-time Equivalent District Employees by Department

Fiscal Year	District Administration	Office and Engineering	Operations	Part-time/ Student Intern	Total
2012	14	21	20	7.5	62.5
2013	14	21	20	6.5	61.5
2014	14	21	20	8.0	63.0
2015	14	21	20	7.0	62.0
2016	14	21	20	7.0	62.0
2017	15	20	20	6.5	61.5
2018	14	20	20	6.5	60.5
2019	15	20	19	7.0	61.0
2020 (1)	16	21	18	0.5	55.5
2021	16	19	18	1.0	54.0



Source: Walnut Valley Water District Accounting Department

Notes:

(1) Restated numbers to actual

Walnut Valley Water District
Operating and Capacity Indicators
Last Ten Fiscal Years

Schedule 12

Other Operating and Capacity Indicators

Fiscal Year	District Area (Square Miles)	Miles of Pipeline	Storage Capacity (MG)	Reservoirs	Booster Pump Stations	Pressure Regulating Stations	Fire Hydrants
2012	29	501	93.8	31	17.0	48.0	2,990
2013	29	502	93.8	31	18.0	48.0	2,993
2014	29	504	93.8	31	18.0	48.0	3,008
2015	29	505	93.8	31	17.0	48.0	3,013
2016	29	506	93.8	31	17.0	48.0	3,031
2017	29	506	93.8	31	17.0	47.0	3,035
2018	29	506	93.8	31	17.0	45.0	3,050
2019	29	510	93.8	31	17.0	43.0	3,055
2020	29	510	93.8	31	18.0	42.0	3,055
2021	29	422	93.8	31	18.0	42.0	3,093

MG - Millions of Gallons
MGD - Millions of Gallons per Day

Source: Walnut Valley Water District Engineering Department

Report on Internal Controls and Compliance

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Certified Public Accountants

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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*

Board of Directors
Walnut Valley Water District
Walnut, 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 Walnut Valley Water District (District) as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 13, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 determination of financial statement amounts. 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*.

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,* continued

Purpose of this Report

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

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
December 13, 2021