

Rosedale-Rio Bravo Water Storage District

Financial Statements

December 31, 2020 and 2019

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Independent Auditors' Report

Board of Directors
Rosedale-Rio Bravo Water Storage District
Bakersfield, California

Report on the Financial Statements

We have audited the accompanying financial statements of Rosedale-Rio Bravo Water Storage District as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rosedale-Rio Bravo Water Storage District as of December 31, 2020 and 2019, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 8 and the schedules related to the District's defined benefit plan and OPEB as listed on the table of contents on pages 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of operating income to debt service ratio on page 41 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This schedule is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of operating income to debt service ratio is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BARBICH HOOPER KING
DILL HOFFMAN
Accountancy Corporation



Bakersfield, California
September 17, 2021

Rosedale-Rio Bravo Water Storage District

Management's Discussion and Analysis

The following discussion and analysis of Rosedale-Rio Bravo Water Storage District financial performance provides an overview of the financial activities for the fiscal years ended December 31, 2020 and 2019. This information is presented in conjunction with the basic audited financial statements and accompanying notes, which follow this section.

Financial Highlights

The District's total net position decreased \$254 thousand, or 0.7%, over the course of the year's operations.

The District's total revenues experienced a decrease of \$1.2 million, or 5.4%, during the year ended December 31, 2020.

The Districts total expenses increased \$2.1 million, or 11.3%, during the year ended December 31, 2020.

The District's gross capital assets increased \$4.9 million, or 4.7%, during the year ended December 31, 2020.

In 2018 Rosedale-Rio Bravo Water Storage District (Rosedale) prepared an engineer's report and conducted a landowner election to raise its maximum landowner assessment, pursuant to proposition 218. The election was successful and Rosedale passed Resolution No. 493 authorizing the increase in the maximum annual assessment to a maximum of \$205 per acre, which has been adjusted annually based on CPA to a maximum of \$213.79 as of December 31, 2020.

Overview of the Financial Statements

This annual report includes this management's discussion and analysis report, the independent auditors' report, the basic financial statements of the District and selected additional information. The financial statements also include notes that explain in more detail some of the information contained in the financial statements.

Required Financial Statements

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. The financial statements conform to accounting principles which are generally accepted in the United States of America and utilize the accrual basis of accounting.

The statements of net position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities), with the difference between the two reported as net position. This statement will indicate which assets are restricted due to contractual, Board action, or other commitments. This statement also provides the basis for assessing the liquidity, capital structure and financial flexibility of the District.

Rosedale-Rio Bravo Water Storage District

Management's Discussion and Analysis

Revenues and expenses for each of the last two fiscal years are accounted for in the statements of revenues and expenses and changes in net position. These statements measure the success of the District's operations and can be used to determine profitability, credit worthiness, and whether the District has successfully recovered all its costs through user fees and other charges.

The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. From this statement, information related to sources and uses of cash, and the change in cash balances can be compared for each of the last two fiscal years.

Financial Analysis of the District

The required financial statements, discussed above, assist the reader in making an assessment 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, hydrology, population growth, and new or changed government legislation.

Rosedale-Rio Bravo Water Storage District

Management's Discussion and Analysis

To begin our analysis, a summary of the District's statements of net position is presented in Table A.

Table A
Condensed Combined Statements of Net Position
December 31, 2020 and 2019
(in thousands)

	<u>2020</u>	<u>2019</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current assets	\$ 18,772	\$ 15,691	\$ 3,081	19.6%
Capital assets	99,665	96,301	3,364	3.5%
Noncurrent assets	497	7,069	(6,572)	(93.0%)
Total assets	<u>118,934</u>	<u>119,061</u>	<u>(127)</u>	<u>(0.1%)</u>
Deferred outflows of resources	<u>2,401</u>	<u>199</u>	<u>2,202</u>	<u>1,106.5%</u>
	<u>\$ 121,335</u>	<u>\$ 119,260</u>	<u>\$ 2,075</u>	<u>1.7%</u>
Current liabilities	\$ 7,494	\$ 10,694	\$ (3,200)	(29.9%)
Long-term liabilities	77,729	72,218	5,511	7.6%
Total liabilities	<u>85,223</u>	<u>82,912</u>	<u>2,311</u>	<u>2.8%</u>
Deferred inflow of resources	<u>61</u>	<u>43</u>	<u>18</u>	<u>41.9%</u>
Net investment in capital assets				
net of related debt	42,036	40,643	1,393	3.4%
Restricted	-	7,069	(7,069)	(100.0%)
Unrestricted	(5,985)	(11,407)	5,422	(47.5%)
Total net position	<u>36,051</u>	<u>36,305</u>	<u>(254)</u>	<u>(0.7%)</u>
	<u>\$ 121,335</u>	<u>\$ 119,260</u>	<u>\$ 2,075</u>	<u>1.7%</u>

For 2020, District operations resulted in a \$254 thousand decrease in its net position. This decrease is attributable to the net loss in the current year of \$254 thousand.

Current assets increased by \$3 million based on the increase of \$5 million in cash and cash equivalents, \$2 million increase in accounts receivable, offset by decreases of \$4 million in investments and \$3 million in restricted investments. The increase in cash is attributable to restricted funds being unrestricted upon the refinancing of multiple bonds that along with the District having more cash in the general account. The increase in accounts receivable is due to the timing of reimbursements for the Drought Relief Project and water sales.

Rosedale-Rio Bravo Water Storage District

Management's Discussion and Analysis

The District's capital assets increased by \$3.4 million from prior year due to construction associated with the Drought Relief Project as well as increase from the purchase of McCaslin land for \$2.4 million.

Current liabilities decreased by \$3.0 million from prior year primarily due to a decrease in accounts payable related to water sale refunds.

Long-term liabilities increased by \$5.5 million from prior year primarily due to new McCaslin note payable offset by payments towards outstanding debt along with additional borrowing as part of the refinance of 2010 – 2018 certificates of participation.

While the Statement of Net Position shows the change in financial position of the District, the Statements of Revenues and Expenses and Changes in Net Position provides answers as to the nature and source of these changes.

Table B
Condensed Combined Statements of Revenues and Expenses and Changes in Net Position
For the Years Ended December 31, 2020 and 2019
(in thousands)

	<u>2020</u>	<u>2019</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Operating revenues	\$ 19,977	\$ 13,551	\$ 6,426	47.4%
Nonoperating revenues	480	8,082	(7,602)	(94.1%)
Total revenues	<u>20,457</u>	<u>21,633</u>	<u>(1,176)</u>	<u>(5.4%)</u>
Operating expenses	16,922	14,824	2,098	14.2%
Depreciation expense	1,539	1,174	365	31.1%
Nonoperating expenses	2,250	2,606	(356)	(13.7%)
Total expenses	<u>20,711</u>	<u>18,604</u>	<u>2,107</u>	<u>11.3%</u>
Change in net position	(254)	3,029	(3,283)	(108.4%)
Net position, beginning of year	<u>36,305</u>	<u>33,276</u>	<u>3,029</u>	<u>9.1%</u>
Net position, end of year	<u>\$ 36,051</u>	<u>\$ 36,305</u>	<u>\$ (254)</u>	<u>(0.7%)</u>

The District's operating revenues increased by \$6.4 million due primarily to an increase in groundwater recovery reimbursement income from water banking partners as a result of a dry year requiring pumping of groundwater to meet the contractual obligations of returning water in 2020.

Rosedale-Rio Bravo Water Storage District

Management's Discussion and Analysis

The District's non-operating revenues decreased by \$7.6 million due to prior year having a \$6.9 million gains on disposals of assets, in part from a sale of a portion of rights in the James Recharge and Recovery Project, and there were no disposals of assets in the current year.

Operating expenses increased by \$2.1 million due, primarily, to an additional \$4.4 million in expenses for groundwater well pumping resulting from a dry year requiring the pumping of groundwater to meet contractual obligations, offset by decreases in purchased water.

Depreciation expense increased by \$0.3 million due to additional capital assets related to the Drought Relief Project that were placed in service during the current year.

As of December 31, 2020, the District had invested \$108.4 million in capital assets as shown in Table C.

Table C
Capital Assets
December 31, 2020 and 2019
(in thousands)

	<i>2020</i>	<i>2019</i>	<i>Dollar Change</i>	<i>Percentage Change</i>
Land	\$ 49,586	\$ 47,200	\$ 2,386	5.1%
General plant and equipment	3,587	1,912	1,675	87.6%
Source of supply	4,835	4,835	-	0.0%
Transmission and distribution	42,409	36,553	5,856	16.0%
Intangible assets	447	447	-	0.0%
Construction in progress	7,586	12,600	(5,014)	(39.8%)
Total capital assets	108,450	103,547	4,903	4.7%
Less accumulated depreciation	8,785	7,246	1,539	21.2%
Capital assets, net of depreciation	<u>\$ 99,665</u>	<u>\$ 96,301</u>	<u>\$ 3,364</u>	3.5%

As can be seen from the table above, total capital assets increased by \$4.9 million, before depreciation, primarily related to the Drought Relief Project including construction of water conveyance, recharge and recovery facilities.

Rosedale-Rio Bravo Water Storage District

Management's Discussion and Analysis

Budgetary Comparison

The following table is a comparison of the Board approved budget for 2020 against actual.

Table D
Budget vs. Actual Comparison
For the Year Ended December 31, 2020
(in thousands)

	<u>2020</u> <u>Actual</u>	<u>2020</u> <u>Budget</u>	<u>Dollar</u> <u>Change</u>	<u>Percentage</u> <u>Change</u>
Operating revenues	\$ 19,977	\$ 12,180	\$ 7,797	64.0%
Operating expenses	(16,922)	(14,663)	(2,259)	15.4%
Depreciation expense	(1,539)	-	(1,539)	100.0%
Nonoperating income	480	2,030	(1,550)	(76.4%)
Nonoperating expense	(2,250)	(2,708)	458	(16.9%)
Change in net position	<u>\$ (254)</u>	<u>\$ (3,161)</u>	<u>\$ 2,907</u>	<u>(92.0%)</u>

The District planned its budget based on assumptions regarding availability for water to purchase and expected sales of water to other water agencies. The District budgets based upon an average hydrology. However, variations in hydrologic conditions can have significant impacts upon the District's budgeting assumptions with wet years resulting in additional expenditures to purchase water supplies and possibly additional revenues. Dry years typically result in increased energy expenses to recover water and meet the District's contractual water banking obligation. The District's operating revenues exceeded the budget due to the sale of banked water from a 2 for 1 program in addition to \$4.1 million in unanticipated groundwater recovery reimbursements from banking partners due to the dry year. The District's operating expenses exceeded the budget due to increased costs associated with pumping to meet contractual obligations in a dry year.

Debt Service Requirements

For information relating to the outstanding debt, see Note 4 to the financial statements.

Contacting the District Management

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District at 849 Allen Road, Bakersfield, CA 93314.

Rosedale-Rio Bravo Water Storage District

*Statement of Net Position
December 31, 2020 and 2019*

<i>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</i>	<u>2020</u>	<u>2019</u>
<i>Current Assets</i>		
Cash and cash equivalents	15,231,773	\$ 9,970,487
Accounts receivable	3,098,129	1,580,234
Investments	-	4,002,348
Prepaid expenses	441,789	137,591
Total current assets	<u>18,771,691</u>	<u>15,690,660</u>
<i>Noncurrent assets</i>		
Restricted cash and cash equivalents	-	3,489,322
Restricted investments	-	3,579,369
Other assets	497,160	-
	<u>497,160</u>	<u>7,068,691</u>
<i>Capital Assets, net</i>	<u>99,665,507</u>	<u>96,301,747</u>
<i>Total Assets</i>	<u>118,934,358</u>	<u>119,061,098</u>
<i>Deferred Outflows of Resources</i>		
2020 COP deferred outflow	2,221,588	-
Deferred outflows - CalPERS pension plan	146,748	174,499
Deferred outflows - OPEB	32,357	24,272
	<u>2,400,693</u>	<u>198,771</u>
	<u>\$121,335,051</u>	<u>\$119,259,869</u>

See Notes to Financial Statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>2020</u>	<u>2019</u>
<i>Current Liabilities</i>		
Current maturities of long-term debt	\$ 3,166,709	\$ 3,629,000
Accounts payable	1,697,587	4,118,000
Accrued vacation and sick leave	249,391	201,711
Accrued liabilities	37,866	33,267
Accrued interest payable	451,052	1,151,693
Deferred revenue	1,891,498	1,560,168
Total current liabilities	<u>7,494,103</u>	<u>10,693,839</u>
<i>Long-Term Liabilities</i>		
Long-term debt, less current maturities	56,684,615	52,029,362
OPEB liability	235,579	239,570
Net pension liability	884,470	792,671
Deferred revenue, Drought Relief Project	19,924,825	19,155,946
	<u>77,729,489</u>	<u>72,217,549</u>
<i>Total Liabilities</i>	<u>85,223,592</u>	<u>82,911,388</u>
<i>Deferred Inflows of Resources</i>		
Deferred inflows - CalPERS pension plan	6,204	34,302
Deferred inflows - OPEB	54,406	9,120
	<u>60,610</u>	<u>43,422</u>
<i>Net Position</i>		
Invested in capital assets, net of related debt	42,035,771	40,643,385
Restricted for debt service	-	7,068,691
Unrestricted	(5,984,922)	(11,407,017)
	<u>36,050,849</u>	<u>36,305,059</u>
	<u>\$121,335,051</u>	<u>\$119,259,869</u>

Rosedale-Rio Bravo Water Storage District

*Statement of Revenues and Expenses
For the Years Ended December 31, 2020 and 2019*

	<u>2020</u>	<u>2019</u>
<i>Operating revenues:</i>		
Assessments	\$ 2,944,732	\$ 2,950,541
Transfer and exchange fees	17,031,787	10,600,872
	<u>19,976,519</u>	<u>13,551,413</u>
<i>Operating expenses:</i>		
Water purchases	6,478,218	8,929,273
Transmission and distribution	5,819,547	1,687,148
Pumping and utilities	30,756	38,872
General and administrative	4,593,438	4,169,222
Depreciation and amortization	1,539,006	1,173,661
	<u>18,460,965</u>	<u>15,998,176</u>
Operating income (loss)	<u>1,515,554</u>	<u>(2,446,763)</u>
<i>Nonoperating income (expense):</i>		
Other income, net	186,043	610,646
Gain on disposal of assets	-	6,479,946
Grant income	35,855	734,320
Interest and investment income	258,042	257,366
Interest expense	(2,249,704)	(2,606,103)
	<u>(1,769,764)</u>	<u>5,476,175</u>
Change in net position	<u>\$ (254,210)</u>	<u>\$ 3,029,412</u>

See Notes to Financial Statements.

Rosedale-Rio Bravo Water Storage District

*Statements of Changes in Net Position
For the Years Ended December 31, 2020 and 2019*

<i>Balance, December 31, 2018</i>	\$ 33,275,647
Change in net position	<u>3,029,412</u>
<i>Balance, December 31, 2019</i>	36,305,059
Change in net position	<u>(254,210)</u>
<i>Balance, December 31, 2020</i>	<u>\$ 36,050,849</u>

See Notes to Financial Statements.

Rosedale-Rio Bravo Water Storage District

**Statement of Cash Flows
For the Years Ended December 31, 2020 and 2019**

	2020	2019
<i>Cash flows from operating activities:</i>		
Receipts from customers	\$ 15,012,872	\$ 9,796,172
Cash received from assessments	3,276,062	2,916,164
Payments to suppliers for goods and services	(18,446,104)	(9,931,177)
Payments to employees for services	(1,520,685)	(1,268,236)
Net cash provided by (used in) operating activities	(1,677,855)	1,512,923
<i>Cash flows from capital and related financing activities:</i>		
Payment for acquisition and construction of capital assets	(2,516,766)	(10,787,550)
Proceeds from sale of property and equipment	-	12,485,301
Receipts from grants	35,855	734,320
Receipts from Drought Relief Project participants	1,455,942	675,158
Payments of interest on long-term debt	(2,973,153)	(2,704,220)
Payments for advance refunding of long-term debt	(2,778,142)	-
Proceeds from issuance of long-term debt	3,616,324	-
Payments on long-term debt	(1,230,000)	(4,536,000)
Net cash used in capital and related financing activities	(4,389,940)	(4,132,991)
<i>Cash flows from investing activities:</i>		
Receipts of interest and investment income	258,042	257,366
Sale (purchase) of investments, net	7,581,717	(4,146,524)
Net cash provided by (used in) investing activities	7,839,759	(3,889,158)
<i>Net increase (decrease) in cash and cash equivalents</i>	1,771,964	(6,509,226)
<i>Cash and cash equivalents at beginning of the year</i>	13,459,809	19,969,035
<i>Cash and cash equivalents at the end of the year</i>	\$ 15,231,773	\$ 13,459,809
<i>Reconciliation of cash and cash equivalents</i>		
Cash and cash equivalents	\$ 15,231,773	\$ 9,970,487
Restricted cash and cash equivalents	-	3,489,322
	\$ 15,231,773	\$ 13,459,809

See Notes to Financial Statements.

	<u>2020</u>	<u>2019</u>
<i>Reconciliation of operating income (loss) to net cash provided by operating activities:</i>		
Operating income (loss)	\$ 1,515,554	\$ (2,446,763)
<i>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</i>		
Depreciation and amortization	1,539,006	1,173,661
Other income	186,043	610,646
<i>Changes in operating assets and liabilities:</i>		
Accounts receivable	(1,517,895)	942,554
Prepaid expenses	(304,198)	(116,173)
Other asset	(497,160)	-
Accounts payable	(2,420,413)	3,595,947
Accrued expenses	52,279	19,010
Deferred revenue	(355,733)	(2,392,277)
OPEB liability	33,210	33,122
Net pension liability	91,452	93,196
	<u>\$ (1,677,855)</u>	<u>\$ 1,512,923</u>
<i>Noncash investing and financing activities:</i>		
Advanced refunding of 2010-2018 Bonds paid off through refinance	<u>\$ 53,849,000</u>	<u>\$ -</u>
Purchase of land through issuance of long-term debt	<u>\$ 2,386,000</u>	<u>\$ -</u>

Rosedale-Rio Bravo Water Storage District

Notes to Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of District's activities:

Rosedale-Rio Bravo Water Storage District (the District) was formed in accordance with Division 14 of the California Water Code. The District comprises an area of agricultural land west of Bakersfield, California. The formation of the District was approved by the majority of the holders to title of this land pursuant to an election held May 5, 1959. The results of the election were certified by the Department of Water Resources of the State of California.

The District was formed by landowners for the purpose of construction and operation of a groundwater recharge project. Historically, surface water from the Kern River overflowed into the Goose Lake Slough channel, which traverses the District, an average of once every three years. Landowners were aware that these Kern River flows had a beneficial recharge effect because of the significant increase in water levels in their wells after such overflows.

Water for the District's project is obtained principally from the Kern River, the State Water Project (California Aqueduct), purchased water, and water from exchange programs with other agencies.

Significant accounting policies are as follows:

Basis of accounting and financial reporting:

The accompanying financial statements have been prepared on the accrual basis of accounting, in conformity with the uniform system of accounts prescribed for water districts by the Controller of the State of California. Under the accrual basis, revenues are recognized when earned and expenses are recognized when incurred regardless of the timing of cash payments or receipts.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating.

When the District has both unrestricted and restricted resources available for District purposes, it is the District's practice to first expend restricted resources, subsequently utilizing unrestricted resources as needed.

The District utilizes a net position presentation in accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB No. 63, *Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position*. Net position is categorized as invested in capital assets, net of related debt, restricted components of net position and unrestricted components of net position. These categories are defined as follows:

Notes to Financial Statements

Invested in capital assets, net of related debt - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and the deferred outflow of advanced refunding of bonds, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted components of net position - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

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

Deferred outflows/inflows of resources:

The District reports increases/decreases in net assets that relate to future periods as deferred outflows/inflows of resources in a separate section of the statements of net position. Deferred outflow and inflow of resources reported in the statements of net position include the results of employer contributions made to the pension and other postretirement benefit plans (OPEB) after the measurement date and will be recognized as a reduction of the net pension liability in the following year. In addition, actuarially determined amounts corresponding to the net pension liability and OPEB are amortized over an estimated life as part of pension and OPEB expense. Further, deferred outflow of resources included deferred amounts arising from the advance refunding of bonds occurring during the year ended December 31, 2020. The deferred refunding amounts are being amortized over the remaining life of the refunding bonds as part of interest expense.

Fund accounting:

The District utilizes accounting for enterprise entities that account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or, (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Notes to Financial Statements

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition:

Funds received from the County of Kern for annual assessments are recognized as revenue in the following calendar year assessed. Funds received prior to the assessed year are recorded as deferred revenue and subsequently recognized in the appropriate year. Data for assessments is obtained from records maintained by Kern County Assessor. The County of Kern prepares the roll and assessments are included with the regular county tax bills of owners of acreage within the District.

The District operates several groundwater banking and exchange programs with other water districts within California. Transfer and exchange revenue from groundwater banking or exchange activity is generally recognized as water is returned to or exchanged with the recipient.

Accounts receivable, trade:

Trade accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization of losses on balances outstanding at year end will be immaterial; accordingly, no allowance for doubtful accounts is required.

Concentration of credit risk:

Credit is extended, in the form of accounts receivable, to groundwater banking partners who are located in the state of California.

Capital assets:

The District's capital assets are recorded at cost. Assets are capitalized when the cost is greater than \$5,000 and the asset has a useful life greater than two years. Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
General plant and equipment	5-40
Source of supply	7-50
Transmission and distribution	5-50

Notes to Financial Statements

Maintenance and repairs of capital assets are charged to operations and major improvements are capitalized. Upon retirement, sale or other disposition of capital assets, the cost and accumulated depreciation are eliminated from the accounts and the gain or loss is included in operations.

Water purchases:

The District's water purchases are recharged into the groundwater aquifer for the benefit of the landowners within the District boundaries with very few direct deliveries to customers. All water purchased is expensed as incurred.

Cash and cash equivalents:

The District considers cash equivalents to be all highly liquid debt instruments purchased with a maturity of three months or less. At December 31, 2020 and 2019, cash and cash equivalents include amounts deposited with banks and the County of Kern Treasurer.

Deposits with financial institutions:

As a government agency, the California Government Code dictates guidelines toward the District's investments in addition to the District's investment policy, which has been approved by the Board of Directors. This policy provides the District's treasurer with investment authority, summarizes authorized investments, and describes the District's procedures and other limitations. The objective of the District's investment policy is to maximize the yield of invested funds while assuring that investments are safe from loss, utilizing the "prudent person" policy of safety, legality and yield.

Below is a summary of the District's cash and investment policies, credit risk and description of the District's cash and investments. Separate internal accounts or funds have been created by the District to provide for specific events in accordance with bond covenants, trust agreements or certain regulations. These "restricted" accounts may have minimum balance requirements. The primary restrictions for these accounts are due to construction of capital assets and reserves for principal and interest on outstanding debt. All remaining cash and investments are unrestricted.

Notes to Financial Statements

Cash and investments as of December 31, 2020 and 2019 are classified in the accompanying financial statements as follows:

	<u>2020</u>	<u>2019</u>
Current assets - cash and cash equivalents	15,231,773	9,970,487
Noncurrent assets - restricted cash	-	3,489,322
Noncurrent assets - unrestricted investments	-	4,002,348
Noncurrent assets - restricted investments	-	3,579,369
	<u>\$ 15,231,773</u>	<u>\$ 21,041,526</u>

Cash and investments as of December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Cash deposits with banks	\$ 4,725,760	\$ 2,544,203
Money market funds	4,205,251	3,483,559
Deposits with Kern County	2,259,195	7,432,047
Cash held with financial institutions	4,041,567	-
Investments with financial institutions	-	7,581,717
	<u>\$ 15,231,773</u>	<u>\$ 21,041,526</u>

Investments:

The District is permitted by both Board policy and State law to invest in various authorized investments, subject to a variety of limits and controls, including State of California bonds, U.S. Government Agency securities (Treasury and other federal agencies) and other securities (bankers' acceptances, negotiable certificates of deposit, etc.). The District investment portfolio is primarily comprised of holdings in money market funds, and US government and agency securities, and corporate bonds.

Disclosures relating to interest rate risk and credit risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, 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 is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District's policy requires a maximum maturity for corporate bonds and U.S. government and agency securities of five years.

Notes to Financial Statements

As of December 31, 2019, the District had the following investments and maturities:

	Fair Value	Investment maturities		
		Less Than 1 Year	1 Year to 5 Years	6 Years to 25 Years
Corporate Bonds	\$ 4,002,348	\$ 4,002,348	\$ -	\$ -
US Government and Agency	3,579,369	1,748,976	884,726	945,667
	<u>\$ 7,581,717</u>	<u>\$ 5,751,324</u>	<u>\$ 884,726</u>	<u>\$ 945,667</u>

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. Presented below is the minimum rating required by the California Government Code and the actual rating as of year-end for each investment type. There is no minimum legal rating for U.S. Government Agency Securities and certificates of deposit.

	Total	Minimum legal rating	AA
Money Market Funds	\$4,205,251	A	\$4,205,251

Custodial credit risk:

Custodial credit risk of deposits is the risk that in the event of a bank failure, the District's deposits may not be returned. 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 and 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). 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. At December 31, 2020 and 2019, the District's investments in money market funds of \$4,205,251 and \$3,483,559, was uninsured.

Concentration of credit risk

The investment policy of the District contain no limitations on the amount that can be invested in any one issuer beyond those stipulated by the California Government Code. At December 31, 2020 no investments in any one issuer (other than U.S. Treasury securities, money market funds, and external investment pools) represented more than 5% of the District's total investments.

Notes to Financial Statements

Cash flows:

GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, states for purposes of preparing the statements of cash flows, all transactions that are not classified as capital and related financing activities, noncapital financing activities or investing activities are classified as operating activities. The adjustments to reconcile operating income to net cash provided by operating activities includes other income which consists primarily of prior year income and expense, various refunds, and lease income.

Pensions:

For purposes of measuring the net pension liability (asset) 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 and additions to/deductions from the plan's 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.

Post employment benefits other than pensions (OPEB):

For purposes of measuring the net OPEB liability, deferred outflows/inflows related to OPEB, and OPEB expense, information about the fiduciary net position of the Rosedale-Rio Bravo Water Storage Retiree Healthcare Plan and additions to/deductions from the Plans' fiduciary net position have been determined by an actuary. For this purpose, the Plan recognized benefit payments when due and payable in accordance with the benefit terms.

Note 2. Restricted Assets

In the prior year, the District maintained several reserve funds under provisions of the certificates of participation issuances. The provisions of the District's various certificates of participation issuances required the District to maintain reserves until the certificates of participation had been redeemed, certain loan requirements were satisfied or until certificate of participation proceeds were exhausted. During 2020, the certificates of participation were refunded and the corresponding reserve requirement was relieved. The amount on deposit for these reserves as of December 31, 2020 and 2019 was \$-0- and \$7,068,691.

Notes to Financial Statements

Note 3. Capital Assets

The following tables are summary of changes in the District's capital assets for the years ended December 31, 2020 and 2019:

	<i>Assets-At Cost</i>				
	<i>Balance 12/31/19</i>	<i>Acquisitions</i>	<i>Retirements</i>	<i>Reclass/ Transfers</i>	<i>Balance 12/31/20</i>
<i>Capital Assets not being depreciated:</i>					
Land	\$ 47,200,047	\$ 2,386,000	\$ -	\$ -	\$ 49,586,047
Construction in progress	12,600,138	2,413,236	-	(7,426,879)	7,586,495
<i>Capital Assets being depreciated:</i>					
General plant and equipment	1,912,317	103,530	-	1,571,618	3,587,465
Source of supply	4,834,508	-	-	-	4,834,508
Transmission and distribution	36,553,485	-	-	5,855,261	42,408,746
Intangible assets	446,972	-	-	-	446,972
	\$ 103,547,467	\$ 4,902,766	\$ -	\$ -	\$ 108,450,233

	<i>Accumulated Depreciation</i>				
	<i>Balance 12/31/19</i>	<i>Depreciation Expense</i>	<i>Retirements</i>	<i>Reclass/ Transfers</i>	<i>Balance 12/31/20</i>
General plant and equipment	\$ 1,054,599	\$ 287,220	\$ -	\$ -	\$ 1,341,819
Source of supply	1,632,023	111,582	-	-	1,743,605
Transmission and distribution	4,113,301	1,139,029	-	-	5,252,330
Intangible assets	445,797	1,175	-	-	446,972
	\$ 7,245,720	\$ 1,539,006	\$ -	\$ -	\$ 8,784,726

Notes to Financial Statements

<i>Assets-At Cost</i>					
	<u><i>Balance</i></u>	<u><i>Acquisitions</i></u>	<u><i>Retirements</i></u>	<u><i>Reclass/ Transfers</i></u>	<u><i>Balance</i></u>
	<u><i>12/31/18</i></u>				<u><i>12/31/19</i></u>
<i>Capital Assets not being depreciated:</i>					
Land	\$ 48,708,606	\$ 4,487,500	\$(5,996,059)	\$ -	\$ 47,200,047
Construction in progress	16,273,769	6,020,717	-	(9,694,348)	12,600,138
<i>Capital Assets being depreciated:</i>					
General plant and equipment	1,683,692	279,333	(50,708)	-	1,912,317
Source of supply	4,834,508	-	-	-	4,834,508
Transmission and distribution	26,859,137	-	-	9,694,348	36,553,485
Intangible assets	446,972	-	-	-	446,972
	<u>\$ 98,806,684</u>	<u>\$ 10,787,550</u>	<u>\$(6,046,767)</u>	<u>\$ -</u>	<u>\$ 103,547,467</u>

<i>Accumulated Depreciation</i>					
	<u><i>Balance</i></u>	<u><i>Depreciation</i></u>	<u><i>Retirements</i></u>	<u><i>Reclass/ Transfers</i></u>	<u><i>Balance</i></u>
	<u><i>12/31/18</i></u>	<u><i>Expense</i></u>			<u><i>12/31/19</i></u>
General plant and equipment	\$ 925,295	\$ 170,716	\$ (41,412)	\$ -	\$ 1,054,599
Source of supply	1,515,707	116,316	-	-	1,632,023
Transmission and distribution	3,228,368	884,933	-	-	4,113,301
Intangible assets	444,101	1,696	-	-	445,797
	<u>\$ 6,113,471</u>	<u>\$ 1,173,661</u>	<u>\$ (41,412)</u>	<u>\$ -</u>	<u>\$ 7,245,720</u>

Notes to Financial Statements

Note 4. Long-Term Debt

Long-term debt at December 31, 2020 and 2019 was as follows:

	2020	2019
2020A Revenue Bonds, interest rates vary between 2.25% - 5%, collateralized by future net revenues, payable in annual principal and semi-annual interest payments, due December 2042 (proceeds were used to refinance prior certificates of participation)	\$ 25,695,000	\$ -
2020B Revenue Bonds, interest rates vary between .643% - 3.185%, collateralized by future net revenues, payable in annual principal payments and semi-annual interest payments, due December 2043 (proceeds were used to refinance prior certificates of participation)	28,715,000	-
McCaslin note payable, 4%, collateralized by land, payable in semi-annual principal payments and semi-annual interest payments, due July 2025.	2,386,000	-
2010 Certificates of Participation, interest rates vary between 3% - 4.125%, collateralized by future net revenues, payable in annual principal payments and semi-annual interest payments, paid in full (proceeds were used for construction of groundwater recharge project)	-	8,315,000
2011 Certificates of Participation, interest rates vary between 2.75% - 5%, collateralized by future net revenues, payable in annual principal payments and semi-annual interest payments, paid in full (proceeds were used for construction of groundwater recharge project)	-	13,765,000

Notes to Financial Statements

	2020	2019
2013 Certificates of Participation, interest rates vary between 2% - 5%, collateralized by future net revenues, payable in annual principal payments and semi-annual interest payments, paid in full (proceeds were used for construction of groundwater recharge project)	\$ -	\$ 26,290,000
2018A Certificates of Participation, 3.59%, collateralized by future net revenues, payable in annual principal payments and semi-annual interest payments, paid in full (proceeds were used for construction of groundwater recharge project)	-	6,635,000
2018B Certificates of Participation, 4.06%, collateralized by future net revenues, payable in annual principal payments and semi-annual interest payments, paid in full (proceeds were used for construction of groundwater recharge project)	-	74,000
	56,796,000	55,079,000
Plus premiums, net of accumulated amortization	3,055,324	579,362
Less current maturities	3,166,709	3,629,000
Long term debt, plus premiums and less current maturities	\$ 56,684,615	\$ 52,029,362

Notes to Financial Statements

The following is a summary of the long-term debt transactions for the years ended December 31, 2020 and 2019:

	<u>Payable</u> <u>12/31/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>Payable</u> <u>12/31/20</u>	<u>Due within</u> <u>One Year</u>
Revenue Bonds	\$ -	\$ 54,410,000	\$ -	\$ 54,410,000	\$ 2,730,000
Certificates of Participation	55,079,000	-	(55,079,000)	-	-
Other term debt	-	2,386,000	-	2,386,000	436,709
	<u>\$ 55,079,000</u>	<u>\$ 56,796,000</u>	<u>\$ (55,079,000)</u>	<u>\$ 56,796,000</u>	<u>\$ 3,166,709</u>
	<u>Payable</u> <u>12/31/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Payable</u> <u>12/31/19</u>	<u>Due within</u> <u>One Year</u>
Certificates of Participation	\$ 59,615,000	\$ -	\$ (4,536,000)	\$ 55,079,000	\$ 3,629,000

The annual requirements to amortize all debt outstanding as of December 31, 2020 are as follows:

<u>Years Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2021	\$ 3,166,709	\$ 1,297,008	\$ 4,463,717
2022	2,813,765	1,641,193	4,454,958
2023	2,917,299	1,545,492	4,462,791
2024	3,016,582	1,443,667	4,460,249
2025	3,131,645	1,335,349	4,466,994
2026-2030	11,425,000	5,280,904	16,705,904
2031-2035	11,200,000	3,530,351	14,730,351
2036-2040	12,835,000	1,896,314	14,731,314
2041-2043	6,290,000	269,322	6,559,322
	<u>\$ 56,796,000</u>	<u>\$ 18,239,600</u>	<u>\$ 75,035,600</u>

Note 5. Retirement Plans

CalPERS

Plan description:

The District participates in the Public Agency portion of the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California through the Miscellaneous Plan of the Rosedale Rio-Bravo Water Storage District ("Plan"). All employees hired after January 1, 2013 are placed in the PEPRA Miscellaneous Plan of the Rosedale Rio-Bravo Water Storage District ("PEPRA"),

Notes to Financial Statements

which is a sub-component of the Miscellaneous Plan. The Plan is a cost-sharing multiple-employer defined benefit plan. All qualified permanent and probationary employees are eligible to participate in the District’s Plan. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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. The Plan’s provisions and benefits in effect at June 30, 2020, are summarized as follows:

	<u>Miscellaneous</u>	<u>PEPRA</u>
Benefit formula	3% @ 60	2% @ 62
Benefit vesting schedule	5 yrs service	5 yrs service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
2020		
Required employee contribution rates	8%	6.75%
Required employer contribution rates	15.445%	7.732%
2019		
Required employee contribution rates	8%	6.75%
Required employer contribution rates	14.398%	6.985%

Contributions:

Section 20814(c) of the California Public Employees’ Retirement Law required that the employer contribution rates for all public employers be 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 all Plans 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

Notes to Financial Statements

required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the years ended December 31, 2020 and 2019, the employer and employee contributions to the Plan were as follows:

	<i>2020</i>	<i>2019</i>
Contributions - employer	\$ 171,409	\$ 148,839
Contributions - employee	76,276	69,181
	\$ 247,685	\$ 218,020

Pension liabilities, pension expense and pension deferred outflows/inflows of resources:

As of December 31, 2020 and 2019, the District reported net pension liabilities for its proportionate share of the net pension liability of \$884,470 and \$792,671.

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 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 plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2020 and 2019 is as follows.

Proportion - June 30, 2019	0.0198%
Proportion - June 30, 2020	0.0209%
Change - Increase (Decrease)	0.0011%
Proportion - June 30, 2018	0.0188%
Proportion - June 30, 2019	0.0198%
Change - Increase (Decrease)	0.0010%

Notes to Financial Statements

For the years ended December 31, 2020 and 2019, the District recognized pension expense of \$267,515 and \$228,659. At December 31, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>2020</u>	<u><i>Deferred Outflows of Resources</i></u>	<u><i>Deferred Inflows of Resources</i></u>
Pension contributions subsequent to measurement date	\$ 76,088	\$ -
Difference between expected and actual experience	44,822	-
Change in assumptions	-	(6,204)
Net difference between projected and actual earnings on plan investments	25,838	-
	<u>\$ 146,748</u>	<u>\$ (6,204)</u>
<u>2019</u>	<u><i>Deferred Outflows of Resources</i></u>	<u><i>Deferred Inflows of Resources</i></u>
Pension contributions subsequent to measurement date	\$ 73,459	\$ -
Difference between expected and actual experience	-	(4,641)
Difference between expected and actual experience	59,909	-
Change in assumptions	-	(14,581)
Change in assumptions	41,131	-
Net difference between projected and actual earnings on plan investments	-	(15,080)
	<u>\$ 174,499</u>	<u>\$ (34,302)</u>

The \$76,088 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized as pension expense as follows:

<u><i>Years ending June 30,</i></u>	
2021	\$ 9,966
2022	23,428
2023	18,669
2024	12,393
	<u>\$ 64,456</u>

Notes to Financial Statements

Actuarial Assumptions:

The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

	<u><i>Miscellaneous</i></u>	<u><i>PEPRA</i></u>
Valuation date	June 30, 2019	June 30, 2019
Measurement date	June 30, 2020	June 30, 2020
Actuarial cost method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	Varies by entry age and service	
Investment Rate of Return	7.15%	7.15%
Mortality	*	*

* Derived using CalPERS membership data for all funds

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2019 valuation were based on the results of a December 2017 actuarial experience study for the period 1997-2015. Further details on the Experience Study can be found on the CalPERS website.

The discount rate used to measure the total pension liability is 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees' Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website.

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 are developed for each major class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11+ 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

Notes to Financial Statements

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 adjusted to account for assumed administrative expenses.

The table below reflects the long-term expected real rate of return by asset class for the Plan. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<i>Asset Class</i>	<i>New Strategic Allocation</i>	<i>Real Return Years 1 - 10</i>	<i>Real Return Years 11+</i>
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Estate	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%

Sensitivity of the District’s proportionate share of the net pension liability:

The following presents the District’s proportionate share of the net pension liability using the discount rate of 7.15%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

1% Decrease	6.15%
Net Pension Liability	\$ 1,412,426
Current Discount Rate	7.15%
Net Pension Liability	\$ 884,470
1% Increase	8.15%
Net Pension Liability	\$ 448,236

Notes to Financial Statements

OPEB

Plan description:

The District's postretirement plan is a single-employer defined benefit plan administered by the District. The Plan provides medical insurance to retired employees and their spouses when certain eligibility requirements are met. The benefit provisions are established and approved by the Board of Directors. The Plan does not issue a stand-alone report and is not included in the report of another entity. Funding by the District is on a pay-as-you-go basis. Plan members do not contribute to the Plan. No assets have been segregated and restricted to provide postemployment benefits.

Plan membership:

As of December 31, 2020, the Plan measurement date, the plan membership is as follows:

Inactive employees currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
Active employees	15
	<hr/>
	<u>15</u>

Benefits provided:

The Plan provides medical insurance premium benefits for retirees and their spouses, if the retiree pays the spouse's full premium. The benefit terms provide for the full amount of post-retirement medical premiums for employees who retire directly from the District under CalPERS through the age of 65.

Total OPEB liability:

The District's total OPEB liability at December 31, 2020 and 2019 was \$235,579 and \$239,570, respectively and was measured at December 31, 2020 and 2019 and was determined by an actuarial valuation date of December 31, 2020 and 2019, respectively.

Notes to Financial Statements

Actuarial assumptions and inputs:

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method:	Entry age normal cost method
Inflation:	2.75%
Salary increases:	3% Annually
Healthcare cost trend rates:	Non-Medicare - 7% for 2022, decreasing to an ultimate rate of 4% in 2076 and later years
Discount Rate:	2.12%
Mortality:	Mortality projected fully generational with Scale MP-2020

The actuarial assumptions used in the December 31, 2020 valuation were based on the CalPERS 1997 – 2015 experience study.

Changes in the total OPEB liability:

	<u>2020</u>	<u>2019</u>
<i>Total OPEB liability, beginning</i>	\$ 239,570	\$ 180,891
Changes for the year:		
Service costs	28,431	23,048
Interest	7,343	8,362
Changes of benefit terms	-	-
Actual vs. expected experience	(52,182)	-
Changes in assumptions	12,417	27,269
Benefits payments	-	-
Net changes	<u>(3,991)</u>	<u>58,679</u>
<i>Total OPEB liability, ending</i>	<u>\$ 235,579</u>	<u>\$ 239,570</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.74% at the measurement date December 31, 2019 to 2.12% at the measurement date December 31, 2020.

Notes to Financial Statements

OPEB expense and deferred outflows and inflows of resources related to OPEB:

For the year ended December 31, 2020 and 2019, the District recognized OPEB expense of \$33,210 and \$33,122. At December 31, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2020	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience	\$ -	\$ 46,571
Changes in assumptions	32,357	7,835
	\$ 32,357	\$ 54,406

2019	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Changes in assumptions	\$ 24,272	\$ 9,120

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense for the measurement period ending as follows:

<i>Years ended December 31,</i>		
2021	\$	(2,564)
2022		(2,564)
2023		(2,564)
2024		(2,564)
2025		(2,564)
Thereafter		(9,229)
	\$	(22,049)

Sensitivity of the total OPEB liability to changes in the discount rate and healthcare cost trend rates:

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

	<i>Discount Rate</i>	<i>Total OPEB Liability</i>
1% decrease	1.12%	\$ 256,566
Current discount rate	2.12%	\$ 235,579
1% increase	3.12%	\$ 215,601

Notes to Financial Statements

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

	<i>Total OPEB Liability</i>
1% decrease - Non-Medicare, 6.5%; Medicare 5.5%	\$ 201,823
Current rate - Non-Medicare, 7.5%; Medicare 6.5%	\$ 235,579
1% increase - Non-Medicare, 8.5%; Medicare 7.5%	\$ 275,163

Note 6. Deferred Revenue, Drought Relief Project

During 2015, the District initiated a number of capital improvement projects, collectively referred to as the Drought Relief Project (the "Project"). The Project includes construction of groundwater recovery wells, spreading ponds, a pumping plant, and pipelines to convey both recharge and recover water to and from the project participants. Project participants include Castaic Lake Water Agency ("Castaic") and Irvine Ranch Water District ("Irvine").

In conjunction with the Project, the District entered into an agreement with both project participants, whereby, the participants will contribute funds to cover certain Project costs in exchange for a right to use the facilities being developed. These contributions will be deferred until completion of the Project, and once completed, the District will recognize revenue annually based on the life of the agreement (20 years). Through the years ended December 31, 2020 and 2019, the participants contributed \$20,611,888 and \$19,155,946 to the District. For the year ended December 31, 2020, the District recognized \$687,063 in amortization of the deferred balance which was included with transfer exchange fees.

Note 7. Transfer and Exchange Fees

The District entered into an agreement with Castaic Lake Water Agency and Buena Vista Water Storage District involving the sale, transfer, recharge, and recovery of water. Under the terms of the agreement, Castaic purchases an annual water supply of 11,000 acre-feet of water (of which the District supplies 9,250 acre-feet). The contract expires December 2036.

The District entered into an agreement with Coachella Valley Water District ("Coachella") involving the sale of water. Under the terms of the agreement, Coachella has the right to purchase up to 16,500 acre-feet of water per year. The contract expires September 2035.

Notes to Financial Statements

Transfer and exchange fees consisted of the following for the year ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Castaic	\$ 6,297,861	\$ 4,715,800
Coachella	4,736,510	4,619,185
Other exchange fees and reimbursements	5,997,416	1,265,887
	<u>\$ 17,031,787</u>	<u>\$ 10,600,872</u>

Note 8. Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets or liabilities; Level 2 inputs are quoted market prices for similar assets or liabilities, quoted market prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities; Level 3 inputs are significant unobservable inputs for assets or liabilities.

The District's US Government and Agency and other corporate securities are measured as Level 1. Both the net pension liability and the OPEB liability are measured as Level 3.

Note 9. Self-Insurance

The District is a member of the Association of California Water Agencies, Joint Powers Insurance Authority (JPIA). JPIA is a group of California Water Districts who have pooled funds to provide self-insurance coverage. The JPIA bills the District a deposit premium at the beginning of each policy year, which is placed in a reserve fund to cover the self-insurance portion of any claim. Settlements and/or expenses related to claims during the year are charged against the reserve. If the balance of the reserve at the end of the year is deemed too low in relation to the amount of outstanding claims, the District is billed for additional premiums. When the claims are fully settled, any amounts remaining in the reserve are refunded to the District. During the current year, there were no significant reductions in coverage.

Note 10. Commitments and Contingencies

Water Banked on Behalf of Others

The District has developed water programs to bank water supplies on behalf of other entities, as well as participating in water exchanges and transfers. These programs take advantage of the District's substantial recharge and spreading facilities. With the exception of power costs and other fee reimbursements associated with recovery of

Notes to Financial Statements

water, the District does not charge for the recharge or recovery of water. Instead, the District receives water in-lieu through a two for one banking program. Total acre feet owed by the District to banking partners as of December 31, 2020 and 2019 amounts to 341,754 acre-feet and 389,431 acre-feet.

Legal:

The District is currently a party to various legal proceedings, some of which are covered by insurance. The amount or range of possible loss, if any, is not reasonably subject to estimation. Notwithstanding the uncertainties associated with litigation, management, including general counsel, currently believe that the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on the District's financial position or cash flows.

Required Supplementary Information

Rosedale-Rio Bravo Water Storage District

**Schedules of the District's Proportionate Share of the
Net Pension Liability (CalPERS)
December 31, 2020
See Independent Auditors' Report**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0209%	0.0198%	0.0188%	0.0190%	0.0187%	0.0193%
District's proportionate share of the net pension liability	\$ 884,470	\$ 792,671	\$ 710,171	\$ 749,163	\$ 650,615	\$ 529,139
District's covered-employee payroll	\$ 1,520,578	\$ 1,277,418	\$ 1,081,145	\$ 1,132,597	\$ 993,952	\$ 909,092
District's proportion of the net pension liability as a percentage of its covered-employee payroll	58.17%	62.05%	65.69%	66.15%	65.46%	58.21%
Plan fiduciary net position as a percentage of the total pension liability	77.33%	79.54%	79.54%	75.11%	75.33%	80.49%

Note 1. GASB Statement No. 68 requires governments to include information from the most recent actuarial valuation and nine separate preceding valuations. As of June 30, 2020 the District has only performed six valuations.

Note 2. The above information was based off of the June 30, 2019 actuarial report for the measurement date June 30, 2020.

Rosedale-Rio Bravo Water Storage District

Schedules of Contributions (CalPERS)

December 31, 2020

See Independent Auditors' Report

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 115,673	\$ 103,212	\$ 94,182	\$ 94,912	\$ 83,891	\$ 98,582
Contributions in relation to the contractually required contribution	<u>(115,673)</u>	<u>(103,212)</u>	<u>(94,182)</u>	<u>(94,912)</u>	<u>(83,891)</u>	<u>(98,582)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,520,578	\$ 1,277,418	\$ 1,081,145	\$ 1,132,597	\$ 993,952	\$ 909,092
Contributions as a percentage of covered-employee payroll	7.61%	8.08%	8.71%	8.38%	8.44%	10.84%

Note 1. GASB Statement No. 68 requires governments to include information from the most recent actuarial valuation and nine separate preceding valuations. As of June 30, 2020, the District has only performed six valuations.

Rosedale-Rio Bravo Water Storage District

**Schedule of Changes in the District's
Total OPEB Liability and Related Ratios
December 31, 2020 and 2019
See Independent Auditors' Report**

Total OPEB liability	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ 28,431	\$ 23,048	\$ 24,433
Interest	7,343	8,362	6,404
Assumption changes	12,417	27,269	(11,690)
Actual vs. expected experience	<u>(52,182)</u>	<u>-</u>	<u>-</u>
Net change in total OPEB Liability	(3,991)	58,679	\$ 19,147
Total OPEB liability, beginning	<u>239,570</u>	<u>180,891</u>	<u>161,744</u>
Total OPEB liability, ending	<u><u>\$ 235,579</u></u>	<u><u>\$ 239,570</u></u>	<u><u>\$ 180,891</u></u>
Covered employee payroll	\$ 1,520,578	\$ 1,277,418	\$ 1,081,145
Total OPEB liability as a percentage of covered payroll	15%	19%	17%

Note 1. The total OPEB liability amount presented for each fiscal year was determined as of the fiscal year-end. No assets have been accumulated in a trust that meets the criteria in GASB No. 75, Paragraph 4, to pay related benefits. GASB Statement No. 75 requires governments to include information from the most recent actuarial valuation and nine separate preceding valuations. As of December 31, 2020, the District has only performed three valuations.

Note 2. The total OPEB liability amount was determined by an actuarial valuation as of December 31, 2020, the measurement date. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified.

Actuarial cost method:	Entry age normal cost method
Inflation:	2.75%
Salary increases:	3% Annually
Healthcare cost trend rates:	Non-Medicare - 7% for 2022, decreasing to an ultimate rate of 4% in 2076 and later years Medicare - 6.5% for 2020, decreasing to an ultimate rate of 4% in 2076 and later years
Discount Rate:	2.12%
Mortality:	Mortality projected fully generational with Scale MP-2020

Rosedale-Rio Bravo Water Storage District

***Schedule of Operating Income to Debt Service Ratio
For the Years Ended December 31, 2020 and 2019***

	<u>2020</u>	<u>2019</u>
<i>Operating revenues:</i>	\$ 19,976,519	\$ 13,551,413
<i>Operating expenses (less depreciation expense):</i>	<u>16,921,959</u>	<u>14,824,515</u>
	<u>\$ 3,054,560</u>	<u>\$ (1,273,102)</u>
<i>Debt Service Payments</i>	\$ 4,180,345	\$ 7,240,220
<i>Ratio of Operating Income to Debt Service Payments</i>	73%	-18%