

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
LA HABRA HEIGHTS, CALIFORNIA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2022



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**LA HABRA HEIGHTS COUNTY WATER DISTRICT
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INDEPENDENT AUDITORS' REPORT

Board of Directors
La Habra Heights County Water District
La Habra Heights, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the La Habra Heights County Water District (the District), which comprise the statement of net position as of June 30, 2022, and the related statement of revenues, expenses and changes in net position, and the statement of cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents..

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Notes 1P and 11 to the financial statements, as of July 1, 2021, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which resulted in a restatement to beginning net position. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of net pension liability, the schedule of pension contributions, and the schedule of changes in the other postemployment benefit (OPEB) total liability and related ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit for the year ended June 30, 2022, was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of operating expenses for the year ended June 30, 2022, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of operating expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2022.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the District as of and for the year ended June 30, 2021 (not presented herein), and have issued our report thereon dated November 9, 2021, which contained an unmodified opinion on the financial statements. The schedule of operating expenses for the ended June 30, 2021, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2021 financial statements. The information was subjected to the audit procedures applied in the audit of the 2021 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of operating expenses is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2021.

Report on Summarized Financial Information

We have previously audited the District's 2021 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated November 9, 2021. In our opinion, the summarized financial information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Board of Directors
La Habra Heights County Water District

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Irvine, California
November 9, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

This section of La Habra Heights County Water District's (the District) annual financial report presents our analysis of the District's financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position increased by \$1,449,747 or 8.29 percent including a restatement of net position.
- During the year the District's total revenues increased to \$6,077,565 or 4.20%, and expenses decreased to \$4,737,520 or 12.45% from the prior year.
- Capital contributions to the District decreased to \$18,004.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and supplementary information. The basic financial statements also include notes that explain in more detail some of the information in the basic financial statements.

REQUIRED FINANCIAL STATEMENTS

The basic financial statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The statement of net position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT

Management's analysis of the District begins on page 6 of the basic financial statements. "Is the District as a whole better off or worse off as a result of the year's activities?" is one of the most important questions to answer about the District's finances. The statement of net position and the statement of revenues, expenses, and changes in net position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District and changes in them. The District's net position – the difference between assets and liabilities – is a way to measure financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating. However, you will need to consider other nonfinancial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation.

NET POSITION

To begin our analysis, a summary of the District's statements of net position is presented in Table 1.

TABLE 1
Condensed Statements of Net Position

	Fiscal Year 2022	Fiscal Year 2021	2022-2021 Variance	
			Dollar Change	Percent Change
Assets:				
Current and Other Assets	\$ 8,750,662	\$ 5,424,234	\$ 3,326,428	61.33%
Capital Assets	15,370,037	15,457,193	(87,156)	-0.56%
Deferred Outflow of Resources	432,293	353,727	78,566	22.21%
Total Assets and Deferred Outflows of Resources	24,552,992	21,235,154	3,317,838	15.62%
Liabilities:				
Current Liabilities	548,196	649,570	(101,374)	-15.61%
Long-Term Liabilities	1,996,964	2,580,351	(583,387)	-22.61%
Deferred Inflows of Resources	3,065,255	512,403	2,552,852	498.21%
Total Liabilities and Deferred Inflows of Resources	5,610,415	3,742,324	1,868,091	49.92%
Net Position:				
Net Investment in Capital Assets	15,248,739	15,277,344	(28,605)	-0.19%
Restricted - Debt Service	19,677	29,158	(9,481)	-32.52%
Unrestricted	3,674,161	2,186,328	1,487,833	68.05%
Total Net Position	<u>\$ 18,942,577</u>	<u>\$ 17,492,830</u>	<u>\$ 1,449,747</u>	<u>8.29%</u>

Total net position increased by \$1,449,747 from fiscal year 2021 to 2022 including a restatement of net position. Total assets and deferred outflows of resources increased by \$3,317,838. This change is primarily due to increased balance in lease receivable, as well as, cash and cash equivalents. Total liabilities and deferred inflows of resources increased by \$1,868,091. This change is chiefly due to increase in deferred inflows of resources offset by a decrease in net pension liability.

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

NET POSITION (CONTINUED)

TABLE 2
Condensed Statements of Revenues, Expenses and Changes in Net Position

	Fiscal Year 2022	Fiscal Year 2021	2022-2021 Variance	
			Dollar Change	Percent Change
Revenues:				
Operating Revenues	\$ 5,013,936	\$ 4,804,903	\$ 209,033	4.35%
Nonoperating Revenues	1,063,629	1,027,928	35,701	3.47%
Total Revenues	<u>6,077,565</u>	<u>5,832,831</u>	<u>244,734</u>	<u>4.20%</u>
Expenses:				
Depreciation	505,997	494,376	11,621	2.35%
Other Operating Expenses	4,205,810	4,882,470	(676,660)	-13.86%
Nonoperating Expenses	25,713	34,662	(8,949)	-25.82%
Total Expenses	<u>4,737,520</u>	<u>5,411,508</u>	<u>(673,988)</u>	<u>-12.45%</u>
Net Income Before Capital Contributions	1,340,045	421,323	918,722	218.06%
Capital Contributions	<u>18,004</u>	<u>298,355</u>	<u>(280,351)</u>	<u>-93.97%</u>
Changes in Net Position	1,358,049	719,678	638,371	88.70%
Net Position - Beginning of Year (as Restated)	<u>17,584,528</u>	<u>16,773,152</u>	<u>811,376</u>	<u>4.84%</u>
Net Position - End of Year	<u>\$ 18,942,577</u>	<u>\$ 17,492,830</u>	<u>\$ 1,449,747</u>	<u>8.29%</u>

While the statements of net position show the change in financial position, the statements of revenues, expenses, and changes in net position provide answers as to the nature and source of these changes. As can be seen in Table 2, changes in net position increased by \$638,371 in fiscal year 2022.

A closer examination of the source of changes in net position reveals that operating revenues increased by \$209,033 which results from an increase in water rates. Water sales to customers decreased by 5.2% compared to last year. Rainfall of 7.84 inches for the year was below average.

Other operating expenses decreased by \$676,660. Items affecting other operating expenses are decreased employee benefits and legal services.

Net income before capital contributions increased by \$918,722, resulting from the above mentioned items.

Capital contributions decreased by \$280,351, had less infrastructure installations by a third party.

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

BUDGETARY HIGHLIGHTS

Table 3
Budget vs. Actual

	Fiscal Year 2022			Fiscal Year 2021		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Operating Revenues:						
Water Sales:						
Consumption	\$ 2,808,692	\$ 2,842,935	\$ 34,243	\$ 2,561,334	\$ 2,775,645	\$ 214,311
Readiness to Serve	2,080,940	2,109,086	28,146	1,942,178	1,974,372	32,194
Water Rights Lease	26,874	26,727	(147)	25,756	25,933	177
Other	28,366	35,188	6,822	28,366	28,953	587
Nonoperating Revenues	991,066	1,063,629	72,563	1,033,765	1,027,928	(5,837)
Total Revenues	5,935,938	6,077,565	141,627	5,591,399	5,832,831	241,432
Expenses:						
Operating Expenses:						
Sources of Supply	1,293,145	1,228,203	(64,942)	1,195,811	1,406,926	211,115
Depreciation	1,327,181	505,997	(821,184)	1,299,239	494,376	(804,863)
Administrative and General	1,705,931	1,098,055	(607,876)	1,670,848	1,700,560	29,712
Pumping	705,160	959,475	254,315	704,303	892,746	188,443
Transmission and Distribution	575,546	676,295	100,749	475,414	603,417	128,003
Customer Accounts	173,464	193,007	19,543	169,642	231,080	61,438
Water Treatment	49,407	50,775	1,368	38,692	47,741	9,049
Nonoperating Expenses	22,611	25,713	3,102	4,098	34,662	30,564
Total Expenses	5,852,445	4,737,520	(1,114,925)	5,558,047	5,411,508	(146,539)
Income Before:						
Capital Contributions	83,493	1,340,045	1,256,552	33,352	421,323	387,971
Capital Contributions	-	18,004	18,004	-	298,355	298,355
Changes in Net Position	83,493	<u>\$ 1,358,049</u>	<u>\$ 1,274,556</u>	33,352	<u>\$ 719,678</u>	<u>\$ 686,326</u>
Debt Service,						
Principal Due	(48,547)			(47,425)		
Changes in Net Position After Debt Service,						
Principal Due	<u>\$ 34,946</u>			<u>\$ (14,073)</u>		

The variance of budget to actual indicates changes in net position difference of \$1,274,556. The main difference is represented by operating expenses – depreciation which is lower than budget. In addition, operating expenses - administrative and general is lower than budget.

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of fiscal year 2022, the District had invested in a broad range of infrastructure as shown in Table 4.

TABLE 4
Capital Assets

	Fiscal Year 2022	Fiscal Year 2021	2022-2021 Variance	
			Dollar Change	Percent Change
Capital Assets, Not Depreciated:				
Land	\$ 532,744	\$ 532,744	\$ -	0.00%
Water Rights	1,608,491	1,608,491	-	0.00%
Construction in Progress	66,338	99,446	(33,108)	-33.29%
Total Capital Assets, Not Depreciated	2,207,573	2,240,681	(33,108)	-1.48%
Capital Assets, Being Depreciated:				
Sources of Supply	2,271,080	2,271,080	-	0.00%
Pumping	1,625,878	1,625,878	-	0.00%
Transmission and Distribution	26,356,058	26,042,631	313,427	1.20%
General	1,753,275	1,653,723	99,552	6.02%
Total Capital Assets, Being Depreciated	32,006,291	31,593,312	412,979	1.31%
Less Accumulated Depreciation for:				
Sources of Supply	(1,487,257)	(1,408,070)	(79,187)	5.62%
Pumping	(1,475,330)	(1,439,558)	(35,772)	2.48%
Transmission and Distribution	(14,773,159)	(14,490,896)	(282,263)	1.95%
General	(1,108,081)	(1,038,276)	(69,805)	6.72%
Total Accumulated Depreciation	(18,843,827)	(18,376,800)	(467,027)	2.54%
Total Capital Assets, Being Depreciated, Net	13,162,464	13,216,512	(54,048)	-0.41%
Capital Assets, Net	\$ 15,370,037	\$ 15,457,193	\$ (87,156)	-0.56%

Increase for fiscal year 2022 for capital assets, being depreciated – transmission and distribution of \$313,427, resulted from the following replacements:

- 6” pipeline on Vista Del Llano

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

DEBT ADMINISTRATION

At year-end, the District had \$61,360 in long-term liabilities down from \$121,298 in fiscal year 2021 for a decrease of \$59,938 or 49.4 percent, which was the amount of fiscal year 2022 principal payments on outstanding debt. The 1981 State Loan Payable is the only debt that is outstanding at year end 2022. The District did not issue new debt in fiscal year 2022 to finance major capital improvements.

Additional detail on long-term liabilities is shown in Note 4 to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's Board of Directors and management considered many factors when setting the fiscal year 2022 budget, user fees and charges. The factors include cost of purchasing water, as well as electricity costs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGER

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tammy Wagstaff at La Habra Heights County Water District.

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LA HABRA HEIGHTS COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)

	2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,241,244	\$ 4,236,863
Receivables:		
Customers	664,707	684,292
Interest	6,748	2,934
Taxes	39,360	14,311
Lease	131,111	-
Other	21,240	249,858
Prepaid Items	218,198	206,227
Total Current Assets	6,322,608	5,394,485
NONCURRENT ASSETS		
Restricted Assets:		
Construction Advance Receivable	19,677	29,158
Investment in California Domestic Water Co., at Cost	591	591
Lease Receivable	2,407,786	-
Capital Assets:		
Nondepreciable	2,207,573	2,240,681
Depreciable, Net of Accumulated Depreciation	13,162,464	13,216,512
Total Noncurrent Assets	17,798,091	15,486,942
 Total Assets	 24,120,699	 20,881,427
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts from Pension Plan	172,529	214,013
Deferred Amounts from OPEB	259,764	139,714
Total Deferred Outflows of Resources	432,293	353,727

See accompanying Notes to Basic Financial Statements.

LA HABRA HEIGHTS COUNTY WATER DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)

	2022	2021
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 391,517	\$ 396,969
Current Portion of 1981 State Loan Payable	59,938	58,551
Deposits:		
Customers	3,000	1,000
Accrued Payroll	37,353	34,974
Accrued Employee Benefits	39,446	47,970
Unearned Rental Income	401	91,697
Total OPEB Liability, Due Within One Year	16,541	18,409
Total Current Liabilities	548,196	649,570
LONG-TERM LIABILITIES		
Accrued Employee Benefits, Net of Current Portion	120,180	98,024
1981 State Loan Payable, Net of Current Portion	61,360	121,298
Net Pension Liability	125,862	924,418
Total OPEB Liability, Due in More Than One Year	1,689,562	1,436,611
Total Long-Term Liabilities	1,996,964	2,580,351
 Total Liabilities	 2,545,160	 3,229,921
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts from Pension Plan	140,358	60,916
Deferred Amounts from OPEB	385,809	451,487
Deferred Amounts from Leases	2,539,088	-
Total Deferred Inflows Of Resources	3,065,255	512,403
NET POSITION		
Net Investment in Capital Assets	15,248,739	15,277,344
Restricted - Debt Service	19,677	29,158
Unrestricted	3,674,161	2,186,328
 Total Net Position	 \$ 18,942,577	 \$ 17,492,830

See accompanying Notes to Basic Financial Statements.

LA HABRA HEIGHTS COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)

	2022	2021
OPERATING REVENUES		
Water Sales:		
Consumption	\$ 2,842,935	\$ 2,775,645
Readiness to Serve	2,109,086	1,974,372
Water Rights Lease	26,727	25,933
Other	35,188	28,953
Total Operating Revenues	5,013,936	4,804,903
OPERATING EXPENSES		
Sources of Supply	1,228,203	1,406,926
Depreciation	505,997	494,376
Administrative and General	1,098,055	1,700,560
Pumping	959,475	892,746
Transmission and Distribution	676,295	603,417
Customer Accounts	193,007	231,080
Water Treatment	50,775	47,741
Total Operating Expenses	4,711,807	5,376,846
OPERATING INCOME (LOSS)	302,129	(571,943)
NONOPERATING REVENUES (EXPENSES)		
Property Taxes and Assessments	896,133	872,592
Investment Income (Loss)	(22,746)	21,078
Rental Income	126,673	114,794
Oil Royalties	16,133	9,716
Other, Net	10,587	9,748
Interest on Long-Term Debt	(2,967)	(4,097)
Gain (Loss) on Disposal of Assets	14,103	(30,565)
Total Nonoperating Revenues	1,037,916	993,266
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	1,340,045	421,323
CAPITAL CONTRIBUTIONS	18,004	298,355
CHANGES IN NET POSITION	1,358,049	719,678
Net Position - Beginning of Year (as Restated)	17,584,528	16,773,152
NET POSITION - END OF YEAR	\$ 18,942,577	\$ 17,492,830

See accompanying Notes to Basic Financial Statements.

LA HABRA HEIGHTS COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 5,264,330	\$ 4,509,829
Payments to Suppliers	(3,252,238)	(3,972,086)
Payments to Employees	(1,557,376)	(800,632)
Unrealized Loss on Investment	(46,401)	-
Other	10,587	9,748
Net Cash Provided (Used) by Operating Activities	418,902	(253,141)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Property Taxes and Assessments	871,084	865,563
Net Cash Provided by Noncapital Financing Activities	871,084	865,563
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Utility and General Plant Assets, Net	(419,738)	(918,265)
Principal Paid on 1981 State Loan Payable	(58,551)	(57,198)
Interest Paid on 1981 State Loan Payable	(2,967)	(4,097)
Proceeds from Sale of Capital Assets	15,000	-
Capital Contributions	18,004	298,355
Net Cash Used by Capital and Related Financing Activities	(448,252)	(681,205)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Rental Activities	126,673	114,794
Interest Income Received	19,841	29,911
Royalty Income	16,133	9,716
Net Cash Provided by Investing Activities	162,647	154,421
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,004,381	85,638
Cash and Cash Equivalents - Beginning of Year	4,236,863	4,151,225
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,241,244	\$ 4,236,863

See accompanying Notes to Basic Financial Statements.

LA HABRA HEIGHTS COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)

	2022	2021
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 302,129	\$ (571,943)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	505,997	494,376
Unrealized Loss on Investment	(46,401)	-
Other	10,587	9,748
(Increase) Decrease in Assets and Deferred Outflows of Resources:		
Accounts Receivable	257,684	(286,825)
Lease Receivable	(2,538,897)	-
Prepaid Expenses	(11,971)	(5,163)
Deferred Outflows of Resources from Pension Plan	41,484	11,149
Deferred Outflows of Resources from OPEB	(120,050)	(24,945)
Increase (Decrease) in Liabilities and Deferred Inflow of Resources:		
Accounts Payable and Accrued Liabilities	(5,452)	(59,854)
Customers Deposits	2,000	1,000
Accrued Payroll and Employee Benefits Liabilities	16,012	4,883
Unearned Rental Income	401	(373)
Net Pension Liability	(798,556)	134,393
Total OPEB Liability	251,083	18,328
Deferred Inflows of Resources from Pension Plan	79,442	(24,393)
Deferred Inflows of Resources from OPEB	(65,678)	46,478
Deferred Inflows of Resources from Leases	2,539,088	-
Total Adjustments	116,773	318,802
Net Cash Provided (Used) by Operating Activities	\$ 418,902	\$ (253,141)

See accompanying Notes to Basic Financial Statements.

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The La Habra Heights County Water District (the District) is a public entity organized as a County Water District under the County Water District Law (under the appropriate California Water Code Sections) on November 30, 1976. The District provides potable water service to an area encompassing the city of La Habra Heights (the City) and a portion of the unincorporated Los Angeles County Area. The District is operated under the direction of a five-member board of directors elected for staggered four-year terms by the citizens residing within the District's boundaries.

The District has the power under the law of a governmental taxing authority and is authorized to (1) receive a proportional share of 1% of the County of Los Angeles (County) ad valorem property tax, as determined by the County's Tax Assessor, and (2) assess taxes for the purpose of carrying on its operations and paying its general obligation bonds.

B. 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 notes to the basic financial statements.

C. Basis of Presentation

The accounts of the District are an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The District is subject to the application of all Governmental Accounting Standards Board (GASB) statements.

D. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Under the economic measurement focus all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) associated with these activities are included on the statements of net position. The statements of revenues, expenses and changes in net position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The District has the following items that qualify for reporting in this category:

- Deferred outflows related to pensions equal to employer contributions made after the measurement date of the net pension liability and deferred outflows related to OPEB equal to benefit payments made after the measurement date of the total OPEB liability.
- Deferred outflows related to pensions for differences between expected and actual experience, and changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans.
- Deferred outflows from OPEB resulting from changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the plan.

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

- Deferred inflow related to pensions for changes in employer's proportion and differences between employer's contributions and the employer's proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans.
- Deferred inflow related to OPEB for differences between expected and actual experience and changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with OPEB through the plan.
- Deferred inflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plans' fiduciary net position. This amount is amortized over five years.
- Deferred inflow related to leases, this amount is deferred and recognized as an inflow of resources in based on the payment provision in the contract.

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Operating Revenues and Expenses

Operating revenues, such as charges for services (water sales) result from exchange transactions associated with the principal activity of the District. Nonoperating revenues, such as property taxes and assessments, rental income, and investment income, result from nonexchange transactions or ancillary activities in which the District gives (receives) value without directly receiving (giving) equal value in exchange.

Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

G. Budgetary Practices

Each year the District adopts a budget to assess its general operations. Budgets are prepared on the accrual basis of accounting. Expenses that exceed the budgeted totals are approved by the District's board. All annual appropriations lapse at fiscal year-end.

H. Cash and Cash Equivalents

The District invests cash in excess of its operating requirements primarily in the state of California Local Agency Investment Fund (LAIF). All invested funds are stated at fair value.

For purposes of the statements of cash flows, the District defines cash and cash equivalents as demand account balances, cash on hand and all cash deposited in LAIF. Together, these balances represent cash and investments, with maturities less than 90 days.

I. Restricted Assets

The District's policy considers restricted assets as those amounts the use of which are legally restricted for such purposes as principal and interest payments by agreements.

J. Prepaid Items

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

K. Capital Assets and Depreciation

The District records capital assets that are purchased at historical cost, while contributed assets are recorded at acquisition value at the time received. Capital assets are defined by the District as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Capital assets retirements are removed from the accounts at cost, together with the related accumulated depreciation. Any gains or losses resulting from retirements are recorded as nonoperating revenues or expenses.

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets and Depreciation (Continued)

Capital assets owned by the District are depreciated on a straight-line method based on their estimated useful lives by asset classification. Estimated useful lives by asset classification are as follows:

Sources of Supply Plant	30 Years
Pumping Equipment	25 Years
Transmission and Distribution Plant	75 Years
General Plant	5 to 20 Years

Expenditures which materially increase capital assets lives are capitalized, while costs of maintenance and repairs are charged to expense as incurred.

L. Capital Contributions

Capital contributions are composed of transmission and distribution plant assets that are constructed by the District or a third party and are paid for by developers or the District's customers desiring services that require capital expenditures or capacity commitment. When these assets are constructed, they become part of the District's transmission and distribution system and are depreciated on a straight-line method over 75 years. Capital contributions received during the year are recorded on the statements of revenues, expenses and changes in net position.

M. Accrued Employee Benefits

Accumulated unpaid vacation, sick pay and other employee benefit amounts are accrued when vested.

N. Method Used to Record Bad Debts

The District has elected to record bad debts using the direct write-off method. Customers with overdue balances of four months or more are specifically written-off as uncollectible. Any differences between the direct write-off method and reporting an allowance for bad debts is not significant to the financial statements.

O. Property Taxes

Property tax in California is levied in accordance with Article 13A of the state Constitution at 1% of county-wide assessed valuations. This 1% is allocated pursuant to state law to the appropriate units of local government.

For fiscal year 2022, the property tax calendar is as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Dates:	First Installment - November 1 Second Installment - February 1
Delinquent Dates:	First Installment - December 10 Second Installment - April 10

LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Adoption of New Accounting Standards

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The District adopted the requirements of the guidance effective July 1, 2021 and has applied the provisions of this standard to the beginning of the period of adoption.

Q. Leases

The District is a lessor for a noncancellable lease of land. The District recognizes a lease receivable and a deferred inflow of resources in the statement of net position.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Pensions

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

S. Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

T. Prior Year Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2022 are reported in the accompanying statement of net position as follows:

Financial Statement Classification:

Unrestricted:

Cash and Cash Equivalents	<u>\$ 5,241,244</u>
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**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

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

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 Years	None	None
United States Treasury Obligations	5 Years	None	None
Federal Agencies (United States Government Sponsored Agency Securities)	5 Years	None	None
Banker's Acceptances	180 Days	40%	30%
Commercial Paper	270 Days	25%	10%
Negotiable Certificates of Deposit	5 Years	30%	None
Repurchase Agreements	1 Year	None	None
Reverse Repurchase Agreements	92 Days	20%	None
Corporate Medium-Term Notes	5 Years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 Years	20%	None
California Local Agency Investment Fund (LAIF)	N/A	None	None

Disclosures Relating to Interest Rate Risk

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

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

	Maturity 12 Months or Less
	<u>June 30, 2022</u>
California Local Agency Investment Fund	<u>\$ 3,557,687</u>

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy and the actual rating by *Standard and Poor's*, as of year-end for each investment type:

	Unrated
	<u>June 30, 2022</u>
California Local Agency Investment Fund	<u>\$ 3,557,687</u>

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Other than LAIF, there are no investments in any one issuer that represents 5% or more of total District's investments as of June 30, 2022.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2022, the bank balance of deposits was \$1,701,703, which is insured by the Federal Deposit Insurance Company or collateralized as required by California law. The difference between the bank balance and carrying value is due to outstanding checks and deposits in transit.

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the treasurer of the state of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's prorata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Fair Value Measurements

The District categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices in active markets for similar assets, and Level 3 inputs are significant unobservable inputs.

The District's investments in LAIF are not subject to the fair value measurement hierarchy.

NOTE 3 CAPITAL ASSETS

Changes in capital assets and accumulated depreciation as of June 30, 2022 were as follows:

	<u>Balance at July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2022</u>
Capital Assets, Not Depreciated:				
Land	\$ 532,744	\$ -	\$ -	\$ 532,744
Water Rights	1,608,491	-	-	1,608,491
Construction in Progress	99,446	329,769	(362,877)	66,338
Total Capital Assets, Not Depreciated	<u>2,240,681</u>	<u>329,769</u>	<u>(362,877)</u>	<u>2,207,573</u>
Capital Assets, Being Depreciated:				
Sources of Supply	2,271,080	-	-	2,271,080
Pumping	1,625,878	-	-	1,625,878
Transmission and Distribution	26,042,631	325,306	(11,879)	26,356,058
General	1,653,723	127,539	(27,987)	1,753,275
Total Capital Assets, Being Depreciated	<u>31,593,312</u>	<u>452,845</u>	<u>(39,866)</u>	<u>32,006,291</u>
Less Accumulated Depreciation for:				
Sources of Supply	(1,408,070)	(79,187)	-	(1,487,257)
Pumping	(1,439,558)	(35,772)	-	(1,475,330)
Transmission and Distribution	(14,490,896)	(293,540)	11,277	(14,773,159)
General	(1,038,276)	(97,498)	27,693	(1,108,081)
Total Accumulated Depreciation	<u>(18,376,800)</u>	<u>(505,997)</u>	<u>38,970</u>	<u>(18,843,827)</u>
Total Capital Assets, Being Depreciated, Net	<u>13,216,512</u>	<u>(53,152)</u>	<u>(896)</u>	<u>13,162,464</u>
Capital Assets, Net	<u>\$ 15,457,193</u>	<u>\$ 276,617</u>	<u>\$ (363,773)</u>	<u>\$ 15,370,037</u>

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 LONG-TERM LIABILITIES

The following is a summary of long-term liabilities payable at June 30, 2022 with changes thereon:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Due Within One Year
Accrued Employee Benefits	\$ 145,994	\$ 61,602	\$ (47,970)	\$ 159,626	\$ 39,446
	Balance July 1, 2021	Payments		Balance June 30, 2022	
1981 State Loan Payable	\$ 179,849	\$ 58,551		\$ 121,298	
Less: Current Portion		(58,551)		(59,938)	
Total	\$ 121,298			\$ 61,360	

A. 1981 State Loan Payable

In 1981, pursuant to the state of California Davis-Grunsky Act, the state of California loaned the District \$1,500,000 to finance the relining of the La Mirada Conduit (Conduit) and construction of Reservoir 2. The District entered into a Joint Facilities Agreement as of October 15, 1980 with Orchard Dale Water District (Orchard Dale) for the purpose of operating and maintaining the Conduit (see Note 9a). The state loan bears interest at 2.5% and matures in graduated annual amounts through 2024, while interest is due semiannually. The balance of deferred interest is repayable over the remaining life of the state loan in equal annual payments of \$3,065.

A summary of debt service for the District's outstanding 1981 state loan is as follows:

Year Ending June 30,	Principal	Deferred Interest (Reported as Principal)	Interest	Total
2023	\$ 56,873	\$ 3,065	\$ 2,879	\$ 62,817
2024	58,295	3,065	1,457	62,817
Total	\$ 115,168	\$ 6,130	\$ 4,336	\$ 125,634

B. Construction Advance Receivable

The District has entered into a construction agreement with Orchard Dale in which Orchard Dale is to reimburse the District for a portion of the debt service payments on the 1981 state loan. The amount due as of June 30, 2022 from Orchard Dale was \$19,677.

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 EMPLOYEE-DEFERRED COMPENSATION PLAN

For the benefit of its employees, the District established an eligible employee-deferred compensation plan in accordance with the Internal Revenue Code Section 457, the La Habra Heights County Water District deferred compensation plan, administered by the District general manager. Funds may be withdrawn by participants upon either termination of employment, retirement, death or an unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes. The District makes matching contributions of 100% on the first 2% of compensation deferred by the plan, contributions are vested immediately. Benefit terms are established and can be amended by the administrator of the plan.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District and are not subject to claims of the District's general creditors and, therefore, are excluded from these financial statements. For the year ended June 30, 2022, the District contributed \$18,606 to the 457 program.

NOTE 6 PENSION PLAN

A. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by state statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for nonindustrial disability benefits after five (5) years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 PENSION PLAN (CONTINUED)

A. General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

The plan's provisions and benefits in effect for the year ended June 30, 2022, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire Date		
Benefit Formula	2.0%@60	2.0%@62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50 - 67	52 - 67
Monthly Benefits, as a % of Eligible Compensation	1.092% to 2.418%	1.0% to 2.5%
Required Employee Contribution Rates	6.92%	6.75%
Required Employer Contribution Rates:		
Normal Cost Rate	8.650%	7.590%
Payment of Unfunded Liability	\$ 71,570	\$ 540

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. District contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions. For the current year, the District made contributions totaling \$153,230.

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	<u>\$ 125,862</u>

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 PENSION PLAN (CONTINUED)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The District's net pension liability for the plan is measured as the proportionate share of the net pension liability. The net pension liability of the plan is measured as of June 30, 2021, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the plan as of the measurement dates ended June 30, 2020 and 2021 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2020	0.02192%
Proportion - June 30, 2021	0.00663%
Change - Increase (Decrease)	<u><u>-0.01529%</u></u>

For the year ended June 30, 2022, the District recognized pension expense of \$524,399. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension Contributions Subsequent to Measurement Date	\$ 153,230	\$ -
Differences Between Expected and Actual Experience	14,114	-
Change in Assumptions	-	-
Change in Employer's Proportion and Differences Between the Employer's Contributions and the Employer's Proportionate Share of Contributions	5,185	(30,488)
Net Differences Between Projected and Actual Earnings on Plan Investments	-	(109,870)
Total	<u><u>\$ 172,529</u></u>	<u><u>\$ (140,358)</u></u>

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 PENSION PLAN (CONTINUED)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

\$153,230 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ (39,232)
2024	(28,548)
2025	(22,918)
2026	(30,361)
2027	-
Thereafter	-

Actuarial Assumptions

The total pension liability for the June 30, 2021 measurement period was determined by an actuarial valuation as of June 30, 2020, with update procedures used to roll forward the total pension liability to June 30, 2021. The total pension liability was based on the following assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Increase	(3)

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and post retirement mortality rates includes 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

(3) The less of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.50% thereafter.

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 PENSION PLAN (CONTINUED)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

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.

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

The expected real rate of return by asset class are as follows:

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00 %	4.80 %	5.98 %
Fixed Income	28.00	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Assets	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)
Total	100.00 %		

(a) In the CalPERS ACFR, 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.

(b) An expected inflation of 2.0% used for this period.

(c) An expected inflation of 2.92% used for this period.

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 PENSION PLAN (CONTINUED)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Discount Rate

The discount rate used to measure the total pension liability 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.

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

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

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	\$ 1,027,882
Current Discount Rate	7.15%
Net Pension Liability	\$ 125,862
1% Increase	8.15%
Net Pension Liability	\$ (619,825)

Pension Plan Fiduciary Net Position

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

C. Payable to the Pension Plan

At June 30, 2022, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 PENSION PLAN (CONTINUED)

D. Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-2021. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS

A. General Information and Benefits Provided

Plan Description and Benefits Provided

The District provides postemployment health care benefits through a single employer defined benefit plan. Specifically, the District provides health insurance for its retired employees in accordance with board resolutions. Medical coverage is provided for retired employees who are age 60 or over and who have a minimum of 20 continuous years of service with the District. Additionally, an employee's spouse and dependents are covered if the employee has reached 40 years of service and is age 62 or over. The District pays the premium for the retiree coverage. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Employees Covered

As of the June 30, 2022, the following current and former employees were covered by the benefit terms under the plan:

Inactive Employees or Beneficiaries Currently Receiving Benefits	2	
Inactive Employees or Beneficiaries Entitled to But Not Yet Receiving Benefits	-	
Active Employees	10	
Total	12	\$

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

A. General Information and Benefits Provided (Continued)

Contributions

The contribution requirements of plan members and the District are established and may be amended by the District and/or the District's board of directors. Currently, contributions are not required from plan members. The District is currently funding this OPEB obligation on a pay-as-you-go basis due to the insignificant amount that the District is paying each year. For the fiscal year ended June 30, 2022, the District's made payments of \$14,816 for retiree health insurance premiums and the estimated implicit subsidy was \$1,725, resulting in total benefit payments of \$16,541.

B. Total OPEB Liability

The District's OPEB liability of \$1,706,103 was measured as of June 30, 2021 and was determined by an actuarial valuation as of July 1, 2020, with update procedures used to roll forward the OPEB liability to June 30, 2021.

Actuarial Assumptions and Other Inputs

The total OPEB liability as of July 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Level Percent of Pay
Funding Policy	Pay-As-You-Go-Basis
Actuarial Assumptions:	
Discount Rate	1.92%
Projected Salary Increase	3.00%
Expected Long Term Investment Rate of Return	Not applicable since the District had not established an irrevocable trust for pre-funding the OPEB as of measurement date
Medical Trend	4.00% for 2021-2023, 5.20% for 2024-2069, 4.00% for 2070 and later years; Medicare ages: 4.00% for 2021-2023 and 3.50% for 2024 and later years.
Mortality Rates	Pre retirement mortality rates based on CalPERS Experience Study (1997-2015) Post-retirement mortality rates based on Healthy Recipients from CalPERS Experience Study (1997-2015)

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

B. Total OPEB Liability (Continued)

The discount rate was based on a yield or index rate for 20-year tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher. The municipal bond rate utilized was 1.92%.

Changes of Assumptions

The discount rate of 2.45% used for the June 30, 2020 measurement date was decreased to 1.92 % for the June 30, 2021 measurement date.

C. Changes in the Total OPEB Liability

The change in total OPEB liability are as follows:

	Increase (Decrease) Total OPEB Liability
Balance at June 30, 2020 (Measurement Date)	\$ 1,455,020
Changes in the Year:	
Service Cost	81,490
Interest on the Total OPEB Liability	37,420
Differences Between Actual and Expected Experience	-
Changes in Assumptions	150,582
Benefit Payments	(18,409)
Net Changes	251,083
Balance at June 30, 2021 (Measurement Date)	\$ 1,706,103

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

The following presents the total OPEB liability of the District, calculated using the discount rate for the plan, as well as what the District total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (.92%)	Discount Rate (1.92%)	1% Increase (2.92%)
Total OPEB Liability	\$ 2,045,888	\$ 1,706,103	\$ 1,436,316

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rate

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

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

C. Changes in the Total OPEB Liability (Continued)

	1% Decrease (3.0% Increasing to 4.2% and back to 3.0%)	Current Trend (4.0% Increasing to 5.2% and back to 4.0%)	1% Increase (5.0% Increasing to 6.2% and back to 5.0%)
Total OPEB Liability	\$ 1,371,860	\$ 1,706,103	\$ 2,157,351

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$81,896. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Benefit Payments Subsequent to Measurement Date	\$ 16,541	\$ -
Differences Between Expected and Actual Experience	-	(216,558)
Changes in Assumptions	243,223	(169,251)
Total	\$ 259,764	\$ (385,809)

\$16,541 reported as deferred outflows of resources related to benefit paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ (37,014)
2024	(37,014)
2025	(37,014)
2026	(37,014)
2027	(37,014)
Thereafter	42,484

NOTE 8 LEASES

The District, acting as lessor, leases land under a long-term, noncancelable lease agreement. The lease expires in May 2043. During the year ended June 30, 2022, the District recognized \$121,860 and \$9,807 in lease revenue and interest revenue, respectively, pursuant to this contract.

The lease provides for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases.

LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 COMMITMENTS AND CONTINGENCIES

A. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. In an effort to manage its risk exposure, the District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (the Authority).

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

At June 30, 2022, as a member of the Authority, the District participated in the insurance programs as follows:

Property Program – The District retains risk of loss for the first \$500 of claims related to licensed vehicles/trailers, \$1,000 for claims related to real and personal property, and mobile equipment, \$25,000 for claims related to boiler and machinery, except for turbine and power generation equipment, which is \$50,000, 5% of TIV related to earthquake claims, and \$100,000 related to flood claims (the deductible amounts). The Authority is self-insured for the first \$100,000 and insurance coverage has been purchased to cover losses ranging from \$100,000 to \$500,000,000 limited to the insurable value of \$16,299,157.

Crime Program – The District retains risk of loss for the first \$1,000 related to loss of property caused by dishonest acts, forgery or alteration of orders to pay drawn from District accounts, or use of a computer to transfer covered property. The coverage limit is \$100,000 per loss.

General, Auto, and Public Officials Errors & Omissions – Insured up to \$55,000,000 with no deductible subject to policy aggregate limits, except for terrorism, which is insured up to \$5,000,000, communicable disease, which is insured up to \$10,000,000, per-and polyfluoroalkyl substances (PRAS), which is insured up to \$29,500,000, subsidence, lead and mold, which are individually insured up to \$45,000,000. The Authority is self-insured for the first \$5,000,000 and excess insurance coverage has been purchased to cover losses ranging from \$5,000,000 to \$55,000,000.

Workers' Compensation and Employer's Liability Program – Compensation insurance up to California statutory limits for all work-related injuries/illnesses covered by California law. The Authority is self-insured for the first \$2 million and has purchased excess insurance to the statutory limit with a \$4,000,000 program aggregate limit for employer's liability coverage.

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 COMMITMENTS AND CONTINGENCIES (CONTINUED)

A. Risk Management

The District has not settled any claims that have exceeded insurance coverage in any of the past three fiscal years. An annual premium deposit is paid by the District. Actual annual premiums are to be determined utilizing a retrospective method.

B. Litigation

In the ordinary course of operations, the District is the subject of claims and litigation from outside parties. After consultation with its legal counsel, the District believes that an adequate provision has been made for the costs, if any, of the ultimate outcome of the legal proceedings through its self-insurance plan, such that these matters will not materially affect the District's financial condition.

NOTE 10 AGREEMENTS

A. Orchard Dale Water District

The District is party to a joint facilities agreement with the Orchard Dale Water District (Orchard Dale) for the purpose of operating and maintaining the Well Fields, La Mirada Conduit and the La Mirada Reservoir, a transmission and distribution system that carries water from the Well Fields to each water district's service area. The operating agreement under which the facilities were constructed required that each participant provide its own proportionate share of construction financing.

The District's proportionate share of construction and improvement costs for such jointly owned facilities is included in the appropriate category of utility and general plant assets.

The District incurs certain minimum operating costs on jointly owned facilities, whether or not it is able to take delivery of its proportionate share of annual water rights. Such expenses incurred are included as operating expenses in the accompanying statements of revenues, expenses and changes in net position.

In fiscal year 2021-2022, the District was reimbursed \$235,315 for this agreement and the reimbursement has been applied against the related operating expenses in the accompanying statement of revenues, expenses and changes in net position.

B. Rowland Water District

The District is party to a water production and delivery agreement dated May 12, 2012 with the Rowland Water District (Rowland) for the purpose of assisting Rowland to access water rights in the Central Groundwater Basin of Los Angeles County (Central Basin). Rowland has acquired pumping rights in the Central Basin but has no facilities to produce water from Central Basin to Rowland's service area. The District has facilities to produce water from the Central Basin and is able to assist Rowland to produce water, pursuant to Rowland's water rights, and deliver the water to Rowland's water distribution system.

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 AGREEMENTS (CONTINUED)

B. Rowland Water District (Continued)

Subject to certain limitations as specified in the agreement, the District will convey to Rowland, groundwater from the Central Basin. The District will bill Rowland on a monthly basis for water delivery costs. Rowland will pay the District for transporting water, and the District's direct cost of production, energy costs associated with the delivery of the water to the delivery point, any other variable cost of production.

On June 8, 2021, an Amendment to Water Production and Delivery Agreement was signed to settle a dispute related to the agreement. As part of the agreement Rowland will pay a wheeling rate of \$170.19 per acre-foot (AF) to the District for delivery of 1,300 AF during the fiscal year ended June 30, 2022. At the end of each fiscal year, the rate will be recalculated based on actual water delivered to Rowland. The wheeling rate will be increased annually in accordance with the CPI-U. In addition, the District will recover capital costs based on annual AF the District delivers to Rowland. In fiscal year 2021-2022 the District was reimbursed \$-0- for this agreement.

NOTE 11 RESTATEMENT OF NET POSITION

The District adopted the provisions of the GASB No. 87, *Leases*, which become effective during the year ended June 30, 2022. The implementation of this Statement required the District to report an increase to net position of \$91,698, as of July 1, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN FISCAL YEARS***

Fiscal Year Ended	Miscellaneous							
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Period	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plan's Proportion of the Net Pension Liability	0.02192%	0.02192%	0.01973%	0.00692%	0.00726%	0.00654%	0.02102%	0.02702%
Plan's Proportionate Share of the Net Pension Liability	\$ 125,862	\$ 924,418	\$ 790,025	\$ 666,511	\$ 719,602	\$ 566,312	\$ 576,686	\$ 667,868
Plan's Covered Payroll	\$ 870,218	\$ 889,015	\$ 817,337	\$ 766,210	\$ 741,585	\$ 744,900	\$ 722,019	\$ 609,966
Plan's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	14.46%	103.98%	96.66%	86.99%	97.04%	76.03%	79.87%	109.49%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	98.16%	85.16%	75.26%	75.26%	73.31%	74.06%	86.30%	83.03%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 125,862	\$ 237,074	\$ 210,794	\$ 188,093	\$ 170,453	\$ 150,102	\$ 125,678	\$ 88,356

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

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

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

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

There were no changes in assumptions.

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

The discount rate was reduced from 7.65% to 7.15%.

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

Inflation was reduced from 2.75% to 2.5%.

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

There were no changes in assumptions.

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

There were no changes in assumptions.

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

There were no changes in assumptions.

* - Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS***

Fiscal Year Ended	Miscellaneous							
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution (Actuarially Determined)	\$ 153,230	\$ 130,439	\$ 113,548	\$ 94,317	\$ 73,246	\$ 83,935	\$ 69,955	\$ 61,068
Contributions in Relation to the Actuarially Determined Contributions	(153,230)	(130,439)	(113,548)	(94,317)	(73,246)	(83,935)	(369,955)	(61,068)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (300,000)	\$ -
Covered Payroll	\$ 973,801	\$ 870,218	\$ 889,015	\$ 817,337	\$ 766,210	\$ 741,585	\$ 744,900	\$ 722,019
Contributions as a Percentage of Covered Payroll	15.74%	14.99%	12.77%	11.54%	9.56%	11.32%	49.67%	8.46%

Notes to Schedule:

Valuation Date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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**Methods and Assumptions Used to
Determine Contribution Rates:**

Actuarial Cost Method	Entry age							
Amortization Method	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	15 Year Smoothed Market Method						
Inflation	2.500%	2.500%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary Increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	7.00% (3)	7.00% (3)	7.25% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement Age	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed.

(2) Depending on age, service, and type of employment.

(3) Net of pension plan investment expense, including inflation.

(4) 50 years (2%@60), 52 years (2%@62).

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* - Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
SCHEDULE OF CHANGES IN THE OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS***

Fiscal Year-End	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Measurement Date	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Total OPEB Liability:					
Service Cost	\$ 81,490	\$ 63,338	\$ 53,903	\$ 73,499	\$ 59,254
Interest on Total OPEB Liability	37,420	46,666	46,632	46,184	43,498
Changes of Benefit Terms	-	-	-	174,350	-
Changes of Assumptions	150,582	38,845	110,974	(299,191)	-
Differences Between Expected and Actual Experience	-	(112,156)	-	(218,164)	-
Benefit Payments, Including Refunds of	(18,409)	(18,365)	(17,999)	(17,890)	(15,978)
Net Change in Total OPEB Liability	<u>251,083</u>	<u>18,328</u>	<u>193,510</u>	<u>(241,212)</u>	<u>86,774</u>
Total OPEB Liability - Beginning of Year	<u>1,455,020</u>	<u>1,436,692</u>	<u>1,243,182</u>	<u>1,484,394</u>	<u>1,397,620</u>
Total OPEB Liability - End of Year	<u>\$ 1,706,103</u>	<u>\$ 1,455,020</u>	<u>\$ 1,436,692</u>	<u>\$ 1,243,182</u>	<u>\$ 1,484,394</u>
Covered Employee Payroll	\$ 954,442	\$ 954,026	\$ 888,088	\$ 773,970	\$ 918,183
Total OPEB Liability as Percentage of Covered Employee Payroll	178.75%	152.51%	161.77%	160.62%	161.67%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

The discount rate of 3.62% used for the June 30, 2018 measurement date was decreased to 3.13 % for the June 30, 2019 measurement date. The healthcare trend rate of 6% used in the June 30, 2018 measurement period was adjusted to 5.9% in 2019 decreasing to 5% in 2028.

The discount rate of 3.13% used for the June 30, 2019 measurement date was decreased to 2.45 % for the June 30, 2020 measurement date. The healthcare trend rate of 5.9% used in the June 30, 2019 measurement period was adjusted to 4% in 2020 increasing to 5.2% for 2024-2069 and then decreasing to 4% in 2070.

The discount rate of 2.45% used for the June 30, 2020 measurement date was decreased to 1.92 % for the June 30, 2021 measurement date.

* Fiscal year 2018 was the first year of implementation; therefore, only five years are shown.

SUPPLEMENTARY INFORMATION

LA HABRA HEIGHTS COUNTY WATER DISTRICT
SCHEDULE OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)

	<u>2022</u>	<u>2021</u>
Sources of Supply - Purchased Water	\$ 1,228,203	\$ 1,406,926
Depreciation	505,997	494,376
Administrative and General:		
Office Salaries	252,411	217,099
Manager's Salary	157,999	147,872
Insurance	280,173	311,339
Employee Benefits	(354,563)	364,543
Vacation, Sick Leave, and Holidays	172,723	144,812
Professional Services	51,002	59,690
Payroll Taxes	80,004	73,831
Maintenance - General Plant	84,404	91,431
Office Supplies and Equipment	70,689	68,182
Utilities	35,648	42,567
Automobile Service	56,124	45,203
Education and Meetings	17,875	11,041
Dues	26,191	25,282
Legal Services	37,431	69,580
Engineering Expenses	100,270	4,815
Property Taxes	5,815	5,786
Directors Fees and Election Expenses	9,346	8,136
Miscellaneous	14,513	9,351
Total Administrative and General	<u>1,098,055</u>	<u>1,700,560</u>
Pumping:		
Supervision and Maintenance	126,931	144,169
Purchased Power	832,544	748,577
Total Pumping	<u>959,475</u>	<u>892,746</u>
Transmission and Distribution:		
Supervision, Labor, and Expense	229,460	198,612
Maintenance - Structures and Plant	232,486	165,836
Joint Facilities Accounts	214,349	238,969
Total Transmission and Distribution	<u>676,295</u>	<u>603,417</u>
Customer Accounts	193,007	231,080
Water Treatment	<u>50,775</u>	<u>47,741</u>
Total Operating Expenses	<u><u>\$ 4,711,807</u></u>	<u><u>\$ 5,376,846</u></u>



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