

DESERT WATER



**FINANCIAL REPORT
JUNE 30, 2021**

DESERT WATER AGENCY
CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 – 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 – 21
BASIC FINANCIAL STATEMENTS	
Statements of Net Position	22 – 23
Statements of Revenues, Expenses, and Changes in Net Position	24 – 25
Statements of Cash Flows	26 – 27
Notes to Financial Statements	28 – 62
REQUIRED SUPPLEMENTARY INFORMATION	
Required Supplementary Information	63 – 64
Organizational Information	65 – 66
OTHER INFORMATION	
Schedule of Board of Directors and Insurance Coverage -	67 – 68

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Desert Water Agency
Palm Springs, California

Report on the Financial Statements

We have audited the accompanying basic financial statements of Desert Water Agency (the Agency) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the State Controller's minimum audit requirements for California Special Districts. Those standards require that we plan and perform the audits 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 auditors' 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 Agency'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 Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Desert Water Agency as of June 30, 2021 and 2020, and the changes in its financial position and its 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, and information related to the pension and other postemployment benefits plans (OPEB) on pages 3 through 21 and 63 through 64, respectively, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the basic financial statements. The accompanying supplementary information on pages 63 through 66 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The organizational information on pages 66 and 66 and the schedule of board of directors and insurance coverage on pages 67 and 68 have not been subjected to auditing procedures applied in the audits of the basic financial statements and; accordingly, we do not express opinions or provide any assurance on them.

Singer Lewak LLP

December 16, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

DESERT WATER AGENCY MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Desert Water Agency's (the Agency) financial performance provides an overview of the Agency's financial activities for the year ended June 30, 2021. Please read it in conjunction with the Agency's financial statements which begin on page 23.

Financial Highlights

- The Agency's net position increased \$37.6 million or 11.2 percent as a result of the year's operations.
- Total assets increased \$36.9 million mainly due to a \$33.6 million increase in investments.
- Deferred outflows and inflows of resources were recorded for Pension and OPEB this year. Deferred outflows increased \$2.8 million while deferred inflows decreased \$2.1 million.
- Current year operating revenues increased \$3.1 million or 7.5 percent while operating expenses decreased by \$3.0 million or 6.3 percent, which produced a decrease in the net operating loss of 113.4%.
- The decrease in operating expenses is mainly due to a \$4.9 million decrease in source of supply expense, a \$0.7 million increase in pumping, a \$0.4 million increase in depreciation and amortization expense, and a \$0.5 million increase in administration and general expense.
- Capital contributions decreased \$0.7 million mainly due to a decrease in new and/or existing developer projects completed in the Agency's service area.
- Total operating and non-operating revenues for the year were a combined \$81.8 million and total expenses were \$45.1 million.
- Non-operating revenues decreased \$0.7 million.
- Other current assets decreased \$0.5 million.
- See accompanying charts for revenue and expense details, as well as capital expenditures.

Using This Annual Report

This annual report consists of a series of financial statements. The statements of net position and statements of revenues, expenses, and changes in net position (on pages 22 through 25) provide information about the activities of the Agency as a whole and present a longer-term view of the Agency's finances.

Reporting the Agency as a Whole

Our analysis of the Agency as a whole begins on page 4. One of the most important questions asked about the Agency's finances is, "Is the Agency as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses, and changes in net position report information about the Agency as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities 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 cash is received or paid.

DESERT WATER AGENCY MANAGEMENT'S DISCUSSION AND ANALYSIS

These two statements report the Agency's net position and changes in them. You can think of the Agency's net position - the difference between assets and liabilities - as one way to measure the Agency's financial health or financial position. Over time, increases or decreases in the Agency's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, such as changes in the Agency's property tax base and the condition of the Agency's water facilities, to assess the overall health of the Agency.

The Agency reports in the statement of net position and the statement of revenues, expenses, and changes in net position one type of activity for the water service it provides. All Agency activities are reported in these statements.

The Agency as a Whole

The Agency's net position increased to \$373.4 million from \$335.8 million. Our analysis below focuses on the net position (Table 1) and the changes in net position (Table 2) of the Agency's activities.

**Table 1
Net Position
(in Millions)**

	June 30,	
	2021	2020
Current and other assets	\$ 230.9	\$ 200.3
Capital assets	209.4	203.1
Total assets	440.3	403.4
Deferred outflows of resources	11.3	8.5
Total assets and deferred outflows of resources	\$ 451.7	\$ 411.9
Long-term liabilities	\$ 67.5	\$ 63.5
Other liabilities	6.7	6.4
Total liabilities	74.2	69.9
Deferred inflows of resources	4.1	6.2
Net position		
Invested in capital assets, net of related debt	191.6	184.4
Restricted (State Water Project)	72.1	80.8
Unrestricted	109.7	70.6
Total net position	373.4	335.8
Total liabilities, deferred inflows of resources, and net position	\$ 451.7	\$ 411.9

The net position increased by \$37.6 million. The unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased by \$39.0 million.

**DESERT WATER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Table 2
Changes in Net Position
(in Millions)**

	June 30,	
	2021	2020
Operating revenues	\$ 45.0	\$ 41.9
Operating expenses	44.3	47.3
Operating revenue (loss)	0.7	(5.4)
Nonoperating revenues and expenses, net	36.0	36.8
Capital contributions	0.9	1.6
 Changes in net position	\$ 37.6	\$ 33.0

The Agency's operating revenues increased 7.5 percent and operating expenses decreased 6.3 percent. The factors driving these results include:

- Water sales revenue increased \$3.2 million or 8.4% due to increased water consumption as a result of the COVID-19 pandemic.
- The source of supply expenses decreased \$4.9 million mainly due to decreased Variable costs for the State Water Project as a result of decreased water deliveries.
- Pumping expenses increased \$0.7 million mainly due to increased power costs.
- General and administrative expenses increased 4.2 percent mainly due to increased medical other employment benefit related expenses.
- Nonoperating revenues decreased 1.9 percent mainly due to an increase in property tax revenue in conjunction with an unrealized loss on investments of \$2.1 million.
- Capital contributions decreased \$0.7 million as a result of a decrease in new and/or existing developer projects completed in the Agency's service area.
- The Agency had 23,170 active water services at June 30, 2021. This represents a net increase of 316 active meters during the year.

**DESERT WATER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Capital Asset and Debt Administration

Capital Assets

At June 30, 2021, the Agency had \$465.6 invested in a broad range of capital assets and construction in progress, including land, water transportation facilities, water storage facilities, water treatment facilities, reclamation facilities, water rights, water buildings, and equipment (see Table 3 below). This amount represents a net increase (including additions and deductions) of \$13.4 million or 3.0 percent over last year.

**Table 3
Capital Assets at Year End
(in Millions)**

	June 30,	
	2021	2020
State Water Project	\$ 126.8	\$ 121.2
Mains	108.9	106.5
Wells, intakes, pumps	25.8	25.5
Water reclamation	29.6	29.6
Water transportation facilities	25.6	23.6
Wastewater transportation facilities	23.0	22.8
Hydro-electric plants	5.1	7.1
Water treatment	3.1	3.0
Services	21.6	19.9
Meters	6.9	6.3
Fire service and hydrants	17.2	16.7
Reservoirs	17.7	17.6
Structures and improvements	21.7	18.2
Building	4.1	4.1
Equipment	12.5	12.1
Land	12.1	12.1
Construction in progress	3.9	5.9
Accumulated depreciation	(256.2)	(249.1)
	\$ 209.4	\$ 203.1

This year's major additions included:
 \$5.6 million increase in State Water Project.
 \$2.4 million increase in mains.
 \$2.0 million increase in transportation
 \$1.7 million increase in services.
 \$0.6 million increase meters.
 \$3.5 million increase in structures and improvements
 \$2.0 million decrease in construction in progress

Additional information regarding capital assets is provided in Note 5 of the Notes to the Financial Statements.

DESERT WATER AGENCY MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt

Long-term debt consists of Water Revenue Advanced Refunding Bonds ("WRARB") debt issue, accrued vacation, and other employee benefits at June 30, 2021.

Water Revenue Refunding Bonds, Series 2016

Table 4
Water Revenue Advanced Refunding Bonds

Total Water Revenue Advanced Refunding Bonds issued June 29, 2016	\$ 19,720,000
Principal debt repayment in prior years	(2,780,000)
Principal debt repayment in current year	<u>(720,000)</u>
Water Revenue Advanced Refunding Bonds outstanding June 30, 2021	<u>\$ 16,220,000</u>

The liability for employee benefits relates to the Agency's current employees' unused vacation and attendance bonus plan ("ABP") time and other postemployment benefits ("OPEB"). The \$34,697,479 liability represents the total recorded amount due to current and retired employees at June 30, 2021.

Factors Bearing on the Agency's Future

The Agency has participated (along with Coachella Valley Water District, Metropolitan Water District, and San Geronio Pass Water Agency) in a partnership studying a potential desert aqueduct connection to the State Water Project. This potential connection remains an option to enable delivery and storage of water in the local groundwater basins.

The Department of Water Resources is in the final stages of creating a plan to address the Delta Conveyance Project and the aging and unreliable levees in the Delta. This plan will directly affect the state water contractors and the costs associated with the State Water Project.

The State Water Contractors and the Department of Water Resources are actively engaged in the State Water Project contract extension negotiations. The current contract expires in 2035 and both parties are working on extending the contract.

The Agency is participating in planning efforts for the Sites Reservoir Project along with many agricultural and municipal water providers throughout the State. The Agency is pursuing this project in order to meet its projected future increased water demands and promote water quality and environmental improvements in the Sacramento San Joaquin Delta. The Agency will be working with DWR to incorporate the construction costs for this project on its State Water Project statement of charges.

DESERT WATER AGENCY MANAGEMENT'S DISCUSSION AND ANALYSIS

It is important to recognize the potential desert aqueduct connection, the Delta Conveyance Project, the SWP contract extension and Sites Reservoir Project, as they will have a major financial impact on the Agency and its operations. Not only do the aqueduct connection, Delta conveyance project, SWP contract extension, and Sites Reservoir Project, constitute major financial transactions, but the potential financial obligations associated with the transactions are significant, thus impacting the financial statements and operations of the Agency.

Economic Factors and Next Year's Budget and Rates

The Agency's taxable assessed value (TAV) for 2020/2021 increased by \$1.8 Billion (8.7%) over the 2019/2020 taxable assessed value. This growth rate was up from the TAV increase of 5.6% in 2019/2020. Over the past ten years, taxable assessed valuations have increased 5.4% per year on average.

The Board approved a 9.6% volumetric rate increase, effective January 1, 2022. This rate increase, originally planned for July 2020, was postponed due to the COVID-19 pandemic. This adjustment is the last of five planned increases approved by the Board in the 2016 to cover increased costs to import water and replace aging pipeline. This increase will increase fixed revenues up to 30% as a significant portion of the Agency's costs are fixed; such as maintenance, system operations, labor, benefits and administrative costs. The Agency has and will continue to provide the best possible service and manage these costs to the betterment of the Agency's customers.

The Agency continues an aggressive capital improvement and planned maintenance project program, according to the Agency's General plan, in order to address the Agency's aging infrastructure.

The current drought and likely mandatory conservation measures will have a negative impact on water revenues. In order to mitigate this risk, if necessary, the Board may elect to impose the Agency's Drought Rate in order to increase water revenues to meet operational needs. This, in conjunction with reserves, provides a solid financial position for the Agency.

**DESERT WATER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Contacting the Agency's Financial Management

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director's Office at: Desert Water Agency, 1200 Gene Autry Trail South, Palm Springs, California.

<u>Account</u>	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>Percent Change</u>
Statements of net position				
Capital assets	\$209,406,040	\$203,064,962	\$ 6,341,078	3.1%
Current and other assets	<u>230,934,975</u>	<u>200,355,290</u>	<u>30,579,685</u>	15.3
Total assets	440,341,015	403,420,252	36,920,763	9.2
Deferred outflows of resources	<u>11,324,251</u>	<u>8,485,311</u>	<u>2,838,940</u>	33.5
Total assets and deferred outflows of resources	<u>\$451,665,266</u>	<u>\$411,905,563</u>	<u>\$ 39,759,703</u>	9.7%
Long-term liabilities	\$ 67,494,891	\$ 63,537,729	\$ 3,957,162	6.2%
Other liabilities	<u>6,712,119</u>	<u>6,438,212</u>	<u>273,907</u>	4.3
Total liabilities	<u>74,207,010</u>	<u>69,975,941</u>	<u>4,231,069</u>	6.0
Deferred inflows of resources	<u>4,054,739</u>	<u>6,162,794</u>	<u>(2,108,055)</u>	(34.2)
Net position				
Invested in capital assets, net of related debt	191,606,484	184,408,537	7,197,947	3.9
Restricted (State Water Project)	72,127,998	80,762,543	(8,634,545)	(10.7)
Unrestricted	<u>109,669,035</u>	<u>70,595,748</u>	<u>39,073,287</u>	55.3
Total net position	<u>373,403,517</u>	<u>335,766,828</u>	<u>37,636,689</u>	11.2
Total liabilities, deferred inflows of resources, and net position	<u>\$451,665,266</u>	<u>\$411,905,563</u>	<u>\$ 39,759,703</u>	9.7%

**DESERT WATER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

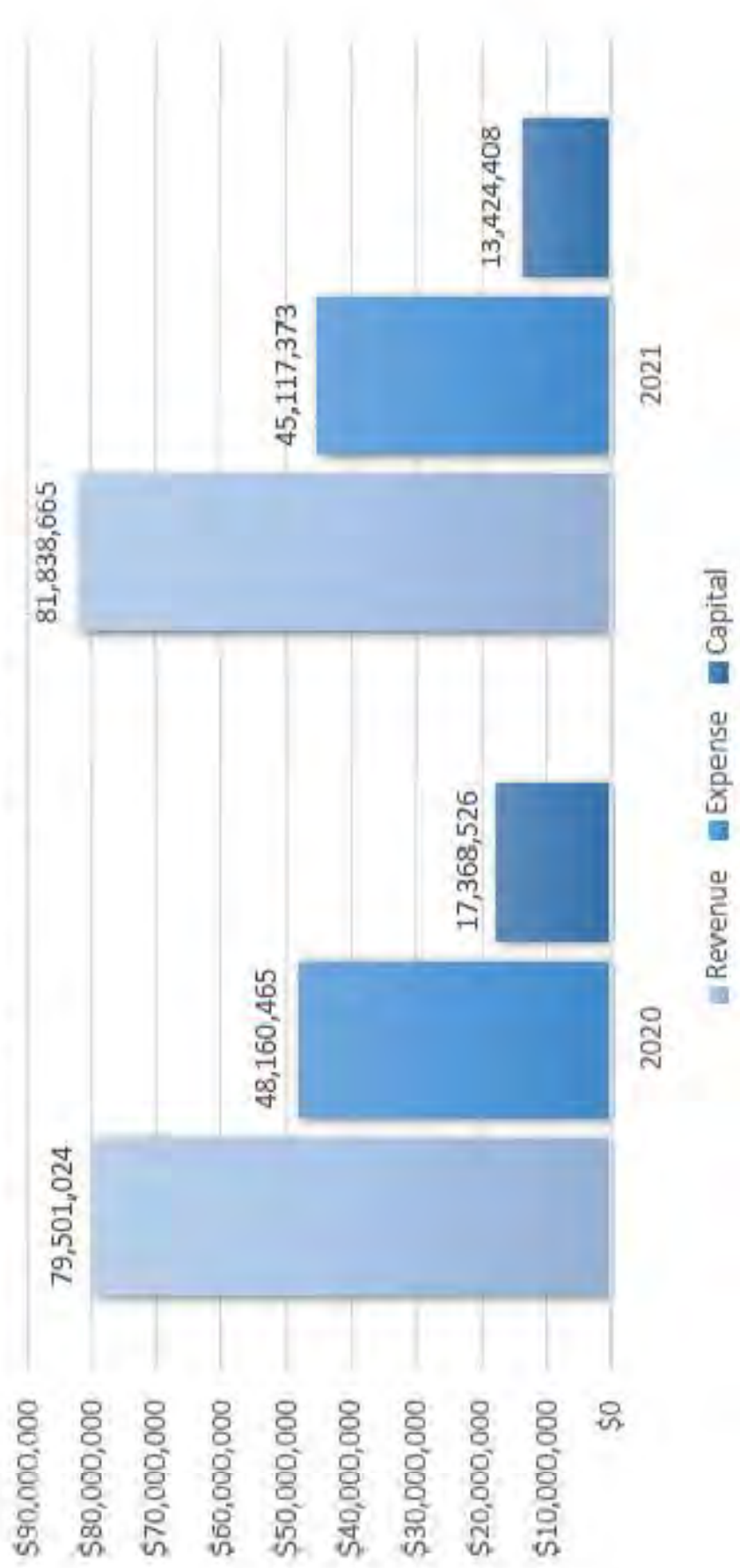
<u>Account</u>	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>Percent Change</u>
Statements of revenues, expenses, and changes in net position				
Operating revenues	\$ 45,001,732	\$ 41,865,290	\$ 3,136,442	7.5%
Operating expenses	<u>(44,278,266)</u>	<u>(47,251,695)</u>	<u>2,973,429</u>	(6.3)
Operating income (loss)	723,466	(5,386,405)	6,109,871	(113.4)
Nonoperating revenues	36,836,934	37,545,103	(708,169)	(1.9)
Nonoperating expenses	(839,757)	(818,140)	(21,617)	2.6
Capital contributions	<u>916,046</u>	<u>1,628,723</u>	<u>(712,677)</u>	(43.8)
Change in net position	37,636,689	32,969,281	4,667,408	14.2
Beginning net position	<u>335,766,828</u>	<u>302,797,547</u>	<u>32,969,281</u>	10.9
Ending net position	<u>\$373,403,517</u>	<u>\$335,766,828</u>	<u>\$ 37,636,689</u>	11.2%

	<u>2020 to 2021</u>	<u>2019 to 2020</u>
Change in net position – invested in capital assets, net of related debt	\$ 7,197,947	\$ 11,079,081
Percent change in net position – invested in capital assets, net of related debt	3.9%	6.4%
Change in net position – unrestricted	\$ 39,073,287	\$ (15,199,526)
Percent change in net position – unrestricted	55.3%	(17.7)%

DESERT WATER AGENCY

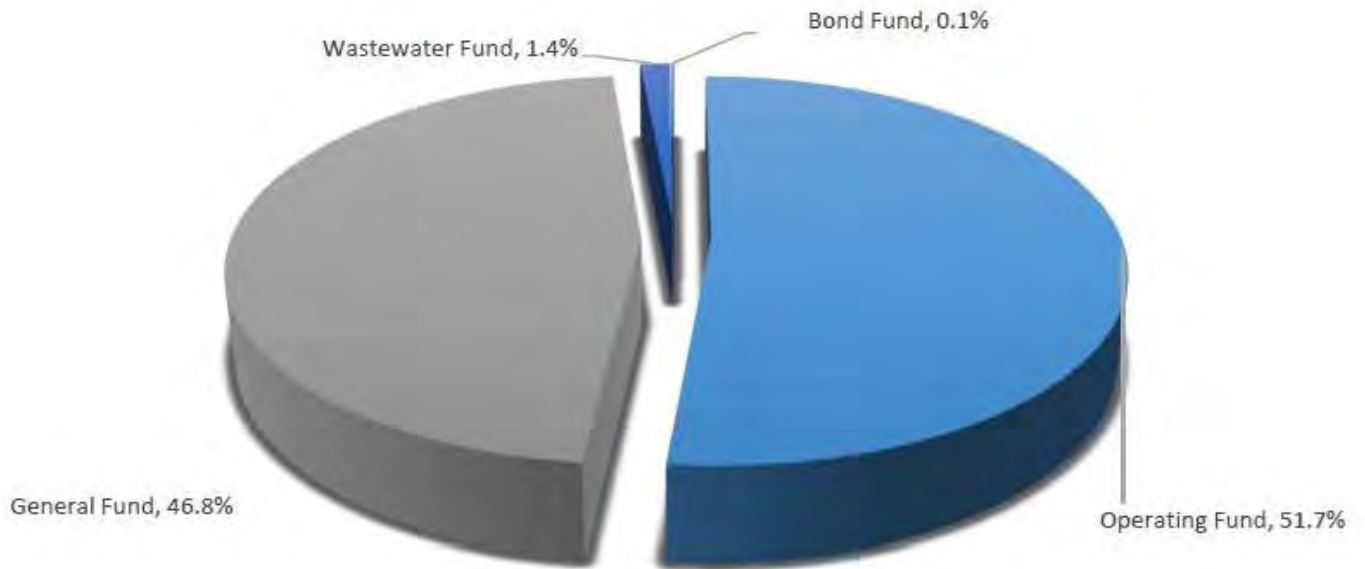
Comparison of Fiscal Year Ended June 30

Revenue, Expense & Capital Expenditures



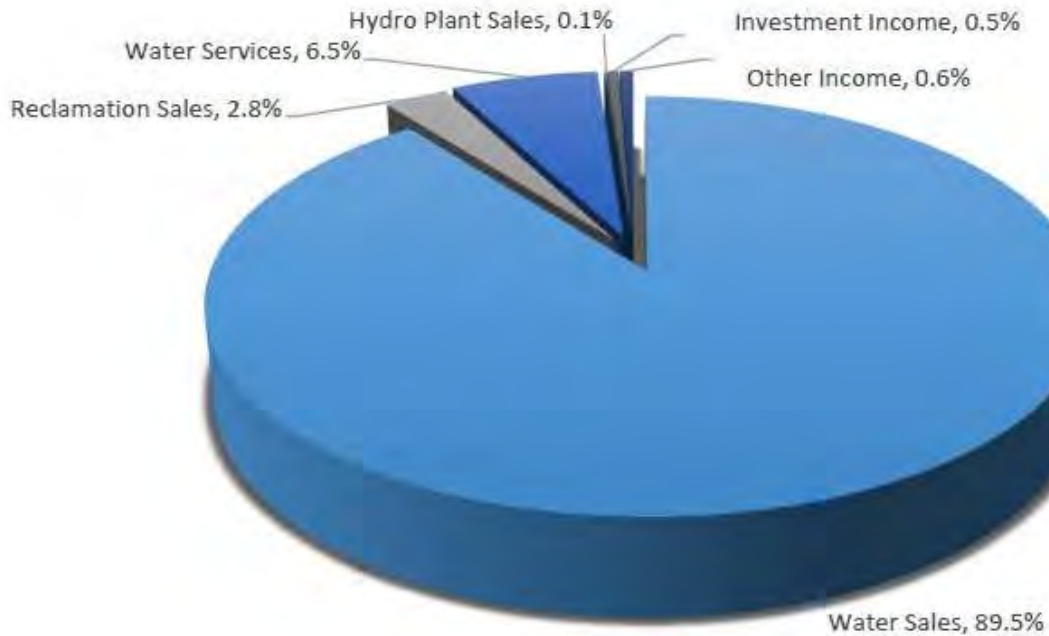
**DESERT WATER AGENCY
SOURCE OF REVENUES
FISCAL YEAR 2020 - 2021**

Fund Type	Amount	%
Operating Fund	\$ 42,278,219	51.7%
General Fund	\$ 38,297,014	46.8%
Wastewater Fund	\$ 1,162,210	1.4%
Bond Fund	\$ 101,222	0.1%
TOTAL	\$ 81,838,665	100.0%



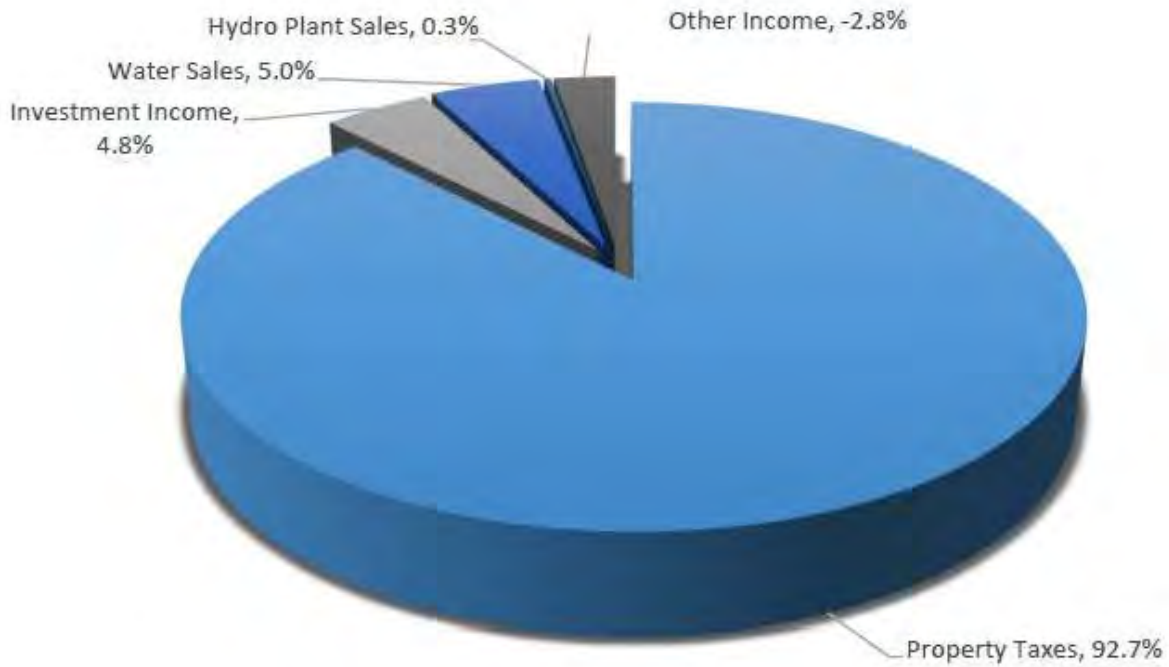
**DESERT WATER AGENCY
OPERATING FUND REVENUES
FISCAL YEAR 2020 - 2021**

Revenue Source	Amount	%
Water Sales	\$ 37,855,469	89.5%
Reclamation Sales	\$ 1,182,864	2.8%
Water Services	\$ 2,756,922	6.5%
Hydro Plant Sales	\$ 23,184	0.1%
Investment Income	\$ 209,825	0.5%
Other Income	\$ 249,955	0.6%
TOTAL	\$ 42,278,219	100.0%



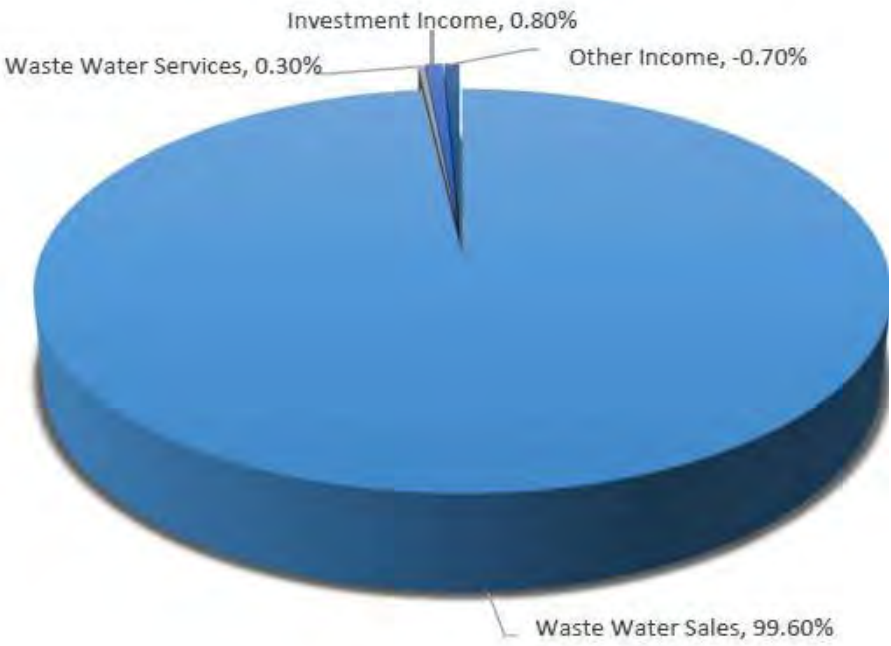
**DESERT WATER AGENCY
GENERAL FUND REVENUES
FISCAL YEAR 2020 - 2021**

Revenue Source	Amount	%
Property Taxes	\$ 35,499,281	92.7%
Investment Income	\$ 1,823,860	4.8%
Water Sales	\$ 1,925,181	5.0%
Hydro Plant Sales	\$ 98,122	0.3%
Other Income	\$ (1,049,430)	-2.8%
TOTAL	\$ 38,297,014	100.0%



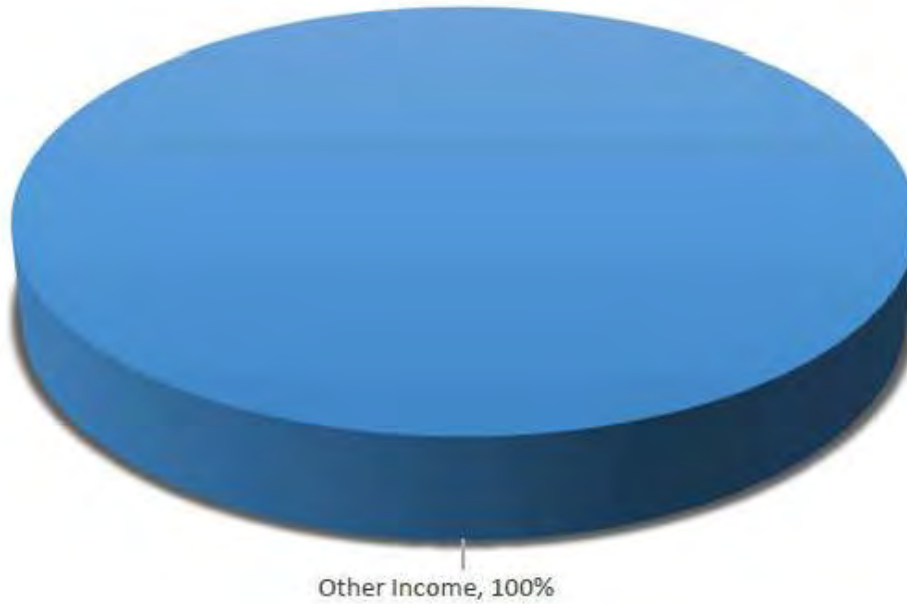
**DESERT WATER AGENCY
WASTEWATER FUND REVENUES
FISCAL YEAR 2020 - 2021**

Revenue Source	Amount	%
Waste Water Sales	\$ 1,157,050	99.60%
Waste Water Services	\$ 2,940	0.30%
Investment Income	\$ 9,050	0.80%
Other Income	\$ (6,830)	-0.70%
TOTAL	\$ 1,162,210	100.0%



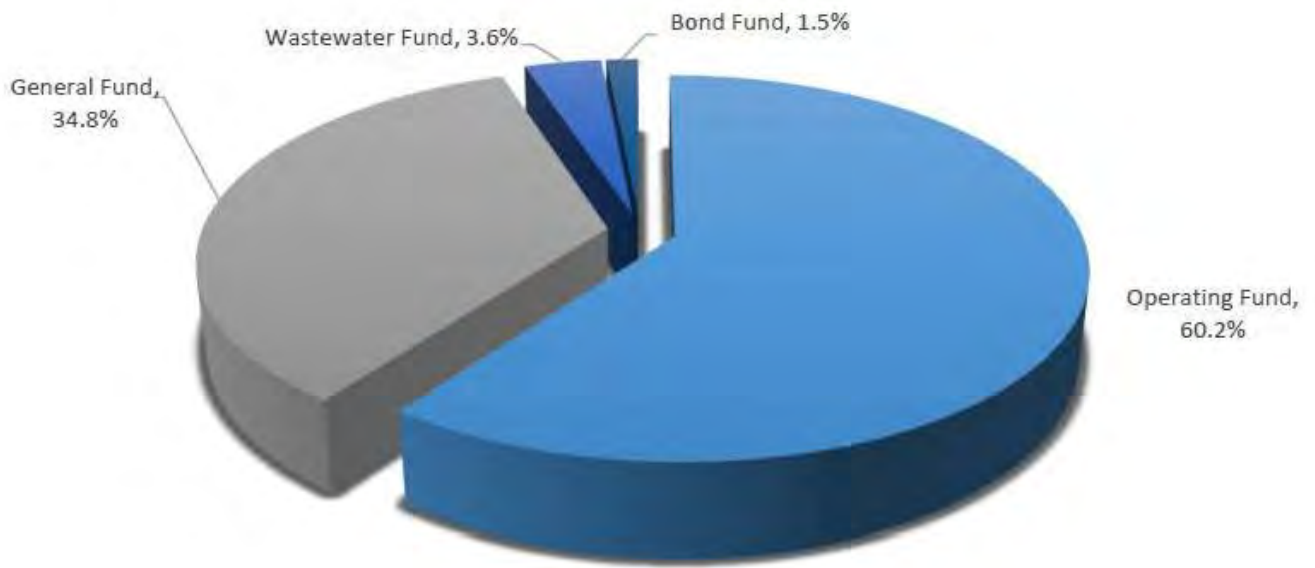
*DESERT WATER AGENCY
BOND FUND REVENUES
FISCAL YEAR 2020 - 2021*

Revenue Source	Amount	%
Other Income	\$ 101,221	100.0%
Investment Income	\$ 1	0.0%
TOTAL	\$ 101,222	100.0%



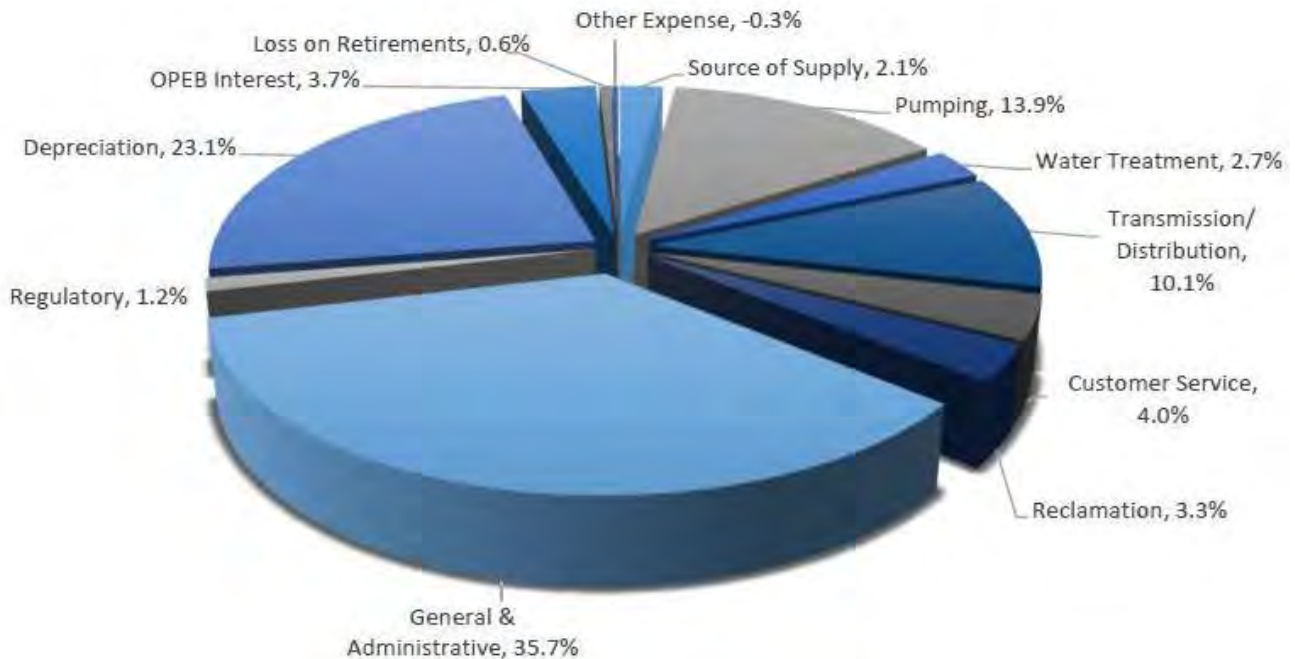
**DESERT WATER AGENCY
EXPENSE ANALYSIS
FISCAL YEAR 2020 - 2021**

Fund Type	Amount	%
Operating Fund	\$ 27,105,343	60.2%
General Fund	\$ 15,686,010	34.8%
Wastewater Fund	\$ 1,633,393	3.6%
Bond Fund	\$ 692,627	1.5%
TOTAL	\$ 45,117,373	100.1%



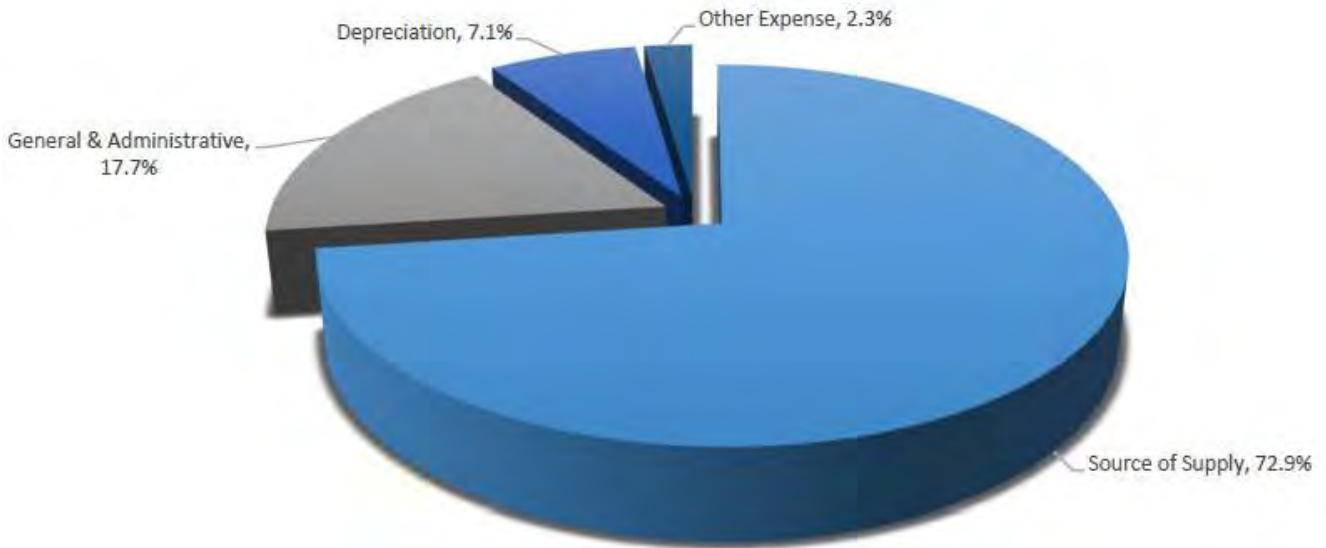
**DESERT WATER AGENCY
OPERATING FUND EXPENSES
FISCAL YEAR 2020 - 2021**

Expense Category	Amount	%
Source of Supply	\$ 573,601	2.1%
Pumping	\$ 3,761,845	13.9%
Water Treatment	\$ 720,936	2.7%
Transmission/Distribution	\$ 2,738,174	10.1%
Customer Service	\$ 1,072,405	4.0%
Reclamation	\$ 885,837	3.3%
General & Administrative	\$ 9,707,008	35.7%
Regulatory	\$ 312,271	1.2%
Depreciation	\$ 6,272,814	23.1%
OPEB Interest	\$ 996,782	3.7%
Loss on Retirements	\$ 149,380	0.6%
Other Expense	\$ (85,710)	-0.3%
TOTAL	\$ 27,105,343	100.1%



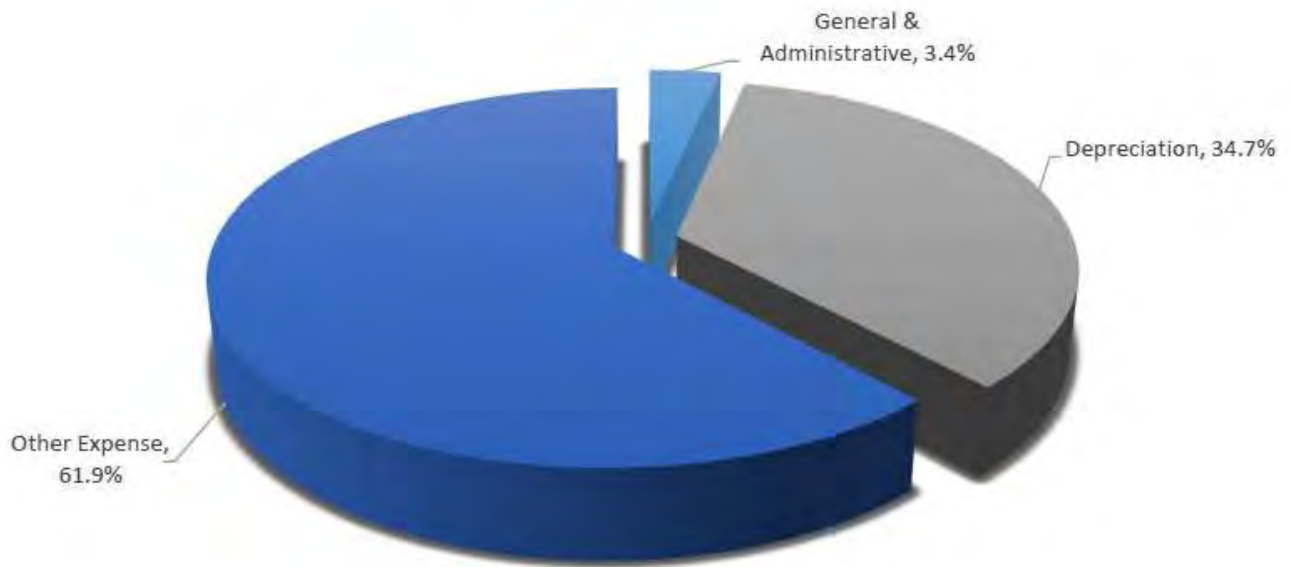
**DESERT WATER AGENCY
GENERAL FUND EXPENSES
FISCAL YEAR 2020 - 2021**

Expense Category	Amount	%
Source of Supply	\$ 11,434,068	72.9%
General & Administrative	\$ 2,780,184	17.7%
Depreciation	\$ 1,118,085	7.1%
Other Expense	\$ 353,673	2.3%
TOTAL	\$ 15,686,010	100.0%



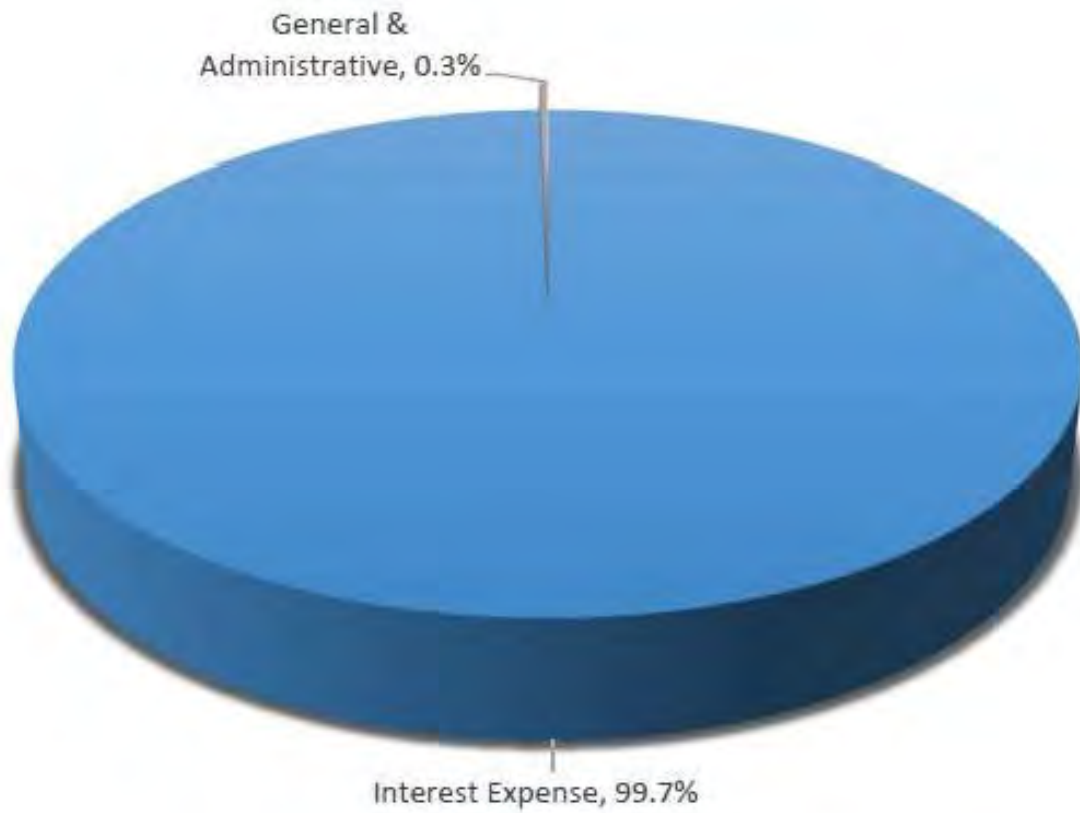
**DESERT WATER AGENCY
WASTEWATER FUND EXPENSES
FISCAL YEAR 2020 - 2021**

Expense Category	Amount	%
General & Administrative	\$ 55,771	3.4%
Depreciation	\$ 567,427	34.7%
Other Expense	\$ 1,010,195	61.9%
TOTAL	\$ 1,633,393	100.0%



**DESERT WATER AGENCY
BOND FUND EXPENSES
FISCAL YEAR 2020 - 2021**

Expense Category	Amount	%
Interest Expense	\$ 690,377	99.7%
General & Administrative	\$ 2,250	0.3%
TOTAL	\$ 692,627	100.0%



BASIC FINANCIAL STATEMENTS

DESERT WATER AGENCY
STATEMENTS OF NET POSITION
JUNE 30, 2021 and 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2021	2020
Current assets		
Cash and cash equivalents	\$ 32,979,029	\$ 27,575,215
Investments	118,054,133	84,415,617
Accounts receivable		
Utility	2,970,762	2,435,708
Property taxes	923,601	905,261
Other governmental agencies	47,018	1,303
Other	345,948	120,159
Inventories	1,297,368	1,331,830
Other current assets	1,114,631	1,606,050
Total current assets	157,732,490	118,391,143
Noncurrent assets		
Restricted cash and cash equivalents	35,572,931	46,974,078
Restricted investments	37,629,554	34,990,069
Capital assets, net	209,406,040	203,064,962
Total noncurrent assets	282,608,525	285,029,109
Total assets	440,341,015	403,420,252
Deferred outflows of resources		
Pension related	5,663,467	5,751,246
Other post employment benefits (OPEB) related	4,574,085	1,574,919
Deferred loss on refunding	1,086,699	1,159,146
Total deferred outflows of resources	11,324,251	8,485,311
Total assets and deferred outflows of resources	\$ 451,665,266	\$ 411,905,563

See notes to financial statements.

DESERT WATER AGENCY
STATEMENTS OF NET POSITION
JUNE 30, 2021 and 2020

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	2021	2020
Current liabilities		
Accounts payable	\$ 3,477,325	\$ 3,081,230
Payable to other governmental agencies	87,802	157,444
Current portion of long-term debt	745,000	720,000
Customer deposits	1,997,925	2,098,603
Other current liabilities	404,067	380,935
Total current liabilities	6,712,119	6,438,212
Long-term liabilities		
OPEB liability	33,237,468	28,314,463
Net pension liability	15,804,090	15,957,880
Other employee benefits payable	1,460,011	1,425,842
Long-term debt, net	16,993,322	17,839,544
Total long-term liabilities	67,494,891	63,537,729
Total liabilities	74,207,010	69,975,941
Deferred inflows of resources		
Pension related	1,304,039	1,586,906
OPEB related	2,750,700	4,575,888
Total deferred inflows of resources	4,054,739	6,162,794
Net position		
Invested in capital assets (including State Water Project costs), net of related debt	191,606,484	184,408,537
Restricted (State Water Project)	72,127,998	80,762,543
Unrestricted	109,669,035	70,595,748
Total net position	373,403,517	335,766,828
Total liabilities, deferred inflows of resources, and net position	\$ 451,665,266	\$ 411,905,563

See notes to financial statements.

DESERT WATER AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended June 30, 2021 and 2020

	2021	2020
Operating revenues		
Water sales	\$ 40,937,700	\$ 37,767,216
Water services	2,759,862	2,189,174
Hydroplant revenues	121,306	165,960
Fines and fees	-	219,125
Reclamation sales/services	1,182,864	1,523,815
Total operating revenues	45,001,732	41,865,290
Operating expenses		
Source of supply	12,007,669	16,868,315
Pumping	3,761,845	3,067,485
Water treatment	720,936	590,144
Transmission and distribution	2,738,174	2,933,593
Customer accounts	1,073,388	1,004,539
Water reclamation	885,837	1,073,028
Regulatory	312,271	330,224
Administration and general	13,541,995	12,993,703
Prior year expense (revenue)	239,861	(73,626)
Other operating expenses	1,027,443	924,795
Depreciation and amortization	7,968,847	7,539,495
Total operating expenses	44,278,266	47,251,695
Operating income (loss)	723,466	(5,386,405)
Nonoperating revenues		
Property taxes	35,499,281	31,979,950
Net investment return	2,206,962	3,454,172
Gain on retirement of capital assets	129,047	60,279
Unrealized gain (loss) on investments	(2,102,024)	1,286,223
Other	1,103,668	764,479
Total nonoperating revenues	36,836,934	37,545,103

See notes to financial statements.

DESERT WATER AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended June 30, 2021 and 2020

	2021	2020
Nonoperating expenses		
Interest expense	690,377	718,363
Losses on retirement of capital assets	149,380	99,777
Total nonoperating expenses	839,757	818,140
Increase in net position, before capital contributions	36,720,643	31,340,558
Capital contributions		
Contributions of property	880,083	1,585,673
Capacity charges	35,963	43,050
Total capital contributions	916,046	1,628,723
Increase in net position	37,636,689	32,969,281
Net position		
Beginning of year	335,766,828	302,797,547
Net position, end of year	\$ 373,403,517	\$ 335,766,828

See notes to financial statements.

DESERT WATER AGENCY
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Cash received from customers	\$ 44,585,915	\$ 41,732,122
Cash paid to suppliers and employees	<u>(36,141,430)</u>	<u>(39,097,993)</u>
Net cash provided by operating activities	<u>8,444,485</u>	<u>2,634,129</u>
Cash flows from noncapital financing activities		
Property taxes	<u>35,480,941</u>	<u>31,748,986</u>
Cash flows from capital and related financing activities		
Purchases of capital assets	(13,617,087)	(16,386,612)
Proceeds from sale of capital assets	166,912	68,704
Principal paid on long-term debt	(720,000)	(695,000)
Interest paid on long-term debt	(622,750)	(650,550)
Capacity charges	35,963	43,050
Other revenue	1,002,447	772,900
Other expenses	<u>(350,812)</u>	<u>117,943</u>
Net cash used in capital and related financing activities	<u>(14,105,327)</u>	<u>(16,729,565)</u>
Cash flows from investing activities		
Purchased investments	(141,552,233)	(190,950,345)
Proceeds from maturing investments and return of principal	103,692,065	176,882,080
Interest on investments	<u>2,042,736</u>	<u>3,445,751</u>
Net cash used in investing activities	<u>(35,817,432)</u>	<u>(10,622,514)</u>
Net increase (decrease) in cash and cash equivalents	(5,997,333)	7,031,036
Cash and cash equivalents, beginning of year	<u>74,549,293</u>	<u>67,518,257</u>
Cash and cash equivalents, end of year	<u>\$ 68,551,960</u>	<u>\$ 74,549,293</u>

See notes to financial statements.

DESERT WATER AGENCY
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020

	2021	2020
Reconciliation of cash and cash equivalents to statements of net position		
Unrestricted cash and cash equivalents	\$ 32,979,029	\$ 27,575,215
Restricted cash and cash equivalents	35,572,931	46,974,078
 Total cash and cash equivalents	 \$ 68,551,960	 \$ 74,549,293
Reconciliation of operating revenue (loss) to net cash provided by operating activities		
Operating income (loss)	723,466	(5,386,405)
Adjustments to reconcile operating revenue (loss) to net cash provided by operating activities		
Depreciation and amortization	7,968,847	7,539,495
Changes in operating assets and liabilities		
Accounts receivable:		
Utility	(535,054)	(458,626)
Other governmental agencies	(45,715)	269,611
Other	(225,789)	6,858
Inventories	34,462	(201,988)
Other current assets	491,419	395,018
Deferred outflows - pension	87,779	(249,031)
Deferred outflows - OPEB	(2,999,166)	(853,064)
Accounts payable	396,095	1,404,504
Payable to other governmental agencies	(69,642)	(42,184)
Customer deposits	(100,678)	(346,029)
Other current liabilities	23,132	(138,844)
OPEB liability	4,923,005	(884,207)
Net pension liability	(153,790)	(17,425)
Employee benefits payable	34,169	129,606
Deferred inflows - pension	(282,867)	412,546
Deferred inflows - OPEB	(1,825,188)	1,054,294
 Net cash provided by operating activities	 \$ 8,444,485	 \$ 2,634,129
Noncash capital, financing, and investing activities		
Contributed capital assets	\$ 880,083	\$ 1,585,673
Unrealized gain (loss) on investments	\$ (2,102,024)	\$ 1,286,223

See notes to financial statements.

DESERT WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – REPORTING ENTITY

The reporting entity includes all the funds of the Desert Water Agency (the Agency). The Agency is a special district created for the purpose of importing water and delivery of water to consumers within its service area.

The Agency and the Desert Water Agency Financing Corporation (the Corporation) have a financial and operational relationship which meets the reporting entity definition criteria of the Government Accounting Standards Board (GASB) Statement No. 14 (GASB 14), *The Financial Reporting Entity*, as amended by GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*, for inclusion of the Corporation as a component unit of the Agency. Accordingly, the financial activities of the Corporation have been included in the financial statements of the Agency.

The following are those aspects of the relationship between the Agency and the Corporation which satisfy GASB Statement No. 39 criteria:

- A. The Corporation's board of directors was appointed by the Agency's board of directors.
- B. The Agency is able to impose its will upon the Corporation, based on the following:
 - The Corporation has no employees. The Agency's general manager functions as an agent of the Corporation. The general manager does not receive additional compensation for work performed in this capacity.
 - The Agency exercises significant influence over operations of the Corporation as it is anticipated that the Agency will be the sole lessee of all facilities owned by the Corporation. Likewise, it is anticipated that the Agency's lease payments will be the sole revenue source of the Corporation, with the exception of interest earned in the Corporation's trust accounts.
 - All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of the Agency.
- C. The Corporation provides specific financial benefits or imposes specific financial burdens on the Agency based upon the following:
 - Any deficits incurred by the Corporation will be reflected in the lease payments of the Agency and any surpluses of the Corporation revert to the Agency at the end of the lease period.
 - The Agency has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Corporation.

DESERT WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – REPORTING ENTITY (Continued)

The Corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State on August 31, 2007. The Corporation was formed for the sole purpose of providing financing assistance to the Agency. Under an installment purchase agreement, the Corporation obtained title to certain Agency water project improvements. At the end of the installment purchase arrangement in 2037, title of all Corporation property will pass to the Agency for no additional consideration.

For financial statement presentation purposes, the Corporation's financial activity has been blended, or combined, with the financial data of the Agency.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Measurement Focus

The Agency 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 Agency is that the costs of providing goods or services to the general public on a continuing basis (including depreciation) be financed or recovered primarily through user charges. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred. An enterprise fund is accounted for on the flow of economic resources measurement focus. This means that all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the activity (whether current or noncurrent) are included on the statement of net position.

The Agency distinguishes operating revenues and expenses from those revenues and expenses that are non-operating. Operating revenues are those revenues that are generated by water sales and wastewater services while operating expenses pertain directly to the furnishing of those services. Nonoperating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal business of supplying water and wastewater treatment services.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, and then unrestricted resources as they are needed.

Basic Financial Statements

The basic financial statements are comprised of the statement of net position, the statement of revenues, expenses, and changes in net position, the statement of cash flows, and the related notes to the financial statements.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Agency considers all short-term debt securities purchased with an original maturity of three months or less to be cash equivalents. The Agency invests funds with the State of California's Local Agency Investment Fund (LAIF). Due to the high liquidity of this investment, the funds are classified as cash equivalents. For credit risk purposes, the fund is not rated.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash and Cash Equivalents and Restricted Investments

Restricted cash and cash equivalents represent money paid to the Agency as a deposit for water infrastructure to be installed by the Agency on behalf of customers as well as property tax funds and replenishment assessment charges collected which are restricted for the State Water Project.

Investments

Investments are reported in the accompanying statements of net position at fair value based on the last reported sales price published on the national exchange. 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.

Accounts Receivable

Accounts receivable are reported at their net realizable value, less an allowance for uncollectible accounts, if deemed necessary. The Agency uses the allowance method for the write-off of bad debts. The Agency considers such factors as historical trends for collections and knowledge of financial stability of debtors to establish the allowance for doubtful accounts. Receivables are written off when management determines that the amount will not be collectible. As of June 30, 2021 and 2020, no allowance for uncollectible accounts receivable was considered necessary as all accounts receivable were deemed fully collectable.

Inventories

Inventories consist primarily of water meters, pipe, and pipe fittings for construction and repair to the Agency's water transmission and distribution system. Inventories are valued at cost using the average cost method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed. As of June 30, 2021 and 2020, no reserve for inventory was deemed necessary based on management's evaluation of the Agency's inventory.

Property Taxes

The County of Riverside Assessor's Office assesses all real and personal property within the County each year. The County of Riverside Tax Collector's Office bills and collects the Agency's share of property taxes and assessments. The County of Riverside Treasurer's Office remits current and delinquent property tax collections to the Agency throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at 1.0 percent of countywide assessed valuations.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes (Continued)

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

Lien date:	January 1
Levy date:	On July 1 for July 1 to June 30
Due date:	November 1 – 1st installment February 1 – 2nd installment
Collection date:	December 10 – 1st installment April 10 – 2nd installment

Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. Agency policy has set the capitalization threshold for reporting capital assets at \$10,000. Donated assets are recorded at estimated acquisition 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:

Transmission and distribution system	50 years
Service lines	33-1/3 years
Wells and water treatment equipment	5 to 25 years
Other equipment and vehicles	5 to 11 years

Capitalized State Water Project costs are amortized over forty-five years.

Employee Benefits Payable

Employees of the Agency are entitled to paid vacation and paid attendance benefits, depending on length of service and other factors. The liability for these benefits has been accrued in these financial statements. Vacation is accrued beginning on the first day of employment and ranges from 8 to 13.334 hours per month based on longevity with the Agency. The Agency is not liable to pay vacation hours accrued until the employee has been employed for six months. Employee Attendance Bonus Plan hours accrue monthly. The employees have an opportunity to earn a maximum of 80 hours per year in this plan.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension Accounting

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

Net Position

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

Investment in Capital Assets (including State Water Project costs), net of related debt – 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.

Restricted Net Position – This component of net position consists of net position that is constrained by externally imposed requirements of creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions of enabling legislation.

Unrestricted Net Position – This component of net position does not meet the definition of restricted or net investment in capital assets.

Budgetary Policies

The Agency adopts an annual nonappropriated 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and Pension Expense

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB 68), provides requirements for how pension costs and obligations are measured and reported in the basic financial statements. When an organization’s pension liability exceeds the pension plan’s net position available for paying benefits, there is a net pension liability which must be reported in the basic financial statements. In addition, GASB 68 requires that projected benefit payments be discounted to their actuarial present value using a single rate that reflects (1) a long-term expected rate of return on pension plan investments to the extent that the pension plan’s fiduciary net position is projected to be sufficient to pay benefits and pension plan assets are expected to achieve that rate and (2) a tax-exempt, high-quality municipal bond rate to the extent that the conditions under (1) are not met.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures made in the accompanying notes to the financial statements. While management believes these estimates are adequate, actual results could differ from those estimates.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net position.

Recent Accounting Pronouncements

GASB has issued the below statements which may affect the Agency’s financial reporting requirements in the future. The Agency is currently evaluating its accounting practices to determine the potential impact that these statements will have on the Agency’s financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which addresses new accounting and financial reporting requirements for leases, improving accounting and financial reporting for leases for governments. Leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract will be recognized as a lease liability and an intangible right-to-use lease asset for lessees and a lease receivable and a deferred inflow of resources for a lessor. As deferred by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the requirements of this statement are effective for fiscal years beginning after June 15, 2021. The Agency does not anticipate that this statement will have a material impact on the financial statements.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (continued)

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation plans*, which requires that a Section 457 plan be classified as either a pension plan or another employee benefit plan depending on whether the plan meets the definition of a pension plan and clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements for this statement are effective for reporting periods beginning after June 15, 2021.

NOTE 3 – STATE WATER PROJECT

The Agency has contracted with the State Department of Water Resources to participate in the State Water Project to convey water from Northern California into the Southern California area. This participation requires payments in varying amounts by the Agency for many years into the future, including capital costs in connection with the transportation facilities, operations and maintenance (“OMP&R”) costs, and variable costs for the actual delivery of water. These future payments have been estimated at June 30, 2021 by the State Department of Water Resources through 2035 as follows:

Water system revenue bond surcharge	\$ 13,587,025
Delta water charges	81,607,904
Transportation charges:	
Capital cost component (principal and interest)	42,177,876
Minimum operations, maintenance, power, and replacement (OMP&R)	86,256,591
Variable OMP&R	98,457,310
Off-aqueduct facility charges	425,521
East branch enlargement transportation charges:	
Capital cost component	7,088,091
Minimum OMP&R	<u>7,199,629</u>
Total	<u>\$336,799,947</u>

The Agency has been billed formally through calendar year 2022 only. The policy of the Agency is not to accrue any amounts which are due after the fiscal year-end. The payments which have been billed but are not reflected on the books and are not due until after the fiscal year-end of the Agency are approximately as follows:

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – STATE WATER PROJECT (Continued)

Capital cost component (delta water and transportation charges):	
Due July 1, 2021	\$ 2,072,238
Due January 1, 2022	2,585,826
Due July 1, 2022	2,585,824
Minimum OMP&R component:	
Water supply (delta water and transportation charges):	
Monthly payments of \$754,353 from July 1 to December 31, 2021	4,526,118
Monthly payments of \$767,539 for the calendar year 2022	9,210,466
Off-aqueduct power facilities:	
Monthly payments of \$3,674 from July 1 to December 31, 2021	22,045
Monthly payments of \$12,519 for the calendar year 2022	150,228
East Branch Enlargement Facilities:	
Monthly payments of \$33,383 from July 1 to December 31, 2021	200,298
Monthly payments of \$42,610 for the calendar year 2022	511,320
Estimated variable OMP&R component (water delivery charges):	
Monthly payments of \$507,382 from July 1 to December 31, 2021	3,044,292
Monthly payments of \$504,345 for the calendar year 2022	6,052,140
Water system revenue bond surcharge and 25 percent bond cover charge:	
Due July 1, 2021	550,494
Due January 1, 2022	584,946
Due July 1, 2022	584,947
Allocated capital costs of Tehachapi second afterbay facilities:	
Due September 1, 2021	49,060
Due March 1, 2022	48,279
Due September 1, 2022	48,278
Allocated capital costs of east branch enlargement:	
Due September 1, 2021	1,005,297
Due March 1, 2022	203,503
Due September 1, 2022	<u>1,076,876</u>
Total	<u>\$ 35,112,475</u>

The Agency has committed to purchase supplemental State Water Project water supply as they become available at reasonable prices in the future. The future payments for this excess water are not determinable at this time.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, cash equivalents, and investments are included in the statements of net position in the following captions:

	June 30,	
	2021	2020
Cash and cash equivalents	\$ 32,979,029	\$ 27,575,215
Restricted cash and cash equivalents	<u>35,572,931</u>	<u>46,974,078</u>
Total cash and cash equivalents	68,551,960	74,549,293
Investments	118,054,133	84,415,617
Restricted investments	<u>37,629,554</u>	<u>34,990,069</u>
Total investments	155,683,687	119,405,686
	<u>\$224,235,647</u>	<u>\$193,954,979</u>

For purposes of the following discussion, these accounts have been classified as follows:

	June 30,	
	2021	2020
Deposits	\$ 735,667	\$ 1,777,636
Investments	<u>223,499,980</u>	<u>192,177,343</u>
	<u>\$224,235,647</u>	<u>\$193,954,979</u>

Deposits

At June 30, 2021 and 2020, the carrying amount of the Agency's deposits is \$735,667 and \$1,777,636, respectively, and the bank balances were \$973,333 and \$1,221,779, respectively.

Custodial Credit Risk

The Agency maintains deposits with financial institutions in excess of the Federal Depository Insurance Corporation's (FDIC) insurance limit of \$250,000. The California Government Code and the Agency'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) in the Agency's name and places it ahead of general creditors of the institution. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Investments Authorized by the Agency's Investment Policy

Under provisions of the Agency's investment policy, adopted by Board Resolution No. 886 in November 2004, No. 1007 in July 2009, and 1200 in January 2019, which is in accordance with California Government Code Sections 53600 through 53686 et seq., the types of investments authorized for deposit are identified in the following table. Also following are tables identifying certain provisions of the California Government Code (or the Agency's investment policy where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity*</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in one Issuer</u>	<u>Maximum Credit Quality</u>
U.S. Treasury	5 years	100%	100%	None
Federal agency	5 years	100%	100%	None
Bankers' acceptances	180 days	40%	30%	None
Commercial paper	270 days	25%	10%	"Prime" highest letter or numerical rating
Negotiable certificates of deposit (CD's)	5 years	30%	100%	None
Collateralized CD's	5 years	\$20 million one bank	Gov Code Sect 53638	None
Repurchase agreements	1 year	100%	100%	None
Medium term notes of U.S. Corps. (Corporate Notes)	5 years	30%	100%	A or better
Local government investment pools (mutual funds)	Daily	20%	10%	Highest letter or numerical rating
Registered warrants, notes, bonds, or other certificates of indebtedness issued by the State or local agencies	5 years	100%	100%	None
Obligations issued by Desert Water Agency	5 years**	100%	100%	None
Local Agency Investment Funds	Daily	100%	N/A	None

*Average life of portfolio at any time shall not exceed five years.

** Unless Board approval 3 months in advance.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Concentration of Credit Risk

Investments at June 30 in any one issuer, other than U.S. Treasury Securities and LAIF that represent 5 percent or more of the total investments of the Agency are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>2021</u>	<u>2020</u>
Federal Farm Credit	U.S. agency securities	\$ 24,823,218	\$ 20,057,050
Federal National Mortgage Association	U.S. agency securities	18,891,273	12,023,160
Federal Home Loan Mortgage Corporation	U.S. agency securities	18,872,365	36,109,490
Federal Home Loan Bank	U.S. agency securities	38,780,477	16,094,200
Medium Term Notes	Corporate notes	47,474,219	33,586,753

Interest Rate Risk

Interest rate risk is the possibility 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. As a means of highlighting exposure to interest rate risk, the fair value of all securities is calculated and reported quarterly to the board for investments. Investment fair value and effective duration (in years) at June 30 are as follows:

<u>Authorized Investment Type</u>	<u>2021</u>		<u>2020</u>	
	<u>Fair Value</u>	<u>Duration</u>	<u>Fair Value</u>	<u>Duration</u>
U.S. agency securities	\$101,367,333	2.09	\$ 84,283,900	1.20
Corporate Notes	47,474,219	2.52	33,586,753	2.89
Negotiable CD's	1,749,071	1.43	1,535,033	1.89
Municipal Bonds	2,097,752	2.61	-	-
U.S. Treasury	2,995,312	2.37	-	-

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

Information about the risk that an issuer or other counterparty to an investment will not fulfill its obligations is provided by the following tables at June 30:

<u>Authorized Investment</u>	<u>2021</u>	<u>2020</u>
Aaa:		
Corporate Notes	\$ 5,337,477	\$ 2,105,980
Aa(1-3):		
U.S. agency securities	101,367,333	84,283,900
Corporate Notes	19,665,762	10,527,370
Municipal bonds	2,097,752	-
U.S. Treasury	2,995,312	-
A (1-3):		
Corporate Notes	22,470,980	20,953,403
Negotiable certificates of deposit	998,538	768,065
BBB (1-3):		
Negotiable certificates of deposit	750,533	511,193
Not Rated:		
Negotiable certificates of deposit	-	255,775
Exempt from Disclosure:		
Local Agency investment funds	<u>67,816,293</u>	<u>72,771,657</u>
	<u>\$223,499,980</u>	<u>\$ 192,177,343</u>

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Fair Value of Investments

GASB 72, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under GASB 72 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets as of the measurement date in active markets that the Agency has the ability to access.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; and model based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets.
- Level 3 Inputs to the valuation methodology are unobservable and include situations where there is little, if any, market activity for the investment.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020:

Obligations of U.S. government agencies – Valued at the closing price reported in the active market on which the individual securities are traded.

Negotiable certificates of deposit – Valued at the closing price reported on the active market on which the negotiable paper is traded.

Corporate notes – Valued at the closing price reported on the active market on which the notes are traded.

Municipal bonds – Valued at the coded price reported in the active markets for identical assets.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Fair Value of Investments (Continued)

U.S. Treasury - Valued at the coded price reported in the active markets for identical assets.

State pooled Local Agency Investment Fund (LAIF) - The Agency is a voluntary participant in LAIF that is regulated by the California Government Code under oversight by the Local Investment Advisory Board, which consists of five members, with the Treasurer of the State of California serving as chairman. The fair value of the Agency's position in the pool approximates the value of the pool shares. LAIF is not subject to fair value leveling.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Agency's investment assets at fair value as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Obligations of U.S.				
Government agencies	\$ -	\$101,367,333	\$ -	\$101,367,333
Negotiable certificate of deposit	-	1,749,071	-	1,749,071
Corporate Notes	-	47,474,219	-	47,474,219
Municipal Bonds	-	2,097,752	-	2,097,752
US Treasury	-	2,995,312	-	2,995,312
	-	155,683,687	-	155,683,687
Not subject to leveling – LAIF	-	-	-	67,816,293
Total	\$ -	\$155,683,687	\$ -	\$223,499,980

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Agency’s investment assets at fair value as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Obligations of U.S.				
Government agencies	\$ -	\$ 84,283,900	\$ -	\$ 84,283,900
Negotiable certificate of deposit	-	1,535,033	-	1,535,033
Corporate Notes	-	33,586,753	-	33,586,753
		-	119,405,686	-
Not subject to leveling – LAIF	-	-	-	72,771,657
Total	\$ -	\$119,405,686	\$ -	\$192,177,343

At June 30, 2021 and 2020, the Agency had no investments in repurchase and reverse repurchase agreements and did not invest in such during the years then ended.

The balance available for withdrawal in LAIF is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. There are no limitations on the withdrawal of these funds.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS

Utility Plant in Service

For the year ended June 30, 2021, the changes in utility plant for the Agency were as follows:

	Balance			Balance
	July 1, 2020	Additions	Deletions	June 30, 2021
State Water Project	\$121,267,573	\$ 5,577,462	\$ -	\$126,845,035
Mains	106,472,199	2,401,307	(7,525)	108,865,981
Wells, intakes, pumps	25,462,643	687,158	(332,578)	25,817,223
Water reclamation	29,576,368	19,733	-	29,596,101
Water transportation facilities	23,605,912	1,999,955	-	25,605,867
Wastewater transportation facilities	22,822,602	140,957	-	22,963,559
Hydro–electric plants	7,096,065	-	(1,999,953)	5,096,112
Water treatment	2,958,833	169,468	-	3,128,301
Services	19,975,623	1,987,600	(387,555)	21,575,668
Meters	6,294,050	695,040	(48,037)	6,941,053
Fire services and hydrants	16,683,046	548,520	-	17,231,566
Reservoirs	17,632,159	150,682	(127,487)	17,655,354
Structures and improvements	18,195,778	3,516,919	-	21,712,697
Building	4,076,905	16,104	-	4,093,009
Equipment	12,055,762	586,445	(140,960)	12,501,247
Land	12,099,250	-	(28,625)	12,070,625
Other	19,695	-	-	19,695
	<u>\$446,294,463</u>	<u>\$ 18,497,350</u>	<u>\$ (3,072,720)</u>	<u>\$461,719,093</u>

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS (Continued)

Utility Plant in Service (Continued)

For the year ended June 30, 2020, the changes in utility plant for the Agency were as follows:

	Balance			Balance
	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2020</u>
State Water Project	\$116,421,321	\$ 4,846,252	\$ -	\$121,267,573
Mains	99,518,061	7,066,680	(112,542)	106,472,199
Wells, intakes, pumps	25,481,231	63,998	(82,586)	25,462,643
Water reclamation	29,569,108	7,260	-	29,576,368
Water transportation facilities	23,605,912	-	-	23,605,912
Wastewater transportation facilities	22,822,602	-	-	22,822,602
Hydro–electric plants	5,096,112	1,999,953	-	7,096,065
Water treatment	2,958,833	-	-	2,958,833
Services	17,636,987	2,448,244	(109,608)	19,975,623
Meters	5,289,301	1,083,820	(79,071)	6,294,050
Fire services and hydrants	15,811,490	889,762	(18,206)	16,683,046
Reservoirs	17,632,159	-	-	17,632,159
Structures and improvements	18,191,830	3,948	-	18,195,778
Building	4,074,931	1,974	-	4,076,905
Equipment	11,760,504	497,004	(201,746)	12,055,762
Land	11,316,832	782,418	-	12,099,250
Other	19,695	-	-	19,695
	<u>\$427,206,909</u>	<u>\$ 19,691,313</u>	<u>\$ (603,759)</u>	<u>\$446,294,463</u>

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS (Continued)

Accumulated Depreciation and Amortization

For the year ended June 30, 2021, the changes in accumulated depreciation and amortization for the Agency were as follows:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>
State Water Project	\$ 98,730,170	\$ 588,893	\$ -	\$ 99,319,063
Mains	44,065,069	1,901,205	(5,990)	45,960,282
Wells, intakes, pumps	14,431,744	592,068	(243,942)	14,779,870
Water reclamation	19,620,773	770,881	-	20,391,654
Water transportation facilities	3,881,907	169,915	-	4,051,822
Wastewater transportation facilities	7,403,613	567,427	-	7,971,040
Hydro-electric plants	4,791,659	188,016	-	4,979,675
Water treatment	2,058,739	66,424	-	2,125,164
Services	9,637,158	653,139	(375,466)	9,914,831
Meters	1,863,597	234,554	(27,627)	2,070,525
Fire services and hydrants	8,420,207	386,830	-	8,807,036
Reservoirs	10,716,939	379,789	(91,536)	11,005,193
Structures and improvements	11,018,225	671,430	-	11,689,655
Building	2,843,476	139,101	-	2,982,577
Equipment	9,654,389	659,175	(140,959)	10,172,605
	<u>\$249,137,665</u>	<u>\$ 7,968,847</u>	<u>\$ (885,520)</u>	<u>\$256,220,992</u>

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS (Continued)

Accumulated Depreciation and Amortization (Continued)

For the year ended June 30, 2020, the changes in accumulated depreciation and amortization for the Agency were as follows:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
State Water Project	\$ 98,396,416	\$ 333,755	\$ -	\$ 98,730,170
Mains	42,342,441	1,810,636	(88,008)	44,065,069
Wells, intakes, pumps	13,862,232	607,667	(38,155)	14,431,744
Water reclamation	18,779,398	841,375	-	19,620,773
Water transportation facilities	3,721,714	160,193	-	3,881,907
Wastewater transportation facilities	6,836,493	567,120	-	7,403,613
Hydro-electric plants	4,635,691	155,968	-	4,791,659
Water treatment	1,996,213	62,527	-	2,058,739
Services	9,148,951	580,599	(92,392)	9,637,158
Meters	1,716,004	204,644	(57,051)	1,863,597
Fire services and hydrants	8,055,923	382,489	(18,206)	8,420,207
Reservoirs	10,328,812	388,127	-	10,716,939
Structures and improvements	10,350,301	667,924	-	11,018,225
Building	2,705,308	138,168	-	2,843,476
Equipment	9,217,831	638,303	(201,746)	9,654,389
	<u>\$242,093,728</u>	<u>\$ 7,539,495</u>	<u>\$ (495,558)</u>	<u>\$249,137,665</u>

Construction in Progress

The Agency has begun construction of pipeline projects and numerous other smaller projects. Upon completion of these projects, they will be placed in service and depreciation will commence. Costs expended and the total budget for the projects are as follows:

	<u>June 30,</u>			
	<u>2021</u>		<u>2020</u>	
	<u>Cost of</u> <u>Construction</u> <u>in Progress</u>	<u>Total</u> <u>Budget</u>	<u>Cost of</u> <u>Construction</u> <u>in Progress</u>	<u>Total</u> <u>Budget</u>
Major projects	\$ 2,388,360	\$ 4,610,000	\$ 4,528,006	\$ 3,645,000
All other projects	1,519,579	9,402,379	1,380,158	13,259,646
Total	<u>\$ 3,907,939</u>	<u>\$ 14,012,379</u>	<u>\$ 5,908,164</u>	<u>\$ 16,904,646</u>

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS (Continued)

Capital Assets, Net

For the years ended June 30, 2021 and 2020, net capital assets for the Agency were as follows:

	June 30,	
	2021	2020
Utility plant in service	\$461,719,093	\$446,294,463
Less accumulated depreciation and amortization	(256,220,992)	(249,137,665)
Construction in progress	3,907,939	5,908,164
Capital assets, net	\$209,406,040	\$203,064,962

NOTE 6 – NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2021 was as follows:

	Outstanding July 1, 2020	Additions	Reductions	Outstanding June 30, 2021
Long-term debt				
Water revenue refunding				
Bond	\$ 16,940,000	\$ -	\$ (720,000)	\$ 16,220,000
Premium	1,619,544	-	(101,222)	1,518,322
Other long-term liabilities				
OPEB liability	28,314,463	4,923,005	-	33,237,468
Net pension liability	15,957,880	-	(153,790)	15,804,090
Other employee benefits	1,425,842	34,169	-	1,460,011
	\$ 64,257,729	\$ 4,957,174	\$ (975,012)	\$ 68,239,891

Balances due within one year at June 30, 2021 are for the water revenue refunding bond of \$745,000.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – NONCURRENT LIABILITIES (Continued)

Noncurrent liability activity for the year ended June 30, 2020 was as follows:

	Outstanding July 1, 2019	Additions	Reductions	Outstanding June 30, 2020
Long-term debt				
Water revenue refunding				
Bond	\$ 17,635,000	\$ -	\$ (695,000)	\$ 16,940,000
Premium	1,720,765	-	(101,221)	1,619,544
Other long-term liabilities				
OPEB liability	29,198,670	-	(884,207)	28,314,463
Net pension liability	15,975,305	-	(17,425)	15,957,880
Other employee benefits	1,296,236	129,606	-	1,425,842
	<u>\$ 65,825,976</u>	<u>\$ 129,606</u>	<u>\$ (1,727,853)</u>	<u>\$ 64,257,729</u>

Balances due within one year at June 30, 2020 are for the water revenue refunding bond of \$720,000.

NOTE 7 – LONG-TERM DEBT

On June 29, 2016, the Agency Financing Corporation issued \$19,720,000 Water Revenue Refunding Bonds, Series 2016 to provide funds to defease and refund on an advance refunding basis the Agency's outstanding Certificates of Participation (Water System Improvement Project) Series 2007 (COP) outstanding at that date in the amount of \$21,420,000 and to pay the debt issue costs. The bonds are payable from and secured by the Agency's pledge of net revenues defined generally as gross revenues received from the Agency's water system. The bonds bear interest at various rates from 2 to 5% and are payable on May 1 and November 1 of each year commencing on November 1, 2016. The cost to retire the COPs was \$23,372,318 including debt issue costs. The refunding produced a loss on the advance refunding of the old debt in the amount of \$1,420,128 which has been included in deferred outflows of resources and will be amortized over the life of the new debt or 20 years.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – LONG-TERM DEBT (Continued)

Future principal and interest payments in accordance with the debt agreement as of June 30, 2021 are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 745,000	\$ 593,950
2023	780,000	564,150
2024	800,000	544,650
2025	830,000	512,650
2026	865,000	479,450
2027 through 2031	4,930,000	1,642,100
2032 through 2036	5,965,000	754,850
2037	<u>1,305,000</u>	<u>39,150</u>
	16,220,000	<u>\$ 5,130,950</u>
Less current portion	(745,000)	
Unamortized premium	<u>1,518,322</u>	

A premium of \$2,024,430, related to the new debt issue, was recognized and is being amortized over the life of the new debt issue of 20 years. Amortization expense for the premium paid on the new debt was \$101,222 for the years ended June 30, 2021 and 2020.

The Agency incurred bond interest expense during the years ended June 30, 2021 and 2020 in the amount of \$721,723 and \$754,342, respectively.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – RESERVES AND DESIGNATIONS OF AGENCY NET POSITION

Under the accounting standards the Agency is required to follow, a governmental entity may set up “reserves” of Agency net position to segregate balances which are not available for expenditure in future periods, or which are legally set aside for a future specific use, or established to indicate tentative plans for financial resource utilization in future periods.

The Agency’s reserves and designations at June 30 are presented below:

	2021	2020
Reserve for additional water	\$ 33,671,002	\$ 20,726,458
Reserve for land acquisition	5,675,000	5,675,000
Reserve for operations	23,437,800	21,891,800
Reserve for replacements	11,652,800	11,652,800
Reserve for regulatory compliance	7,765,000	7,765,000
Reserve for retirement benefits	5,000,000	5,000,000
Reserve for disaster response	2,000,000	2,000,000
	89,201,602	74,711,058
Undesignated (over designated)	20,467,433	(4,115,310)
Net position, unrestricted	\$109,669,035	\$ 70,595,748

NOTE 9 – JOINT VENTURES

The Agency participates in a joint venture under a joint powers agreement (JPA) with the Association of California Water Agencies Joint Powers Insurance Authority (JPIA). The relationship between the Agency and the JPA is such that the JPA is not a component unit of the Agency for financial reporting purposes. Audited financial statements are available by contacting the ACWA-JPIA at 2100 Professional Drive, Roseville, California 95661.

The Association of California Water Agencies Joint Powers Insurance Authority arranges for and provides insurance coverage for its approximately 396 member districts. JPIA is governed by a board of directors and each member agency is required to designate one representative from its local board of directors to participate in the JPIA board. From the board of directors, eight members of a nine-member executive committee are elected and delegated the authority to make JPIA’s preliminary policy decisions relying upon input received from other standing and ad hoc committees and subcommittees. These policy decisions, along with other matters such as financial and claims data, are ultimately brought before the full board for review and/or ratification. The board controls the operations of the JPIA, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the board. JPIA provides joint protection coverage for losses in excess of the member districts’ individually specified self-insurance retention levels. Individual claims (and aggregate public liability and property claims) in excess of specified levels are covered by excess insurance policies purchased from commercial insurance carriers.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – JOINT VENTURES (Continued)

Condensed audited financial information of the Association of California Water Agencies Joint Powers Insurance Authority for the year ended September 30 follows:

	2020	2019
Total assets	\$237,525,073	\$212,099,851
Deferred outflows of resources	1,054,750	553,790
Total assets and deferred outflows of resources	<u>\$238,579,823</u>	<u>\$212,653,641</u>
Total liabilities	\$113,075,164	\$112,046,920
Deferred inflows of resources	1,817,452	1,672,219
Net position	123,687,207	98,934,502
Total liabilities, deferred inflows, and net position	<u>\$238,579,823</u>	<u>\$212,653,641</u>
Total operating revenues	\$189,130,318	\$173,647,293
Total operating expenses	(172,886,738)	(169,356,246)
Total nonoperating revenues	8,509,125	8,177,851
Change in net position	<u>\$ 24,752,705</u>	<u>\$ 12,468,898</u>

NOTE 10 – PENSION PLAN

General Information About the Pension Plan

Plan Description

All qualified Agency employees are required to participate in the Desert Water Agency Miscellaneous Plan (the Plan), a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), unless they specifically opt out. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employee's Retirement Law. The Agency selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board approval. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, membership, and financial information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, with one year of credited service being equal to one year of full-time employment. All members are eligible for improved non-industrial disability benefits after five years of service. The Agency has chosen the Optional Settlement 2W Death Benefit.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 10 – PENSION PLAN (Continued)

Contribution Description

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires 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. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance any unfunded accrued costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The Agency’s total employer contributions were \$3,262,927 and \$3,121,647 for the years ended June 30, 2021 and 2020, respectively.

Active plan members who were hired before January 1, 2013 are referred to as “Classic” employees. Beginning January 1, 2013, the Agency established two classes of employees, as dictated by the newly enacted Public Employees Pension Reform Act (PEPRA).

General Information About the Pension Plan (Continued)

The plan’s provisions and benefits in effect at June 30, 2021 and 2020 are summarized as follows:

<u>Hire date</u>	<u>Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Benefit formula	2.5 percent at 55	2.0 percent at 62
Benefit vesting schedule	5 years	5 years
Benefit payments	Monthly for life	Monthly for life
Final average compensation period	12 months	36 months
Sick leave credit	Yes	Yes
Retirement age	50 to 55	52 to 67
Monthly benefits as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Cost of living adjustment	2.0%	2.0%
Required employee contribution rates		
2021	8.0 percent	7.25 percent
2020	8.0 percent	7.25 percent
Required employer contribution rates		
2021	13.146% + \$1,114,102	7.874% + \$1,939
2020	12.142% + \$1,390,503	7.072% + \$13,366

NOTE 10 – PENSION PLAN (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Methods and Assumptions

The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. For the measurement period ending June 30, 2020 (the measurement date), the total pension liability was determined by rolling forward the total pension liability determined in the June 30, 2019 actuarial accounting valuation. The June 30, 2020 total pension liability was based on the following actuarial methods and assumptions:

Actuarial cost method	Entry age normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Investment rate of return	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Mortality rate table	Derived using CalPERS' membership data for all funds

Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)

Methods and Assumptions (Continued)

Post-retirement benefit increase	Contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies
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The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 CalPERS experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Long-term Expected Rate of Return

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

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 10 – PENSION PLAN (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 of the funds' asset classes, expected compound (geometric) 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)

Long-term Expected Rate of Return (Continued)

The table below reflects long-term expected real rate of return by asset class.

<u>Asset Class¹</u>	<u>Asset Allocation</u>	<u>Real Return</u>	
		<u>Years 1-10²</u>	<u>Years 11+³</u>
Global equity	50%	4.80%	5.98%
Fixed income	28%	1.00%	2.62%
Inflation assets	-	.77%	1.81%
Private equity	8%	6.30%	7.23%
Real assets	13%	3.75%	4.93%
Liquidity	<u>1%</u>	-	(0.92)%
Total	<u>100%</u>		

¹In CalPERS's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

²An expected inflation of 2.00% used for this period.

³An expected inflation of 2.92% used for this period.

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 10 – PENSION PLAN (Continued)

Changes in the Net Pension Liability

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

The following table presents the net pension liability of the Plan as of the June 30, 2020 and June 30, 2019 measurement dates, calculated using the discount rate in effect at each year end. The table also shows what the net pension liability would be if it were calculated using a discount rate that is 1.0 percentage-point lower or 1.0 percentage-point higher than the current rate:

		Discount Rate <u>-1.0%</u>	Current <u>Discount</u>	Discount Rate <u>+1.0%</u>
Net pension liability	2020	(6.15)%	(7.15)%	(8.15)%
		\$ 24,510,307	\$ 15,804,090	\$ 8,610,417
	2019	(6.15)%	(7.15)%	(8.15)%
		\$ 24,271,495	\$ 15,957,880	\$ 9,095,579

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, actuarial gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings on pension plan investments	5-year straight-line amortization
All other amounts	3.8 year straight-line amortization

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 10 – PENSION PLAN (Continued)

Pension Related Liabilities, Expense, and Deferred Outflows/Deferred Inflows of Resources

The Agency's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Agency's proportionate share of the net pension liability as of the June 30, 2020 measurement date was 0.40%. This represents a 0.00% change since the prior measurement date.

For the year ended June 30, 2021, the Agency recognized pension expense of \$2,914,050. At June 30, 2021, the Agency deferred inflows and outflows of resources related to pensions as follows:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2021	2020	2021	2020
Changes of assumptions	\$ -	\$ 760,945	\$ 112,721	\$ 269,749
Differences between expected and actual experience	814,431	1,108,342	-	85,874
Net differences between projected and actual investment earnings	469,486	-	-	278,993
Differences between employer's contributions and proportionate share of contributions	1,116,623	700,017	6,945	23,682
Change in employer's proportion	-	60,296	1,184,375	928,608
Pension contributions subsequent to measurement date	<u>3,262,927</u>	<u>3,121,646</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,663,467</u>	<u>\$ 5,751,246</u>	<u>\$ 1,304,041</u>	<u>\$ 1,586,906</u>

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 10 – PENSION PLAN (Continued)

Pension Related Liabilities, Expense, and Deferred Outflows/Deferred Inflows of Resources

The amounts above are net of outflows and inflows recognized in the pension expense for the year ended June 30, 2021. The \$3,262,927 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 ending June 30, 2022.

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in the pension expenses as follows:

Year Ending June 30,	
2022	\$ 73,109
2023	453,455
2024	344,757
2025	<u>225,178</u>
Total	<u>\$1,096,499</u>

NOTE 11 – DEFINED CONTRIBUTION PLAN AND DEFERRED COMPENSATION PLAN

The Agency has a defined contribution plan and there is one employee eligible to participate in this plan (the “eligible employee”). All contributions by the Agency are fully vested upon receipt. The eligible employee cannot contribute directly to the defined contribution plan. The Agency contributes matching contributions to the defined contribution plan for any contributions made to the deferred compensation plan by the eligible employee. The Agency contributed \$27,337 and \$31,080 to the defined contribution plan for the years ended June 30, 2021 and 2020, respectively.

There is also a deferred compensation plan under Internal Revenue Code (IRC) Section 457 available to Agency employees which the employees can voluntarily contribute to. The Agency makes contributions to the deferred compensation plan for certain eligible employees hired after May 1, 2007. The Agency contributed \$72,160 and \$60,375 to the deferred compensation plan for the years ended June 30, 2021 and 2020, respectively.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 12 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information About the OPEB Plan

Plan Description and Benefits Provided

The Agency, a single employer, offers postemployment benefits through the Association of California Water Agencies Health Plans. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. Employees who retire from the Agency on or after age 50, have at least 12 years of service, and were hired prior to May 1, 2007 are eligible for postemployment medical benefits. The Agency pays full retiree and spousal health premiums for eligible retirees. Surviving spouses of active employees at their time of death, whose sum of years of service and age equals 60 or above, will continue having premiums paid by the Agency for their lifetime. The Agency also pays full dental and vision premiums for eligible retirees, who have 25 years or more of Agency service, and their dependents.

Employees Covered

At June 30, 2020 (the measurement date of the actuarial valuation), the following number of employees (including spouses) were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	79
Inactive employees entitled to, but not yet receiving benefit payments	-
Active employees	<u>30</u>
Total	<u><u>109</u></u>

Total OPEB Liability

The Agency's total OPEB liability of \$33,237,468 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2020 (measurement date) actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increase	CalPERS salary scale for Miscellaneous employees hired at age 30
Discount rate	2.21%
Healthcare cost trend rates	The assumed future increases to the health costs and premiums are based on the "Getzen" model published by the Society of Actuaries. Dental and vision costs were assumed to increase at a rate of 3.50% per year.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 12 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

The discount rate was based on the 20-year Bond GO Index as of the measurement date.

Mortality rates were based on statistics taken from the California PERS Experience Study Report adopted in 2017 and includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016.

All other actuarial assumptions used in the June 30, 2020 (measurement date) valuation were based on the results of the CalPERS valuation experience study for the period 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change in the Total OPEB Liability

	<u>June 30,</u> <u>2021</u>	<u>June 30,</u> <u>2020</u>
Balance beginning of year	\$ 28,314,463	\$ 29,198,670
Changes for the year:		
Service Cost	585,056	631,297
Interest	996,782	1,137,027
Difference between expected and actual experience	-	(2,879,482)
Changes of assumptions	4,188,505	1,134,393
Benefit payments	<u>(847,338)</u>	<u>(907,442)</u>
Balance year-end	<u>\$ 33,237,468</u>	<u>\$ 28,314,463</u>

Change of assumptions reflect a change in the discount rate from 3.58% as of the June 30, 2018 measurement date to 3.50% as of the June 30, 2019 measurement date to 2.21% as of the June 30, 2020 measurement date.

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 12 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

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

The following presents the total OPEB liability of the Agency, as well as what the Agency's total 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 rates:

	Discount Rate -1%	Current Rate	Discount Rate +1%
	<u>1.21%</u>	<u>2.21%</u>	<u>2.21%</u>
Total OPEB liability	\$ 39,770,259	\$ 33,237,468	\$ 28,107,551

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

The following presents the total OPEB liability of the Agency, as well as what the Agency's total 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:

	Trend Rate -1%	Current Trend Rate	Trend Rate +1%
Total OPEB liability	\$ 27,356,616	\$ 33,237,468	\$ 40,974,880

OPEB Related Expense and Deferred Outflows/Inflows of Resources

For the years ended June 30, 2021 and 2020, the Agency recognized OPEB expense of \$955,501 and \$198,630, respectively. The Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
June 30, 2021:		
Differences between expected and actual experience	\$ -	\$ 1,600,428
Changes of assumptions	3,868,553	1,150,272
OPEB contributions subsequent to measurement date	<u>705,531</u>	<u>-</u>
Total	<u>\$ 4,574,084</u>	<u>\$ 2,750,700</u>
June 30, 2020:		
Differences between expected and actual experience	\$ -	\$ 2,259,370
Changes of assumptions	878,899	2,316,518
OPEB contributions subsequent to measurement date	<u>696,020</u>	<u>-</u>
Total	<u>\$ 1,574,919</u>	<u>\$ 4,575,888</u>

DESERT WATER AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 12 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

The \$696,020 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future OPEB expense as follows:

Year Ending June 30,	
2022	\$ (392,158)
2023	324,514
2024	770,420
2025	<u>415,077</u>
Total	<u>\$ 1,117,853</u>

NOTE 13 – RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts, theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance through participation in the Association of California Water Agencies Joint Powers Insurance Authority (see Note 9). The insurance purchased is for liability, property and workers' compensation insurance and there are various self-insured retention levels, similar to a deductible, per occurrence. See the schedule of insurance coverage presented as supplementary information for additional information.

NOTE 14 – UNCERTAINTIES

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Agency operates. The Board has authorized extended payment plans of up to 48-months for COVID-19 related arrears. The Agency is currently in the process of applying for funding made available through the California Water and Wastewater Arrearage Program, administered by the State Water Board to provide relief to community water and wastewater systems for unpaid bills related to the pandemic. The Agency maintains adequate operating reserves to provide cash flow for ongoing operations and currently does not expect there to be any significant impact on the Agency's long-term ability to continue operations.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Various claims and litigation involving the Agency are currently outstanding. The most significant activity is related to an action by the local tribe that is still pending in Federal District Court to adjudicate its reserved right to groundwater, and its right to storage space beneath reservation lands. The outcome of these matters is not determinable at this time but could be significant if the Tribe prevails.

The Agency has a \$8,720,617 contractual commitment as of June 30, 2021, related to constructing pipeline replacements. This commitment is due within the next fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

DESERT WATER AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

Schedule of Pension Plan Contributions - Last 10 Years*

<u>Fiscal Year</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Actuarially Determined Contributions</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a % of Covered Employee Payroll</u>
2021	\$ 2,262,927	\$ (3,262,927)	\$ (1,000,000)	\$ 7,721,227	42.26%
2020	2,121,647	(3,121,647)	(1,000,000)	7,253,560	43.04
2019	1,849,946	(2,849,946)	(1,000,000)	7,026,860	40.55
2018	1,586,919	(1,586,919)	-	6,050,470	26.23
2017	1,461,680	(1,461,680)	-	6,021,869	24.27
2016	1,379,325	(1,379,325)	-	5,952,152	23.17
2015	1,208,856	(1,208,856)	-	5,808,831	20.81

*Fiscal year 2015 was the first year of implementation, therefore, not all 10 years of information is available.

Schedule of the Agency's Proportionate Share of the Net Pension Liability - Last 10 Plan Years*

<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a % of Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
2020	0.37%	\$ 15,804,090	\$ 7,721,227	204.68%	75.84%
2019	0.40	15,957,880	7,253,560	220.00	74.18
2018	0.42	15,975,305	7,026,860	227.34	72.69
2017	0.42	16,466,171	6,050,470	272.15	75.39
2016	0.42	14,563,532	6,021,869	241.84	75.87
2015	0.44	12,000,195	5,952,152	200.16	79.89
2014	0.46	11,449,416	5,808,831	197.10	81.15

*Fiscal year 2015 was the first year of implementation, therefore, not all 10 years of information is available.

Notes to the Pension Schedules:

Benefit Changes: None

Changes in Assumptions: For the measurement date June 30, 2017, the discount rate was changed from 7.65% to 7.15%. For the measurement date June 30, 2018, the inflation rate was changed from 2.75% to 2.50%.

DESERT WATER AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

Schedule of Changes in the Agency's Total OPEB Liability and Related Ratios – Last Ten Plan Years*

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Balance beginning of year	\$ 28,314,463	\$ 29,198,670	\$ 29,766,869	\$ 32,704,594
Changes for the year:				
Service Cost	585,056	631,297	664,025	809,859
Interest	996,782	1,137,027	1,076,226	947,450
Difference between expected and actual experience	-	(2,879,482)	(49,240)	-
Changes of assumptions	4,188,505	1,134,393	(1,413,861)	(4,102,481)
Benefit payments	(847,338)	(907,442)	(845,349)	(592,553)
Balance year-end	\$ 33,237,468	\$ 28,314,463	\$ 29,198,670	\$ 29,766,869
Covered Payroll	\$ 7,721,227	\$ 7,253,560	\$ 7,026,860	\$ 6,050,470
Plan net OPEB liability as a percentage of covered-employee payroll	430%	390%	416%	492%

*Fiscal year 2018 was the first year of implementation, therefore, not all 10 years of information is available.

Notes to the Schedule:

Changes of benefit terms: None

Changes of Assumptions: Change of assumptions reflect a change in the discount rate from 2.85% as of the June 30, 2016 measurement date to 3.58% as of the June 30, 2017 measurement date to 3.87% as of the June 30, 2018 measurement date to 3.50% as of the June 30, 2019 measurement date.

OTHER INFORMATION

DESERT WATER AGENCY ORGANIZATIONAL INFORMATION

Organization and Description of the Agency

Desert Water Agency (the “Agency”) was formed in September 1961 by the Legislature of the State of California through the enactment of special legislation. The Agency was formed for the purpose of importing water by contracting for participation in the State Water Project of the State Department of Water Resources and for any other activities authorized by the Legislature as proper for the Agency to conduct. The Agency’s contract for water provides for delivery of up to 38,100 acre feet of water per year, starting at 8,000 acre feet and increasing annually until deliveries total the full contract amount in 1990. In 2004, the contract was amended to reflect an allotment of 50,000 acre feet. In 2007, the contract was amended to reflect an allotment of 55,750 acre feet, effective January 1, 2010. Requested deliveries totaled 55,750 acre feet for calendar years 2019 and 2020. The Agency negotiated an agreement with the Metropolitan Water Agency of Southern California for the exchange of the Agency’s entitlement to Northern California water for an equal amount of Metropolitan Water Agency’s Colorado River water. The exchange agreement became effective when approved by the Secretary of the Interior on December 1, 1972 and extends until 2035.

The Agency started receiving this exchange water in September 1973 when the service connection to the Metropolitan Water Agency’s aqueduct was completed.

The Agency is committed to pay its proportionate share of the capital and other costs of the State Water Project, including the capital costs in connection with both the transportation facilities and the conservation facilities, the operation and maintenance costs in connection therewith, and the variable costs incident to the actual delivery of water. Annually, the State Department of Water Resources issues a bulletin known as the 132 Series in which the capital and operating costs are estimated for the life of the project. On June 30 of each year, they bill for the costs to be paid during the next succeeding calendar year. The capital costs are being capitalized as utility plant while the other costs are charged to operations. The capital costs are being amortized using a life of 45 years.

The Agency has shared in the costs of the Whitewater Turnout with the Coachella Valley Water District and is also committed to share in the cost of the Mission Creek Turnout of the Metropolitan Water Agency’s Colorado River Aqueduct. The Mission Creek Turnout connection will make imported water available for spreading in the Mission Creek area of the Mission Springs Water District. These facilities are necessary to enable the Agency and Coachella Valley Water District to perform under the present agreement for the exchange of State Water Project water for Colorado River water with the Metropolitan Water Agency of Southern California, which agreement was referred to in a paragraph above. The Whitewater connection was constructed by Metropolitan Water Agency crews and was completed in September 1973. Although the Whitewater and Mission Creek turnouts from the Colorado River Aqueduct were constructed by Metropolitan Water District, Desert Water Agency and Coachella Valley Water District funded the costs of constructing those turnouts.

DESERT WATER AGENCY ORGANIZATIONAL INFORMATION

Organization and Description of the Agency (Continued)

The Agency is also committed to pay in future years its share of the cost of supplemental water facilities which may be necessary to enable it to benefit fully from participation in the State Water Project. Such supplemental facilities could be in the form of an aqueduct to transport State Water Project water from Hesperia or San Bernardino to the Coachella Valley or could consist of a desalination plant and/or other facilities necessary to continue the exchange of the Agency's Northern California water entitlement for Colorado River water. The cost of supplemental water facilities will be shared by other agencies which will benefit from their construction. Anticipated costs may also include construction of new Delta conveyance facilities and the cost of participation in additional surface water storage facilities, such as the Sites Reservoir.

The Agency entered into a water management agreement with the Coachella Valley Water District on July 1, 1976. The agreement establishes principles which will control the continuation of the parties' imported water program and the allocation of costs for these programs. It further provides for the collection and analysis of data which will serve as the basis for management of the natural and imported water supplies of the management area. This agreement was amended in July 2014 to reflect a change in the allocation of certain costs to more accurately reflect allocations of water to each party. The Agency and Coachella Valley Water District have also entered into a similar, additional agreement to allocate between them the cost of delivering imported water to the Mission Creek spreading facilities.

DESERT WATER AGENCY
SCHEDULE OF BOARD OR DIRECTORS AND INSURANCE COVERAGE

Officers, Directors, and Senior Management

The officers, directors, and senior management of the Agency are listed below:

	<u>Term Expires</u>
Kristin Bloomer , President	December 2024
James Cioffi , Vice President	December 2022
Joseph Stuart , Secretary-Treasurer	December 2022
Patricia Oygard, Director	December 2022
Paul Ortega, Director	December 2024
Mark S. Krause, General Manager	N/A

DESERT WATER AGENCY

SCHEDULE OF BOARD OR DIRECTORS AND INSURANCE COVERAGE

Insurance Coverage

The Agency 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 programs of insurance for pooling of self-insured losses and to purchase excess insurance coverage.

At June 30, 2021, the Agency participated in the self-insurance program of the ACWA JPIA as follows:

Property Loss – Insured up to the scheduled value with a \$25,000 deductible for buildings, personal property and fixed equipment and a \$5,000 deductible for mobile equipment.

General and Auto Liability – Insured up to \$55,000,000 with aggregate policy limits. ACWA JPIA is self-insured up to \$5,000,000 and excess insurance coverage has been purchased through ACWA JPIA.

Public Officials' Liability – Insured up to \$55,000,000 with aggregate policy limits; the ACWA JPIA is self-insured up to \$5,000,000 and excess insurance coverage has been purchased through ACWA JPIA

Crime Liability – Insured up to \$100,000 for public employee theft, depositor's forgery or alteration and computer and funds transfer fraud with a deductible of \$1,000. ACWA JPIA is self-insured up to \$100,000 and excess coverage has been purchased through ACWA JPIA.

Cyber Liability – Insured up to \$2,000,000 with a \$50,000 deductible

Workers' Compensation – Insured for statutory limits. Employer's liability is insured up to \$2,000,000 per occurrence. ACWA JPIA is self-insured up to \$2,000,000 and excess insurance coverage has been purchased through ACWA JPIA.

The Agency maintains separate Earthquake and Flood Insurance. Earthquake coverage includes a 5 percent or a \$50,000 minimum deductible. Flood coverage includes a \$50,000 deductible. The per occurrence and aggregate limit is \$27,419,417.