



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Council
City of Glendale
Glendale, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Water Fund of the City of Glendale, as of and for the year ended June 30, 2022, and the related notes to the 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 Water Fund of the City of Glendale, as of June 30, 2022, and the changes in its financial position, and, its cash flows thereof 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 Water Fund of the City of Glendale 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 described in Note 1 to the financial statements, effective July 1, 2021, the Water Fund of the City of Glendale adopted new accounting guidance, GASB Statement No. 87, *Leases*. 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.

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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 Water Fund of the City of Glendale'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 the Water Fund of the City of Glendale's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Water Fund of the City of Glendale'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.

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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 the net pension liability, the schedule of contributions of the defined benefit plans, the schedule of proportionate share of OPEB liability and the schedule of contributions of the OPEB plan 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and operating statistical section but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Summarized Financial Information

We have previously audited the Water Fund of the City of Glendale's 2021 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated November 16, 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.

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City of Glendale

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2022 , on our consideration of the City of Glendale'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 City of Glendale'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 City of Glendale's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP
Irvine, California
November 18, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS – WATER UTILITY

The management of Glendale *Water & Power* (a department of the City of Glendale), offers the readers of the City of Glendale Water Enterprise Fund (Water Utility) financial statements, a narrative overview and analysis of the financial activities of the Water Enterprise for the fiscal year ended June 30, 2022. We encourage our readers to consider the information presented here in conjunction with the accompanying financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

During fiscal year 2022, the Water Utility's retail revenues were consistent with fiscal year 2021. The retail revenues were primarily driven by increases in drought revenues offset by reduction in the volume of water sales.

During fiscal year 2022, the total operating revenues decreased by \$763 or 1.35% and total operating expenses decreased by \$4,054 or 8.05% from fiscal year 2021. After adding the net decrease of \$2,256 from non-operating items (net interest, federal grants, and other adjustments) to net operating income of \$9,415, total net position increased by \$7,159 in fiscal year 2022.

The total assets and deferred outflow of resources of the Water Utility exceeded its total liabilities and deferred inflow of resources (i.e. net position) at the close of fiscal years 2022 by \$136,380, an increase of \$7,159.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Glendale Water Utility financial statements. The Water Utility is a business-type activity of the City, and its activities are reported in a separate enterprise fund. These financial statements include only the activities for the City of Glendale's Water Utility. Information on city wide financial results is available in the City of Glendale's Annual Comprehensive Financial Report.

The Water Utility's financial statements are comprised of two components: 1) financial statements and 2) notes to the financial statements. In addition, this report also contains required supplementary information and other information to provide our readers additional information about the Water Utility, including sales statistics and other relevant data. Included as part of the financial statements are three separate statements which collectively provide an indication of the Water Utility's financial health.

The ***Statement of Net Position*** presents information on assets and deferred outflows of resources less liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the utility is improving or deteriorating.

The ***Statement of Revenues, Expenses and Changes in Net Position*** presents information showing how the Water Utility's net position changed during the most recent fiscal year. Results of operations are recorded under the accrual basis of accounting whereby transactions are reported as underlying events occur, regardless of the timing of cash flows. Thus, revenues and expenses are reported in these statements for some items that will result in cash flows in future fiscal periods, i.e. accounts payable and accounts receivable. The accrual basis of accounting is more fully described in the accompanying Notes to the Financial Statements.

The ***Statement of Cash Flows*** presents the flows of cash and cash equivalents during the last fiscal year including certain restricted amounts.

The ***Notes to the Financial Statements*** provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 17 to 36 of this report.

The required supplementary information is presented immediately following the notes to the financial statements.

Financial Analysis

As noted in the overview of financial statements, net position may serve over time as a useful indicator of the Water Utility's financial condition. In the case of the Water Utility, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$136,380 as of June 30, 2022. A portion of the Water Utility's net position 85%, reflects its net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by non-debt capital related liabilities, added or reduced any deferred outflows/inflows of resources that is capital debt related, and reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets, excluding unspent debt proceeds. The Water Utility uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Resources needed to repay the outstanding debt shown on the statement of net position must come from other sources such as operations since the capital assets themselves cannot be used to liquidate these long-term liabilities. Unrestricted net position was \$21,050 as of June 30, 2022.

Net Position – Water Utility

The Water Utility's net position as of June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 49,425	\$ 47,839
Capital assets	<u>182,489</u>	<u>181,505</u>
Total assets	<u>231,914</u>	<u>229,344</u>
Deferred outflows of resources	<u>2,686</u>	<u>3,007</u>
Current liabilities	10,707	10,915
Long-term debt	67,057	69,538
Net pension and OPEB liability	<u>12,574</u>	<u>21,666</u>
Total liabilities	<u>90,338</u>	<u>102,119</u>
Deferred inflows of resources	<u>7,882</u>	<u>1,011</u>
Net Position:		
Net investment in capital assets	115,330	112,132
Unrestricted	<u>21,050</u>	<u>17,089</u>
Total net position	<u>\$ 136,380</u>	<u>\$ 129,221</u>

Net position increased by \$7,159 or 5.5% during the fiscal year 2022. In fiscal year 2022, the increase in net position was primarily driven by decrease in operating expenses due to reductions in water purchases caused by customer's compliance with drought restrictions, reduced personnel cost, and pension expenses. The operating revenues were generally on par with the prior fiscal year.

Changes in Net Position – Water Utility

The Water Utility's changes in net position for the years ended June 30 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Revenues		
Charges for services	\$ 53,464	\$ 53,543
Miscellaneous revenues	2,239	2,923
Non-operating revenues	<u>(471)</u>	<u>90</u>
 Total revenues	 <u>55,232</u>	 <u>56,556</u>
 Expenses:		
Production	28,371	32,669
Transmission and distribution	7,608	8,246
Customer accounting and sales	3,201	2,678
Depreciation & Amortization	7,108	6,749
Non-operating expenses	<u>1,785</u>	<u>2,360</u>
 Total expenses	 <u>48,073</u>	 <u>52,702</u>
 Changes in net position	 <u>7,159</u>	 <u>3,854</u>
 Total net position, beginning of year as restated	 <u>129,221</u>	 <u>125,367</u>
 Total net position, end of year	 <u>\$ 136,380</u>	 <u>\$ 129,221</u>

A prior period adjustment of \$740 was made to decrease the beginning net position of the Water Fund for fiscal year ending 2021. In prior years, the OPEB liability was only recorded in the governmental activities, because of the immateriality of the allocated liability to the enterprise funds. In FY 2020-21, due to the decrease in the discount rate, the OPEB liability increased and it became a material liability to the Water Fund.

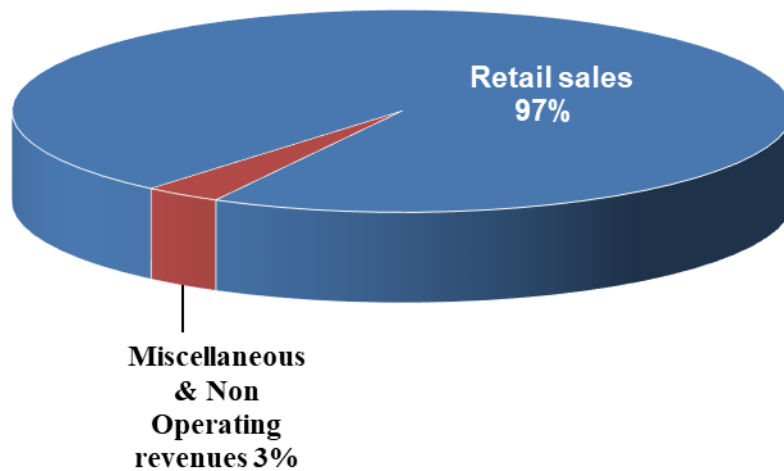
Revenues by Source – Water Utility

Year ended June 30, 2022

In 2022, total revenues for the Water Utility decreased 2% from the prior year level. Retail revenues are the primary revenue source for the Water Utility, making up 97% of total revenue sources. Retail revenues were consistent with the prior year primarily driven by an increase in residential drought revenue offset by a decrease in the volume of water sales.

Miscellaneous revenues and non-operating revenues make up 3% of total revenue sources. Miscellaneous and non-operating revenues decreased by 41% from the prior year mainly due to year over year reduction in the fair value of investments.

2022 Revenues



Expenses by Source – Water Utility

Year ended June 30, 2022

In 2022, total expenses for the Water Utility decreased by 9% from the prior year level. Production expenses are the primary expense source for the Water Utility, making up 59% of total expenses. Production expenses decreased 13% from the prior year due to decreased water purchases and pension expenses.

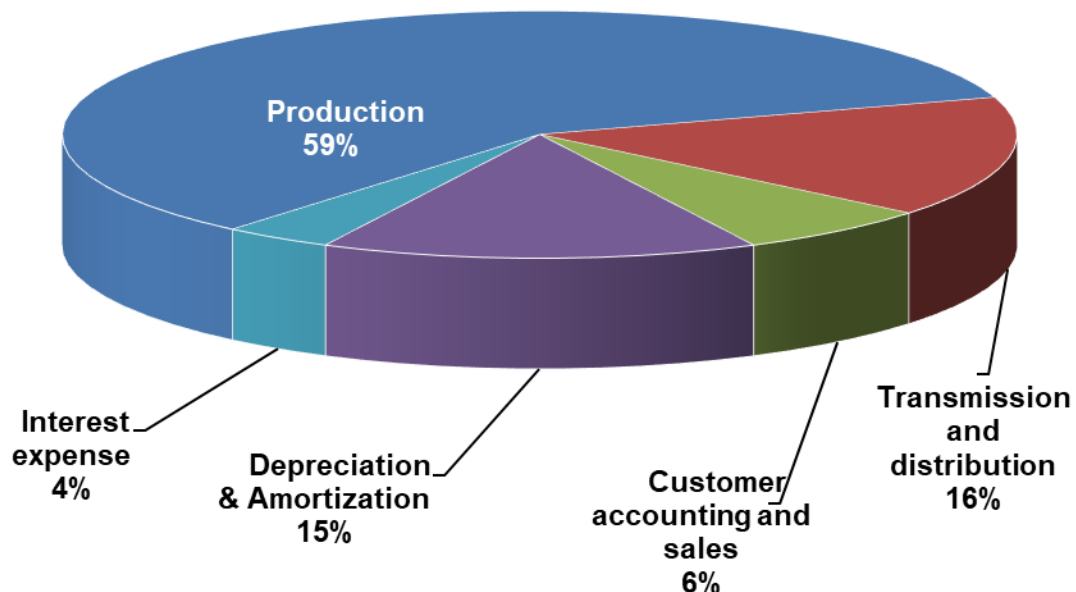
Transmission and distribution expenses comprised 16% of total expenses and showed a decrease of 8% from the prior year level as a result of reduced personnel and pension expenses.

Customer accounting and sales expenses make up 6% of total expenses and increased 20% from the prior year due to the write-off of delinquent customer water arrearage balances. This expense was reimbursed by the California Water and Wastewater Arrearage Payment Program (CWWAPP) grant.

Depreciation & Amortization expense comprised 15% of total expenses and were consistent with last year.

Interest on bonds make up 4% of total expenses and decreased by 24% compared to the prior year level. The decrease was primarily driven by improved financing terms related the 2020 refunding of the 2008 bonds and the elimination off one-time issuance cost absorbed in 2021.

2022 Expenses



Capital Assets and Debt Administration

Capital Assets

The Water Utility's investment in capital assets as of June 30, 2022 and 2021 was \$ 182,489 and \$181,505, respectively (net of accumulated depreciation). This included investments in production, transmission, and distribution related facilities, as well as general items such as structure improvements, transportation, communication, and miscellaneous equipment. Capital assets showed slight increases for years ended June 30, 2022 and 2021. The Water utility has adopted a multi-year capital improvement program for water works projects, beginning in fiscal years 2017-2018 through 2026-2027.

The Water Utility's capital assets as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Production	\$ 62,610	\$ 62,430
Transmission and distribution	219,856	213,718
General	17,847	16,569
Less: accumulated depreciation	<u>(117,824)</u>	<u>(111,212)</u>
Total	<u>\$ 182,489</u>	<u>\$ 181,505</u>

Additional information on the Water Utility's capital assets can be found in Note 3 on page 26 of this report.

Long-Term Debt

As of June 30, 2022 and 2021, the Water Utility had outstanding long-term debt of \$67,057, and \$69,538, respectively. The Water Utility's outstanding debt as of June 30 is as follows:

	<u>2022</u>	<u>2021</u>
Water Revenue Bonds	\$ 66,015	\$ 68,200
Less: current portion	(2,481)	(2,406)
Unamortized bond premium, gain	<u>3,523</u>	<u>3,744</u>
Total Long-Term Debt	<u>\$ 67,057</u>	<u>\$ 69,538</u>

During fiscal year 2022, the Water Utility maintained an "AA-" credit ratings from Standard & Poor's, maintained an "AA-" credit rating from Fitch, Inc. for its 2012 & 2020 revenue bonds, and maintained an "A1" credit rating from Moody's Investors Service for its 2012 water revenue bonds.

Additional information on the Water Utility's long-term debt can be found in Note 4 on pages 26 to 28 of this report.

Economic Factors and Rates

Although inflationary trends in the Glendale region continue to remain relatively stable, the Water Utility's cost escalation is not strictly attributable to inflation. The main drivers of the costs associated with providing water relates to purchased water and energy cost increases, the need for capital investment in the water distribution system, and the increased costs of infrastructure replacement and rehabilitation projects which have recently outpaced inflation.

Approximately 60% of the water demand in Glendale is met by water purchased from the Metropolitan Water District of Southern California (MWD). The remaining is supplied from pumping water from local wells and from the use of recycled water. MWD increased its rate Tier 1 Full Service Treated Volumetric Cost by 2.4% in January 2021 and by 3.5% in January of 2022. In addition to the costs to purchase water, a large part of the total operating expenses is comprised of energy for pumping.

On June 12, 2018, the Glendale City Council approved a five-year rate plan (covering FY 2018-19 through 2022-23) with annual base rate revenue adjustment increases of 1.0%, 1.0%, 1.5%, 2.0%, and 2.0%. The new rates are effective July 1st of each fiscal year. The City Council voted to delay the 2020/2021 rate increase, and subsequent planned rate increases, by one year due to the COVID-19 pandemic. This decision did not impact fiscal year 2021/2022. In addition to operations and maintenance expenses, the new rates are funding approximately \$52.5 million of capital improvements during the five-year period. The City does not plan to incur new debt for water infrastructure improvements over this period.

The primary result of a moratorium on shut-offs for non-payment during the pandemic was an increase in the aging of receivables. The Budget Act of 2021 (Senate Bill 129) appropriated \$985 million to the State Water Resources Control Board (State Water Board) from the Coronavirus Fiscal Recovery Fund for payment to community water systems to forgive COVID-19 related residential and commercial customer arrearages that accrued during the COVID-19 pandemic bill relief period of March 4, 2020 through June 15, 2021. GWP's Customer Service Section obtained \$950,268 in direct funding from this program, \$785,584 was used to directly settle individual customer arrearages.

Due to a continued lack of precipitation in the Sierra Nevada watershed, the State Water Project issued a zero percent allocation to State Water Project Contractors. MWD is a State Water Project Contractor and this allocation has effected MWD's mix of supplies. To compensate for this, MWD has supplied Glendale with a blend of 100% water from its Colorado River Aqueduct. In addition, the Governor called for voluntary conservation, and the City Council moved to Phase II of the City's Mandatory Water Conservation Ordinance in August of 2021, which limited outdoor watering to three days per week. Subsequently, the City Council moved to Phase III of its Mandatory Water Conservation Ordinance in February of 2022. In both phases, the City's Drought Charge was implemented along with the corresponding level of Mandatory Conservation. The Drought Charge was analyzed during the Cost of Service Analysis and adopted rate plan to collect the portion of fixed expenses included in the volumetric rate that would be under-collected during mandatory water use reductions. This charge has provided expense coverage stability even with a reduction in volumetric sales.

Requests for Information

This financial report is designed to provide a general overview of the Water Utility's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the General Manager of Glendale Water & Power – 141 North Glendale Avenue, Level 4, Glendale, California 91206.

**CITY OF GLENDALE
WATER ENTERPRISE FUND**

Statement of Net Position
June 30, 2022 (in thousands)
(with comparative amounts for 2021)

	<u>2022</u>	<u>2021</u>
Assets		
Current assets:		
Pooled cash and investments	\$ 23,308	\$ 21,646
Cash with fiscal agent	5,127	5,123
Interest receivable	178	117
Accounts receivable, net	3,780	4,231
Unbilled receivable	4,465	4,907
Due from other agencies	418	515
	<u>37,276</u>	<u>36,539</u>
Noncurrent assets:		
Capital assets:		
Land	1,034	1,034
Buildings and improvements	66,591	64,397
Machinery and equipment	52,339	48,851
Infrastructure	177,978	173,739
Accumulated depreciation	(117,768)	(111,175)
Intangible assets	81	81
Accumulated Amortization	(56)	(37)
Construction in progress	2,290	4,615
	<u>182,489</u>	<u>181,505</u>
Pooled designated & invested cash	11,300	11,300
Lease receivable	780	-
Lease assets, not being depreciated	69	-
	<u>12,149</u>	<u>11,300</u>
Other noncurrent assets	12,149	11,300
	<u>194,638</u>	<u>192,805</u>
Total noncurrent assets	<u>194,638</u>	<u>192,805</u>
Total assets	<u>231,914</u>	<u>229,344</u>
Deferred outflow of resources:		
Deferred outflows of resources related to pensions	2,546	2,854
Deferred outflows of resources related to OPEB	140	153
	<u>2,686</u>	<u>3,007</u>
Total deferred outflows of resources	<u>2,686</u>	<u>3,007</u>
Total assets and deferred outflow of resources	<u>\$ 234,600</u>	<u>\$ 232,351</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GLENDALE
WATER ENTERPRISE FUND

Statement of Net Position

June 30, 2022 (in thousands)

(with comparative amounts for 2021)

	<u>2022</u>	<u>2021</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 6,418	\$ 6,180
Contracts-retained amount due	265	354
Wages and benefits payable	338	738
Interest payable	839	871
Bonds payable, due in one year	2,481	2,406
Leases payable	15	-
Deposits	351	366
	<u>10,707</u>	<u>10,915</u>
Total current liabilities		
Noncurrent liabilities:		
Bonds payable	67,057	69,538
Leases payable	39	-
Net pension liability	11,850	20,855
OPEB Liability	685	811
	<u>79,631</u>	<u>91,204</u>
Total noncurrent liabilities		
Total liabilities	<u>90,338</u>	<u>102,119</u>
Deferred inflows of resources:		
Deferred inflows of resources related to leases	761	-
Deferred inflows of resources related to OPEB	189	91
Deferred inflows of resources related to pensions	6,082	15
Gain on Refunding	850	905
	<u>7,882</u>	<u>1,011</u>
Total deferred inflow of resources		
Total liabilities and deferred inflows of resources	<u>98,220</u>	<u>103,130</u>
Net position:		
Net investment in capital assets	115,330	112,132
Unrestricted	21,050	17,089
	<u>136,380</u>	<u>129,221</u>
Total net position	<u>\$ 136,380</u>	<u>\$ 129,221</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GLENDALE
WATER ENTERPRISE FUND

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2022 (in thousands)
(with comparative amounts for 2021)

	<u>2022</u>	<u>2021</u>
Operating revenues:		
Charges for services:		
Metered sales	\$ 50,438	\$ 50,498
Metered sales-recycled	2,134	2,409
Private fire	517	496
Other sales	375	140
Miscellaneous revenues	2,239	2,923
Total operating revenues	<u>55,703</u>	<u>56,466</u>
Operating expenses:		
Production	28,371	32,670
Transmission & distribution	7,608	8,246
Customer accounting and sales	3,201	2,678
Depreciation & Amortization	7,108	6,749
Total operating expenses	<u>46,288</u>	<u>50,342</u>
Operating income	<u>9,415</u>	<u>6,124</u>
Non operating revenues (expenses):		
Grant revenue	786	-
Interest income	(1,257)	90
Interest expense	(1,785)	(1,929)
Cost of debt issuance	-	(431)
Total non operating expenses	<u>(2,256)</u>	<u>(2,270)</u>
Income before capital contributions	<u>7,159</u>	<u>3,854</u>
Capital contributions	-	-
Change in net position	7,159	3,854
Net position at beginning of year	<u>129,221</u>	<u>125,367</u>
Net position at end of year	<u>\$ 136,380</u>	<u>\$ 129,221</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF GLENDALE- WATER ENETREPRISE FUND
WATER ENTERPRISE FUND**

Statement of Cash Flows

Year Ended June 30, 2022 (in thousands)

(with comparative amounts for 2021)

	2022	2021
Cash flows from operating activities:		
Cash from customers	\$ 55,895	\$ 54,965
Cash paid to employees	(10,939)	(10,696)
Cash paid to suppliers	(30,374)	(30,436)
Operating grant received	786	-
Net cash provided by operating activities	<u>15,368</u>	<u>13,833</u>
Cash flows from noncapital financing activities:		
Lease revenue received	257	-
Net cash provided by noncapital financing activities	<u>257</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Lease payments	(15)	-
Interest on long term debt	(2,091)	(2,599)
Principal payments	(2,185)	(2,100)
Acquisition of capital assets	(8,093)	(8,506)
Proceeds from sale of capital asset	39	29
Refunding of debt	-	430
Cost of Issuance	-	(431)
Net cash used by capital and related financing activities	<u>(12,345)</u>	<u>(13,177)</u>
Cash flows from investing activities		
Interest received	435	97
Decrease in fair value of investments	(2,049)	-
Net cash provided (used) by investing activities	<u>(1,614)</u>	<u>97</u>
Net increase in cash and cash equivalents	1,666	753
Cash and cash equivalents at July 1	38,069	37,316
Cash and cash equivalents at June 30	<u>\$ 39,735</u>	<u>\$ 38,069</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 9,415	\$ 6,124
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	7,089	6,728
Amortization	19	21
Operating grants received	786	-
(Increase) Decrease Deferred outflows from OPEB	13	(112)
(Increase) Decrease Deferred outflows from pension	309	(429)
(Increase) Decrease Accounts receivable net	210	(1,270)
Increase (Decrease) Accrued salaries and withholding	(400)	47
Increase (Decrease) Accounts payable	149	1,898
Increase (Decrease) Contracts retention	-	59
Increase (Decrease) Deposits	(16)	(231)
Increase (Decrease) Net pension liability	(9,006)	1,330
Increase (Decrease) OPEB liability	(126)	137
Increase (Decrease) Deferred inflows from OPEB	98	(15)
Increase (Decrease) Deferred inflow from pension	6,067	(454)
Increase (Decrease) Deferred inflows from leases	761	-
Total adjustments	<u>5,953</u>	<u>7,709</u>
Net cash provided by operating activities	<u>\$ 15,368</u>	<u>\$ 13,833</u>
Reconciliation of Statement of Cash Flows to Statement of Net Position:		
Pooled cash and investments	\$ 23,308	\$ 21,646
Cash with fiscal agent	5,127	5,123
Pooled designated & invested cash	11,300	11,300
Cash and cash equivalents at June 30	<u>\$ 39,735</u>	<u>\$ 38,069</u>

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies of the City of Glendale (the City) as they pertain to the Water Utility. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Fund

The accounts of the City are organized on the basis of funds, each of which is considered to be an independent fiscal and accounting entity with a self-balancing set of accounts for recording cash and other resources together with all related liabilities, obligations and net position that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Basis of Presentation

The City's Water Enterprise Fund is used to account for the construction, operation and maintenance of the City-owned water utility. The Fund is considered to be an enterprise fund, proprietary fund type, and uses flow of economic resources measurement focus to determine net income and financial position, as defined under accounting principles generally accepted in the United States of America. Accordingly, the accrual basis of accounting is followed by the Water Utility, where revenues are recorded when earned and expenses are recorded when incurred. The Water Utility is included as an enterprise fund in the City's Annual Comprehensive Financial Report, and therefore, these financial statements do not purport to represent the financial position and changes in financial position, and where applicable, cash flows thereof of the City.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Pooled Cash and Investments

The Water Utility pools its cash with the City. The Water utility values its cash and investments

at fair value in the statement of net position and recognizes the corresponding change in the fair value of investments in the year in which the change occurred. The Water Utility follows the City's policy when categorizing the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City manages its pooled idle cash and investments under a formal investment policy that is reviewed by the Investment Committee and adopted by the City Council and follows the guidelines of the State of California Government Code. Individual investments cannot be identified with any single fund because the City may be required to liquidate its investments at any time to cover large outlays required in excess of normal operating needs.

Interest income from the investment of pooled cash is allocated to the Water Utility on a monthly basis based upon the prior month end cash balance of the Fund as a percent of the month end total pooled cash balance. The City normally holds the investment to maturity; therefore, no realized gain/loss is recorded.

For purposes of statement of cash flows of the Water Utility, cash and cash equivalents include all pooled cash and investments, restricted cash, and cash with fiscal agents with an original maturity of three months or less. The Water Utility considers the cash and investments pool to be a demand deposit accounts where funds may be withdrawn and deposited at any time without prior notice or penalty.

Capital Assets

The Water Utility's capital assets include land, building, improvements, and equipment that are reported in the financial statements. The Water Utility follows the City's asset capitalization policy. Capital assets are defined by the City as assets with an initial, individual cost of \$10 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated assets representing utility service assets, which are donated to the Water Utility by independent contractors, are recorded at acquisition cost. Depreciation for both purchased and contributed assets are computed using a straight-line method, based upon average estimated useful life of an asset. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

A summary of the useful lives of the capital assets of the Water Utility is as follows:

Assets	Years
Building and Improvements	10-50
General Structure and Parking Lot Landscaping Improvements	10
Building Improvements	20
Land Improvements	30
Transmission-Off System	50
Machinery and Equipment	3-12
Passenger Cars, Pickup	3-8
Cargo Vans	6-8
Dump/Tractor/Trailer Trucks	10-12
Intangible - Computer Software	2-8
Infrastructure	20-75
Potable-Services	20
Supply-Mains and Wells	25
Supply-Structure Improvements	30
Supply-Springs, Tunnels, and Potable-Hydrants	40
Potable-Mains	75

Long-Term Debt

The long-term debt and other obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period when the debt is issued.

Lease Payable

Lease payable represents the Electric Utility's obligation to make lease payments arising from the lease. Lease payable is recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

Compensated Absences

The Water Utility records and funds a liability for its employees' earned but unused accumulated vacation and overtime.

The Water Utility also provides sick leave conversion benefits through the Retiree Health Saving Plan (RHSP). Unused sick leave is converted to a dollar amount and deposited in the employee's RHSP account at retirement. The account is used to pay healthcare premiums for the retiree and beneficiaries. After the account is exhausted, the retirees can terminate coverage or elect to continue paying the healthcare premiums from personal funds. The Water Utility records expenses as the benefit is earned and probable of being paid out. For additional details on the

compensated absences, please refer to the City of Glendale Comprehensive Annual Financial Report.

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 City of Glendale's California Public Employees Retirement System (CalPERS) plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Accounts Receivable

The Water Utility records revenues that have already been earned but not yet received as of June 30 from individual customers, private entities & government agencies. Also, recoveries to utility customer receivables previously written off are recorded when received. An allowance for doubtful account is maintained for utility and miscellaneous accounts receivable. The allowance for doubtful account is adjusted at fiscal year-end based on the amount equal to the annual uncollectible accounts. As of June 30, 2022, the Fund's allowance for doubtful accounts was \$17.

Unbilled Receivable

The Water Utility records revenues for utility services delivered to customers but not billed. As of June 30, 2022, the Fund's unbilled receivable was \$4,465.

Deposits

The Water Utility requires all new or existing utility customers that have not or failed to establish their credit worthiness with the Water Utility to place a deposit. The deposits are refunded after these customers establish their credit worthiness to the Water Utility. As of June 30, 2022, the Water Utility's deposits was \$351.

Contracts - Retained Amount Due

The Water Utility withholds 5-10% of each progress payment on construction contracts. These retained amounts are not released until final inspection is completed and sufficient time has elapsed for sub-contractors to file claims against the contractor. As of June 30, 2022, the Water Utility's contracts – retained amount due was \$265.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by non-debt capital related liabilities, added or reduced any deferred outflows/inflows of resources that is capital debt related, and reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets, excluding unspent debt proceeds. As of June 30, 2022, the Water Utility's net investments in capital assets was \$115,330. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Water Utility first applied restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Revenue Recognition

Revenues are recognized for water services provided to customers, and customers are billed either monthly or bi-monthly. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Budgets and Budgetary Accounting

The Water Utility presents and the City Council adopts an annual budget. The proposed budget includes estimated expenses and forecasted revenues. The City Council adopts the Water Utility's budget in June each year via a resolution.

Pronouncements Issued But Not Yet Implemented

The Governmental Accounting Standards Board (GASB) issued pronouncements that have an effective date that may impact future financial presentation. Management has not determined what, if any, impact implementation of the following statements may have on the financial statements of the Water Utility.

- GASB Statement No. 93 – Replacement of Interbank Offered Rates. The objective of this statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The statement, except for paragraphs 11b,13, and 14, is effective for periods beginning after June 15, 2020. The paragraph 11b is effective for fiscal years ending after December 31, 2021 (FY2022-23).

- GASB Statement No. 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The statement is effective for fiscal years beginning after June 15, 2022 (FY 2022-23).
- GASB Statement No. 96 – Subscription-Based Information Technology Arrangements. The objective of this statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The statement is effective for fiscal years beginning after June 15, 2022 (FY2022-23).
- GASB Statement No. 99 – *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practices issues that have been identified during implementation and application of certain GASB statements and (2) accounting and financial reporting for financial guarantees. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022 (FY 2022-23). The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023 (FY 2023-24).
- GASB Statement No. 100 – *Accounting Changes and Error Corrections-an amendment of GASB Statement NO. 62*. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for fiscal years beginning after June 15, 2023 (FY 2023-24).
- GASB Statement No. 101 – *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for fiscal years beginning after December 15, 2023 (FY 2024-25).

IMPLEMENTATION OF PRONOUNCEMENTS

The City has adopted and implemented, where applicable, the following GASB Statements during the year ended June 30, 2022:

- GASB Statement No. 87 – *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement is effective for fiscal years beginning after June 15, 2021.
- GASB Statement No. 91 – *Conduit Debt Obligations*. The objective of this statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments-extend by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement is effective for fiscal years beginning after December 15, 2021.

- GASB Statement No. 92 – *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practices issues that have been identified during implementation and application of certain GASB Statements. The statement is effective for fiscal years beginning after June 15, 2020.
- GASB Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The statement, except for paragraphs 11b,13, and 14, is effective for periods beginning after June 15, 2020. The paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021.
- GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The objective of this statement is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The statement, except for paragraphs 4 and 5, is effective for fiscal years beginning after June 15, 2021.
- GASB Statement No. 98 – *The Annual Comprehensive Financial Report*. This statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. This statement is effective for fiscal years ending after December 15, 2021.
- GASB Statement No. 99 – *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practices issues that have been identified during implementation and application of certain GASB statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension for the use of LIBOR accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.

Deferred Outflows and Inflows of Resources

The statement of net position reports a separate section for deferred outflows of resources, in addition to assets. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources, or expenses, until then. When the City makes the pension contributions and OPEB payments after

the measurement date, the City reports deferred outflows of resources. When there is an increase in pension and OPEB expense arising from the recognition of change in assumptions and differences between expected and actual expense on pension plan investments, the City reports a deferred outflow of resources until the increase is recognized in expense. This category consists of refunding, related to pension, and related to OPEB for reporting in the statements of net position. As of June 30, 2022, the Water Utility's deferred outflows of resources was \$2,686.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position and that applies to a future period and will not be recognized as an inflow of resources, or revenues, until then. When there is a decrease in pension and OPEB expense arising from the recognition of differences between projected and actual earnings on pension plan investments and change in assumptions, the Water Utility reports a deferred inflow of resources until such time as the decrease in expense is recognized. The Water Utility's deferred inflow of resources resulting from leases, pensions, OPEB, and gain on refunding is \$7,882 as of June 30, 2022.

Prior-Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Water Utility Fund's prior-year financial statements from which this selected financial data was derived.

2. Pooled Cash and Investments

Cash resources of the Water Utility are combined with other City funds to form a pool of cash and investments, which is managed by the City Treasurer under a formal investment policy that is reviewed by the Investment Committee and adopted annually by the City Council. Therefore, individual investments cannot be identified with any single fund. Income from the investment of pooled cash is allocated to the Water Utility on a monthly basis, based upon the month-end cash balance of the fund as a percent of the month-end total pooled cash balance. Of this total pooled cash and investment, \$34,608 pertains to the Water Utility for fiscal year 2022. Pooled cash and investments are stated at the fair value.

Cash and investments as of June 30, 2022:

Pooled cash and investments	\$ 23,308
Cash with fiscal agents	5,127
Pooled designated and invested cash	11,300
Total	<u>\$ 39,735</u>

For additional details on the City investment pool including disclosure relating to interest rate risk, credit risk, custodial credit risk, investment in state investment pool and fair value measurement, please refer to the City of Glendale Comprehensive Annual Financial Report.

Deposit and withdrawals to the City's Treasury Pool are made on the basis of \$1 and not fair value. Accordingly, the fair value measurement of the City's proportionate share in the pool is based on uncategorized inputs not defined as a Level 1, Level 2, or Level 3 input.

For additional details on the Investment in State Investment Pool and Fair Value Measurement, please refer to Note 3 of the City of Glendale Comprehensive Annual Financial Report.

Cash with Fiscal Agent

The Water Utility has monies held by trustees or fiscal agents pledged to the payment or security of certain bonds. These are subject to the same risk category as the invested cash. The California Government Code provides that these funds, in the absence of specific statutory provisions governing the issuance of bonds or certificates, may be invested in accordance with the ordinances, resolutions or indentures specifying the types of investments its trustees or fiscal agents may make. These funds are governed by the bond indenture. These ordinances are generally more restrictive than the City's general investment policy.

As of June 30, 2022, the Fund had \$5,127 on deposit with fiscal agent as required by the bond documents. The Water Utility had the following underlying investments:

<u>Investments</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Moody's Rating</u>
Money Market	\$ 5,127	Less than 1 yr	Aaa

3. Capital Assets and Lease Assets

A summary of the changes in Water Utility's June 30, 2022 Capital Assets are as follows:

	Balance at June 30, 2021	Increases	Decreases	Reclass / Transfers	Balance at June 30, 2022
Capital assets not being depreciated:					
Land	\$ 1,034	-	-	-	\$ 1,034
Construction in progress	4,615	3,137	-	(5,462)	2,290
Total assets not being depreciated	5,649	3,137	-	(5,462)	3,324
Depreciable capital assets:					
Buildings and improvements	64,397	508	-	1,686	66,591
Infrastructure	173,739	4,198	-	41	177,978
Machinery and equipment	48,851	249	(496)	3,735	52,339
Intangible	81	-	-	-	81
Total other capital assets at cost	287,068	4,955	(496)	5,462	296,989
Less accumulated depreciation & amortization:					
Buildings and improvements	20,760	1,059	-	-	21,819
Infrastructure	66,466	3,712	-	-	70,178
Machinery and equipment	23,949	2,318	(496)	-	25,771
Amortization	37	19	-	-	56
Total accumulated depreciation & amortization	111,212	7,108	(496)	-	117,824
Total assets being depreciated	175,856	(2,153)	-	5,462	179,165
Water Fund capital assets, net	\$ 181,505	\$ 984	\$ -	\$ -	\$ 182,489

A summary of the changes in Water Utility June 30, 2022 Lease Assets is as follows:

	Balance at July 1, 2021	Additions	Decreases	Balance at June 30, 2022
Lease assets not being depreciated:				
Land	\$ 69	-	-	69
Total lease assets not being depreciated	\$ 69	-	-	69

4. Long-Term Debt

The Water Utility's outstanding principal as of June 30, 2022 consists of the following:

Investments	Remaining Interest Rates	Original Issue	Outstanding June 30, 2022
Water Revenue Bonds, 2012 Series	2.75% - 5.00%	\$ 35,000	\$ 32,610
Water Revenue Bonds, 2020 Series	2.00% - 4.00%	\$ 36,625	\$ 33,405
			<u>\$ 66,015</u>

Water Revenue Bonds, 2012 Series

The Water utility of Glendale Water & Power issued \$35,000 in revenue bonds in December 2012 to finance the costs of certain improvements to the City's water public utility including construction and development of Rockhaven Well, construction of a new energy and asset management system, Supervisory Control and Data Administration (SCADA), Glorietta Well improvements and pump station and water quality improvements.

The bonds mature in regularly increasing amounts ranging from \$580 to \$4,945 annually from FY 2022-23 to FY 2041-42. Outstanding principal balance as of June 30, 2022 was \$32,610. The 2012 Bonds have an optional redemption on and after February 1, 2023. The 2012 Bonds maturing on February 1, 2042 are subject to mandatory sinking fund redemption from mandatory sinking account payments set aside in the Parity Obligation Payment Fund.

Water Revenue Bonds, 2020 Refunding Series

The Water utility of Glendale Water & Power issued \$36,625 in revenue bonds in August 2020 to provide moneys for refunding the City's outstanding Water Revenue Bonds, 2008 Series, making a deposit to the Parity Reserve Fund, and paying the costs of issuance of the 2020 Bonds. The bond proceeds were deposited in an escrow account and were used to refund the Water Revenue Bonds, 2008 Series.

The refunding resulted in the recognition of a deferred gain on refunding of \$850 as of June 30, 2022, and is being amortized through FY 2037-38. The refunding also resulted in cash flow savings of \$12,031 which is the difference between the cash flows required from the prior debt service and the cash flows required for the new refunding debt service.

The City has established Parity Reserve Fund, which will be pledged to and may be used solely for payment of debt service on the 2012 Bonds, the 2020 Bonds and any other Bonds and Parity Obligations secured in the event that the funds for the payment of principal and interest on the Parity Obligations is insufficient. The parity reserve fund means, as of any date on which it is calculated with respect to any issue of Parity Lien Bonds, the least of (a) 10% of the principal amount of said Parity Lien Bonds, (b) the maximum annual debt service for the current or any subsequent year on all Parity Lien Bonds or (c) 125% of the average annual debt service on all Parity Lien Bonds.

As of June 30, 2022, the reserve requirement of the bond issue is satisfied by a cash reserve fund with a minimum funding requirement of \$5,127. The 2020 Refunding Bonds mature in regularly increasing amounts ranging from \$1,680 to \$2,475 annually from FY 2022-23 to FY 2037-38. Outstanding principal balance at June 30, 2022 was \$33,405.

The 2020 Refunding Bonds have an optional redemption on and after August 1, 2030.

	Amount outstanding June 30, 2021	Additions	Retirements	Amount outstanding June 30, 2022	Due within one year
Water Revenue Bonds, 2012 Series	33,160	-	550	32,610	580
Water Revenue Bonds, 2020 Series	35,040	-	1,635	33,405	1,680
Bond Premium-Gain	3,744	-	221	3,523	221
Total bonds payable	<u>\$ 71,944</u>	<u>-</u>	<u>2,406</u>	<u>69,538</u>	<u>2,481</u>

	Amount outstanding at July 1, 2021	Additions	Retirements	Amount outstanding at June 30, 2022	Due within one year
Flint Peak tower facility ground lease	\$ 25	-	1	24	1
Airspace land lease	44	-	14	30	14
Total leases payable	<u>\$ 69</u>	<u>-</u>	<u>15</u>	<u>54</u>	<u>15</u>

The annual debt service requirements to amortize long-term bonded debt at June 30, 2022 are as follows:

Fiscal Year	Water Revenue Bonds		
	Interest	Principal	Total
2023	2,015	2,260	4,275
2024	1,935	2,340	4,275
2025	1,853	2,415	4,268
2026	1,785	2,485	4,270
2027	1,712	2,560	4,272
2028-2032	7,200	14,325	21,525
2033-2037	5,027	17,150	22,177
2038-2042	2,423	22,480	24,903
	<u>\$ 23,950</u>	<u>\$ 66,015</u>	<u>\$ 89,965</u>

Rate Covenants

The City has covenanted in the Indenture of Trust that net income of the Water Utility for each fiscal year will be at least equal to 1.25 times the amount necessary to pay principal and interest as the same become due on all Bonds and Parity Obligations for such fiscal year. The Water Utility is in compliance with this requirement as of June 30, 2022. For the year ended June 30, 2022, net income as defined in the indenture, was \$15,040 and the debt service requirement was \$4,276.

5. Pension Plan

Plan Description

All qualified permanent and probationary employees of the Water Utility are eligible to participate in the City’s Miscellaneous Plan, an agent multiple employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS) which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan is established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information can be found on the CalPERS website at: <http://www.calpers.ca.gov>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service.

The Plans’ provisions and benefits in effect at the measurement date ended June 30, 2021, are summarized as follows, which remain the same for FY 2021-22.

Hire date	Miscellaneous		
	Prior to January 1, 2011	Between January 1, 2011 and December 31, 2012	On or after January 1, 2013
Benefit formula	2.5% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55+	50-63+	52-67+
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.426% to 2.418%	1.0% to 2.5%

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 rate. Funding contributions for both Plans are determined annual on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rates of employees.

For the year ended June 30, 2022, the Water Utility’s contributions to the City’s Miscellaneous Plan were \$2,418.

Pension Liability, Expense and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2022, the Water Utility reported a liability of \$11,850 for its proportionate share of the City Miscellaneous Plan net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability 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 water utility's proportion of the city miscellaneous plan net pension liability at June 30, 2022 was based on the water utility's fiscal year 2021 contributions to the City's miscellaneous plan relative to the total contributions to the miscellaneous plan. The water utility's proportion was 7% at June 30, 2022 and 6% at June 30, 2021.

For the year ended June 30, 2022, the Water Utility recognized pension credit of \$212

At June 30, 2022, the City 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	\$ 2,418	-
Changes of assumptions	-	-
Differences between expected and actual experience	128	95
Net differences between projected and actual earnings on plan investments	-	5,987
Total	<u>\$ 2,546</u>	<u>6,082</u>

The amount of \$2,418 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

Other amounts reported as deferred outflows/(inflows) of resources related to pensions will be recognized as pension expense as follows:

<u>Year ended June 30,</u>	<u>Amounts</u>
2023	\$ (1,457)
2024	(1,402)
2025	(1,429)
2026	<u>(1,666)</u>
Total	<u>\$ (5,994)</u>

Actuarial Assumptions

The June 30, 2020 valuation was rolled forward to measure the June 30, 2021 total pension liability, based on the following actuarial methods and assumptions:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increase	Varies by Entry Age and Service
Mortality rate table	Derived using CalPERS' Membership Data for all Funds.
Post-retirement benefit increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter

The mortality table used was developed based on CalPERS-specific data. The 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 include 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.

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' assets 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 rates of return by asset class are as followed:

Asset Class*	Assumed Target Allocation	Real Return Years 1-10 **	Real Return Years 11+ ***
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%		

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

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

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

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 Water Utility's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

**Sensitivity of the Net Pension Liability
to changes in the discount rate**

1% Decrease	6.15%
Net Pension Liability	\$ 22,762
Current Discount Rate	7.15%
Net Pension Liability	\$ 11,850
1% Increase	8.15%
Net Pension Liability	\$ 2,827

Pension Plan Fiduciary Net Position

Detailed information about the City’s collective net pension liability is available in the City’s separately issued Annual Report. The City’s financial statements may be obtained by contacting the City of Glendale’s Finance Department. The report may also be obtained on the internet at www.glendaleca.gov/government/departments/finance/budget/annual-report.

6. Self-Insurance Program

The Water Utility participates in the City’s unemployment and workers’ compensation insurance. For purposes of general liability, the Water Utility participates in the City’s self-insurance program which is accounted for in an internal service fund of the City. There were no significant settlements or reductions in insurance coverage from settlements for the past three years. The insurance schedule for fiscal year 2021-22 is as follows:

Insurance Type	Program Limits	Deductible / SIR (self insured retention)
Excess Liability Insurance	\$ 27,000	\$5,000 SIR per occurrence
E & O Employment Practices	2,000	\$250 SIR Non-safety; \$500 SIR safety
Excess Workers' Comp Employer's Liability Insurance	Statutory	\$2,000 SIR per occurrence
Property Insurance	185,431	Various deductibles
Employee Dishonesty - Crime Policy	6,000	\$2,000 Single Loss Limit
Cyber Insurance	5,000	\$150

The annual premiums are based primarily on claims experience and are charged to expense when paid. Premiums are evaluated periodically and increases are charged to the Water Utility to reflect recent trends in actual claims experience and to provide sufficient reserve for catastrophic losses. As of June 30, 2022, premiums charged to the Glendale Water & Power Utility were \$411.

For additional details on the self-insurance program, please refer to the City of Glendale Annual Report.

7. Other Post Employee Benefits (OPEB)

Eligible employees of the Water Utility are eligible to participate in the City's defined benefit OPEB plan, City of Glendale Retiree Benefits Plan (Plan), provides OPEB for all permanent full-time general and public safety employees of the City. The Plan is a single-employer defined benefit OPEB plan administered by the City and governed by the City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The City provides Medicare Part A reimbursements to retirees and their spouses if the retirees were hired in the City prior to April 1, 1986, and ineligible for premium-free Medicare Part A.

The City also provides cash subsidy for medical insurance premiums to three groups of retirees: (1) retirees who retired before July 1, 2001, and the length of the subsidy was pre-determined based on the retirees' sick leave balances at the time of retirement. The subsidy is capped by the actual premium, and the unreduced city-paid amount continues to surviving spouses if the retirees die prior to the pre-determined payment period; (2) retirees who retired before June 1, 2016 with a minimum of 10 years of City service, enroll in a City sponsored medical plan and meet the annual income requirement. The eligibility and subsidy amount are evaluated on an annual basis. This is a lifetime subsidy for the eligible retirees except it will discontinue at age 65 for the retirees with enhanced pension benefits. The benefit will continue to surviving spouses, if applicable; (3) the surviving spouses and dependents of deceased retirees if the retirees retired before June 1, 2008 and enrolled in Anthem Blue Cross PPO at the time of the death, and the length of subsidy is two years.

The City also provides cash subsidy for medical insurance premium to surviving spouses and dependents of active non-safety employees who pass away during their employment with the City. The subsidy is two years for the City Council, the Executives and the GMA employees, regardless of the medical insurance plans enrolled at the time of the death. The subsidy is two years for GCEA and IBEW employees if enrolled in Anthem Blue Cross PPO at the time of the death. The subsidy is two years for GCEA and IBEW employees if enrolled in HMO plans at the time of the death and if the employees' death is a result of injuries incurred in the performance of his/her assigned duties. At the same time, the City provides cash subsidy for dental insurance premium to surviving spouses and dependents of active safety employees who pass away during their employment with the City. The subsidy continues until the spouses turn 65 and the children turn 26 (if applicable).

The above benefits offered to retirees are no longer available to new entrants because of the restriction of the retirement dates. Benefits payments made by the City for the year ended June 30, 2022 were \$530.

Total OPEB Liability

As of June 30, 2022, the Water Utility reported a liability of \$685 for its proportionate share of the City's total OPEB liability. The City's total OPEB liability was measured as of June 30, 2021, and was determined by an actuarial valuation as of June 30, 2021. A summary of principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date	June 30, 2021
Measurement date	June 30, 2021
Discount rate	2.16%
General inflation	2.50% annually
Medicare Part A trend	3.50% annually (inflation + 1%) Not related to health care trend
Medical Trend	Non-Medicare – 6.5% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare (Kaiser) – 4.6% for 2023, decreasing to an ultimate rate of 3.75% in 2076

The discount rate was based on the Bond Buyer 20-Bond GO index.

Mortality information was derived from data collected during CalPERS 2000-20019 Experience Study. Mortality improvement scale was updated to Scale MP-2021.

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

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

	<u>1.16%</u>	<u>2.16%</u>	<u>3.16%</u>
Total OPEB Liability	\$ 792	685	598

WATER UTILITY REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Water Utility's Proportionate Share of the City's Net Pension Liability (Miscellaneous Plan)

Last Ten Years (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Water Utility's proportion of the net pension liability	7.00%	6.00%	6.00%	6.00%
Water Utility's proportionate share of the net pension liability	\$ 11,849	\$ 20,855	\$ 19,525	\$ 18,206
Covered payroll	\$ 7,110	\$ 5,941	\$ 5,717	\$ 5,568
Water Utility's proportionate share of the City's Miscellaneous Plan's net pension liability	166.65%	351.04%	341.53%	326.98%
Miscellaneous Plan fiduciary net position as a percentage of the total pension liability	85.84%	73.24%	74.01%	74.42%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Water Utility's proportion of the net pension liability	6.00%	6.00%	6.00%	6.00%
Water Utility's proportionate share of the net pension liability	\$ 18,600	\$ 16,387	\$ 13,228	\$ 11,768
Covered payroll	\$ 5,438	\$ 5,193	\$ 5,507	\$ 5,477
Water Utility's proportionate share of the City's Miscellaneous Plan's net pension liability	342.04%	315.56%	240.20%	214.86%
Miscellaneous Plan fiduciary net position as a percentage of the total pension liability	73.01%	73.87%	77.94%	79.94%

(1) FY2015 is the first year of implementation of GASB 68; therefore, only eight years of data are shown.

WATER UTILITY REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Contributions Last Ten Years (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially determined contribution	\$ 2,178	\$ 2,025	\$ 1,890	\$ 1,856
Contributions in relation to the actuarially determined contribution	2,418	2,025	1,890	1,856
Contribution deficiency (excess)	<u>\$ (240)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 6,835	\$ 6,094	\$ 5,941	\$ 5,717
Contributions as a percentage of covered payroll	31.87%	33.23%	31.81%	32.46%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 1,555	\$ 1,387	\$ 1,229	\$ 986
Contributions in relation to the actuarially determined contribution	1,555	1,387	1,229	986
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,568	\$ 5,438	\$ 5,193	\$ 5,507
Contributions as a percentage of covered payroll	27.93%	25.51%	23.67%	17.90%

(1) FY2015 is the first year of implementation of GASB 68; therefore, only eight years of data are shown.

(2) Revised Covered payroll to match CalPERS GASB 68 Accounting Report.

WATER UTILITY REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Water Utility's Proportionate Share of the City's Total OPEB Liability Last Ten Years (1)

	<u>2022</u>	<u>2021</u>
Water Utility's proportion of the total OPEB liability	4.56%	4.45%
Water Utility's proportionate share of the total OPEB liability	\$ 685	\$ 811
Covered-employee payroll	\$ 6,567	\$ 7,352
Water Utility's proportionate share of the total OPEB liability as a percentage of the covered-employee payroll	10.43%	11.03%

(1) FY2021 is the first year of recording OPEB liability; therefore, only two years of data are shown.