Walnut Valley Water District
Walnut, California

Annual Comprehensive Financial Report

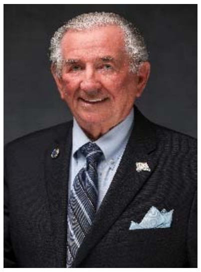
Fiscal Years Ended June 30, 2023 and 2022

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

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, 2023



Edwin M. Hilden
President
2022-2026

Theresa Lee
1st Vice President
2022-2026

Scarlett P. Kwong
2nd Vice President
2007-2024

Jerry Tang
Assistant Treasurer
2019-2024

Henry Woo
Director
2023-2028

District Management

Erik Hitchman
General Manger
Chief Engineer
Secretary

Jared Macias
Assistant General Manager

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, 2023 and 2022

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
271 South Brea Canyon Road • Walnut, California 91789-3002
(909) 595-7554 • Fax: (909) 444-5521
WALNUTVALLEYWATER.GOV

December 11, 2023

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

It is our pleasure to submit Walnut Valley Water District's (WVWD or District) Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023. 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 C.J. Brown & Company CPAs, 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, 2023, 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, 2023, and that the District's financial statements are fairly presented in conformity with GAAP.

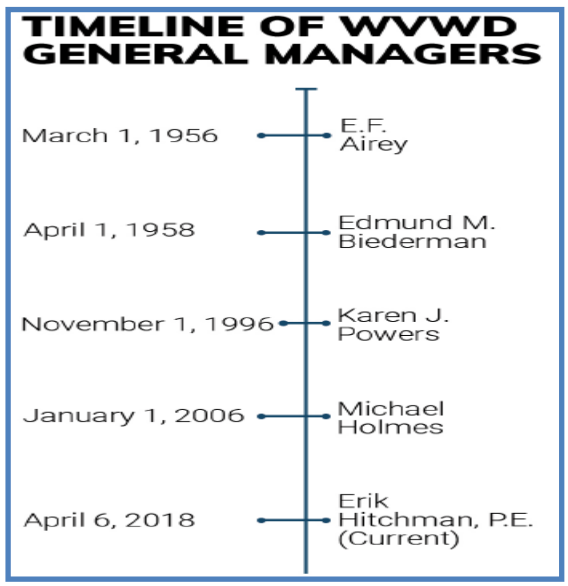
Sincerely,

Erik Hitchman
General Manager
Walnut Valley Water District

STRUCTURE AND LEADERSHIP PROFILE

Formed in 1952, 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 57 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 mission and establish a vision to address issues such as sustainability, resiliency, and equity for both the District's water supply resources and its workforce.

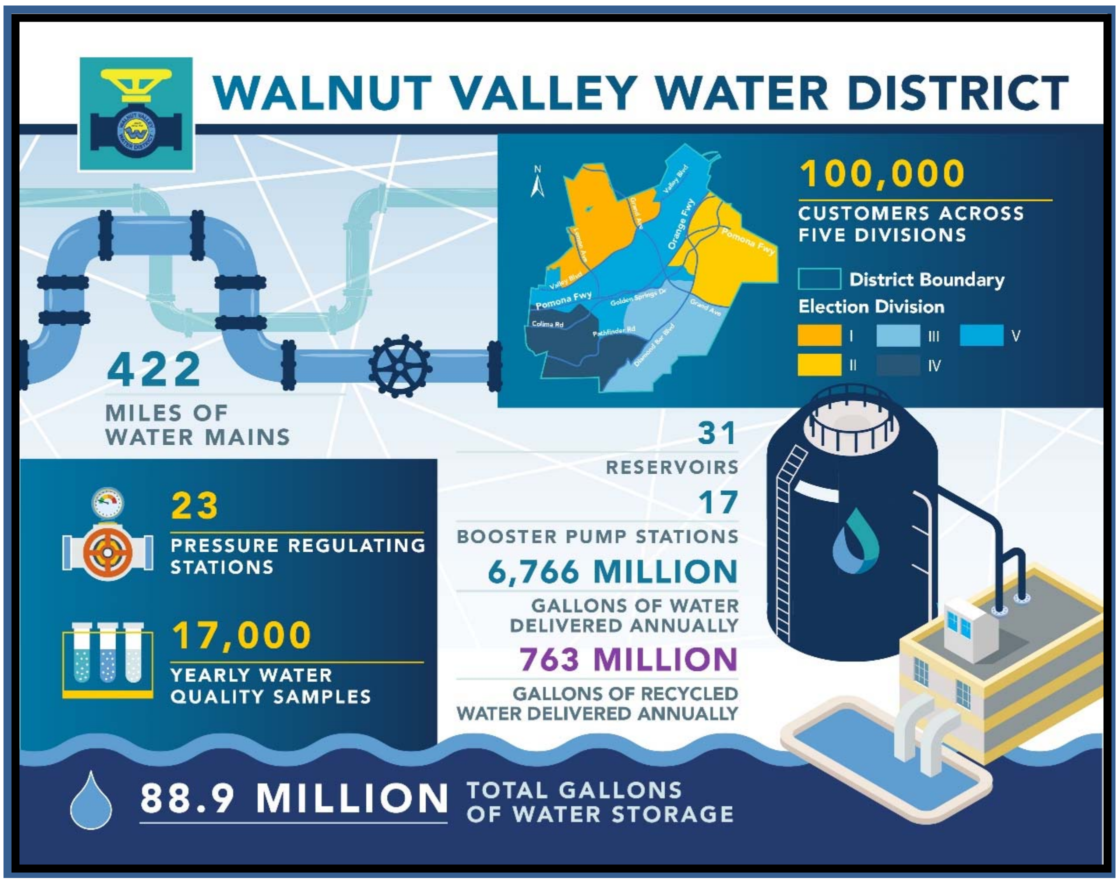
The District's Strategic Vision is "Shared Values, Shared Results." The core values are listed below.

1. **Accountability**
2. **Communication**
3. **Customer Service**
4. **Efficiency**
5. **Reliability**
6. **Quality**

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 seven decades of service to the community, the District operates and maintains two large imported water pipelines, 384 miles of distribution mains (ranging in size from 4 inches to 51 inches), 18 pump plants, and 32 reservoirs with a storage capacity of 95.6 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 42 miles of water mains, 5 production wells, 3 pump plants, and 5 reservoirs with a combined capacity of 6.2 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.

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 15,000 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) in 1971. 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.
- Pomona Basin Project (Scheduled Completion 2024) - The Project involves the production of water from two groundwater wells in the Six Basins. Once completed, the project will provide approximately 1,800 acre-feet per year of local groundwater. Water produced from the project will be shared equally by the District and RWD.

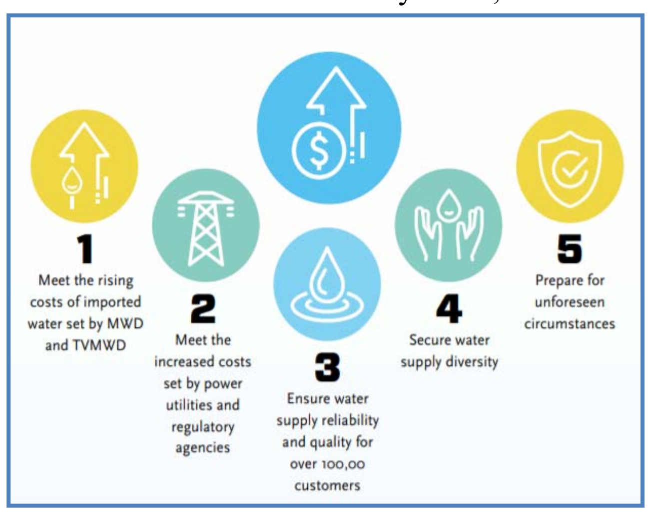
WATER SYSTEM OVERVIEW, continued

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 2,000 acre-feet of recycled water per year, representing 11% 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 five-year period is 5% per year. The Board of Directors approved a 5% rate increase in 2023.



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

The economy of Walnut Valley Water District has been significantly impacted by supply chain issues and inflation in recent years. The District, responsible for providing essential water services to its community, relies on a stable and efficient supply chain to maintain its infrastructure and deliver clean water to residents. However, disruptions in the supply chain, driven by factors such as global trade tensions and the COVID-19 pandemic, have resulted in delayed shipments of critical equipment and materials needed for maintenance and expansion projects. These delays have not only increased operational costs but also hindered the District's ability to ensure a consistent supply of clean water to its customers.

Inflation has further stretched the financial health of the Walnut Valley Water District. Rising prices for goods and services, from energy and labor to chemicals and equipment, have led to higher operational expenses, making it challenging for the District to keep water rates affordable for its residents. Inflationary pressures have forced the District to carefully allocate resources and prioritize essential projects while seeking cost-effective solutions to maintain water quality and infrastructure integrity. As the cost of living continues to rise, the District faces the difficult task of balancing the needs of its community with the economic realities brought on by inflation.

To address these challenges, Walnut Valley Water District has been exploring innovative solutions, such as investing in sustainable practices and infrastructure upgrades to improve efficiency and reduce long-term operating costs. Additionally, the District has been actively taking steps to mitigate these effects by entering into long-term contracts with suppliers, increasing critical inventory, as well as working with other local agencies in joint contracts.

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 of Southern California (MWD), the amount of California’s Sierra Nevada Snowpack was measured at 221% of the April 1 average, when it is historically at its peak. The severe storms during the year which was subsequent to the three driest years on record show the effect of California’s changing climate and a new realty that faces the water industry.

ECONOMIC CONDITIONS AND OUTLOOK, continued

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 (GPCD) through December 31, 2024. Subsequent legislation in Senate Bill 1157 reduces this standard to 47 GPCD on January 1, 2025 and 42 GPCD on January 1, 2030.

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 to take effect in 2024. In addition to the current residential indoor standards, these new objectives will include standard-based budgets for residential outdoor use, commercial/industrial/institutional landscapes with dedicated irrigation meters, and real water loses. The District is working with water industry associations and the State Water Resources Control Board to provide comments for practical implementation Final adopted language is expected to be released in 2024. 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.

As a result of extremely high precipitation during this last winter season, deliveries from the State Water Project were increased to 100% of requested supplies. This drastic increase prompted MWD to deliver as much water as possible into their and other agencies storage. Facing the new reality of regularly occurring water shortages, MWD has also invested in the design of their Pure Water Southern California project, located adjacent to the Sanitation District's Carson plant. This advanced water treatment facility would purify reclaimed water to drinking water standards and is estimated to produce 150 million gallons of drinking water per day. 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 $1,209 per acre-foot to $1,256 per acre-foot on January 1, 2024, a 3.8% increase. 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.

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
2021 Series A Water Revenue Bonds	Provided to finance certain capital facilities of the District.

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.

FISCAL MANAGEMENT & FINANCIAL POLICIES, continued

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: C.J. Brown & Company CPAs, 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

Meter Replacement Program

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.

Asset Replacement & Refurbishment Plan

The District developed a twenty-year ARR plan that addresses the need to repair and rehabilitate its water system infrastructure. The plan includes various programs totaling 92 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.

Water Use Efficiency Objectives

To build on water use efficiency and conservation in the state of California, the State Water Resources Control Board, which is one of Walnut Valley Water District's regulating agencies, is currently establishing Water Use Objectives to help the state meet the demand of a minimizing natural water supply. In anticipation of these regulations, the District has implemented and is in the process of developing resources for our customers to live a sustainable water lifestyle.

MAJOR INITIATIVES AND PROJECTS, continued

Water Use Efficiency Objectives, continued

Efforts include:

- New District website with Chatbot assistance
- New District customer portal for customers to manage their water usage and monthly payment
- Conservation messaging through social media platforms (Instagram, TikTok, YouTube, Twitter and Facebook).
- Conservation messaging on District trucks and facilities
- Conservation messaging through e-newsletters, monthly bill inserts and snipes, flyers, fact sheets, and more.
- Conservation messaging at in-person community events via a conservation booth.
- Leak kit distributions to customers.
- Water use efficiency workshops virtual and in-person, offered in both English and Mandarin.

- Direct purchase programs for water savings devices (Flume and Rachio).
- Rebate programs (premium high-efficiency toilets, urinals, sprinkler nozzles, weather-based irrigation controllers, pool covers, rain barrels, soil moisture sensors, and more.
- Landscape and garden design resources with a $2 per square foot rebate on turf removal projects.

Public Education & Outreach

Walnut Valley Water District is committed to excellence in communications and water awareness education. Over the last three years, the District has invested in community collaboration projects that directly involve its customer base. Participants in WVWD initiatives include the Asian-American Pacific Islander (AAPI) community, homeowners, senior citizens, students, business owners, locally elected representatives, parent associations at several schools, and more.

MAJOR INITIATIVES AND PROJECTS, continued

Project Bright

This initiative is a program offered to the students and parents at Suzanne Middle School and Walnut High School's Chinese American Parent Association (CAPA). The goal of this effort is to help customers install user-friendly conservation technology, Flume. Flume monitors for leaks and helps customers save water by allowing them to instantly track their water usage through an app on their mobile device or tablet. This program also provides students with volunteer hours and an opportunity to provide public service on a large scale. The District sponsored this initiative and provided Project Bright participants with Flume devices and a water survey form that is available in both English and Mandarin. For the first year of the program, participants were tasked with installing 100 Flume devices for customers throughout the service area. This program also serves as a dual effort to introduce students to the water industry and careers that are available to them.

Trust Building Initiative

In partnership with the WaterNow Alliance and the River Network, Walnut Valley Water District began a trust-building initiative with the Chinese American Association of Walnut (CAAW). This initiative served to build trust amongst the District's service area by connecting community members with resources and information through trust liaisons and platforms that they prefer to frequent that aren't typically sponsored by a utility. The major benefit of this initiative to the community resulted in the inaugural Community Water Festival in which WVWD opened its doors to the entire community in honor of Earth Day to showcase its operations and its efforts to plan for sustainable water supply management. This was also an opportunity to educate the public through a series of presentations on how their water bills are generated, how the budget system operates, and how rates are established along with an outlook on the state of water through its cyclical history of drought in California. In FY 2022-2023, the Community Water Festival welcomed nearly 600 residents of all ages and backgrounds to a key piece in public education and outreach.

MAJOR INITIATIVES AND PROJECTS, continued

MeterHero

As part of its commitment to sustainability and community engagement, Walnut Valley Water District launched its sponsorship of MeterHero, an innovative academic curriculum designed to provide high school students with hands-on experience around water conservation and data analysis. MeterHero is a curriculum enhancement offered to teachers with AP Environment Science classes in the Walnut Valley Unified School District (WVUSD) and portions of the Rowland Unified School District (RUSD) and Pomona Unified School District (PUSD). The curriculum is designed to align with the course content and science practices of AP Environmental Science. This program is designed for students to collect and analyze water meter data from their homes' and then develop and implement a water conservation strategy that benefits their household and the entire WVWD community. Students will be directly leading the effort to help WVWD meet its goal of up to a 20% decrease in district-wide water usage.

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 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. The District has also entered into a regional emergency response effort further expanding on personnel and operations assistance should the need arise.

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, 2022. This was the third 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

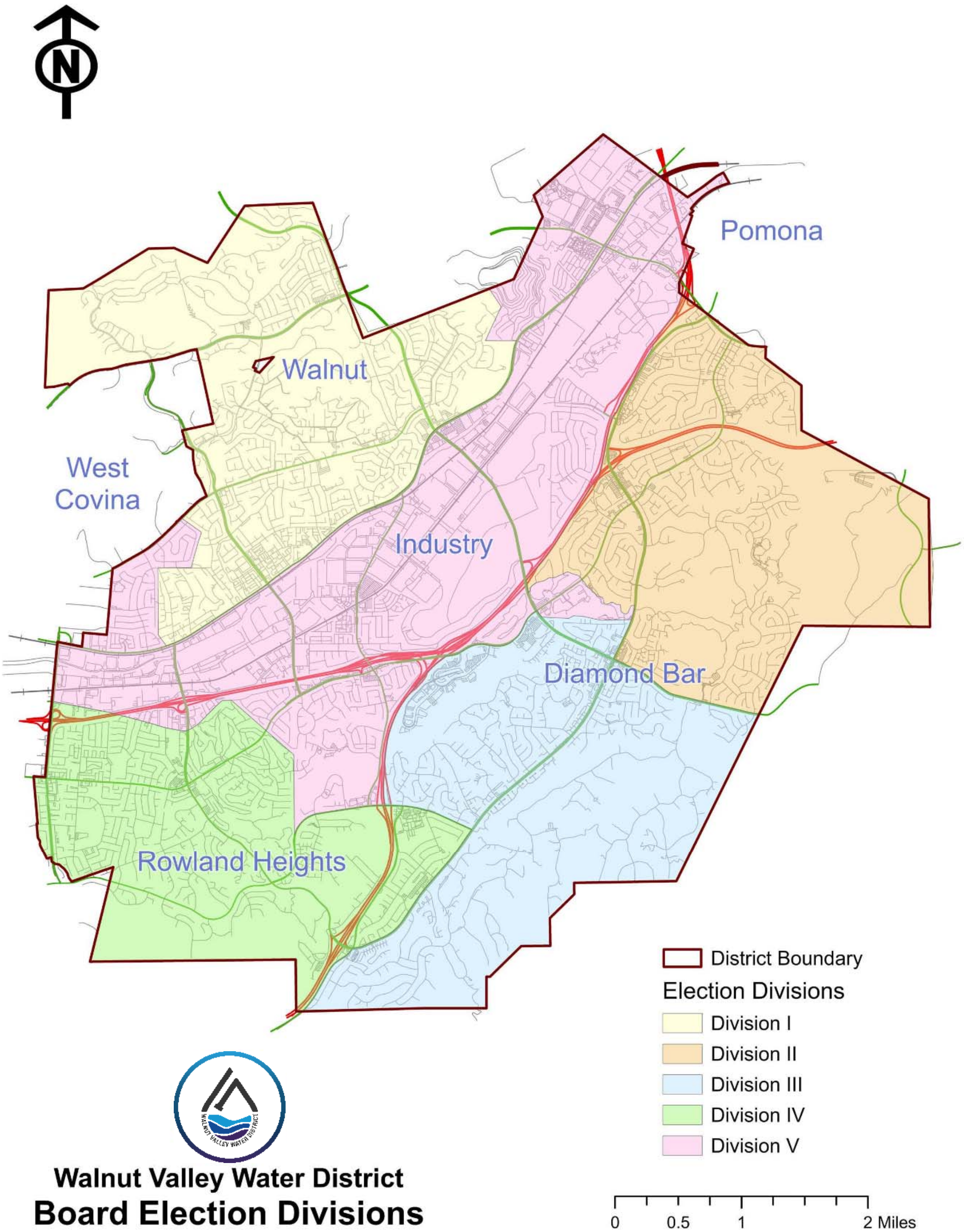
The combined efforts of District staff accomplished the preparation of this report. We appreciate the dedicated efforts and professionalism that our staff members contribute to the District. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of Walnut Valley Water District's fiscal policies.

Respectfully submitted,

Erik Hitchman	Jared Macias
General Manager	Assistant General Manager

Walnut Valley Water District
Organizational Chart
As of June 30, 2022

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, 2022

Christopher P. Morrill

Executive Director/CEO

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Financial Section

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An Accountancy Corporation

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Independent Auditor's Report

Board of Directors
Walnut Valley Water District
Walnut, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Walnut Valley Water District (District), which comprises the statements of net position as of June 30, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Walnut Valley Water District as of June 30, 2023 and 2022, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; 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 our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of Matter

As discussed in Note 1.C to the financial statements, in June 30, 2023, the District adopted new accounting guidance *Governmental Accounting Standards Board Statement No. 96.*

As part of our audit of the June 30, 2023, financial statements, we audited the adjustments described in Note 11 to the financial statements. Adjustments were recognized for the District's subscription information technology agreements. As a result of the implementation for the District's agreements, the District recorded right-to-use assets included as part of capital assets, leases payable, reclassified a portion of its subscription lease expense to interest expense, and has recorded prior period adjustments to restate net position as of July 1, 2020 and 2021.

As part of our audit of the June 30, 2022, financial statements, we audited the adjustments described in Note 11 to the financial statements. Adjustments were recognized for the District's lessor and lessee agreements. As a result of the implementation for the District's lessor agreements, the District recorded leases receivable, a deferred lease inflows of resources, reclassified a portion of its rental income to interest income, and has recorded prior period adjustments to restate net position as of July 1, 2020 and 2021. Please see Note 4 for further information.

Independent Auditor's Report, continued

Emphasis of Matter

As a result of the implementation for the District's lessee agreements, the District recorded a right to use asset included as part of capital assets, a lease payable, reclassified a portion of its equipment lease expense to interest expense, and has recorded prior period adjustments to restate net position as of July 1, 2020 and 2021. Please see Note 7 for further information. Our opinion is not modified with respect to this matter. Please see Note 7 for further information. Our opinion is not modified with respect to this matter.

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 21 through 30 and the required supplementary information on pages 85 through 86 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 14, and statistical section on pages 89 through 102, 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 11, 2023, 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 103 and 104.

C.J. Brown & Company, CPAs

C.J. Brown & Company CPAs
Cypress, California
December 11, 2023

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, 2023 and 2022. 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 2023, the District's net position increased 4.29% or $6,210,178 to $150,879,597, primarily due to an increase of $2,234,746 from ongoing operations and $3,975,432 in capital contributions. In fiscal year 2022, the District's net position increased 1.61% or $2,285,911 to $144,669,419, primarily due to a decrease of $1,980,823 from ongoing operations and $4,012,468 in capital contributions.
- Total revenues decreased 9.99% or $4,684,809 to $42,192,364. In fiscal year 2022, total revenues increased 1.79% or $825,506 to $46,877,173.
- Operating revenues decreased 10.64% or $4,721,573 to $39,669,770. In fiscal year 2022, operating revenues increased 0.30% or $130,724 to $44,391,343.
- Non-operating revenues decreased 6.13% or $152,504 to $2,333,326. In fiscal year 2022, non-operating revenues increased by 38.79% or $694,782 to $2,485,830.
- Total expenses including depreciation decreased by 18.22% or $8,900,378 to $39,957,618. In fiscal year 2022, total expenses including depreciation increased 5.02% or $2,337,169 to $48,857,996.
- Operation expenses before depreciation decreased 19.26% or $7,888,221 to $33,074,736. In fiscal year 2022, operating expenses before depreciation increased 2.24% or $897,884 to $40,962,957.
- Depreciation and amortization expense decreased 0.39% or $22,286 to $5,746,516. In fiscal year 2022, depreciation and amortization expense increased by 1.10% or $62,819 to $5,768,802.
- Non-operating expenses decreased 55.46% or $1,179,139 to $947,098. In fiscal year 2022, non-operating expenses increased 183.58% or $1,376,466 to $2,126,237.
- Capital contributions from developers and others decreased 0.92% or $37,036 to $3,975,432. In fiscal year 2022, capital contributions from developers and others increased 185.85% or $2,608,748 to $4,012,468.

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

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 84.

Statements of Net Position

Condensed Statements of Net Position

	2023	As Restated 2022	Change	As Restated 2021	Change
Assets:					
Current assets	$ 25,559,889	27,885,687	(2,325,798)	27,196,705	688,982
Non-current assets	51,443,160	51,366,134	77,026	52,856,937	(1,490,803)
Capital assets, net	114,437,216	111,783,288	2,653,928	111,811,898	(28,610)
Total assets	191,440,265	191,035,109	405,156	191,865,540	(830,431)
Deferred outflows of resources	14,732,624	4,421,262	10,311,362	6,918,554	(2,497,292)
Liabilities:					
Current liabilities	13,767,417	12,819,404	948,013	17,194,454	(4,375,050)
Non-current liabilities	37,739,077	25,741,369	11,997,708	36,682,252	(10,940,883)
Total liabilities	51,506,494	38,560,773	12,945,721	53,876,706	(15,315,933)
Deferred inflows of resources:	3,786,798	12,226,179	(8,439,381)	2,523,880	9,702,299
Net position:					
Net investment in capital assets	98,999,367	96,171,867	2,827,500	103,712,477	(7,540,610)
Restricted	26,475,019	25,266,486	1,208,533	26,199,369	(932,883)
Unrestricted	25,405,211	23,231,066	2,174,145	12,471,662	10,759,404
Total net position	$ 150,879,597	144,669,419	6,210,178	142,383,508	2,285,911

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 $150,879,597 and $144,669,419 as of June 30, 2023 and 2022, respectively.

Compared to the prior year, net position increased 4.29% or $6,210,178 to $150,879,597, primarily due to an increase of $2,234,746 from ongoing operations and $3,975,432 in capital contributions. In fiscal year 2022, the District's net position increased 1.61% or $2,285,911 to $144,669,419, primarily due to a decrease of $1,980,823 from ongoing operations and $4,012,468 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 (66% as of June 30, 2023 and 2022, 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 2023 and 2022, the District showed a positive balance in its unrestricted net position of $25,405,211 and $23,231,066, 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 fund components of Regional Water Supply Projects or District Headquarters that were not funded from bond proceeds.
- 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 avoiding rate fluctuations in water rates. In addition, the reserve can be withdrawn to meet its bond covenant.
- Stored Water Reserve – Established for the purpose of obtaining stored water to purchase untreated imported water necessary to operate Water Supply Reliability Projects.
- Operating Fund Reserve – Established to provide essential services in cases where normal cash flows are interrupted.
- 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

	2023	As Restated 2022	Change	As Restated 2021	Change
Revenues:					
Operating revenues	$ 39,669,770	44,391,343	(4,721,573)	44,260,619	130,724
Non-operating revenues	2,333,326	2,485,830	(152,504)	1,791,048	694,782
Total revenues	42,003,096	46,877,173	(4,874,077)	46,051,667	825,506
Expenses:					
Operating expenses	33,074,736	40,962,957	(7,888,221)	40,065,073	897,884
Depreciation and amortization	5,746,516	5,768,802	(22,286)	5,705,983	62,819
Non-operating expenses	947,098	2,126,237	(1,179,139)	749,771	1,376,466
Total expenses	39,768,350	48,857,996	(9,089,646)	46,520,827	2,337,169
Net income (loss) before capital contributions	2,234,746	(1,980,823)	4,215,569	(469,160)	(1,511,663)
Capital contributions	3,975,432	4,012,468	(37,036)	1,403,720	2,608,748
Changes in net position	6,210,178	2,031,645	4,178,533	934,560	1,097,085
Net position, beginning of year	144,669,419	142,383,508	2,285,911	140,950,984	1,432,524
Prior period adjustment	-	254,266	(254,266)	497,964	(243,698)
Net position, beginning of the year - as restated	144,669,419	142,637,774	2,031,645	141,448,948	1,188,826
Net position, end of year	$ 150,879,597	144,669,419	6,210,178	142,383,508	2,285,911

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, the District's net position increased 4.29% or $6,210,178 to $150,879,597, that included an increase of $2.234.746 from ongoing operations, which was due primarily to the current year adjustments for the GASB 68 pension liability and related deferred outflows and inflows, and $3,975,432 in capital contributions. In fiscal year 2022, the District's net position increased 1.60% or $2,285,911 to $144,669,419, that included a decrease of $1,980,823 from ongoing operations, which was due primarily to the current year adjustments for the GASB 68 pension liability and related deferred outflows and inflows, and $4,012,468 in capital contributions.

Financial Analysis for Fiscal Year 2023

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

In 2023, the District's total revenues decreased 9.99% or $4,684,809 to $42,192,364. The District's operating revenues decreased 10.64% or $4,721,573 to $39,669,770, primarily due to decreases of $5,030,030 in water sales, $489,605 in recycled water sales, which were offset by increases of $606,316 in meter charges, $157,890 in other water charges, and $43,440 in standby charges as compared to the previous year.

In 2023, the District's non-operating revenues decreased 6.13% or $152,504 to $2,333,326 primarily due to increases of $275,799 in investment earnings, net of fair value, $242,938 in Share of joint venture income, $146,168 in property taxes and $37,444 in rental income from cellular site leases, which were offset by decreases of $692,150 in other non-operating income and $153,711 in gain on disposition of capital assets as compared to the previous year.

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

Financial Analysis for Fiscal Year 2023, continued

In 2023, the District's total expenses including depreciation decreased by 18.60% or $9,089,646 to $39,768,350. The District's operating expenses before depreciation decreased 19.26% or $7,888,221 to $33,074,736, due to decreases of $4,055,877 in source of supply, $2,892,039 in transmission and distribution, $497,651 in pumping, $290,048 in consumer accounts, $144,565 in operating expenses capitalized during the construction period, and $8,041 in general and administrative as compared to the previous year.

In 2023, the District's depreciation and amortization expense decreased 0.39% or $22,286 to $5,746,516., due to the ongoing maturation on existing depreciable assets.

In 2023, the District's non-operating expenses decreased 55.46% or $1,179,139 to $947,098, due to decreases of $1,600,045 in investment expense, net of fair value, $188,885 in cost of issuance of debt related to the 2021 Series A Water Refunding bond issuance, $87,374 in share of joint venture loss, which were offset by increases of $666,270 in loss on disposition of assets and $30,895 in interest expense related to long-term debt primarily due to the 2013 Series A Water Revenue bond defeasance as compared to the previous year.

In 2023, the District's capital contributions decreased 0.92% or $37,036 to $3,975,432, due to decreases of $186,074 in contributed capital from developers and $68,690 in capital grants state and local, which were offset by an increase of $217,728 in capacity and supply charges as compared to the previous year.

Financial Analysis for Fiscal Year 2022

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

In 2022, the District's total revenues increased 1.79% or $825,506 to $46,877,173. The District's operating revenues increased 0.30% or $130,724 to $44,391,343, primarily due to increases of $352,653 in meter charges, $162,732 in other water charges, which were offset by decreases of $283,597 in water sales, $48,828 in standby charges, and $44,350 in recycled water sales as compared to the previous year.

In 2022, the District's non-operating revenues increased by 38.79% or $694,782 to $2,485,830 primarily due to increases of $584,144 in other non-operating revenues, $153,711 in gain on disposition of assets, $42,206 in interest earnings from leases, and $33,205 in property taxes, which were offset by decreases of $63,284 in investment earnings, net of fair value and $55,200 in rental income from cellular site leases as compared to the previous year.

In 2022, the District's total expenses including depreciation increased 5.02% or $2,337,169 to $48,857,996. The District's operating expenses before depreciation increased 2.24% or $897,884 to $40,962,957, due to increases of $1,102,527 in transmission and distribution and $407,212 in pumping expenses, which were offset by decreases of $399,600 in operating expenses capitalized during the construction period, $134,942 in general and administrative, $56,205 in source of supply, and $21,108 in consumer accounts as compared to the previous year.

In 2022, the District's depreciation and amortization expense increased by 1.10% or $62,819 to $5,768,802, due to the ongoing maturation on existing depreciable assets.

In 2022, the District's non-operating expenses increased by 183.58% or $1,376,466 to $2,126,237, primarily due to increases of $1,600,045 in investment expense, net of fair value, $188,885 in cost of issuance of debt related to the 2021 Series A Water Refunding bond issuance, $46,345 in share of joint venture loss, which were offset by decreases of $359,169 in interest expense related to long-term debt primarily due to the 2013 Series A Water Revenue bond defeasance and $99,640 in loss on disposition of assets as compared to the previous year.

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

Financial Analysis for Fiscal Year 2022, continued

In 2022, the District's capital contributions increased 185.85% or $2,608,748 to $4,012,468, due to increases of $2,438,796 in contributed capital from developers and $182,897 in capital grants state and local as compared to the previous year.

Total District Revenues

		2023	As Restated 2022	Change	As Restated 2021	Change
Operating revenues:						
Water sales	$	26,922,980	31,953,010	(5,030,030)	32,236,607	(283,597)
Meter charges		9,365,587	8,759,271	606,316	8,406,618	352,653
Recycled water sales		1,665,973	2,155,578	(489,605)	2,199,928	(44,350)
Standby charges		761,611	718,171	43,440	766,999	(48,828)
Hydroelectric sales		21,871	31,455	(9,584)	39,341	(7,886)
Other water charges		931,748	773,858	157,890	611,126	162,732
Total operating revenues		39,669,770	44,391,343	(4,721,573)	44,260,619	130,724
Non-operating revenues:						
Property taxes		1,378,819	1,232,651	146,168	1,199,446	33,205
Rental income – cellular site leases		212,628	175,184	37,444	230,384	(55,200)
Interest earnings – leases		73,699	82,691	(8,992)	40,485	42,206
Investment earnings		275,799	-	275,799	63,284	(63,284)
Share of joint venture income		242,938	-	242,938		-
Gain on disposition of capital assets		-	153,711	(153,711)	-	153,711
Other non-operating income		149,443	841,593	(692,150)	257,449	584,144
Total non-operating revenues		2,333,326	2,485,830	(152,504)	1,791,048	694,782
Total revenues	$	42,003,096	46,877,173	(4,874,077)	46,051,667	825,506

In 2023, total District revenues decreased $4,684,809 to $42,192,364 as compared to the prior year.

In 2022, total District revenues increased $783,300 to $46,877,173 as compared to the prior year.

Total District Expenses

		2023	As Restated 2022	Change	As Restated 2021	Change
Operating expenses including depreciation expense:						
Source of supply	$	21,226,680	25,282,557	(4,055,877)	25,338,762	(56,205)
Pumping		1,728,885	2,226,536	(497,651)	1,819,324	407,212
Transmission and distribution		4,392,282	7,284,321	(2,892,039)	6,181,794	1,102,527
Consumer accounts		1,493,320	1,783,368	(290,048)	1,804,476	(21,108)
General and administrative		5,097,182	5,105,223	(8,041)	5,240,165	(134,942)
Operating expenses capitalized during construction period		(863,613)	(719,048)	(144,565)	(319,448)	(399,600)
Depreciation and amortization		5,746,516	5,768,802	(22,286)	5,705,983	62,819
Total operating expenses including depreciation and amortization expense		38,821,252	46,731,759	(7,910,507)	45,771,056	960,703
Non-operating expenses:						
Investment expense, net of fair value		-	1,600,045	(1,600,045)	-	1,600,045
Share of joint venture loss		-	87,374	(87,374)	41,029	46,345
Loss on disposition of capital assets		666,270	-	666,270	99,640	(99,640)
Interest expense – long-term debt		280,828	249,933	30,895	609,102	(359,169)
Bond issuance costs		-	188,885	(188,885)	-	188,885
Total non-operating expenses		947,098	2,126,237	(1,179,139)	749,771	1,376,466
Total expenses	$	39,768,350	48,857,996	(9,089,646)	46,520,827	2,337,169

In 2023, total District expenses decreased $9,089,646 to $39,768,350 as compared to the prior year.

In 2022, total District expenses increased $2,337,169 to $48,857,996 as compared to the prior year.

Capital Asset Administration

Changes in capital assets for 2023 were as follows:

		As Restated Balance 2022	Additions	Transfers/ Deletions	Balance 2023
Capital assets:					
Non-depreciable assets	$	12,178,211	9,247,696	(7,954,051)	13,471,856
Depreciable and Amortizable assets		225,306,124	7,816,192	(1,850,858)	231,271,458
Accumulated depreciation and amortization		(125,701,047)	(5,746,516)	1,141,465	(130,306,098)
Total capital assets, net	$	111,783,288	11,317,372	(8,663,444)	114,437,216

Capital Asset Administration, continued

At the end of fiscal year 2023, the District's investment in capital assets amounted to $114,437,216 (net of accumulated depreciation and amortization). This investment in capital assets includes terminal storage, pumping equipment, transmission and distribution systems, PWR capacity, hydroelectric system, recycled water system, general plant, subscription leases and an equipment lease. Major capital asset additions during the year include the acquisition of pumping equipment, transmission and distribution systems, recycled water systems, and general plant assets. Major capital asset transfers sourced from terminal storage, for the purpose of merging the terminal storage asset category into transmission and distribution. See Note 5 to the basic financial statements for further detailed information on the District's capital assets.

Changes in capital assets for 2022 were as follows:

	As Restated Balance 2021	Additions	Transfers/ Deletions	As Restated Balance 2022
Capital assets:				
Non-depreciable assets	$ 8,032,776	5,722,500	(1,577,065)	12,178,211
Depreciable and Amortizable assets	223,883,736	1,649,744	(227,356)	225,306,124
Accumulated depreciation and amortization	(120,104,614)	(5,768,802)	172,369	(125,701,047)
Total capital assets, net	$ 111,811,898	1,603,442	(1,632,052)	111,783,288

At the end of fiscal year 2022, the District's investment in capital assets amounted to $111,783,288 (net of accumulated depreciation and amortization). This investment in capital assets includes terminal storage, pumping equipment, transmission and distribution systems, PWR capacity, hydroelectric system, recycled water system, general plant, subscription leases and an equipment lease. Major capital asset additions during the year include the acquisition of pumping equipment, transmission and distribution systems, recycled water systems, and general plant assets. Major capital asset transfers sourced from terminal storage, for the purpose of merging the terminal storage asset category into transmission and distribution. 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 2023 were as follows:

	As Restated Balance 2022	Additions/ Deletions	Principal Payments	Balance 2023
Long-term debt:				
Leases payable	$ 231,421	11,698	(185,270)	57,849
Bonds payable	15,380,000	-	-	15,380,000
Total long-term debt	15,611,421	11,698	(185,270)	15,437,849
Less: current portion	(182,302)	11,698	(185,270)	(667,189)
Non-current portion	$ 31,040,540			30,208,509

In 2023, long-term debt increased by $11,698 in leases payable and decreased by $185,270 due to scheduled lease payments. See further detailed information in Note 7.

Debt Administration, continued

Changes in long-term debt amounts for 2022 were as follows:

		As Restated Balance 2021	Additions/ Deletions	Principal Payments	As Restated Balance 2022
Long-term debt:					
Leases payable	$	409,191	72,664	(250,434)	231,421
Bonds payable		15,702,036	(322,036)	-	15,380,000
Total long-term debt		16,111,227	72,664	(250,434)	15,611,421
Less: current portion		(777,101)	(249,372)	(250,434)	(182,302)
Non-current portion	$	31,445,353			31,040,540

In 2022, long-term debt decreased by $322,036 due to the defeasement of $15,702,036 in 2012 Water Revenue bonds net of bond premium refinanced through the issuance of $15,380,000 in 2021 Water Revenue bonds, the addition of $72,664 in leases payable, and due to $250,434 in scheduled lease 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, 2023 and 2022

		2023	As Restated 2022
Current assets:			
Cash and cash equivalents (note 2)	$	8,237,286	12,100,320
Restricted – cash and cash equivalents (note 2)		2,145,245	2,631,376
Investments (note 2)		5,728,873	4,034,967
Restricted – investments (note 2)		2,493,486	1,263,213
Accrued interest receivable		218,000	159,215
Accounts receivable – water sales and services		3,444,577	4,780,132
Accounts receivable – other		1,342,350	1,370,251
Leases receivable (note 4)		185,475	224,617
Property tax receivable		138,092	99,529
Prepaid expenses		390,195	375,213
Inventory – materials and supplies		1,236,310	846,854
Total current assets		25,559,889	27,885,687
Non-current assets:			
Investments (note 2)		18,729,207	20,513,106
Restricted – Investments (note 2)		8,273,233	8,160,067
Restricted – Investment in joint ventures (note 3)		22,789,666	20,856,432
Leases receivable (note 4)		1,651,054	1,836,529
Capital assets – not being depreciated (note 5)		13,471,856	12,178,211
Capital assets – being depreciated, net (note 5)		100,965,360	99,605,077
Total non-current assets		165,880,376	163,149,422
Total assets		191,440,265	191,035,109
Deferred outflows of resources:			
Deferred OPEB outflows (note 8)		5,585,032	1,528,058
Deferred pension outflows (note 9)		9,147,592	2,893,204
Total deferred outflows of resources	$	14,732,624	4,421,262

Continued on next page

See accompanying notes to the basic financial statements.

Walnut Valley Water District
Statements of Net Position, continued
June 30, 2023 and 2022

	2023	As Restated 2022
Current liabilities:		
Accounts payable and accrued expenses	$ 4,848,761	6,096,196
Accrued payroll and employee benefits	156,973	368,362
Customer and developer deposits	2,022,610	1,992,751
Construction advances	5,385,433	3,466,964
Unearned revenue	393,144	403,202
Accrued interest payable	23,117	23,117
Long-term liabilities – due in one year:		
Compensated absences (note 6)	270,190	286,510
Leases payable (note 7)	37,189	182,302
Bonds payable (note 7)	630,000	-
Total current liabilities	13,767,417	12,819,404
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 6)	810,569	859,528
Leases payable (note 7)	20,660	49,119
Bonds payable (note 7)	14,750,000	15,380,000
Net OPEB liability (note 8)	4,075,768	62,006
Net pension liability (note 9)	18,082,080	9,390,716
Total non-current liabilities	37,739,077	25,741,369
Total liabilities	51,506,494	38,560,773
Deferred inflows of resources:		
Deferred lease inflows (note 4)	1,491,892	1,679,466
Deferred OPEB inflows (note 8)	1,064,622	1,797,414
Deferred pension inflows (note 9)	1,230,284	8,749,299
Total deferred inflows of resources	3,786,798	12,226,179
Net position: (note 10)		
Net investment in capital assets	98,999,367	96,171,867
Restricted:		
Reservoir capacity charge	889,644	1,161,946
Acreage supply charge	439,047	360,056
Investment in joint venture – PBWA	22,299,660	20,731,923
Investment in joint venture – Spadra	490,006	124,509
Badillo Grand surcharge	293,811	282,733
Water supply charge	1,978,304	2,605,319
Capacity charge	84,547	-
Unrestricted	25,405,211	23,231,066
Total net position	$ 150,879,597	144,669,419

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, 2023 and 2022

	2023	As Restated 2022
Operating revenues:		
Water sales	$ 26,922,980	31,953,010
Meter charges	9,365,587	8,759,271
Recycled water sales	1,665,973	2,155,578
Standby charges	761,611	718,171
Hydroelectric sales	21,871	31,455
Other water charges	931,748	773,858
Total operating revenues	39,669,770	44,391,343
Operating expenses:		
Source of supply	21,226,680	25,282,557
Pumping	1,728,885	2,226,536
Transmission and distribution	4,392,282	7,284,321
Consumer accounts	1,493,320	1,783,368
General and administrative	5,097,182	5,105,223
Operating expenses capitalized during construction period	(863,613)	(719,048)
Total operating expenses	33,074,736	40,962,957
Operating income before depreciation and amortization expense	6,595,034	3,428,386
Depreciation and amortization expense	(5,746,516)	(5,768,802)
Operating loss	848,518	(2,340,416)
Non-operating revenue(expense):		
Property taxes	1,378,819	1,232,651
Rental income – cellular site leases	212,628	175,184
Interest earnings – leases	73,699	82,691
Investment earnings (expense), net of fair value	275,799	(1,600,045)
Share of joint venture income (loss)	242,938	(87,374)
(Loss) Gain on disposition of capital assets	(666,270)	153,711
Interest expense – long-term debt	(280,828)	(249,933)
Cost of issuance of debt	-	(188,885)
Other non-operating income	149,443	841,593
Total non-operating revenue, net	1,386,228	359,593
Net loss before capital contributions	2,234,746	(1,980,823)
Capital contributions:		
Developers and others	3,519,526	3,705,600
Capacity and supply charges	341,699	123,971
Capital grants – state and local	114,207	182,897
Total capital contributions	3,975,432	4,012,468
Change in net position	6,210,178	2,031,645
Net position, beginning of the year	144,669,419	142,383,508
Prior period adjustment (note 13)	-	254,266
Net position, beginning of the year – as restated	144,669,419	142,637,774
Net position, end of year – as restated	$ 150,879,597	144,669,419

See accompanying notes to the basic financial statements.

Walnut Valley Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2023 and 2022

		2023	As Restated 2022
Cash flows from operating activities:			
Cash receipts from customers for sales and services	$	41,202,470	45,392,959
Cash paid to vendors and suppliers		(33,727,069)	(34,382,795)
Cash paid to employees for salaries and wages		(6,384,251)	(5,932,802)
Cash paid to OPEB trust		(750,000)	(375,000)
Net cash provided by operating activities		341,150	4,702,362
Cash flows from non-capital financing activities:			
Proceeds from property taxes		1,340,256	1,266,044
Payments to joint ventures		(1,690,296)	(141,990)
Net cash (used in) provided by non-capital financing activities		(350,040)	1,124,054
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets		(9,259,394)	(5,631,214)
Proceeds from the sale of capital assets		-	153,711
Proceeds from capital contributions		5,893,901	1,284,827
Proceeds from principal issued on long-term debt		11,698	15,452,664
Payment of loan issuance costs		-	(188,885)
Principal paid on bonds payable and leases payable		(185,270)	(15,952,470)
Interest paid on bonds payable and leases payable		(280,828)	(284,691)
Net cash used in capital and related financing activities		(3,819,893)	(5,166,058)
Cash flows from investing activities:			
Interest and investment earnings, net of fair value		217,014	(1,593,432)
Purchase of securities		(7,575,000)	(8,048,000)
Proceeds from sale of securities		6,400,359	9,587,884
Principal received from leases receivable		437,245	381,396
Net cash (used in) provided by investing activities		(520,382)	327,848
Net (decrease) increase in cash and cash equivalents		(4,349,165)	988,206
Cash and cash equivalents, beginning of year		14,731,696	13,743,490
Cash and cash equivalents, end of year	$	10,382,531	14,731,696

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

		2023	2022
Cash and cash equivalents	$	8,237,286	12,100,320
Cash and cash equivalents – restricted		2,145,245	2,631,376
Total cash and cash equivalents	$	10,382,531	14,731,696

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, 2023 and 2022

		2023	As Restated 2022
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$	848,518	(2,340,416)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation and amortization expense		5,746,516	5,768,802
Other non-operating income		149,443	841,593
Change in assets, deferred outflows, liabilities, and deferred inflows:			
(Increase)Decrease in assets:			
Accounts receivable – water sales and services		1,335,555	56,101
Accounts receivable – other		27,901	124,784
Prepaid expenses and other deposits		(14,982)	40,002
Materials and supplies inventory		(389,456)	(121,932)
(Increase)Decrease in deferred outflows of resources:			
Deferred OPEB outflows		(4,056,974)	2,177,897
Deferred pension outflows		(6,254,388)	319,395
Increase(Decrease) in liabilities:			
Accounts payable and accrued expenses		(1,247,435)	(992,310)
Accrued payroll and employee benefits		(211,389)	26,884
Deposits for work-orders		29,859	(90,567)
Unearned revenues		(10,058)	69,705
Compensated absences		(65,279)	(126,258)
Net OPEB liability		4,013,762	(4,911,205)
Net pension liability		8,691,364	(6,029,977)
Increase(Decrease) in deferred inflows of resources:			
Deferred OPEB inflows		(732,792)	1,797,414
Deferred pension inflows		(7,519,015)	8,092,450
Total adjustments		(507,368)	7,042,778
Net cash provided by operating activities	$	341,150	4,702,362
Non-cash investing, capital, and financing transaction:			
Changes in fair value of investments	$	2,163,543	2,232,521

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 Director of Finance, Josh Byerrum 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.

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

C. Financial Reporting, continued

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

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. 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.

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

C. Financial Reporting, continued

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.

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.

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

C. Financial Reporting, continued

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.

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. 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).

3. 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.

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

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

4. 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.

5. 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.

6. 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.

7. Lease Receivable / Payable

Leases receivable / payable are measured at the present value of payments expected to be received during the lease term.

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. 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.

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

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

10. 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

11. 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.

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

Leased right-to-use assets are amortized on a straight-line basis over the life of the lease.

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

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

12. 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 an acquisition 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 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 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 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.

13. 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.

14. 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.

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

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

14. Postemployment Benefits Other than Pensions (OPEB), continued

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, 2021
- Measurement Date: June 30, 2022
- Measurement Period: July 1, 2021 to June 30, 2022

15. 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, 2021
- Measurement Date: June 30, 2022
- Measurement Period: July 1, 2021 to June 30, 2022

16. Premium on Issued Debt

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

17. 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:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred inflow 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.

Pensions

- 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.

- Deferred inflow 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.

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

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

18. Water Sales

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

19. 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.

20. 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.

21. 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.

22. 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.

23. Reclassification

The District has reclassified certain prior year information to conform to current year presentations.

(2) Cash and Investments

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

		2023	2022
Cash and cash equivalents	$	8,237,286	12,100,320
Restricted – cash and cash equivalents		2,145,245	2,631,376
Total cash and cash equivalents		10,382,531	14,731,696
Investments		5,728,873	4,034,967
Restricted – investments		2,493,486	1,263,213
Investments non-current		18,729,207	20,513,106
Restricted – Investments non-current		8,273,233	8,160,067
Total investments		35,224,799	33,971,353
Total cash and investments	$	45,607,330	48,703,049

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

		2023	2022
Cash and investments			
Cash on hand	$	3,100	3,100
Deposits with financial institutions		4,446,207	7,398,338
Investments		41,158,023	41,301,611
Total cash and investments	$	45,607,330	48,703,049

(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, 2023, were as follows:

		Remaining Maturity		
Investment Type	**Amount**	**12 Months Or Less**	**13 to 24 Months**	**25-60 Months**
California Local Agency Investment Fund	$ 4,089,604	4,089,604	-	-
Certificates-of-deposit	1,673,933	994,717	457,465	221,751
United States Government Sponsored Agency Securities	10,795,850	5,119,273	3,098,607	2,577,970
United States Treasury notes	13,614,544	388,812	3,023,411	10,202,321
Corporate obligations	8,100,729	1,675,216	1,111,952	5,313,561
Supranational obligations	995,402	-	-	995,402
Equities	44,342	44,342	-	-
Held by Bond Trustee:				
Money market mutual fund	1,843,619	1,843,619	-	-
Total	$ 41,158,023	14,155,583	7,691,435	19,311,005

(2) Cash and Investments, continued

Investment maturities as of June 30, 2022, were as follows:

Investment Type		Amount	Remaining Maturity: 12 Months Or Less	13 to 24 Months	25-60 Months
California Local Agency Investment Fund	$	4,999,557	4,999,557	-	-
Certificates-of-deposit		937,628	-	-	937,628
United States Government Sponsored Agency Securities		10,476,332	-	5,182,845	5,293,487
United States Treasury notes		11,965,578	1,148,714	393,328	10,423,536
Corporate obligations		9,081,539	3,649,801	1,799,239	3,632,499
Supranational obligations		1,510,276	499,665	-	1,010,611
Held by Bond Trustee:					
Money market mutual fund		2,330,701	2,330,701	-	-
Total	$	41,301,611	12,628,438	7,375,412	21,297,761

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, 2023, 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	$	4,089,604	4,089,604	-	-
Certificates-of-deposit	N/A		1,673,933	1,673,933	-	-
Money market mutual funds	Aaa		1,843,619	-	1,843,619	-
United States Government Sponsored Agency Securities	N/A		10,795,850	-	10,795,850	-
United States Treasury notes	N/A		13,614,544	13,614,544	-	-
Corporate obligations	A		8,100,729	-	382,004	7,718,725
Supranational obligations	AA		995,402	-	995,402	-
Equities	AA		44,342	44,342	-	-
Total		$	41,158,023	19,422,423	14,016,875	7,718,725

(2) Cash and Investments, continued

Credit ratings of investments as of June 30, 2022, 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	$ 4,999,557	4,999,557	-	-
Certificates-of-deposit	N/A	937,628	937,628	-	-
Money market mutual funds	Aaa	2,330,701	-	2,330,701	-
United States Government Sponsored Agency Securities	N/A	10,476,332	-	10,476,332	-
United States Treasury notes	N/A	11,965,578	11,965,578	-	-
Corporate obligations	A	9,081,539	-	4,410,418	4,671,121
Supranational obligations	AA	1,510,276	-	1,510,276	-
Total		$ 41,301,611	17,902,763	18,727,727	4,671,121

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 10% and 12% as of June 30, 2023 and 2022, 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, 2023 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	$ 3,185,799	7.74%
Federal Home Loan Bank	Government Sponsored	5,315,160	12.91%

Instruments in any one issuer that represent 5% or more of the District's investments as of June 30, 2022 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	$ 3,224,632	7.81%
Federal Home Loan Bank	Government Sponsored	4,922,050	11.92%

(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, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates-of-deposit	$ 1,673,933	-	1,673,933	-
United States Government Sponsored Agency securities	10,795,850	-	10,795,850	-
United States Treasury notes	13,614,544	13,614,544	-	-
Corporate obligations	8,100,729	-	8,100,729	-
Supranational obligations	995,402	-	995,402	-
Equities	44,342	-	44,342	-
	35,224,800	13,614,544	19,936,323	-
Investments not subject to fair value hierachy:				
Local Agency Investment Fund	4,089,604			
Money market mutual funds	1,843,619			
Total	$ 41,158,023			

The District has the following recurring fair value measurements as of June 30, 2023:

- Certificates-of-deposit of $1,637,933 are valued using a matrix pricing model (Level 2 inputs).
- U.S. Governmental Sponsored Agency securities of $10,795,850 are valued using a matrix pricing model (Level 2 inputs).
- U.S. Treasury securities of $13,614,544 are valued using quoted market prices (Level 1 inputs).
- Corporate obligations of $8,100,729 are valued using a matrix pricing model (Level 2 inputs).
- Supranational obligations of $995,402 are valued using a matrix pricing model (Level 2 inputs).
- Local Agency Investment funds of $4,089,604 are valued at amortized cost and are not subject to fair value hierarchy.
- Money Market Mutual funds of $1,843,619 are not subject to fair value hierarchy.

(2) Cash and Investments, continued

Fair Value Measurements, continued

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

Description		June 30, 2022	Fair Value Measurement at Reporting Date using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates-of-deposit	$	937,628	-	937,628	-
United States Government Sponsored Agency securities	$	10,476,332	-	10,476,332	-
United States Treasury notes		11,965,578	11,965,578	-	-
Corporate obligations		9,081,539	-	9,081,539	-
Supranational obligations		1,510,276	-	1,510,276	-
Total		33,971,353	11,965,578	22,005,775	-
Investments not subject to fair value hierarchy:					
Local Agency Investment Fund		4,999,557			
Money market mutual funds		2,330,701			
Total	$	41,301,611			

The District has the following recurring fair value measurements as of June 30, 2022:

- Certificates-of-deposit of $937,628 are valued using a matrix pricing model (Level 2 inputs).
- U.S. Governmental Sponsored Agency securities of $10,476,332 are valued using a matrix pricing model (Level 2 inputs).
- U.S. Treasury securities of $11,965,578 are valued using quoted market prices (Level 1 inputs).
- Corporate obligations of $9,081,539 are valued using a matrix pricing model (Level 2 inputs).
- Supranational obligations of $1,510,276 are valued using a matrix pricing model (Level 2 inputs).
- Local Agency Investment funds of $4,999,557 are valued at amortized cost and are not subject to fair value hierarchy.
- Money Market Mutual funds of $2,330,701 are not subject to fair value hierarchy.

(3) Investment in Joint Ventures

Changes in investments in joint-powers-authorities for 2023 were as follows:

		Balance 2022	Additions	Deletions	Balance 2023
Investment in joint-powers-authorities:					
Puente Basin Water Agency	$	20,731,923	1,567,737	-	22,299,660
Spadra Basin Groundwater Sustainability Agency		124,509	365,497	-	490,006
Total investment in joint-powers-authorities	$	20,856,432	1,933,234	-	22,789,666

(3) Investment in Joint Ventures

Changes in investments in joint-powers-authorities for 2022 were as follows:

	Balance 2021	Additions	Deletions	Balance 2022
Investment in joint-powers-authorities:				
Puente Basic Water Agency	$ 20,737,091	-	(5,168)	20,731,923
Spadra Basin Groundwater Sustainability Agency	64,725	59,784	-	124,509
Total investment in joint-powers-authorities	$ 20,801,816	59,784	(5,168)	20,856,432

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 Rowland Water District performs the administration and operating functions of the Agency. The District purchased $11,666,106 and $14,371,353 in water from the Agency in the years ended June 30, 2023 and 2022, respectively. Complete financial statements may be obtained from the Puente Basin Water Agency, 3021 Fullerton Road, Rowland Heights, 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 5 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) Leases Receivable

Changes in leases receivable for the year ended June 30, were as follows:

	Balance 2022	Additions/ Deletions	Principal Payments	Balance 2023	Current Portion	Long-term Portion	Deferred Inflows
Leases receivable:							
CCMT2-T-Mobile – Bourdet	$ 93,816	-	(47,448)	46,368	46,368	-	(25,136)
Cingular Wireless – Eastgate	191,942	-	(55,458)	136,484	61,876	74,608	(58,066)
Phoenix Tower – Eastgate	701,001	-	(19,949)	681,052	21,814	659,238	(632,340)
Sprint PCS – Eastgate	50,583	-	(50,583)	-	-	-	-
APC Towers LLC – Parker Canyon	484,954	-	(24,242)	460,712	26,250	434,462	(367,742)
APC Towers LLC – Ridgeline	538,850	-	(26,937)	511,913	29,167	482,746	(408,608)
Total leases receivable	$ 2,061,146	-	(224,617)	1,836,529	185,475	1,651,054	(1,491,892)
Current portion	(224,617)			(185,475)			
Non-current portion	$ 1,836,529			1,651,054			

Changes in leases receivable for the year ended June 30, were as follows:

	As Restated Balance 2021	Additions/ Deletions	Principal Payments	Balance 2022	Current Portion	Long-term Portion	Deferred Inflows
Leases receivable:							
CCMT2-T-Mobile – Bourdet	$ 138,004	-	(44,188)	93,816	47,448	46,368	(52,547)
Cingular Wireless – Eastgate	241,479	-	(49,537)	191,942	55,458	136,484	(85,940)
Phoenix Tower – Eastgate	719,176	-	(18,175)	701,001	19,949	681,052	(670,664)
Sprint PCS – Eastgate	97,746	-	(47,163)	50,583	50,583	-	(27,420)
APC Towers LLC – Parker Canyon	507,288	-	(22,334)	484,954	24,242	460,712	(399,263)
APC Towers LLC – Ridgeline	563,665	-	(24,815)	538,850	26,937	511,913	(443,632)
Total leases receivable	$ 2,267,358	-	(206,212)	2,061,146	224,617	1,836,529	(1,679,466)
Current portion	(206,212)			(224,617)			
Non-current portion	$ 2,061,146			1,836,529			

(4) Leases Receivable, continued

CCMT2-T-Mobile – Bourdet

On May 18, 2004, the District entered into a lease agreement with Cingular Wireless PCS, LLC, whereby ownership subsequently transferred to T-Mobile Wireless (T-Mobile). T-Mobile has agreed to pay the District for purpose of leasing communication tower space at the J.P. Bourdet Recycled Water Pump Station. The terms of the agreement require T-Mobile to pay the District in annual installments through May 2024 and is adjusted annually by a CPI rate of 3.00%.

Following the adoption implementation of *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 4.00%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2023 and 2022, deferred inflows were reported at $25,136 and $52,547, respectively.

Future payments to be received and deferred inflows as of June 30, 2023, are as follows:

Year	Principal	Interest	Total	Deferred Inflows
2024	$ 46,368	1,854	48,222	$ (25,136)
Total	46,368	1,854	48,222	$ (25,136)
Current	(46,368)			
Non-current	$ -			

Cingular Wireless – Eastgate

On August 15, 2005, the District entered into a lease agreement with Cingular Wireless, LLC, whereby ownership subsequently transferred to AT&T Wireless (AT&T). AT&T has agreed to pay the District for purpose of leasing communication tower space at the Eastgate Reservoir. The terms of the agreement require AT&T to pay the District in annual installments through August 2024 and is adjusted annually by a CPI rate of 4.14%.

Following the adoption implementation of *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 6.50%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2023 and 2022, deferred inflows were reported at $58,066 and $85,940, respectively.

Future payments to be received and deferred inflows as of June 30, 2023, are as follows:

Year	Principal	Interest	Total	Deferred Inflows
2024	$ 61,876	8,871	70,747	$ (27,874)
2025	68,827	4,849	73,676	(27,874)
2026	5,781	376	6,157	(2,318)
Total	136,484	14,096	150,580	$ (58,066)
Current	(61,876)			
Non-current	$ 74,608			

(4) Leases Receivable, continued

Phoenix Tower – Eastgate

On January 1, 2020, the District entered into a lease agreement with PTI US Towers II, LLC, (PTI). PTI has agreed to pay the District for purpose of leasing communication tower space at the Eastgate Reservoir. The terms of the agreement require PTI to pay the District in annual installments through January 2040 and is adjusted annually by a CPI rate of 3.00%.

Following the adoption implementation of *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 3.09%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2023 and 2022, deferred inflows were reported at $632,340 and $670,664, respectively.

Future payments to be received and deferred inflows as of June 30, 2023, are as follows:

Year	Principal	Interest	Total	Deferred Inflows
2024	$ 21,814	21,044	42,858	$ (38,324)
2025	23,774	20,371	44,145	(38,324)
2026	25,833	19,636	45,469	(38,324)
2027	27,996	18,837	46,833	(38,324)
2028	30,265	17,973	48,238	(38,324)
2029-2033	189,483	74,307	263,790	(191,620)
2034-2038	265,238	40,568	305,806	(191,620)
2039-2040	96,649	4,002	100,651	(57,480)
Total	681,052	216,738	897,790	$ (632,340)
Current	(21,814)			
Non-current	$ 659,238			

Sprint PCS – Eastgate

On June 30, 2003, the District entered into a lease agreement with Sprint PCS, LLC, whereby ownership subsequently transferred to T-Mobile Wireless (T-Mobile). T-Mobile has agreed to pay the District for purpose of leasing communication tower space at the Eastgate Reservoir. The terms of the agreement require T-Mobile to pay the District in annual installments through June 2023 and is adjusted annually by a CPI rate of 3.00%.

Following the adoption implementation of *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 4.00%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2023 and 2022, deferred inflows were reported at $0 and $24,420, respectively.

(4) Leases Receivable, continued

APC Towers LLC – Parker Canyon

On March 2, 2015, the District entered into a lease agreement with APC Towers, LLC, (APC). APC has agreed to pay the District for purpose of leasing communication tower space at the Parker Canyon Reservoir and Pump Station. The terms of the agreement require APC to pay the District in annual installments through March 2035 and is adjusted annually by a CPI rate of 3.00%.

Following the adoption implementation of *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 3.30%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2023 and 2022, deferred inflows were reported at $367,742 and $399,263, respectively.

Future payments to be received and deferred inflows as of June 30, 2023, are as follows:

Year	Principal	Interest	Total	Deferred Inflows
2024	$ 26,250	15,203	41,453	$ (31,521)
2025	28,360	14,337	42,697	(31,521)
2026	30,576	13,401	43,977	(31,521)
2027	32,904	12,392	45,296	(31,521)
2028	35,349	11,307	46,656	(31,521)
2029-2033	217,850	37,277	255,127	(157,605)
2034-2035	89,423	4,161	93,584	(52,532)
Total	460,712	108,078	568,790	$ (367,742)
Current	(26,250)			
Non-current	$ 434,462			

Sprint Nextel – Ridgeline

On March 2, 2015, the District entered into a lease agreement with APC Towers, LLC, (APC). APC has agreed to pay the District for purpose of leasing communication tower space at the Ridge Line Reservoir. The terms of the agreement require APC to pay the District in annual installments through March 2035 and is adjusted annually by a CPI rate of 3.00%.

Following the adoption implementation of *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 3.30%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2023 and 2022, deferred inflows were reported at $408,608 and $443,632 respectively.

(4) Leases Receivable, continued

Sprint Nextel – Ridgeline, continued

Future payments to be received and deferred inflows as of June 30, 2023, are as follows:

Year	Principal	Interest	Total	Deferred Inflows
2024	$ 29,167	16,894	46,061	$ (35,024)
2025	31,511	15,930	47,441	(35,024)
2026	33,974	14,891	48,865	(35,024)
2027	36,561	13,769	50,330	(35,024)
2028	39,277	12,564	51,841	(35,024)
2029-2033	242,065	41,421	283,486	(175,120)
2034-2035	99,358	4,623	103,981	(58,368)
Total	511,913	120,092	632,005	$ (408,608)
Current	(29,167)			
Non-current	$ 482,746			

(5) Capital Assets

Changes in capital assets for 2023 were as follows:

	As Restated Balance 2022	Additions/ Transfers	Deletions/ Transfers	Balance 2023
Non-depreciable assets:				
Land	$ 5,148,000	-	-	5,148,000
Water rights	6,638	-	-	6,638
Construction-in-process	7,023,573	9,247,696	(7,954,051)	8,317,218
Total non-depreciable assets	12,178,211	9,247,696	(7,954,051)	13,471,856
Depreciable assets:				
Pumping equipment	20,573,184	268,768	(138,405)	20,703,547
Transmission and distribution	159,372,860	6,737,174	(1,016,102)	165,093,932
PWR capacity	927,744	-	-	927,744
Hydroelectric	924,270	-	-	924,270
Recycled water system	29,973,120	591,353	-	30,564,473
General plant	12,860,005	207,199	(173,917)	12,893,287
Intangible right-to-use assets	674,941	11,698	(522,434)	164,205
Total depreciable and amortizable assets	225,306,124	7,816,192	(1,850,858)	231,271,458
Accumulated depreciation and amortization:				
Pumping equipment	(12,101,778)	(701,373)	63,748	(12,739,403)
Transmission and distribution	(93,157,813)	(3,610,424)	382,776	(96,385,461)
PWR capacity	(661,245)	(53,267)	-	(714,512)
Hydroelectric	(594,274)	(26,288)	-	(620,562)
Recycled water system	(12,312,245)	(578,645)	-	(12,890,890)
General plant	(6,419,192)	(602,436)	172,507	(6,849,121)
Intangible right-to-use assets	(454,500)	(174,083)	522,434	(106,149)
Total accumulated depreciation and amortization	(125,701,047)	(5,746,516)	1,141,465	(130,306,098)
Total depreciable and amortizable assets, net	99,605,077	2,069,676	(709,393)	100,965,360
Total capital assets, net	$ 111,783,288	11,317,372	(8,663,444)	114,437,216

Major depreciable capital assets additions during the fiscal year ended 2023 consists of additions to the following categories: pumping equipment, transmission and distribution systems, recycled water system, and general plant assets. The District removed $7,954,051 from construction-in-progress , of which $7,816,192 was transferred from construction-in-process for completed projects constructed by the District and/or sub-contractors to depreciable assets and $137,859 was expensed.

(5) Capital Assets, continued

Changes in capital assets for 2022 were as follows:

	As Restated Balance 2021	Additions/ Transfers	Additions/ Transfers	Deletions/ Transfers	Balance 2022
Non-depreciable assets:					
Land	$ 5,148,000	-	-	-	5,148,000
Water rights	6,638	-	-	-	6,638
Construction-in-process	2,878,138	-	5,722,500	(1,577,065)	7,023,573
Total non-depreciable assets	8,032,776	-	5,722,500	(1,577,065)	12,178,211
Depreciable assets:					
Terminal storage	26,160,388	(26,160,388)	-	-	-
Pumping equipment	20,245,922	-	444,262	(117,000)	20,573,184
Transmission and distribution	132,439,627	26,160,388	772,845	-	159,372,860
PWR capacity	927,744	-	-	-	927,744
Hydroelectric	924,270	-	-	-	924,270
Recycled water system	29,955,559	-	17,561	-	29,973,120
General plant	12,605,934	-	342,412	(88,341)	12,860,005
Intangible right-to-use assets	624,292	-	72,664	(22,015)	674,941
Total depreciable and amortizable assets	223,883,736	-	1,649,744	(227,356)	225,306,124
Accumulated depreciation:					
Terminal storage	(22,384,311)	22,384,311	-	-	-
Pumping equipment	(11,473,282)	-	(690,508)	62,012	(12,101,778)
Transmission and distribution	(67,156,510)	(22,384,311)	(3,616,992)	-	(93,157,813)
PWR capacity	(637,051)	-	(24,194)	-	(661,245)
Hydroelectric	(567,985)	-	(26,289)	-	(594,274)
Recycled water system	(11,736,932)	-	(575,313)	-	(12,312,245)
General plant	(5,910,934)	-	(596,600)	88,342	(6,419,192)
Intangible right-to-use assets	(237,609)	-	(238,906)	22,015	(454,500)
Total accumulated depreciation and amortization	(120,104,614)	-	(5,768,802)	172,369	(125,701,047)
Total depreciable and amortizable assets, net	103,779,122	-	(4,119,058)	(54,987)	99,605,077
Total capital assets, net	$ 111,811,898	-	1,603,442	(1,632,052)	111,783,288

Major depreciable capital assets additions during the fiscal year ended 2022 consists of additions to the following categories: pumping equipment, transmission and distribution systems, recycled water system, and general plant assets. The District transferred $1,577,065 from construction-in-process for completed projects constructed by the District and/or sub-contractors to depreciable assets. The District expensed $65,963 of its construction-in-process balance for costs deemed non-capitalizable.

(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:

		2023	2022	2021
Construction-in-progress:				
Developer projects	$	2,877,754	4,849,061	1,246,302
System modifications		3,576,660	805,394	549,089
General projects		1,613,769	1,247,180	916,885
Vehicles and equipment		207,392	-	142,132
Various small projects under $100,000		41,643	121,938	23,730
Total construction-in-progress	$	8,317,218	7,023,573	2,878,138

(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 2022	Earned	Taken	Balance 2023	Current Portion	Long-term Portion
$	1,146,038	364,698	(429,977)	1,080,759	270,190	810,569

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

	Balance 2021	Earned	Taken	Balance 2022	Current Portion	Long-term Portion
$	1,272,296	348,249	(474,507)	1,146,038	286,510	859,528

(7) Long-term Debt

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

	As Restated Balance 2022	Additions/ Deletions	Principal Payments	Balance 2023	Current Portion	Long-term Portion
Leases payable:						
Canon equipment lease	$ 2,067	-	(2,067)	-	-	-
Aqua backflow subscription lease	23,845	-	(20,382)	3,463	3,463	-
EKOS subscription lease	-	4,564	(396)	4,168	591	3,577
Esri subscription lease	64,331	-	(24,484)	39,847	23,705	16,142
iLand subscription lease	-	7,134	(2,572)	4,562	3,621	941
InfoSend subscription lease	128,825	-	(128,825)	-	-	-
Planetbids subscription lease	12,353	-	(6,544)	5,809	5,809	-
Subtotal leases payable	231,421	11,698	(185,270)	57,849	37,189	20,660
Bonds payable:						
2021 Series A Water Revenue Bonds	15,380,000	-	-	15,380,000	630,000	14,750,000
Total lease and bonds payable	$ 15,611,421	11,698	(185,270)	15,437,849	667,189	14,770,660

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

	As Restated Balance 2021	Additions/ Deletions	Principal Payments	As Restated Balance 2022	Current Portion	Long-term Portion
Lease payable:						
Canon equipment lease	$ 26,405	-	(24,338)	2,067	2,067	-
Aqua backflow subscription lease	43,576	-	(19,731)	23,845	20,382	3,463
Eagle aerial subscription lease	3,140	-	(3,140)	-	-	-
Esri subscription lease	-	72,664	(8,333)	64,331	24,484	39,847
InfoSend subscription lease	316,911	-	(188,086)	128,825	128,825	-
Planetbids subscription lease	19,159	-	(6,806)	12,353	6,544	5,809
Subtotal leases payable	409,191	72,664	(250,434)	231,421	182,302	49,119
Bonds payable:						
2013 Series A Water Revenue Bonds	13,890,000	(13,890,000)	-	-	-	-
Add: Unamortized premium	1,812,036	(1,812,036)	-	-	-	-
2021 Series A Water Revenue Bonds	-	15,380,000	-	15,380,000	-	15,380,000
Subtotal bonds payable	15,702,036	(322,036)	-	15,380,000	-	15,380,000
Total lease and bonds payable	$ 16,111,227	(249,372)	(250,434)	15,611,421	182,302	15,429,119

(7) Long-term Debt, continued

Canon Equipment Lease

On June 17, 2019, the District entered into an agreement with Canon Solutions America, (Canon), to lease copier equipment for use in the District's administrative office. Terms of the agreement commenced on August 1, 2019, for a period of 36 months, with rent due monthly at $2,073 per month for the entire lease term.

Following the guidelines set forth by GASB Statement No. 87, the District has recorded a right-to-use asset and a lease payable at present value with an implicit rate of 3.50%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

As of June 30, 2023, the lease was paid-in-full.

Aqua Backflow Subscription Lease

On September 1, 2020, the District entered into an agreement with Aqua Backflow, (Aqua Backflow), to lease subscription information technology software for the purpose of managing the District's cross connection control program. Terms of the agreement commenced on September 1, 2020, for a period of 36 months, with payments due monthly at $1,738 per month for the entire lease term.

Following the guidelines set forth by GASB Statement No. 87, the District has recorded a right-to-use asset and a lease payable at present value with an implicit rate of 3.25%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Annual lease payments are as follows:

Year		Principal	Interest	Total
2024	$	3,463	14	3,477
Total		3,463	14	3,477
Current		(3,463)		
Non-current	$	-		

Eagle Aerial Subscription Lease

On August 1, 2019, the District entered into an agreement with Eagle Aerial Solutions to lease subscription information technology software for the purpose of the District's irrigated landscape measurement analysis. Terms of the agreement commenced on August 1, 2019, for a period of 2 years, with payments due annually at $18,900 per year for the entire lease term.

Following the guidelines set forth by GASB Statement No. 87, the District has recorded a right-to-use asset and a lease payable at present value with an implicit rate of 7.48%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

As of June 30, 2022, the lease was paid-in-full.

(7) Long-term Debt, continued

EKOS Subscription Lease

On January 1, 2023, the District entered into an agreement with GE Software, Inc. to lease subscription information technology software for the purpose of fuel management for the District's fleet. Terms of the agreement commenced on January 1, 2023, for a period of 7 years, with payments due annually at $1,188 per year for the entire lease term.

Following the guidelines set forth by GASB Statement No. 87, the District has recorded a right-to-use asset and a lease payable at present value with an implicit rate of 10.68%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Annual lease payments are as follows:

Year	Principal	Interest	Total
2024	$ 591	202	793
2025	410	181	591
2026	454	158	612
2027	502	132	634
2028	556	104	660
2029-2031	1,655	127	1,782
Total	4,168	904	5,072
Current	(591)		
Non-current	$ 3,577		

ESRI Subscription Lease

On February 18, 2022, the District entered into an agreement with Esri to lease geographic information system software for the purpose of mapping of the District's infrastructure. Terms of the agreement commenced on February 18, 2022, for a period of 3 years, with payments due annually at $25,000 per year for the entire lease term.

Following the guidelines set forth by GASB Statement No. 87, the District has recorded a right-to-use asset and a lease payable at present value with an implicit rate of 3.25%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Annual lease payments are as follows:

Year	Principal	Interest	Total
2024	$ 23,705	1,549	25,254
2025	16,142	787	16,929
Total	39,847	2,336	42,183
Current	(23,705)		
Non-current	$ 16,142		

(7) Long-term Debt, continued

iLand Subscription Lease

On October 1, 2022, the District entered into an agreement with iLand to lease software for the purpose of managed infrastructure solutions. Terms of the agreement commenced on October 1, 2022, for a period of 24 months, with payments due annually at $317 per month for the entire lease term.

Following the guidelines set forth by GASB Statement No. 87, the District has recorded a right-to-use asset and a lease payable at present value with an implicit rate of 6.25%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Annual lease payments are as follows:

Year		Principal	Interest	Total
2024	$	3,621	183	3,804
2025		941	10	951
Total		4,562	193	4,755
Current		(3,621)		
Non-current	$	941		

InfoSend Subscription Lease

On March 17, 2017, the District entered into an agreement with Esri to lease information system software for the purpose of managing the District's billing communication. Terms of the agreement commenced on March 17, 2017, for a period of 72 months, with payments due annually at $16,300 per month for the entire lease term.

Following the guidelines set forth by GASB Statement No. 87, the District has recorded a right-to-use asset and a lease payable at present value with an implicit rate of 3.25%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

As of June 30, 2023, the lease was paid-in-full.

Planetbids Subscription Lease

On May 1, 2021, the District entered into an agreement with Esri to lease information system software for the purpose of eProcurement solutions to assist with managing the District's bids. Terms of the agreement commenced on May 1, 2021, for a period of 3 years, with payments due annually at $25,000 per year for the entire lease term.

Following the guidelines set forth by GASB Statement No. 87, the District has recorded a right-to-use asset and a lease payable at present value with an implicit rate of 4.63%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Annual lease payments are as follows:

Year		Principal	Interest	Total
2024	$	5,809	323	6,132
Total		5,809	323	6,132
Current		(5,809)		
Non-current	$	-		

(7) Long-term Debt, continued

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.

On August 19, 2021, the District issued $15,380,000 in Water Revenue Refunding Bonds (Series 2021A Bonds). The Bonds were issued for the purpose of refunding the Series 2013A Bonds in full to take advantage of lower interest rates. At June 30, 2022, the Series 2013A Bonds were defeased in full.

2021 Series A Water Revenue Bonds

On August 19, 2021, the District issued $15,380,000 of 2021 Series A Water Revenue Bonds. The Bonds will be used to reduce the interest rate on District's bond debt. 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 District to the holders of the Bonds. Interest is payable on December 1st and June 1st of each year, and principal is payable June 1st of each year commencing December 1, 2021 with interest rates ranging from 0.468% to 2.564%. 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.

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

Year	Principal	Interest	Total
2024	$ 630,000	277,404	907,404
2025	955,000	274,456	1,229,456
2026	965,000	267,178	1,232,178
2027	970,000	257,895	1,227,895
2028	985,000	246,527	1,231,527
2029-2033	5,160,000	990,644	6,150,644
2034-2038	5,715,000	429,648	6,144,648
Total	15,380,000	2,743,752	18,123,752
Current	(630,000)		
Non-current	$ 14,750,000		

(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.

Employees Covered by Benefit Terms

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

	2023	2022
Inactive employees or beneficiaries currently receiving benefit payments	46	46
Active employees	56	53
Total plan membership	102	99

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.

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

Contributions, continued

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

		2023	2022
Contributions premium payment – employer	$	661,360	655,709
Contributions to trust by – employer		750,000	375,000
Total employer paid contributions	$	1,411,360	1,030,709

As of June 30, 2023 and 2022, employer pension contributions of $1,411,360 and $1,030,709, respectively, were reported as deferred outflows of resources related to contributions subsequent to the measurement dates.

Actuarial Assumptions and Other Inputs

The net OPEB liability in the June 30, 2022 and 2021, actuarial valuations, which were measured at June 30, 2022 and 2021, 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	2023 – 5.30 percent 2022 – 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.

Changes in the Net OPEB Liability

Changes in the net OPEB liability for the year ended June 30, were as follows:

		Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2022	$	15,463,178	15,401,172	62,006
Changes for the year:				
Service cost		207,385	-	207,385
Interest		940,604	-	940,604
Differences between expected and actual experience		2,150,715	-	2,150,715
Employer contributions		-	1,202,035	(1,202,035)
Net investment income		-	(1,917,093)	1,917,093
Benefit payments		(827,035)	(827,035)	-
Net change		2,471,669	(1,542,093)	4,013,762
Balance at June 30, 2023	$	17,934,847	13,859,079	4,075,768

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

Changes in the Net OPEB Liability, continued

Changes in the net OPEB liability for the year ended June 30, were as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2021	$ 16,999,280	12,026,069	4,973,211
Changes for the year:			
Service cost	193,613	-	193,613
Interest	1,037,835	-	1,037,835
Differences between expected and actual experience	(1,979,697)	-	(1,979,697)
Changes in assumptions or other inputs	-	-	-
Employer contributions	-	2,498,929	(2,498,929)
Net investment income	-	1,664,027	(1,664,027)
Benefit payments	(787,853)	(787,853)	-
Net change	(1,536,102)	3,375,103	(4,911,205)
Balance at June 30, 2022	$ 15,463,178	15,401,172	62,006

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, 2023, the discount rate comparison was the following:

	Discount Rate 1% Lower	Valuation Discount Rate	Discount Rate 1% Higher
Net OPEB liability	$ 6,830,840	4,075,768	(1,822,977)

As of June 30, 2022, the discount rate comparison was the following:

	Discount Rate 1% Lower	Valuation Discount Rate	Discount Rate 1% Higher
Net OPEB liability	$ 2,298,954	62,006	(1,766,804)

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

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, 2023, the healthcare cost trend rate comparison was the following:

	Trend 1% Lower	Valuation Trend	Trend 1% Higher
Net OPEB liability	$ 1,609,189	4,075,768	7,164,012

As of June 30, 2022, the healthcare cost trend rate comparison was the following:

	Trend 1% Lower	Valuation Trend	Trend 1% Higher
Net OPEB liability	$ (1,811,724)	62,006	2,376,393

For the year ended June 30, 2023 and 2022, the District recognized OPEB expense of $2,583,490 and $935,894, respectively.

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

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

	June 30, 2023		June 30, 2022	
Description	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
OPEB contributions subsequent to the measurement date	$ 1,411,360	-	1,030,709	-
Change of assumptions	-	(1,064,622)	497,349	-
Difference between expected and actual experience	2,281,687	-	-	(1,304,024)
Net difference between projected and actual earnings on investments	1,891,985	-	-	(493,390)
Total	$ 5,585,032	(1,064,622)	1,528,058	(1,797,414)

As of June 30, 2023 and 2022, employer OPEB contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of $1,411,360 and $1,030,709 will be/were recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2024 and 2023, respectively.

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

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

As of June 30, 2023, 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
2024	$ 618,856
2025	557,690
2026	520,430
2027	702,909
2028	126,975
Thereafter	582,190

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

Schedules of Other Post-Employment Benefits Plan Contributions

See pages 85 and 86 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.

(9) Defined Benefit Pension Plan, continued

Benefits Provided, continued

The Plans' provision and benefits in effect at June 30, 2023, 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	7.96%	6.92%	7.25%
Required employer contribution rates	15.03%	11.65%	7.65%

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:

	2023	2022
Contributions – employer	$ 3,862,630	1,719,115

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:

	2023	2022
Proportionate share of net pension liability	$ 18,082,080	9,390,716

(9) Defined Benefit Pension Plan, continued

Net Pension Liability

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, 2022 and 2021, 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, 2021 and 2020, rolled forward to June 30, 2022 and 2021, 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, 2022	0.17364	%
Change in proportion	(0.01710)	
Proportion – June 30, 2023	0.15654	%

	Proportionate Share	
Proportion – June 30, 2021	0.14173	%
Change in proportion	0.03191	
Proportion – June 30, 2022	0.17364	%

Net Pension Liability

As a result of the calculation of the District's share of pension amounts at June 30, 2023 and 2022, the District recognized pension income and expense of $2,583,490 and $2,344,165, respectively.

(9) Defined Benefit Pension Plan, continued

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:

Description	June 30, 2023 Deferred Outflows of Resources	June 30, 2023 Deferred Inflows of Resources	June 30, 2022 Deferred Outflows of Resources	June 30, 2022 Deferred Inflows of Resources
Pension contributions subsequent to measurement date at June 30	$ 3,862,630	-	1,719,115	-
Net, differences between actual and expected experience	119,919	-	1,053,068	-
Net, changes in assumptions	1,852,887	-	-	-
Net, differences between projected and actual earnings on plan investments	3,312,156	-	-	(8,197,600)
Net, differences between actual contribution and proportionate share of contributions	-	(715,225)	-	(551,699)
Net, change due to differences in proportion of net pension liability	-	(515,059)	121,021	-
Total	$ 9,147,592	(1,230,284)	2,893,204	(8,749,299)

As of June 30, 2023 and 2022, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of $3,862,630 and $1,719,115 will be/were recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2024 and 2023, respectively.

As a result of the calculation of the District's share of pension amounts at June 30, 2022, 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 June 30,	Deferred Net Outflows(Inflows of Resources
2024	$ 755,317
2025	647,850
2026	289,063
2027	2,362,448
2028	-
Thereafter	-

(9) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liabilities were determined as of June 30, 2021 and 2020, which were rolled forward to June 30, 2022 and 2021, respectively, using the following actuarial assumptions:

Valuation dates	June 30, 2021 and 2020
Measurement dates	June 30, 2022 and 2021
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate/ Investment Rate of Return	2022 – 6.90%
	2021 – 7.15%
Inflation	2021 – 2.50%
	2021 – 2.50%
Salary increase	Varies by Entry Age and Service
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Period upon which actuarial Experience Survey assumptions were based	2022 and 2021 – 1997–2015
Post Retirement Benefit	2022 and 2021 – 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 6.90% 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, 2023, 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
Global Equity - Cap-weighted	30.00 %	4.45 %
Global Equity Non-Cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yeild	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	-5.00	(0.59)
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, 2023, the discount rate comparison was the following:

	Discount Rate - 1% 5.90%	Current Discount Rate 6.90%	Discount Rate + 1% 7.90%
District's net pension liability	$ 26,691,236	18,082,080	10,998,880

(9) Defined Benefit Pension Plan, continued

As of June 30, 2022, 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	$ 17,345,993	9,390,716	2,814,202

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 87 and 88 for the Required Supplementary Schedules.

Payable to the Pension Plan

As of June 30, 2023 and 2022, 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:

	2023	As Restated 2022
Net investment in capital assets:		
Capital assets, net	$ 114,437,216	111,783,288
Lease payable, current	(37,189)	(182,302)
Lease payable, non-current	(20,660)	(49,119)
Bond payable, current	(630,000)	-
Bond payable, non-current	(14,750,000)	(15,380,000)
Total investment in capital assets	98,999,367	96,171,867
Restricted net position:		
Capital projects	1,843,619	2,330,701
Unspent capital project debt	(1,843,619)	(2,330,701)
Reservoir capacity charge	889,644	1,161,946
Acreage supply charge	439,047	360,056
Investment in joint venture – PBWA	22,299,660	20,731,923
Investment in joint venture – Spadra	490,006	124,509
Badillo Grand surcharge	293,811	282,733
Water supply charge	1,978,304	2,605,319
Capacity charge	84,547	-
Total restricted net position	26,475,019	25,266,486
Unrestricted net position:		
Operating reserve	549,448	(2,419,015)
Replacement	19,250,691	18,083,157
Capital improvements	1,454,459	1,494,705
Employee liabilities	1,370,756	2,330,562
Rate stabilization	1,543,125	1,543,125
Project reserve	967,232	967,232
Badillo Grand catastrophic insurance	500,000	500,000
Stored water	(230,500)	731,300
Total unrestricted net position	25,405,211	23,231,066
Total net position	$ 150,879,597	144,669,419

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) Adjustment to Net Position

In fiscal year 2023, the District implemented GASB Statement No. 96 to recognize its lessee software subscription arrangements. As a result of the implementation for the District's lessee arrangements, the District recognized right-to-use assets (subscription leases), lease payable, interest expense, and recorded prior period adjustments to net position, of $217,602 an increase, for the purpose of establishing beginning balances and $235,871, a decrease, to record the effect of fiscal year 2021 and 2022 transactions at June 30, 2023.

In fiscal year 2022, the District implemented GASB Statement No. 87 to recognize its lessor and lessee arrangements. As a result of the implementation for the District's lessor arrangements, the District recognized leases receivable, deferred lease inflows of resources, interest income, and recorded prior period adjustments to net position, of $281,146, an increase, for the purpose of establishing beginning balances and $56,931, a decrease, to record the effect of fiscal year 2021 transactions at June 30, 2022.

As a result of the implementation for the District's lessee arrangements, the District recognized the right-to-use asset (equipment lease), lease payable, interest expense, and recorded prior period adjustments to net position, of $784, a decrease, for the purpose of establishing beginning balances and $80, a decrease, to record the effect of fiscal year 2021 transactions at June 30, 2022.

The adjustments to net position as of June 30, 2022, are as follows:

Net position at July 1, 2021, as restated	$	142,383,508
Effect of adjustment to establish subscription lease asset and liability balance as a result of GASB 9		254,266
Net position at July 1, 2021, as restated		142,637,774
Change in net position at June 30, 2022, as previously stated		2,255,951
Effect of adjustment for 2022 subscription lease asset and liability balances as a result of GASB 96		(224,306)
Change in net position at June 30, 2021, as restated		2,031,645
Net position at June 30, 2021, as restated	$	144,669,419

The adjustments to net position as of June 30, 2021, are as follows:

Net position at July 1, 2020, as previously stated	$	140,950,984
Effect of adjustment to establish leases receivable and deferred lease inflows as a result of GASB {		281,146
Effect of adjustment to establish equipment lease asset and liability balance as a result of GASB 87		(784)
Effect of adjustment to establish subscription lease asset and liability balance as a result of GASB 9		217,602
Subtotal adjustments to restate beginning net position – 2020		497,964
Net position at July 1, 2020, as restated		141,448,948
Change in net position at June 30, 2021, as previously stated		1,227,442
Effect of adjustment for 2021 leases receivable and deferred inflows as a result of GASB 87		(56,931)
Effect of adjustment for 2021 equipment lease asset and liability balances as a result of GASB 87		(80)
Effect of adjustment for 2021 subscription lease asset and liability balances as a result of GASB 96		(235,871)
Subtotal adjustments through reporting restatement – 2021		(292,882)
Change in net position at June 30, 2021, as restated		934,560
Net position at June 30, 2021, as restated	$	142,383,508

(12) 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, 2023 and 2022, amounted to $9,616,688 and $8,235,990, 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.

(13) 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, 2023, 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 $5,000 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 $10,000,000 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 $2,000,000 per occurrence and $5,000,000 Aggregate Limit. Cyber Liability Deductible varies from $75,000 to $100,000 depending on Agency total scheduled values.
- 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.

(13) Risk Management, continued

- 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, 2023, 2022 and 2021. 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, 2023, 2022 and 2021.

(14) 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.

(15) 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 a capacity charge based on meter size.

Capacity fees are charged as a buy-in to the system. The current charges are:

Meter size	Capacity fee
3/4"	$ 5,630
1"	9,384
1 1/2"	18,768
2"	30,029
3"	60,057
4"	93,840
6"	187,679
8"	300,287

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2023, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 99

In April 2022, the GASB issued Statement No. 99 – *Omnibus 2022.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 100

In June 2022, the GASB issued Statement No. 100 – *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62.* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

Governmental Accounting Standards Board Statement No. 101

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

(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, 2023, the District's open balance of construction contract commitments is $28,174, shown as follows:

Funding Source / Project Purpose	Project Name		Total Approved Contract	Construction Costs to Date	Balance to Complete
Developer	Connection of Service – 850 Brea Canyon	$	359,080	(341,126)	17,954
Replacement	Main Replacement – Via Sorella		204,402	(194,182)	10,220
		$	563,482	(535,308)	28,174

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.

(17) Commitments and Contingencies, continued

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, 2023, have been evaluated for possible adjustment to the financial statements or disclosure as of December 11, 2023, 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, 2023
Last Ten Years*

	Measurement Dates					
	2022	2021	2020	2019	2018	2017
Total OPEB liability						
Service cost	$ 207,385	193,613	212,981	206,277	207,344	200,817
Interest	940,604	1,037,835	981,944	955,638	912,011	877,856
Employer contributions	-	-	-	-	-	-
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual	-	-	-	-	-	-
experience	-	(1,979,697)	263,923	-	261,666	-
Changes of assumptions or other inputs	2,150,715	-	220,291	-	479,432	-
Benefit payments	(827,035)	(787,853)	(781,933)	(700,097)	(588,894)	(514,282)
Net change in total OPEB liability	2,471,669	(1,536,102)	897,206	461,818	1,271,559	564,391
Total OPEB liability – beginning	15,463,178	16,999,280	16,102,074	15,640,256	14,368,697	13,804,306
Total OPEB liability – ending	17,934,847	15,463,178	16,999,280	16,102,074	15,640,256	14,368,697
Plan fiduciary net position						
Contribution – employer	1,202,035	2,498,929	1,532,902	1,789,827	1,684,754	1,662,734
Net investment income	(1,917,093)	1,664,027	487,894	282,591	494,962	625,506
Benefit payments	(827,035)	(787,853)	(781,933)	(700,097)	(588,894)	(514,282)
Administrative expense	-	-	-	-	-	-
Net change in plan fiduciary net position	(1,542,093)	3,375,103	1,238,863	1,372,321	1,590,822	1,773,958
Plan fiduciary net position – beginning	15,401,172	12,026,069	10,787,206	9,414,885	7,824,063	6,050,105
Plan fiduciary net position – ending	13,859,079	15,401,172	12,026,069	10,787,206	9,414,885	7,824,063
Net OPEB liability	$ 4,075,768	62,006	4,973,211	5,314,868	6,225,371	6,544,634
Covered payroll	$ 5,445,491	5,148,856	5,291,282	5,203,041	4,900,008	5,313,725
Total OPEB liability as a percentage of covered payroll	74.85%	1.20%	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, 2023
Last Ten Years*

	Fiscal Years Ended					
Description	**6/30/2023**	**6/30/2022**	**6/30/2021**	**6/30/2020**	**6/30/2019**	**6/30/2018**
Actuarially determined contribution	$ 1,202,035	2,498,929	1,532,902	1,789,827	1,684,754	1,662,734
Contributions in relation to the actuarially determined contribution	(1,411,360)	(1,030,709)	(1,789,732)	(1,789,732)	(1,703,516)	(1,662,734)
Contribution deficiency(excess)	$ (209,325)	1,468,220	(256,830)	95	(18,762)	-
District's covered payroll	$ 5,457,652	5,445,491	5,148,856	5,291,282	5,203,041	4,900,008
Contribution's as a percentage of covered payroll	22.02%	45.89%	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, 2023
Last Ten Years*

	Measurement Dates								
Description	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability	15.65400%	0.17364%	0.14173%	0.13957%	0.13653%	0.13506%	0.13391%	0.13080%	0.11033%
District's proportionate share of the net pension liability	$ 18,082,080	9,390,716	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	$ 5,191,997	5,128,701	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	348.27%	183.10%	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	71.37%	84.41%	73.32%	73.63%	74.67%	73.08%	74.36%	78.96%	83.03%

Notes to schedule:

There were no changes in benefits.

Changes in assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan adminsitrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses.

The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%

From fiscal year June 30, 2018 to June 30, 2019:

The inflation rate was reduced from 2.75% to 2.50%

From fiscal year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:

There were no changes in assumptions.

From fiscal year June 30, 2021 to June 30, 2022:

There were no changes in assumptions.

From fiscal year June 30, 2022 to June 30, 2023:

The discount rate was reduced from 7.15% to 6.90%

The inflation rate was reduced from 2.50% to 2.30%

* 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, 2023
Last Ten Years*

Description		Fiscal Years Ended								
		June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contribution	$	2,036,291	1,897,790	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		(3,862,630)	(1,719,115)	(1,623,306)	(1,464,186)	(1,307,070)	(1,163,663)	(1,120,609)	(989,754)	(790,287)
Contribution deficiency(excess)	$	(1,826,339)	178,675	95,697	166,309	104,416	1,805	(23,031)	-	-
District's covered payroll	$	5,132,768	5,191,997	5,128,701	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		39.67%	36.55%	33.52%	31.67%	28.90%	22.55%	22.60%	20.33%	16.98%
Notes to schedule:										
Valuation date		June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Methods and assumptions used to determine contribution rates:										
Actuarial cost method		Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method		(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method		Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	15 year Smoothed Market Methoc
Inflation		2.30%	2.50%	2.50%	2.50%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases		(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return		6.90% (3)	7.15% (3)	7.00% (3)	7.25% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age		(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality		(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level of percentage payroll, closed.
(2) Depending on age, service, and type of employment.
(3) Net of pension plan investment expense, including inflation.
(4) 50 for all plans with exception of 52 for Miscellaneous 2% @ 62
(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study.
adopted by the CalPERS Board.

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

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.

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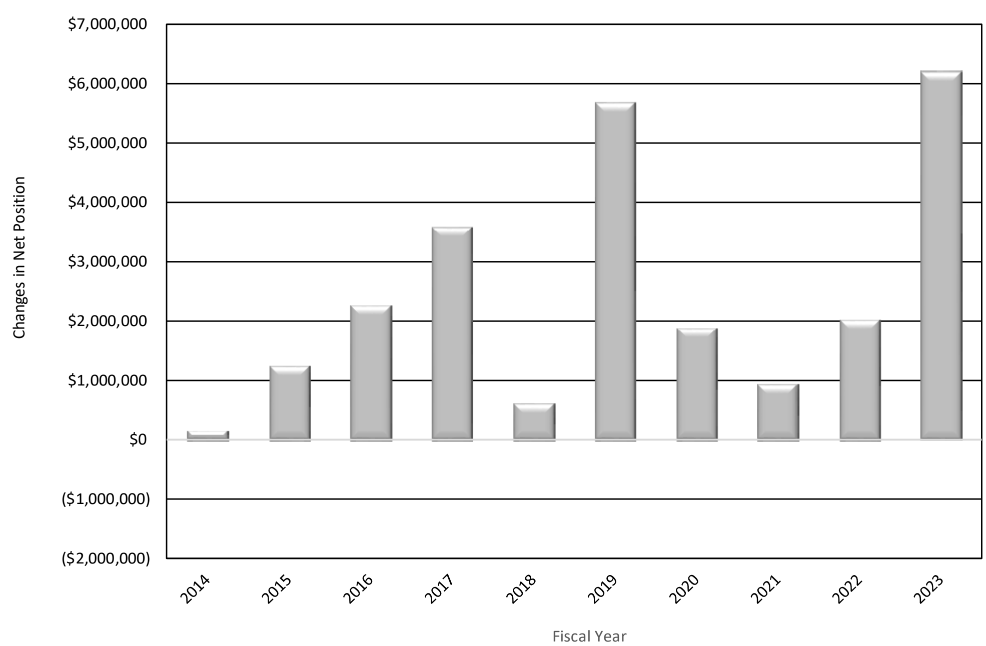
	Page No.
Financial Trends These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.	90-93
Revenue Capacity These schedules contain information to help the reader assess the District's most significant own-source revenue, water sales.	94-97
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	98-99
Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.	100
Operating Information This schedule contains service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides.	101-102

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

	Fiscal Year 2014	Fiscal Year As Restated 2015	Fiscal Year 2016
Changes in net position:			
Operating revenues (see Schedule 2)	$ 39,351,318	33,854,771	33,924,726
Operating expenses (see Schedule 3)	(36,219,892)	(30,261,703)	(30,721,847)
Depreciation and amortization	(4,484,973)	(5,303,916)	(5,021,533)
Operating income (loss)	(1,353,547)	(1,710,848)	(1,818,654)
Non-operating revenues (expenses)			
Property taxes	842,519	950,932	943,033
Rental income - cellular site leases	260,091	270,105	284,011
Interest earnings - cellular site leases	-	-	-
Investment earnings(expense), net of fair value	481,929	416,825	824,415
Share in investment in joint venture income (loss)	(28,086)	4,737	315,763
Amounts received for annexation	-	-	1,065,457 (3)
Gain (Loss) on disposition of assets	8,502	(66,950)	(129,390)
Contributions to other agencies	(692,868)	-	-
Interest expense	(422,882) (2)	(422,504)	(377,577)
Cost of issuance of debt	-	-	-
Other revenue (expense), net	280,157	440,930	210,384
Total non-operating revenues (expenses), net	729,362	1,594,075	3,136,096
Net income (loss) before capital contributions	(624,185)	(116,773)	1,317,442
Capital contributions	780,994	1,373,775	946,623
Changes in net position	$ 156,809	1,257,002	2,264,065
Net position by component:			
Net investment in capital assets	$ 102,351,576	100,091,614	100,096,835
Restricted	8,361,253	14,950,173	18,983,396
Unrestricted	35,118,998	20,179,472	18,405,093
Total net position	$ 145,831,827	135,221,259	137,485,324



Source: Walnut Valley Water District Accounting Department

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

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

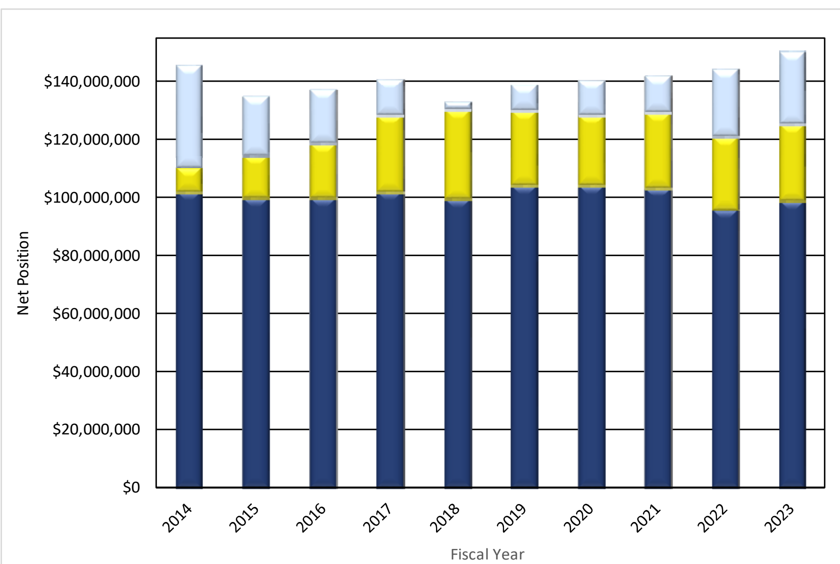
(3) The increase in Contributions from other agency for joint venture due to a annexation fees related to large development in service area

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

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

Schedule 1

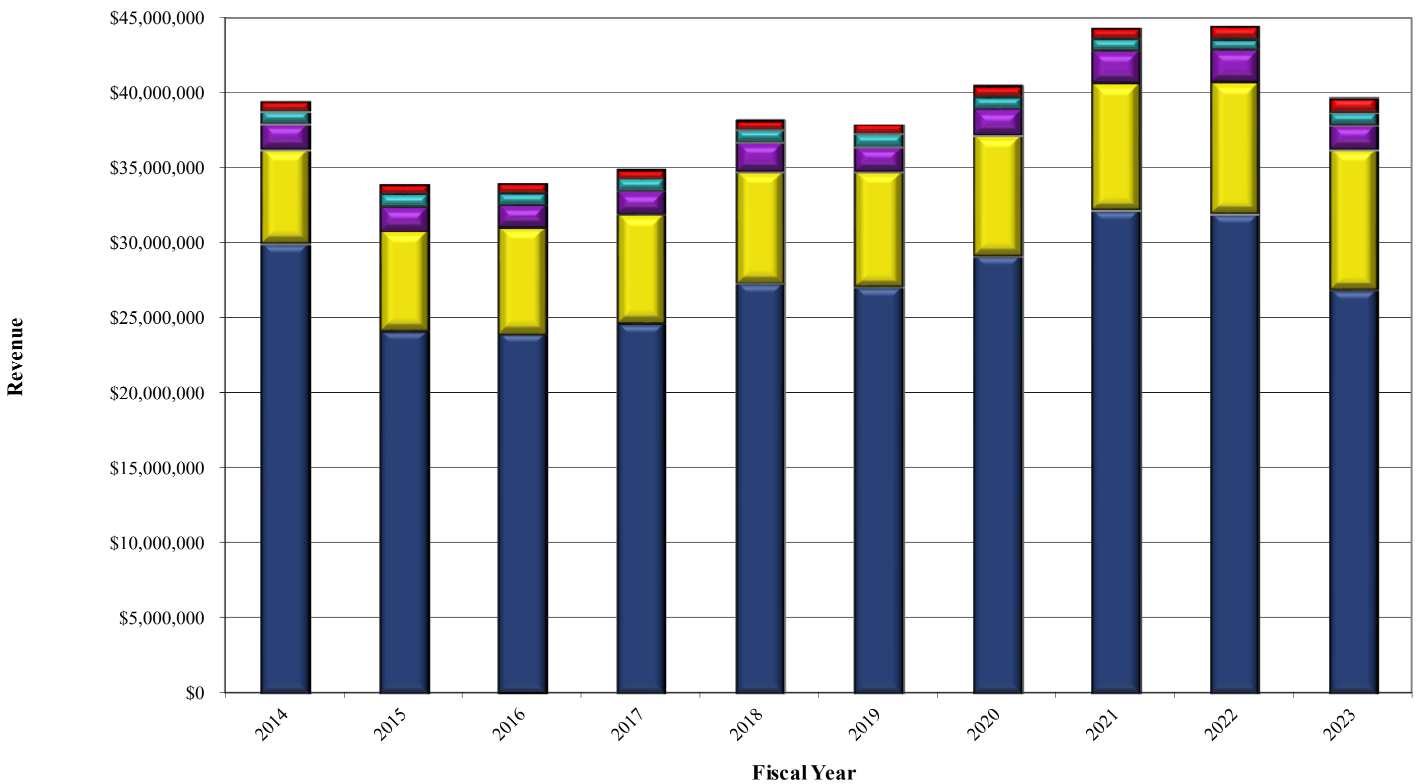
Fiscal Year						
2017	**As Restated 2018**	**2019**	**2020**	**As Restated 2021**	**As Restated 2022**	**2023**
34,916,303	38,210,311	37,912,508	40,456,434	44,260,619	44,391,343	39,669,770
(31,827,660)	(35,341,232)	(34,149,759)	(38,205,724)	(40,065,073)	(40,962,957)	(33,264,004)
(5,109,038)	(5,286,808)	(5,219,938)	(5,455,123)	(5,705,983)	(5,768,802)	(5,746,516)
(2,020,395)	(2,417,729)	(1,457,189)	(3,204,413)	(1,510,437)	(2,340,416)	659,250
985,113	999,707	1,098,378	1,162,465	1,199,446	1,232,651	1,378,819
277,607	284,849	298,104	318,148	230,384	175,184	401,896
-	-	-	-	40,485	82,691	73,699
1,635	122,673	2,069,109	2,009,604	63,284	(1,600,045)	275,799
(8,092)	(139,606)	874,098	180,329	(41,029)	(87,374)	242,938
-	-	-	-	-	-	-
(85,825)	(798,859) (4)	18,098	(39,748)	(99,640)	153,711	(666,270)
-	-	-	-	-	-	-
(386,321)	(676,951)	(658,698)	(635,343)	(609,102)	(249,933)	(280,828)
-	-	-	-	-	(188,885)	-
271,605	283,851	316,717	512,942	257,449	841,593	149,443
1,055,722	75,664	4,015,806	3,508,397	1,041,277	359,593	1,575,496
(964,673)	(2,342,065)	2,558,617	303,984	(469,160)	(1,980,823)	2,234,746
4,545,716	2,950,904	3,116,814	1,574,591	1,403,720	4,012,468	3,975,432
3,581,043	608,839	5,675,431	1,878,575	934,560	2,031,645	6,210,178
102,444,898	99,730,658	104,543,390	104,609,392	103,712,477	96,171,867	98,999,367
26,408,666	31,189,404	25,986,720	24,191,055	26,199,369	25,266,486	26,475,019
12,212,803	2,476,916	8,542,299	12,150,537	12,471,662	23,231,066	25,405,211
141,066,367	133,396,978	139,072,409	140,950,984	142,383,508	144,669,419	150,879,597



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
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
2022		31,953,010	8,759,271	2,155,578	718,171	31,455	773,858	44,391,343
2023		26,922,980	9,365,587	1,665,973	761,611	21,871	931,748	39,669,770

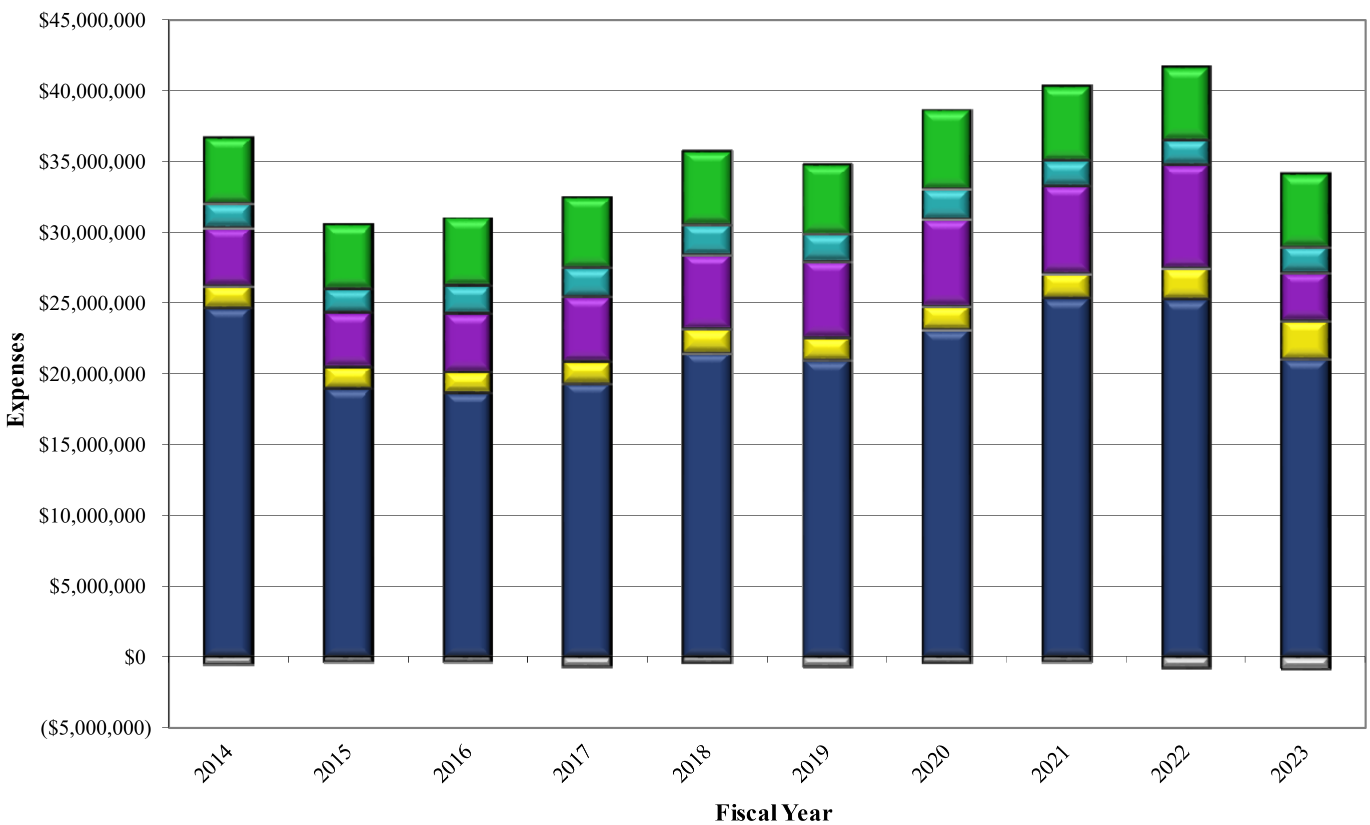


Source: Walnut Valley Water District Accounting Department

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
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
2022		25,282,557	2,226,536	7,284,321	1,783,368	5,105,223	(719,048)	40,962,957
2023		21,092,433	2,733,411	3,394,051	1,842,343	5,065,379	(863,613)	33,264,004



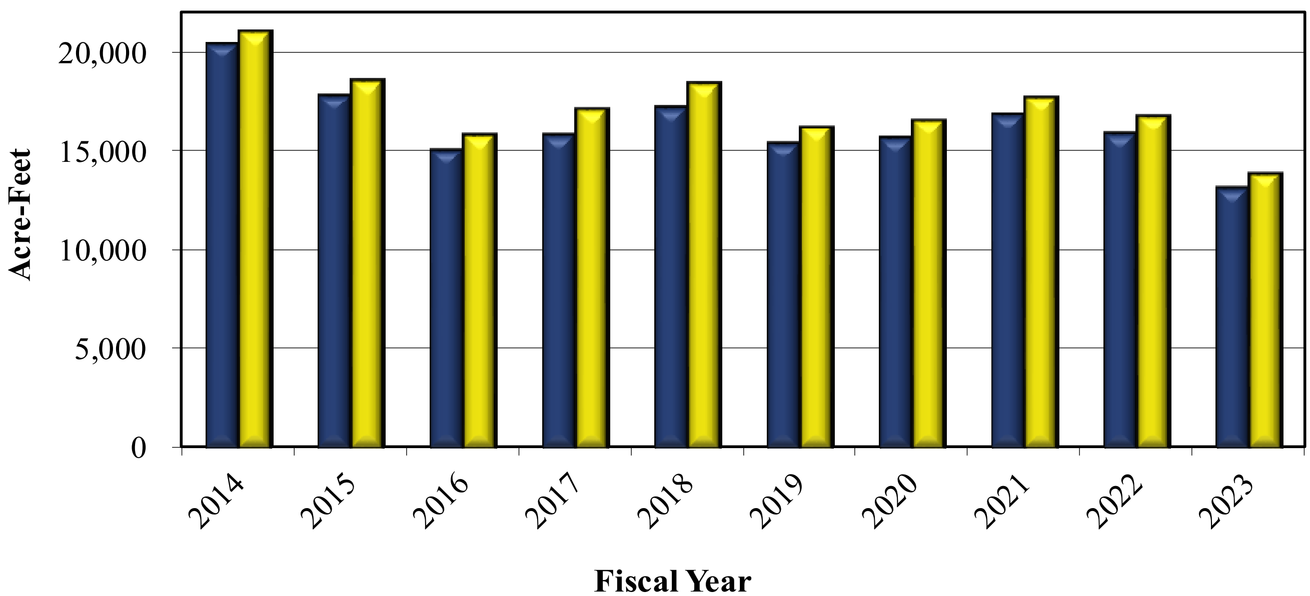
Note:

(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]
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
2022	15,977	16,844
2023	13,163	13,921



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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Residential - Tier 1 (per HCF)	$ 2.46	2.69	2.85	2.97	3.16	3.27	2.94	3.03	3.22	3.42
Residential - Tier 2 (per HCF)	3.08	3.08	3.25	3.39	3.58	3.69	3.93	4.05	4.30	4.56
Residential - Tier 3 (per HCF)	3.08	3.08	3.25	3.39	3.58	3.69	4.52	4.66	4.94	5.24
Multi-Family (per HCF)	2.77	2.89	3.06	3.19	3.38	3.49	3.36	3.47	3.68	3.90
Non-Residential (per HCF)	2.81	2.95	3.12	3.25	3.44	3.55	3.56	3.67	3.90	4.13
Recycled (per HCF)	1.49	1.56	1.63	1.71	1.79	1.88	1.87	1.97	2.07	2.18
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)	0.19	0.19	0.19	0.20	0.21	0.22	0.24	0.25	0.27	0.30
Pump Zone - Zone 3 (per HCF)	0.35	0.36	0.37	0.39	0.34	0.42	0.44	0.46	0.49	0.53

Meter Charge per Month
Fiscal Year

Meter Size	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
All District Accounts:										
3/4" or smaller	$ 17.08	18.29	18.87	19.43	20.00	20.54	20.67	21.30	22.58	23.94
1"	21.60	23.04	23.77	24.47	25.20	25.88	32.60	33.58	35.60	37.75
1 1/2"	46.18	54.43	56.17	57.82	59.53	61.14	62.42	64.30	68.16	72.28
2"	70.73	71.07	73.34	75.51	77.73	79.84	98.20	101.15	107.22	113.69
3"	128.92	145.53	150.17	154.60	159.17	163.48	193.64	199.45	211.42	224.18
4"	211.86	229.30	236.63	243.61	250.80	257.59	301.00	310.03	328.64	348.46
6"	414.54	435.87	449.79	463.07	476.74	489.65	599.22	617.20	654.24	693.69
8"	658.34	671.11	692.54	712.98	734.02	753.90	957.09	985.81	1,044.96	1,107.96

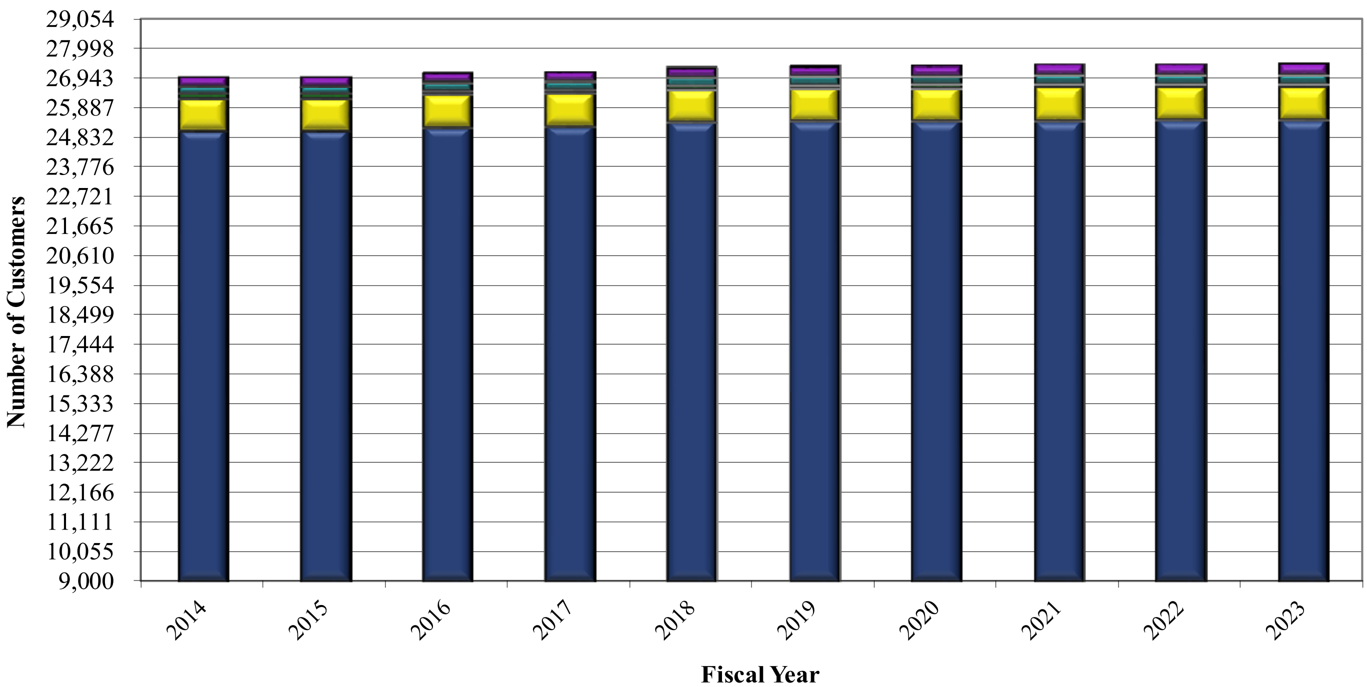
Notes:
(1) Rates as of June 30 of each fiscal year.

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					
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	327	27,406
2021	25,479	1,174	163	277	338	27,431
2022	25,486	1,175	163	277	340	27,441
2023	25,497	1,169	163	288	343	27,460



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

		2023		2014		
Rank	**Customer**	**Water Consumed (AF)**	**Percentage of Total**	**Rank**	**Water Consumed (AF)**	**Percentage of Total**
1	City Of Walnut	329	2.2%	3	361	1.6%
2	City Of Industry	307	2.1%			-
3	City of Diamond Bar	224	1.5%	2	396	1.7%
4	Walnut Unified School Dist	209	1.4%	4	336	1.5%
5	Montefino Homeowners Assoc	205	1.4%	5	283	1.2%
6	Pomona Unified School Dist	135	0.9%	7	167	0.7%
7	Diamond Bar Tennis Club HOA	118	0.8%	8	153	0.7%
8	American Golf Corp	83	0.6%	1	398	1.7%
9	Rowland Unified School Dist	77	0.5%	9	114	0.5%
10	Majestic Management	56	0.4%			-
	Standard Pacific Homes			6	254	1.1%
	Mueller Gateway LLC			10	113	0.5%
	Total	1,745	11.84%		2,575	11.21%
	Potable Sales	13,193			20,541	
	Recycled Sales	1,543			2,420	
	Total Water Consumed (AF)	14,736	100.00%		22,961	100.00%

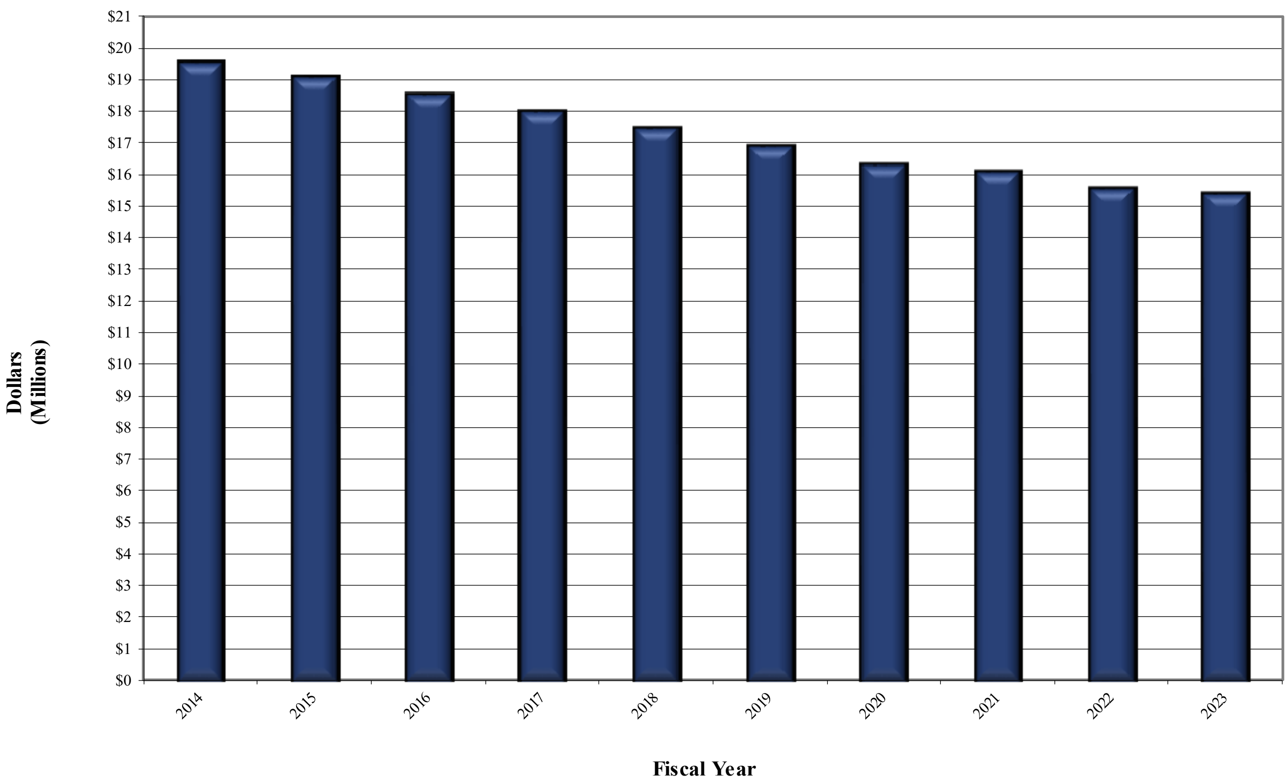
AF = Acre Feet

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	Lease	Total Debt	Per Capita	As a Share of Personal Income
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	15,702,036	-	409,191	16,111,227	160.99	0.24%
2022	15,380,000	-	231,421	15,611,421	155.61	0.23%
2023	15,380,000	-	57,849	15,437,849	153.50	0.22%



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
2014	$	41,150,445	(35,355,496)	5,794,949	250,000	975,191	1,225,191	4.73
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		46,759,072	(39,351,972)	7,407,100	510,000	720,000	1,230,000	6.02
2022		47,469,671	(39,330,873)	8,138,798	-	217,300	217,300	37.45
2023		43,995,112	(38,786,015)	5,209,097	-	217,300	217,300	23.97

Note:

(1) Operating revenues excludes: unrealized gain (loss) on investment income
Operating revenues includes property tax revenue, investment income, and other non-operating revenue.

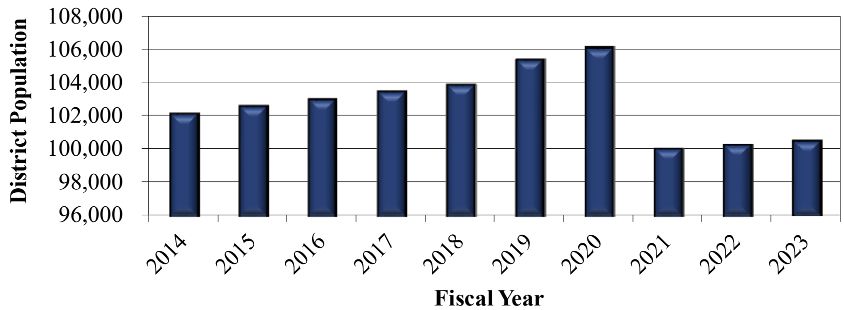
(2) Operating expenses before depreciation excludes: GASB 68 pension expense, GASB 75 OPEB expense.
Operating expenses before depreciation includes: overhead on capital construction expense.

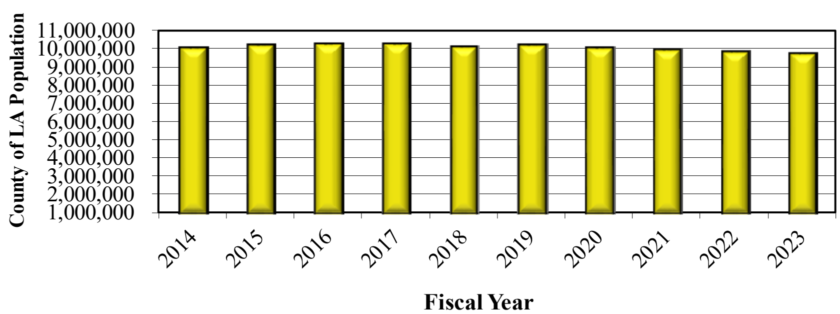
Source: Walnut Valley Water District Accounting Department

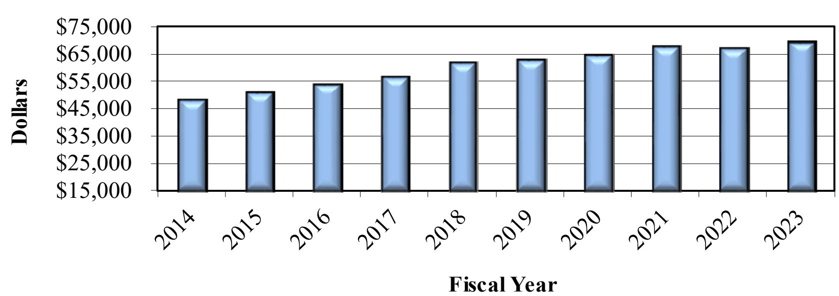
Walnut Valley Water District
Demographic and Economic Statistics
Last Ten Fiscal Years

Schedule 10

Year	District Population	County of Los Angeles[1] Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
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	100,079 [2]	10.3%	9,943,046	678,829,092	68,272
2022	100,325	5.2%	9,861,224	665,931,339	67,530
2023	100,571	5.3%	9,761,210	681,247,760	69,791







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

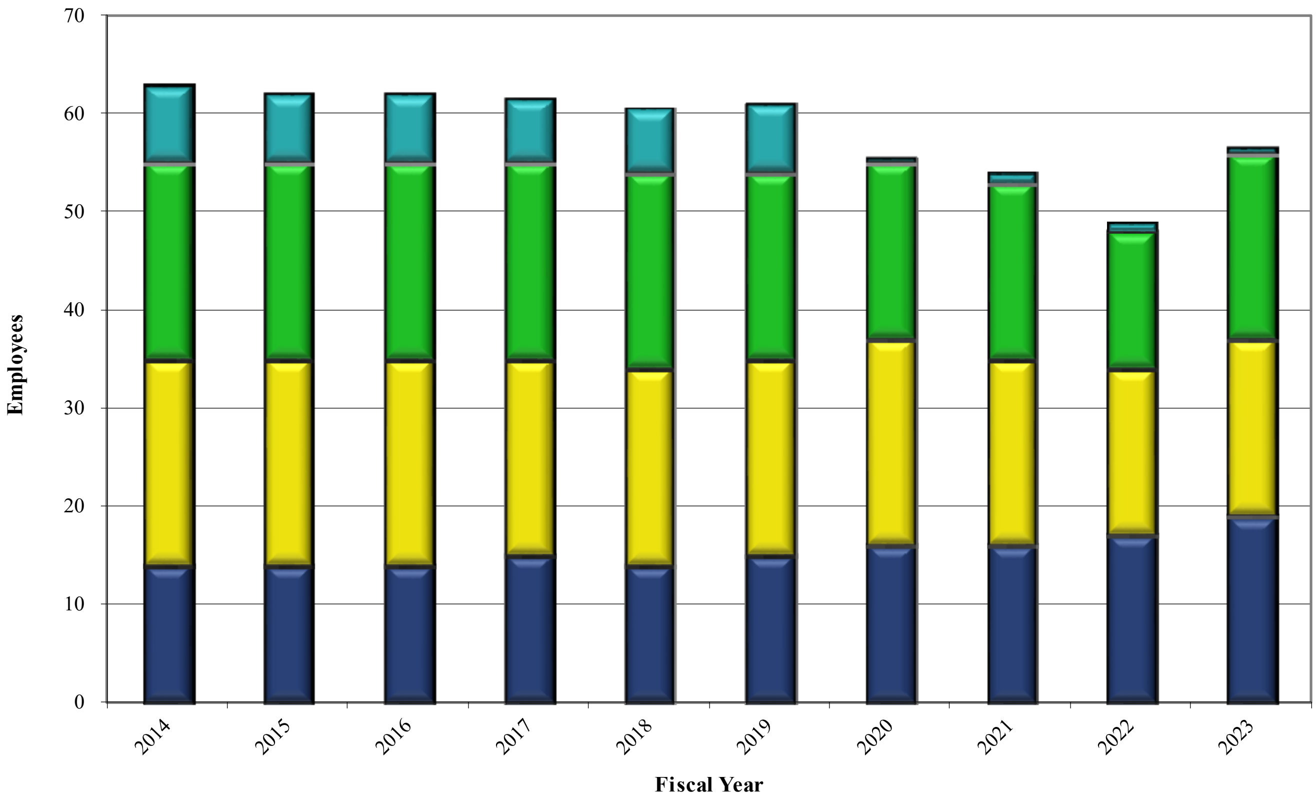
Notes:
(1) Only County data is updated annually. Therefore, the District has chose to use its data since the District believes that the County data is representative of the conditions and experience of the District.
(2) Recalculated due to 2020 Census

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
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	16	21	18	0.5	55.5
2021	16	19	18	1.0	54.0
2022	17	17	14	1.0	49.0
2023	19	18	19	0.5	56.5



Source: Walnut Valley Water District Accounting Department

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
2014	29	415	93.8	31	18.0	48.0	3,008
2015	29	416	93.8	31	17.0	48.0	3,013
2016	29	417	93.8	31	17.0	48.0	3,031
2017	29	417	93.8	31	17.0	47.0	3,035
2018	29	418	93.8	31	17.0	45.0	3,050
2019	29	421	93.8	31	17.0	43.0	3,055
2020	29	421	93.8	31	18.0	42.0	3,055
2021	29	422	93.8	31	18.0	42.0	3,093
2022	29	426	93.8	31	18.0	41.0	3,094
2023	29	426	95.6	32	18.0	39.0	3,094

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

Source: Walnut Valley Water District Engineering Department

Report on Internal Controls and Compliance

C.J. Brown & Company CPAs
An Accountancy Corporation

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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, 2023, 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 11, 2023.

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.

C.J. Brown & Company, CPAs

C.J. Brown & Company CPAs
Cypress, California
December 11, 2023