

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021



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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 Financial Statements

We have audited the accompanying financial statements of the La Habra Heights County Water District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2021, 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.

Other Matters

Summarized Prior-Year Financial Information

The District's basic financial statements for the year ended June 30, 2020 were audited by White Nelson Diehl Evans LLP, whose practice became part of CliftonLarsonAllen LLP as of November 1, 2020, and whose report dated October 28, 2020, expressed an unmodified opinion on the respective financial statements of La Habra Heights County Water District from which the prior year summarized financial information was derived. The report of White Nelson Diehl Evans LLP, dated October 28, 2020, stated that the schedule of operating expenses (supplementary information) for the year ended June 30, 2020 was subjected to the auditing procedures applied in the audit of the June 30, 2020 basic financial statements and certain additional auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in their opinion, was fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2020.

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 contributions, and the schedule of changes in the other postemployment benefit (OPEB) liability and related ratios, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

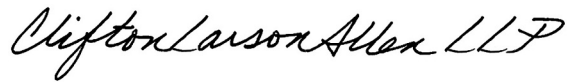
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of operating expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Irvine, California
November 9, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

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, 2021. Please read it in conjunction with the basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position increased by \$719,678 or 4.29 percent.
- During the year the District's total revenues increased to \$5,832,831 or 11.41%, and expenses increased to \$5,411,508 or 11.23% from the prior year.
- Capital contributions to the District increased to \$298,355.

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, 2021**

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 2021	Fiscal Year 2020	2021-2020 Variance	
			Dollar Change	Percent Change
Assets:				
Current and Other Assets	\$ 5,424,234	\$ 5,048,412	\$ 375,822	7.44%
Capital Assets	15,457,193	15,063,869	393,324	2.61%
Deferred Outflow of Resources	353,727	339,931	13,796	4.06%
Total Assets and Deferred Outflows of Resources	21,235,154	20,452,212	782,942	3.83%
Liabilities:				
Current Liabilities	633,189	683,097	(49,908)	-7.31%
Long-Term Liabilities	2,596,732	2,505,645	91,087	3.64%
Deferred Inflows of Resources	512,403	490,318	22,085	4.50%
Total Liabilities and Deferred Inflows of Resources	3,742,324	3,679,060	63,264	1.72%
Net Position:				
Net Investment in Capital Assets	15,277,344	14,826,822	450,522	3.04%
Restricted - Debt Service	29,158	38,407	(9,249)	-24.08%
Unrestricted	2,186,328	1,907,923	278,405	14.59%
Total Net Position	<u>\$ 17,492,830</u>	<u>\$ 16,773,152</u>	<u>\$ 719,678</u>	<u>4.29%</u>

Total net position increased by \$719,678 from fiscal year 2020 to 2021. Total assets and deferred outflows of resources increased by \$782,942. This change is primarily due to increased balance in accounts receivable – other and capital assets.

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

NET POSITION (CONTINUED)

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

	Fiscal Year 2021	Fiscal Year 2020	2021-2020 Variance	
			Dollar Change	Percent Change
Revenues:				
Operating Revenues	\$ 4,804,903	\$ 4,218,201	\$ 586,702	13.91%
Nonoperating Revenues	1,027,928	1,017,160	10,768	1.06%
Total Revenues	<u>5,832,831</u>	<u>5,235,361</u>	<u>597,470</u>	<u>11.41%</u>
Expenses:				
Depreciation	494,376	474,361	20,015	4.22%
Other Operating Expenses	4,882,470	4,384,629	497,841	11.35%
Nonoperating Expenses	34,662	6,284	28,378	451.59%
Total Expenses	<u>5,411,508</u>	<u>4,865,274</u>	<u>546,234</u>	<u>11.23%</u>
Net Income Before Capital Contributions	421,323	370,087	51,236	13.84%
Capital Contributions	<u>298,355</u>	<u>17,536</u>	<u>280,819</u>	<u>1601.39%</u>
Changes in Net Position	719,678	387,623	332,055	85.66%
Net Position - Beginning of Year	<u>16,773,152</u>	<u>16,385,529</u>	<u>387,623</u>	<u>2.37%</u>
Net Position - End of Year	<u>\$ 17,492,830</u>	<u>\$ 16,773,152</u>	<u>\$ 719,678</u>	<u>4.29%</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 \$719,678 in fiscal year 2021.

A closer examination of the source of changes in net position reveals that operating revenues increased by \$586,702 which results from a combination of increased water sales to customers by 13% compared to last year and an increase in water rates. Rainfall of 5.41 inches for the year was below average.

Other operating expenses increased by \$497,841. Items affecting other operating expenses are increased source of supply as more water was purchased at a higher cost and pumping expenditures due to higher electricity costs.

Net income before capital contributions increased by \$51,236, resulting from the above mentioned items.

Capital contributions increased by \$280,819, due to replacement of La Mirada pipeline joint facilities and infrastructure installations by a third party.

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

BUDGETARY HIGHLIGHTS

Table 3
Budget vs. Actual

	Fiscal Year 2021			Fiscal Year 2020		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Operating Revenues:						
Water Sales:						
Consumption	\$ 2,561,334	\$ 2,775,645	\$ 214,311	\$ 2,550,082	\$ 2,326,342	\$ (223,740)
Readiness to Serve	1,942,178	1,974,372	32,194	1,824,649	1,837,574	12,925
Water Rights Lease	25,756	25,933	177	25,806	24,769	(1,037)
Other	28,366	28,953	587	27,146	29,516	2,370
Nonoperating Revenues	1,033,765	1,027,928	(5,837)	1,010,156	1,017,160	7,004
Total Revenues	<u>5,591,399</u>	<u>5,832,831</u>	<u>241,432</u>	<u>5,437,839</u>	<u>5,235,361</u>	<u>(202,478)</u>
Expenses:						
Operating Expenses:						
Sources of Supply	1,195,811	1,406,926	211,115	1,250,119	1,074,530	(175,589)
Depreciation	1,299,239	494,376	(804,863)	1,056,274	474,361	(581,913)
Administrative and General	1,670,848	1,700,560	29,712	1,674,194	1,727,894	53,700
Pumping	704,303	892,746	188,443	716,866	697,301	(19,565)
Transmission and Distribution	475,414	603,417	128,003	443,478	683,228	239,750
Customer Accounts	169,642	231,080	61,438	194,780	165,646	(29,134)
Water Treatment	38,692	47,741	9,049	40,033	36,030	(4,003)
Nonoperating Expenses	4,098	34,662	30,564	5,218	6,284	1,066
Total Expenses	<u>5,558,047</u>	<u>5,411,508</u>	<u>(146,539)</u>	<u>5,380,962</u>	<u>4,865,274</u>	<u>(515,688)</u>
Income Before:						
Capital Contributions	33,352	421,323	387,971	56,877	370,087	313,210
Capital Contributions	-	298,355	298,355	-	17,536	17,536
Changes in Net Position	<u>33,352</u>	<u>\$ 719,678</u>	<u>\$ 686,326</u>	<u>56,877</u>	<u>\$ 387,623</u>	<u>\$ 330,746</u>
Debt Service,						
Principal Due	<u>(47,425)</u>			<u>(46,329)</u>		
Changes in Net Position After Debt Service,						
Principal Due	<u>\$ (14,073)</u>			<u>\$ 10,548</u>		

The variance of budget to actual indicates changes in net position difference of \$686,326. The main difference is represented by operating expenses – depreciation which is lower than budget. This variance is offset by operating expenses – sources of supply and pumping which are higher than budget.

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of fiscal year 2021, the District had invested in a broad range of infrastructure as shown in Table 4.

TABLE 4
Capital Assets

	Fiscal Year 2021	Fiscal Year 2020	2021-2020 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	99,446	263,307	(163,861)	-62.23%
Total Capital Assets, Not Depreciated	2,240,681	2,404,542	(163,861)	-6.81%
Capital Assets, Being Depreciated:				
Sources of Supply	2,271,080	2,282,512	(11,432)	-0.50%
Pumping	1,625,878	1,625,878	-	0.00%
Transmission and Distribution General	26,042,631	25,280,920	761,711	3.01%
Total Capital Assets, Being Depreciated	1,653,723	1,978,055	(324,332)	-16.40%
Total Capital Assets, Being Depreciated	31,593,312	31,167,365	425,947	1.37%
Less Accumulated Depreciation for:				
Sources of Supply	(1,408,070)	(1,336,498)	(71,572)	5.36%
Pumping	(1,439,558)	(1,401,916)	(37,642)	2.69%
Transmission and Distribution General	(14,490,896)	(14,243,602)	(247,294)	1.74%
Total Accumulated Depreciation	(1,038,276)	(1,526,022)	487,746	-31.96%
Total Accumulated Depreciation	(18,376,800)	(18,508,038)	131,238	-0.71%
Total Capital Assets, Being Depreciated, Net	13,216,512	12,659,327	557,185	4.40%
Capital Assets, Net	\$ 15,457,193	\$ 15,063,869	\$ 393,324	2.61%

Increase for fiscal year 2021 for capital assets, being depreciated – transmission and distribution of \$761,711, decreases in capital assets, not being depreciated – construction in progress of \$163,861 and capital assets, being depreciated – general of \$324,332 resulted from the following replacements:

- Upgrade SCADA
- Cathodic protection system on Reservoirs
- 24" and 16" La Mirada pipe replacement

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

DEBT ADMINISTRATION

At year-end, the District had \$121,298 in long-term liabilities down from \$179,849 in fiscal year 2020 for a decrease of \$58,551 or 32.6 percent, which was the amount of fiscal year 2021 principal payments on outstanding debt. The 1981 State Loan Payable is the only debt that is outstanding at year end 2021. The District did not issue new debt in fiscal year 2021 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 2021 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, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2020)

	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,236,863	\$ 4,151,225
Accounts Receivable:		
Customers	684,292	621,716
Interest	2,934	11,767
Taxes	14,311	7,282
Other	249,858	16,360
Prepaid Items	206,227	201,064
Total Current Assets	5,394,485	5,009,414
NONCURRENT ASSETS		
Restricted Assets:		
Construction Advance Receivable	29,158	38,407
Investment in California Domestic Water Co., at Cost	591	591
Capital Assets:		
Nondepreciable	2,240,681	2,404,542
Depreciable, Net of Accumulated Depreciation	13,216,512	12,659,327
Total Noncurrent Assets	15,486,942	15,102,867
 Total Assets	 20,881,427	 20,112,281
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts from Pension Plan	214,013	225,162
Deferred Amounts from OPEB	139,714	114,769
Total Deferred Outflows of Resources	353,727	339,931

See accompanying Notes to Basic Financial Statements.

LA HABRA HEIGHTS COUNTY WATER DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2020)

	2021	2020
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 396,969	\$ 456,823
Current Portion of 1981 State Loan Payable	58,551	57,198
Deposits:		
Customers	1,000	-
Accrued Payroll	34,974	28,854
Accrued Employee Benefits	47,970	48,152
Unearned Rental Income	91,697	92,070
Total Current Liabilities	631,161	683,097
LONG-TERM LIABILITIES		
Accrued Employee Benefits, Net of Current Portion	98,024	99,079
1981 State Loan Payable, Net of Current Portion	121,298	179,849
Net Pension Liability	924,418	790,025
Total OPEB Liability, Due Within One Year	18,409	16,406
Total OPEB Liability, Due in More Than One Year	1,436,611	1,420,286
Total Long-Term Liabilities	2,598,760	2,505,645
 Total Liabilities	 3,229,921	 3,188,742
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts from Pension Plan	60,916	85,309
Deferred Amounts from OPEB	451,487	405,009
Total Deferred Inflows Of Resources	512,403	490,318
NET POSITION		
Net Investment in Capital Assets	15,277,344	14,826,822
Restricted - Debt Service	29,158	38,407
Unrestricted	2,186,328	1,907,923
 Total Net Position	 \$ 17,492,830	 \$ 16,773,152

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, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

	2021	2020
OPERATING REVENUES		
Water Sales:		
Consumption	\$ 2,775,645	\$ 2,326,342
Readiness to Serve	1,974,372	1,837,574
Water Rights Lease	25,933	24,769
Other	28,953	29,516
Total Operating Revenues	4,804,903	4,218,201
OPERATING EXPENSES		
Sources of Supply	1,406,926	1,074,530
Depreciation	494,376	474,361
Administrative and General	1,700,560	1,727,894
Pumping	892,746	697,301
Transmission and Distribution	603,417	683,228
Customer Accounts	231,080	165,646
Water Treatment	47,741	36,030
Total Operating Expenses	5,376,846	4,858,990
OPERATING LOSS	(571,943)	(640,789)
NONOPERATING REVENUES (EXPENSES)		
Property Taxes and Assessments	872,592	819,967
Investment Income	21,078	67,139
Rental Income	114,794	114,467
Oil Royalties	9,716	13,600
Other, Net	9,748	1,987
Interest on Long-Term Debt	(4,097)	(5,218)
Gain (Loss) on Disposal of Assets	(30,565)	(1,066)
Total Nonoperating Revenues (Expenses)	993,266	1,010,876
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	421,323	370,087
CAPITAL CONTRIBUTIONS	298,355	17,536
CHANGES IN NET POSITION	719,678	387,623
Net Position - Beginning of Year	16,773,152	16,385,529
NET POSITION - END OF YEAR	\$ 17,492,830	\$ 16,773,152

See accompanying Notes to Basic Financial Statements.

LA HABRA HEIGHTS COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 4,509,829	\$ 4,097,992
Payments to Suppliers	(3,972,086)	(3,610,786)
Payments to Employees	(800,632)	(612,579)
Other	9,748	1,987
Net Cash Used by Operating Activities	(253,141)	(123,386)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Property Taxes and Assessments	865,563	824,331
Net Cash Provided by Noncapital Financing Activities	865,563	824,331
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Utility and General Plant Assets, Net	(918,265)	(727,878)
Principal Paid on 1981 State Loan Payable	(57,198)	(55,876)
Interest Paid on 1981 State Loan Payable	(4,097)	(5,218)
Proceeds from Sale of Capital Assets	-	601
Capital Contributions	298,355	17,536
Net Cash Used by Capital and Related Financing Activities	(681,205)	(770,835)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Rental Activities	114,794	114,467
Interest Earned on Investments	29,911	73,954
Royalty Income	9,716	13,600
Net Cash Provided by Investing Activities	154,421	202,021
NET CHANGE IN CASH AND CASH EQUIVALENTS	85,638	132,131
Cash and Cash Equivalents - Beginning of Year	4,151,225	4,019,094
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,236,863	\$ 4,151,225

See accompanying Notes to Basic Financial Statements.

LA HABRA HEIGHTS COUNTY WATER DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2020)

	2021	2020
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (571,943)	\$ (640,789)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	494,376	474,361
Other	9,748	1,987
(Increase) Decrease in Assets and Deferred Outflows of Resources:		
Accounts Receivable	(286,825)	(93,686)
Prepaid Expenses	(5,163)	(24,171)
Deferred Outflows of Resources from Pension Plan	11,149	3,673
Deferred Outflows of Resources from OPEB	(24,945)	(98,690)
Increase (Decrease) in Liabilities and Deferred Inflow of Resources:		
Accounts Payable and Accrued Liabilities	(59,854)	(31,203)
Customers Deposits	1,000	(17,500)
Accrued Payroll and Employee Benefits Liabilities	4,883	31,124
Unearned Rental Income	(373)	19
Net Pension Liability	134,393	123,514
Total OPEB Liability	18,328	193,510
Deferred Inflows of Resources from Pension Plan	(24,393)	10,638
Deferred Inflows of Resources from OPEB	46,478	(56,173)
Total Adjustments	318,802	517,403
Net Cash Used by Operating Activities	\$ (253,141)	\$ (123,386)

See accompanying Notes to Basic Financial Statements.

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The La Habra Heights County Water District (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 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, 2021

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 and OPEB equal to employer contributions made after the measurement date of the net pension liability and total OPEB liability.
- Deferred outflows related to pensions for differences between expected and actual experience, and changes in proportion and differences between employer 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 outflow 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 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 assumptions and changes in proportion and differences between employer 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.

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021**

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 2021, 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, 2021**

NOTE 1 REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. 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.

Q. 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.

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2021 are reported in the accompanying statement of net position as follows:

Financial Statement Classification:

Unrestricted:

Cash and Cash Equivalents	<u>\$ 4,236,863</u>
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**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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:

	<u>Maturity 12 Months or Less June 30, 2021</u>
California Local Agency Investment Fund	<u>\$ 3,594,054</u>

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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:

	<u>Unrated</u> <u>June 30, 2021</u>
California Local Agency Investment Fund	<u>\$ 3,594,054</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, 2021.

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, 2021, the bank balance of deposits was \$648,442, 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, 2021**

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 pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

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, 2021 were as follows:

	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Capital Assets, Not Depreciated:				
Land	\$ 532,744	\$ -	\$ -	\$ 532,744
Water Rights	1,608,491			1,608,491
Construction in Progress	263,307	865,053	(1,028,914)	99,446
Total Capital Assets, Not Depreciated	<u>2,404,542</u>	<u>865,053</u>	<u>(1,028,914)</u>	<u>2,240,681</u>
Capital Assets, Being Depreciated:				
Sources of Supply	2,282,512	5,434	(16,866)	2,271,080
Pumping	1,625,878	-	-	1,625,878
Transmission and Distribution	25,280,920	823,624	(61,913)	26,042,631
General	1,978,055	253,069	(577,401)	1,653,723
Total Capital Assets, Being Depreciated	<u>31,167,365</u>	<u>1,082,127</u>	<u>(656,180)</u>	<u>31,593,312</u>
Less Accumulated Depreciation for:				
Sources of Supply	(1,336,498)	(79,405)	7,833	(1,408,070)
Pumping	(1,401,916)	(37,642)	-	(1,439,558)
Transmission and Distribution	(14,243,602)	(287,672)	40,378	(14,490,896)
General	(1,526,022)	(89,657)	577,403	(1,038,276)
Total Accumulated Depreciation	<u>(18,508,038)</u>	<u>(494,376)</u>	<u>625,614</u>	<u>(18,376,800)</u>
Total Capital Assets, Being Depreciated, Net	<u>12,659,327</u>	<u>587,751</u>	<u>(30,566)</u>	<u>13,216,512</u>
Capital Assets, Net	<u>\$ 15,063,869</u>	<u>\$ 1,452,804</u>	<u>\$ (1,059,480)</u>	<u>\$ 15,457,193</u>

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 LONG-TERM LIABILITIES

The following is a summary of long-term liabilities payable at June 30, 2021 with changes thereon:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
Accrued Employee Benefits	\$ 147,231	\$ 46,915	\$ (48,152)	\$ 145,994	\$ 47,970
		<u>Balance July 1, 2020</u>	<u>Payments</u>	<u>Balance June 30, 2021</u>	
1981 State Loan Payable		\$ 237,047	\$ 57,198	\$ 179,849	
Less: Current Portion		(57,198)		(58,551)	
Total		<u>\$ 179,849</u>		<u>\$ 121,298</u>	

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:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Deferred Interest (Reported as Principal)</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 55,486	\$ 3,065	\$ 4,266	\$ 62,817
2023	56,873	3,065	2,879	62,817
2024	58,295	3,065	1,457	62,817
Total	<u>\$ 170,654</u>	<u>\$ 9,195</u>	<u>\$ 8,602</u>	<u>\$ 188,451</u>

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, 2021 from Orchard Dale was \$29,158.

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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. 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.

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. Fair value of the Program assets held in trust at June 30, 2021 was \$1,210,387. For the year ended June 30, 2021, the District contributed \$17,425 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, 2021**

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, 2021, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire Date		
Benefit Formula	2.0%@60	2%@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	8.794%	7.732%
Payment of Unfunded Liability	\$ 54,915	\$ 542

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 \$130,439.

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

As of June 30, 2021, 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>\$ 924,418</u>

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The 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, 2019 and 2020 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2019	0.01973%
Proportion - June 30, 2020	0.02192%
Change - Increase (Decrease)	0.00219%

For the year ended June 30, 2021, the District recognized pension expense of \$251,589. At June 30, 2021, 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	\$ 130,439	\$ -
Differences Between Expected and Actual Experience	47,637	-
Change in Assumptions	-	(6,593)
Change in Employer's Proportion and Differences Between the Employer's Contributions and the Employer's Proportionate Share of Contributions	8,476	(54,323)
Net Differences Between Projected and Actual Earnings on Plan Investments	27,461	-
Total	<u>\$ 214,013</u>	<u>\$ (60,916)</u>

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 PENSION PLAN (CONTINUED)

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

\$130,439 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows 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>
2022	\$ (4,766)
2023	3,549
2024	10,703
2025	13,172
2026	-
Thereafter	-

Actuarial Assumptions

The total pension liability for the June 30, 2020 measurement period was determined by an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total pension liability to June 30, 2020. The total pension liability was based on the following assumptions:

Valuation Date	<u>Miscellaneous</u>
Measurement Date	June 30, 2019
Actuarial Cost Method	June 30, 2020
	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, 2021**

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	<u>100.00 %</u>		

(a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(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, 2021**

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:

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	\$ 1,753,546
Current Discount Rate	7.15%
Net Pension Liability	\$ 924,418
1% Increase	8.15%
Net Pension Liability	\$ 239,336

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, 2021, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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 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, 2021, 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

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, 2021, the District's made payments of \$16,897 for retiree health insurance premiums and the estimated implicit subsidy was \$1,512, resulting in total benefit payments of \$18,409.

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

B. Total OPEB Liability

The District's OPEB liability of \$1,455,020 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2020.

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, 2020
Actuarial Cost Method	Entry-Age Level Percent of Pay
Funding Policy	Pay-As-You-Go-Basis
Actuarial Assumptions:	
Discount Rate	2.45%
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 2020-2023, 5.20% for 2024-2069, 4.00% for 2070 and later years; Medicare ages: 4.00% for 2020-2023 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)

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 2.45%.

Changes of Assumptions

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.

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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, 2019 (Measurement Date)	\$ 1,436,692
Changes in the Year:	
Service Cost	63,338
Interest on the Total OPEB Liability	46,666
Differences Between Actual and Expected Experience	(112,156)
Changes in Assumptions	38,845
Benefit Payments	(18,365)
Net Changes	18,328
Balance at June 30, 2020 (Measurement Date)	\$ 1,455,020

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 (1.45%)	Discount Rate (2.45%)	1% Increase (3.45%)
Total OPEB Liability	\$ 1,737,794	\$ 1,455,020	\$ 1,229,575

Sensitivity of the Total OPEB Liability to Changes in the Healthcare 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 healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	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	\$ 1,187,472	\$ 1,455,020	\$ 1,811,751

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$60,229. At June 30, 2021, 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	\$ 18,409	\$ -
Differences Between Expected and Actual Experience	-	(249,751)
Changes in Assumptions	121,305	(201,736)
Total	\$ 139,714	\$ (451,487)

\$18,409 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, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2022	\$ (49,775)
2023	(49,775)
2024	(49,775)
2025	(49,775)
2026	(49,775)
Thereafter	(81,307)

NOTE 8 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.

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)

A. Risk Management (Continued)

At June 30, 2021, as a member of the Authority, the District participated in the insurance programs as follows:

Property Loss – The District retains risk of loss up from \$1,000 to \$25,000, except for turbine and power generation equipment, which is \$50,000 (deductible amount); the Authority is self-insured up to \$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 \$15,816,421.

General, Auto, and Public Officials' Liability – 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, subsidence and lead, which are individually insured up to \$30,000,000, and mold, which is insured up to \$35,000,000; the Authority is self-insured up to \$5,000,000 and excess insurance coverage has been purchased to cover losses ranging from \$5,000,000 to \$55,000,000.

Public Employee Fidelity Bond – Insured up to \$1,000,000 with a \$1,000 deductible; the Authority is self-insured up to \$100,000.

Workers' Compensation and Employer's Liability Insurance – Compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law. The Authority is self-insured to \$2 million and has purchased excess insurance to the statutory limit.

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.

C. Ground Lease

In December 2009, the District agreed to a twenty-five-year ground lease expiring in April 2034 with a \$15,000 annual base rent. In addition, there is a base rent adjustment determined every five years that is based on the consumer price index (CPI). For the period of May 2017 through April 2022 the base rent adjustment is \$95,037, resulting in a total of \$110,037 received by the District in fiscal year 2020-2021. The District will receive approximately \$110,000 annually through April 2022, the next adjustment date.

**LA HABRA HEIGHTS COUNTY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 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 2020-2021, the District was reimbursed \$201,096 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.

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 \$162.09 per acre-foot (AF) to the District for delivery of 1,300 AF during the fiscal year ended June 30, 2021. 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 2020-2021 the District was reimbursed \$-0- for this agreement.

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, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Period	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%	0.01973%	0.00692%	0.00726%	0.00654%	0.02102%	0.02702%
Plan's Proportionate Share of the Net Pension Liability	\$ 924,418	\$ 790,025	\$ 666,511	\$ 719,602	\$ 566,312	\$ 576,686	\$ 667,868
Plan's Covered Payroll	\$ 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	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	85.16%	75.26%	75.26%	73.31%	74.06%	86.30%	83.03%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 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.

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

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

Fiscal Year Ended	Miscellaneous						
	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)	\$ 130,439	\$ 113,548	\$ 94,317	\$ 73,246	\$ 83,935	\$ 69,955	\$ 61,068
Contributions in Relation to the Actuarially Determined Contributions	(130,439)	(113,548)	(94,317)	(73,246)	(83,935)	(369,955)	(61,068)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (300,000)	\$ -
Covered Payroll	\$ 870,218	\$ 889,015	\$ 817,337	\$ 766,210	\$ 741,585	\$ 744,900	\$ 722,019
Contributions as a Percentage of Covered Payroll	14.99%	12.77%	11.54%	9.56%	11.32%	49.67%	8.46%

Notes to Schedule:

Valuation Date	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	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization Method	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	15 Year Smoothed Market Method
Inflation	2.500%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary Increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	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)
Mortality	(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 seven 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>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Measurement Date	<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	\$ 63,338	\$ 53,903	\$ 73,499	\$ 59,254
Interest on Total OPEB Liability	46,666	46,632	46,184	43,498
Changes of Benefit Terms		-	174,350	-
Changes of Assumptions	38,845	110,974	(299,191)	-
Differences Between Expected and Actual Experience	(112,156)	-	(218,164)	-
Benefit Payments, Including Refunds of	(18,365)	(17,999)	(17,890)	(15,978)
Net Change in Total OPEB Liability	<u>18,328</u>	<u>193,510</u>	<u>(241,212)</u>	<u>86,774</u>
Total OPEB Liability - Beginning of Year	<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>\$ 1,455,020</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
Total OPEB Liability as Percentage of Covered Employee Payroll	152.45%	150.59%	139.98%	191.79%

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.

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

SUPPLEMENTARY INFORMATION

LA HABRA HEIGHTS COUNTY WATER DISTRICT
SCHEDULE OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

	<u>2021</u>	<u>2020</u>
Sources of Supply - Purchased Water	\$ 1,406,926	\$ 1,074,530
Depreciation	494,376	474,361
Administrative and General:		
Office Salaries	217,099	244,518
Manager's Salary	147,872	148,766
Insurance	311,339	267,235
Employee Benefits	364,543	375,500
Vacation, Sick Leave, and Holidays	144,812	136,562
Professional Services	59,690	62,635
Payroll Taxes	73,831	73,681
Maintenance - General Plant	91,431	106,255
Office Supplies and Equipment	68,182	52,258
Utilities	42,567	47,857
Automobile Service	45,203	40,415
Education and Meetings	11,041	18,154
Dues	25,282	22,576
Legal Services	69,580	75,181
Engineering Expenses	4,815	26,234
Property Taxes	5,786	5,786
Directors Fees and Election Expenses	8,136	13,151
Miscellaneous	9,351	11,130
Total Administrative and General	<u>1,700,560</u>	<u>1,727,894</u>
Pumping:		
Supervision and Maintenance	144,169	135,210
Purchased Power	748,577	562,091
Total Pumping	<u>892,746</u>	<u>697,301</u>
Transmission and Distribution:		
Supervision, Labor, and Expense	198,612	222,717
Maintenance - Structures and Plant	165,836	246,661
Joint Facilities Accounts	238,969	213,850
Total Transmission and Distribution	<u>603,417</u>	<u>683,228</u>
Customer Accounts	231,080	165,646
Water Treatment	<u>47,741</u>	<u>36,030</u>
Total Operating Expenses	<u><u>\$ 5,376,846</u></u>	<u><u>\$ 4,858,990</u></u>

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