



CLA (CliftonLarsonAllen LLP)  
2875 Michelle Drive  
Suite 300  
Irvine, CA 92606  
714-978-1300 | fax 714-978-7893  
CLAconnect.com

## INDEPENDENT AUDITORS' REPORT

To the Honorable City Council  
of the City of Glendale  
Glendale, California

We have audited the accompanying financial statements of the Water Enterprise Fund of the City of Glendale, California, as of and for the year ended June 30, 2020, and the related notes to the 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water Enterprise Fund of the City of Glendale, California, as of June 30, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Water Enterprise Fund and do not purport to, and do not present fairly the financial position of the City of Glendale, California, as of June 30, 2020, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Prior-Year Comparative Information*

The Water Enterprise Fund's June 30, 2019 financial statements were audited by other auditors, who expressed unmodified opinion on the financial statements in their report dated November 26, 2019 from which the prior year summarized financial information was derived.

### *Required Supplementary Information*

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

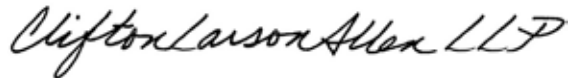
### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Water Enterprise fund of the City of Glendale, California. The introductory section and operating statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and operating statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020, on our consideration of the Water Enterprise Fund'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 Water Enterprise Fund'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 Water Enterprise Fund's internal control over financial reporting and compliance.

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

**CliftonLarsonAllen LLP**

Irvine, California  
December 4, 2020



## Financial Statements: Water Utility

### 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, 2020. 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 2020, the Water Utility's retail revenues decreased by \$762 or 1.6% from fiscal year 2019. The decrease in retail revenues was primarily driven by less commercial consumption from March through year-end due to the Covid-19 pandemic mandated shut downs.

During fiscal year 2020, the total operating revenues decreased by \$996 or 2.0% and total operating expenses increased by \$1,637 or 3.5% from fiscal year 2019. After adding the net decrease of \$1,612 from non-operating items (net interest expense, capital grants and contributions) to net operating income of \$750, total net position decreased by \$862 in fiscal year 2020.

During fiscal year 2019, the Water Utility's retail revenues decreased by \$2,045 or 4.0% from fiscal year 2018. The decrease in retail revenues was primarily driven by less consumption due to local precipitation exceeding average precipitation by nearly 100%.

During fiscal year 2019, the total operating revenues decreased by \$2,339 or 4.4% and total operating expenses increased by \$1,801 or 3.9% from fiscal year 2018. After adding the net decrease of \$1,689 from non-operating items (net interest expense, capital grants and contributions) to net operating income of \$3,383, total net position increased by \$1,694 in fiscal year 2019.

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 2020 and 2019 by \$126,107 and \$126,969, respectively, a decrease of \$862.

#### **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 Comprehensive Annual 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.



## Financial Statements: Water Utility

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 86 to 103 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 \$126,107 and \$126,969 as of June 30, 2020 and 2019, respectively. A portion of the Water Utility's net position (86% and 82% as of June 30, 2020 and 2019, respectively) reflects its net investment in capital assets such as production, transmission, and distribution facilities, less any related outstanding debt used to acquire those assets, plus any remaining unspent bond 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 \$17,118 and \$23,306 as of June 30, 2020 and 2019.



**Financial Statements: Water Utility**

**Net Position – Water Utility**

The Water Utility’s net position as of June 30, 2020, 2019, and 2018 is as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 45,853	\$ 47,024	\$ 42,702
Capital assets	<u>179,747</u>	<u>180,472</u>	<u>182,230</u>
Total assets	<u>225,600</u>	<u>227,496</u>	<u>224,932</u>
Deferred outflows of resources related to pensions	<u>2,425</u>	<u>3,462</u>	<u>5,328</u>
Current liabilities	9,273	10,456	8,726
Long-term debt	72,652	74,778	76,809
Net pension liability	<u>19,525</u>	<u>18,206</u>	<u>18,600</u>
Total liabilities	<u>101,450</u>	<u>103,440</u>	<u>104,135</u>
Deferred inflows of resources related to pensions	<u>468</u>	<u>549</u>	<u>850</u>
Net Position:			
Net investment in capital assets	108,989	103,663	103,479
Unrestricted	<u>17,118</u>	<u>23,306</u>	<u>21,796</u>
Total net position	<u>\$ 126,107</u>	<u>\$ 126,969</u>	<u>\$ 125,275</u>

Net position decreased by \$862 or 0.7% and increased by \$1,694 or 1.4% during the fiscal years 2020 and 2019, respectively. In fiscal year 2020, the decrease in net position was primarily driven by lower commercial water consumption due to the COVID 19 mandated shut down and production expense increases. The production expense increase is attributed to increased water rates from Metropolitan Water District water purchases and increased pension expenses. In fiscal year 2019, the increase in net position was primarily due to the funds participation in the City’s investment pool, which resulted in a year over year increase in allocated interest income.



**Financial Statements: Water Utility**

**Changes in Net Position – Water Utility**

The Water Utility’s changes in net position for the years ended June 30 2020, 2019, and 2018 are as follows:

	2020	2019	2018
Revenues			
Charges for services	\$ 47,964	\$ 48,726	\$ 50,771
Miscellaneous revenues	1,900	2,134	2,428
Non-operating revenues	1,373	1,442	161
Total revenues	<u>51,237</u>	<u>52,302</u>	<u>53,360</u>
Expenses:			
Production	30,367	28,624	30,176
Transmission and distribution	9,158	9,367	7,394
Customer accounting and sales	2,669	2,670	2,250
Depreciation & Amortization	6,920	6,816	5,856
Non-operating expenses	3,047	3,139	3,218
Total expenses	<u>52,161</u>	<u>50,616</u>	<u>48,894</u>
Excess before Capital contributions	(924)	1,686	4,466
Capital contributions	62	8	12
Transfer in	-	-	-
Changes in net position	<u>(862)</u>	<u>1,694</u>	<u>4,478</u>
Total net position, beginning of year	<u>126,969</u>	<u>125,275</u>	<u>120,797</u>
Total net position, end of year	<u>\$ 126,107</u>	<u>\$ 126,969</u>	<u>\$ 125,275</u>



## Financial Statements: Water Utility

### Revenues by Source – Water Utility

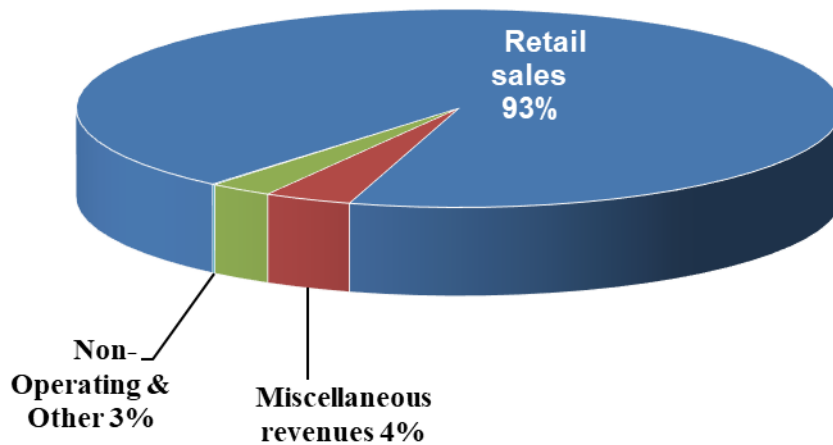
*Year ended June 30, 2020*

In 2020, 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 93% of total revenue sources. Retail revenues showed a decrease of 1.6% from the prior year primarily driven by a decrease in commercial consumption due mandated Covid-19 shut downs.

Miscellaneous revenues and non-operating revenues make up 7% of total revenue sources. Miscellaneous and non-operating revenues decreased by 8% from the prior year due to year over year decrease in miscellaneous and collectable jobs.

Capital grants and contributions make up less than 1% of total revenue sources.

### 2020 Revenues







## Financial Statements: Water Utility

### Revenues by Source – Water Utility

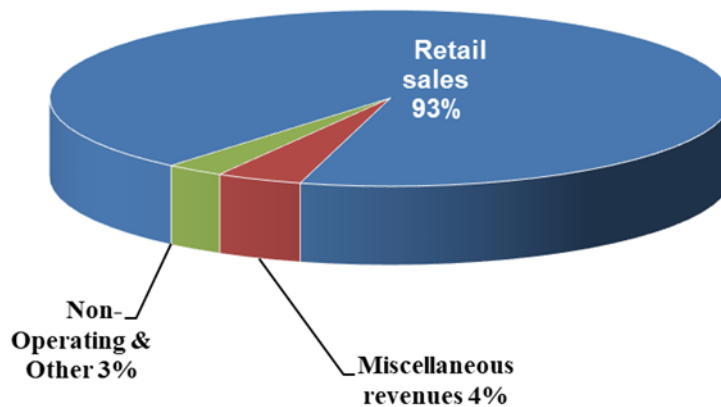
*Year ended June 30, 2019*

In 2019, 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 93% of total revenue sources. Retail revenues showed a decrease of 4.0% from the prior year primarily driven by a decrease in consumption due to local precipitation exceeding average precipitation by nearly 100%.

Miscellaneous revenues and non-operating revenues make up 7% of total revenue sources. Miscellaneous and non-operating revenues increased by 38% from the prior year due to the funds participation in the City's investment pool, which resulted in a year over year increase in allocated interest income.

Capital grants and contributions make up less than 1% of total revenue sources.

### 2019 Revenues





## Financial Statements: Water Utility

### Expenses by Source – Water Utility

*Year ended June 30, 2020*

In 2020, total expenses for the Water Utility increased 3% from the prior year level. Production expenses are the primary expense source for the Water Utility, making up 58% of total expenses. Production expenses increased from the prior year due to increased water rates from Metropolitan Water District water purchases and increased pension expenses.

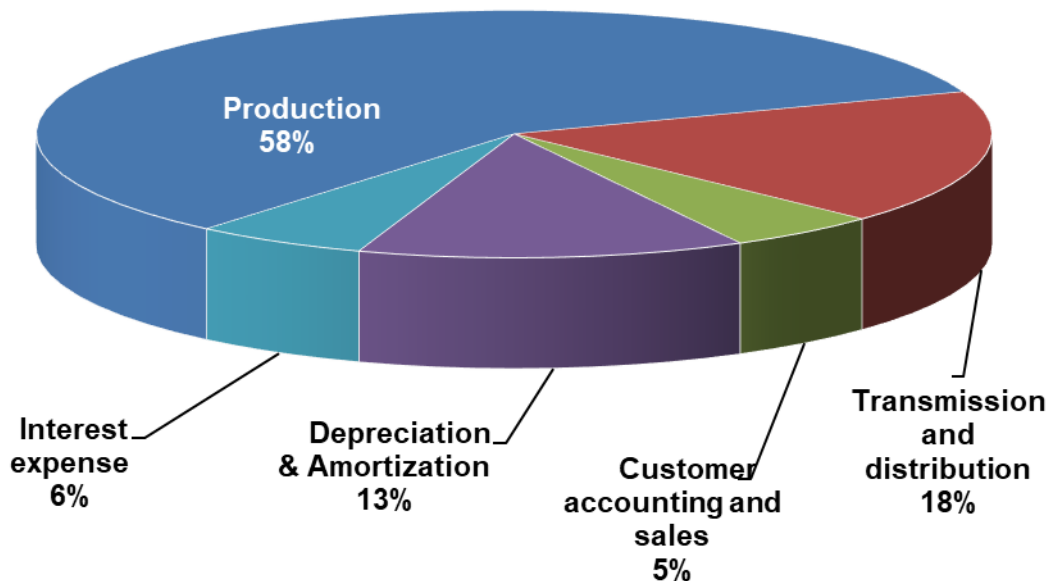
Transmission and distribution expenses comprised 18% of total expenses and showed a decrease of 2% from the prior year level as a result of decreases in maintenance and operation expenses deriving from reductions in contractual services.

Customer accounting and sales expenses make up 5% of total expenses and were consistent with last years.

Depreciation & Amortization expense comprised 13% of total expenses and were consistent with last year.

Interest on bonds make up 6% of total expenses and decreased by 3% compared to the prior year level.

### 2020 Expenses





### Financial Statements: Water Utility

#### Expenses by Source – Water Utility

##### Year ended June 30, 2019

In 2019, total expenses for the Water Utility increased 4% from the prior year level. Production expenses are the primary expense source for the Water Utility, making up 57% of total expenses. Production expenses decreased from the prior year due to lower water consumption resulting in a reduction in water purchases.

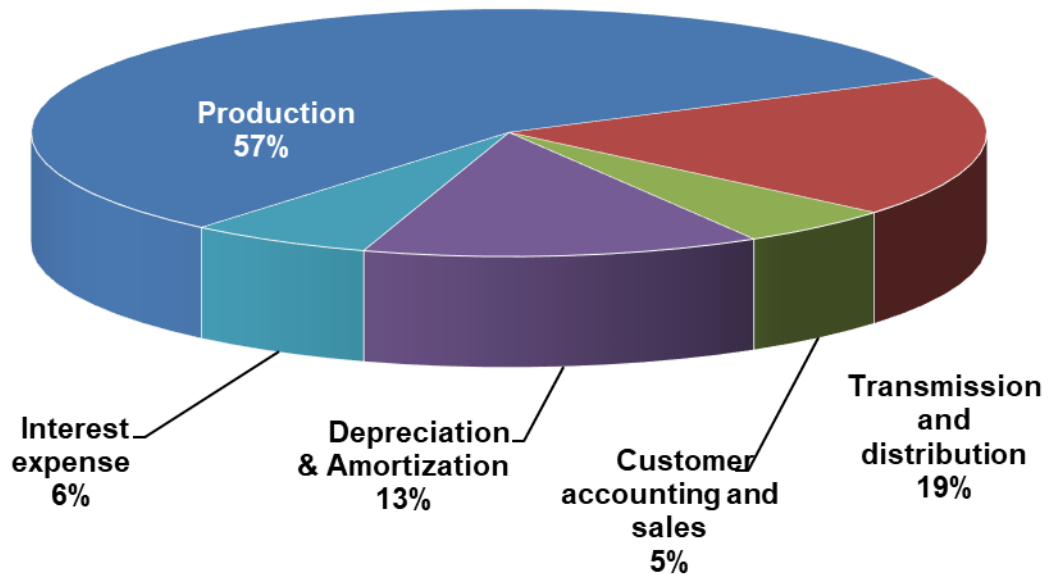
Transmission and distribution expenses comprised 19% of total expenses and showed an increase of 27% from the prior year level, as a result of increases in maintenance and operation expenses resulting from labor expenses, allocated charges, and contractual services.

Customer accounting and sales expenses make up 5% of total expenses and showed an increase of 19% compared to prior year due to increases of customer service expenses resulting from labor expenses, allocated charges, and contractual services.

Depreciation expense comprised 13% of total expenses and increased by 16% compared to the prior year level.

Interest on bonds make up 6% of total expenses and decreased by 2% compared to prior year level.

#### 2019 Expenses





**Financial Statements: Water Utility**

**Capital Assets and Debt Administration**

*Capital Assets*

The Water Utility’s investment in capital assets as of June 30, 2020 and 2019 was \$179,851 and \$180,472, 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 decreases for June 30, 2020 and 2019. 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, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Production	\$ 60,911	\$ 59,511	\$ 59,055
Transmission and distribution	205,993	206,119	199,672
General	16,101	16,386	15,690
Less: accumulated depreciation	<u>(103,258)</u>	<u>(101,544)</u>	<u>(92,187)</u>
<b>Total</b>	<b><u>\$ 179,747</u></b>	<b><u>\$ 180,472</u></b>	<b><u>\$ 182,230</u></b>

Additional information on the Water Utility’s capital assets can be found in Note 3 on page 95 of this report.

*Long-Term Debt*

As of June 30, 2020, 2019 and 2018, the Water Utility had outstanding long-term debt of \$72,652, \$74,778, and \$76,809, respectively. The Water Utility’s outstanding debt as of June 30 is as follows:

	2020	2019	2018
Water Revenue Bonds	\$ 73,175	\$ 75,120	\$ 76,975
Less: current portion	(2,126)	(2,031)	(1,942)
Unamortized bond premium	<u>1,603</u>	<u>1,689</u>	<u>1,776</u>
<b>Total Long-Term Debt</b>	<b><u>\$ 72,652</u></b>	<b><u>\$ 74,778</u></b>	<b><u>\$ 76,809</u></b>

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

Additional information on the Water Utility’s long-term debt can be found in Note 4 on pages 96 to 98 of this report.



## Financial Statements: Water Utility

### 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.

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 3.5% in January 2019 and by 2.7% in January of 2020. 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 2019/2020. 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 City of Glendale implemented various COVID-19 Pandemic response order beginning in March of 2020. There were different levels of response orders between March and the end of the fiscal year. Water system commercial demands were lower during this period, but represent a smaller percentage than residential demands in the water systems normal sales. Warm weather helped offset these reductions by increasing irrigation use in the single-family residential customer class during this same period.

### 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.



**Financial Statements: Water Utility**

**CITY OF GLENDALE  
WATER ENTERPRISE FUND**

Statement of Net Position

June 30, 2020 (in thousands)

(with comparative amounts for 2019)

	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Current assets:		
Pooled cash and investments	\$ 21,704	\$ 23,868
Cash with fiscal agent	4,312	4,247
Interest receivable	153	162
Accounts receivable, net	3,740	2,932
Unbilled receivable	4,266	4,305
Due from other agencies	378	210
Total current assets	<u>34,553</u>	<u>35,724</u>
Noncurrent assets:		
Capital assets:		
Land	1,034	1,034
Buildings and improvements	62,528	62,268
Machinery and equipment	46,088	46,079
Infrastructure	162,340	158,444
Accumulated depreciation	(104,885)	(98,791)
Intangible assets	80	58
Accumulated Amortization	(16)	-
Construction in progress	12,578	11,380
Total capital assets	<u>179,747</u>	<u>180,472</u>
Pooled designated & invested cash	<u>11,300</u>	<u>11,300</u>
Total noncurrent assets	<u>191,047</u>	<u>191,772</u>
Total assets	<u>225,600</u>	<u>227,496</u>
Deferred outflow of resources:		
Deferred outflows of resources related to pensions	<u>2,425</u>	<u>3,462</u>

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



**Financial Statements: Water Utility**

**CITY OF GLENDALE  
WATER ENTERPRISE FUND**

Statement of Net Position

June 30, 2020 (in thousands)

(with comparative amounts for 2019)

	<u>2020</u>	<u>2019</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 4,281	\$ 5,189
Contracts-retained amount due	295	115
Wages and benefits payable	691	641
Interest payable	1,282	1,323
Bonds payable, due in one year	2,126	2,031
Deposits	598	1,157
Total current liabilities	<u>9,273</u>	<u>10,456</u>
Noncurrent liabilities:		
Bonds payable	72,652	74,778
Net pension liability	19,525	18,206
Total noncurrent liabilities	<u>92,177</u>	<u>92,984</u>
Total liabilities	<u>101,450</u>	<u>103,440</u>
Deferred inflows of resources:		
Deferred inflows of resources related to pensions	468	549
Net position:		
Net investment in capital assets	108,989	103,663
Unrestricted	17,118	23,306
Total net position	<u>\$ 126,107</u>	<u>\$ 126,969</u>

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



**Financial Statements: Water Utility**

**CITY OF GLENDALE  
WATER ENTERPRISE FUND**

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2020 (in thousands)

(with comparative amounts for 2019)

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Charges for services:		
Metered sales	\$ 45,180	\$ 46,170
Metered sales-recycled	2,140	1,917
Private fire	498	486
Other sales	146	153
Miscellaneous revenues	1,900	2,134
Total operating revenues	<u>49,864</u>	<u>50,860</u>
Operating expenses:		
Production	30,367	28,624
Transmission & distribution	9,158	9,367
Customer accounting and sales	2,669	2,670
Depreciation & Amortization	6,920	6,816
Total operating expenses	<u>49,114</u>	<u>47,477</u>
Operating income	<u>750</u>	<u>3,383</u>
Non operating revenues (expenses):		
Interest income	1,373	1,432
Grant revenue	-	10
Interest expense	(3,047)	(3,139)
Total non operating expenses	<u>(1,674)</u>	<u>(1,697)</u>
Income before capital contributions	<u>(924)</u>	<u>1,686</u>
Capital contributions	<u>62</u>	<u>8</u>
Change in net position	(862)	1,694
Net position at beginning of year	<u>126,969</u>	<u>125,275</u>
Net position at end of year	<u>\$ 126,107</u>	<u>\$ 126,969</u>

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





**Financial Statements: Water Utility**

**CITY OF GLENDALE  
WATER ENTERPRISE FUND**  
Statement of Cash Flows  
Year Ended June 30, 2020 (in thousands)  
(with comparative amounts for 2019)

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Cash from customers	\$ 48,367	\$ 50,917
Cash paid to employees	(10,851)	(10,545)
Cash paid to suppliers	(29,746)	(27,287)
Net cash provided by operating activities	<u>7,770</u>	<u>13,085</u>
<b>Cash flows from noncapital financing activities:</b>		
Operating grant received	-	10
<b>Cash flows from capital and related financing activities:</b>		
Interest on long term debt	(3,174)	(3,263)
Principal payments	(1,945)	(1,855)
Capital grants and contributions	62	8
Acquisition of property, plant, and equipment	(6,195)	(5,058)
Proceeds from sale of capital asset	9	-
Net cash used by capital and related financing activities	<u>(11,243)</u>	<u>(10,168)</u>
<b>Cash flows from investing activities</b>		
Interest received	1,374	1,387
Net increase in cash and cash equivalents	(2,099)	4,314
Cash and cash equivalents at July 1	39,415	35,101
Cash and cash equivalents at June 30	<u>\$ 37,316</u>	<u>\$ 39,415</u>
<b>Reconciliation of Statement of Cash Flows to Statement of Net Position:</b>		
Pooled cash and investments	\$ 21,704	\$ 23,868
Cash with fiscal agent	4,312	4,247
Pooled designated & invested cash	11,300	11,300
Cash and cash equivalents at June 30	<u>\$ 37,316</u>	<u>\$ 39,415</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 750	\$ 3,383
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	6,904	6,816
Amortization	16	-
(Increase) Decrease Deferred outflows from pension	1,037	1,865
(Increase) Decrease Accounts receivable net	(937)	212
(Increase) Unbilled services	-	(294)
Decrease Due from other agencies	-	119
Increase Accrued salaries and withholding	50	47
Increase (Decrease) Accounts payable	(909)	1,564
Increase Contracts retention	180	47
Increase (Decrease) Deposits	(559)	20
Increase (Decrease) Net pension liability	1,319	(394)
Increase (Decrease) Deferred inflows from pension	(81)	(300)
Total adjustments	<u>7,020</u>	<u>9,702</u>
<b>Net cash provided by operating activities</b>	<u>\$ 7,770</u>	<u>\$ 13,085</u>

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



# 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 Comprehensive Annual Financial Report (CAFR), 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.



## Financial Statements: Water Utility

### 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 \$5 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.



Financial Statements: Water Utility

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 & Parking Lot Landscaping Improvements	10
Building Improvements	20
Land Improvements	30
Transmission-Off System	50
Machinery and Equipment	6-10
Passenger Cars, Pickup	6
Cargo Vans	7
Dump/Tractor/Trailer Trucks	10
Infrastructure	20-75
Potable-Services	20
Supply-Mains and Wells	25
Supply-Structure Improvements	30
Supply-Springs & Tunnels & 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.

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.



## Financial Statements: Water Utility

### **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, 2020 and 2019, the Fund's allowance for doubtful accounts was \$20 and \$41, respectively.

### **Unbilled Receivable**

The Water Utility records revenues for utility services delivered to customers but not billed. As of June 30, 2020 and 2019, the Fund's unbilled receivables were \$4,266 and \$4,305, respectively.

### **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, 2020 and 2019, the Water Utility's deposits were \$598 and \$1,157, respectively.

### **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, 2020 and 2019, the Water Utility's contracts – retained amount due were \$295 and \$115, respectively.



## Financial Statements: Water Utility

### 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 the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets, plus any remaining unspent debt proceeds. As of June 30, 2020 and 2019, the Water Utility's net investments in capital assets were \$108,989 and \$103,663, respectively. 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. 84 – *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for periods beginning after December 15, 2019.
- 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



## Financial Statements: Water Utility

is effective for periods beginning after June 15, 2021.

- GASB Statement No. 90 – *Majority Equity Interests*—an amendment of GASB Statements No. 14 and No. 61. The objective of this statement is to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The statement is effective for periods beginning after December 15, 2019.
- 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 periods beginning after December 15, 2021.
- 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 periods ending after December 31, 2021. The paragraph 13 and 14 is effective for periods beginning after June 15, 2021.
- 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 periods beginning after June 15, 2022.
- 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 periods beginning after June 15, 2022.
- 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 periods beginning



## Financial Statements: Water Utility

after June 15, 2021. The paragraph 4 and 5 is effective immediately.

### IMPLEMENTATION OF PRONOUNCEMENTS

The City has adopted and implemented, where applicable, the following GASB Statements during the year ended June 30, 2020:

- GASB Statement No. 95 – Postponement of the Effective Dates of Certain Authoritative Guidance. The objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The statement is effective immediately.
- 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 periods beginning after June 15, 2021. The paragraph 4 and 5 is effective immediately.

### 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 Water Utility pays the pension contribution that is not recognized as pension expense, the Water Utility reports deferred outflows of resources. The Water Utility's deferred outflow of resources related to pensions at June 30, 2020 and June 30, 2019 is \$2,425 and \$3,462, respectively, which are the pension contribution made after the measurement date of the net pension liability.

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 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 expense arising from the recognition of differences





Financial Statements: Water Utility

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 related to pension is \$468 as of June 30, 2020 and \$549 as of June 30, 2019 respectively.

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, \$33,004 and \$35,168 pertains to the Water Utility for fiscal year 2020 and 2019, respectively. Pooled cash and investments are stated at the fair value.

Cash and investments as of June 30, 2020 and 2019:

	2020	2019
Pooled cash and investments	\$ 21,704	\$ 23,868
Cash with fiscal agents	4,312	4,247
Pooled designated and invested cash	11,300	11,300
Total	<u>\$ 37,316</u>	<u>\$ 39,415</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



Financial Statements: Water Utility

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, 2020, the Fund had \$4,312 on deposit with fiscal agent as required by the bond documents. The Water Utility had the following underlying investments:

Investments	Fair Value	Maturity	Moody's Rating
Money Market	\$ 4,312	Less than 1 yr	Aaa

Investments	Fair Value	Maturity	Moody's Rating
U.S Treasury Notes	\$ 4,247	Less than 1 yr	Aaa

U.S. treasury notes fair market value are measured at level 2.



**Financial Statements: Water Utility**

**3. Capital Assets**

A summary of the changes in Water Utility's June 30, 2020 Capital Assets are as follows:

	Balance at June 30, 2019	Increases	Decreases	Reclass / Transfers	Balance at June 30, 2020
<b>Capital assets not being depreciated:</b>					
Land	\$ 1,034				\$ 1,034
Construction in progress	11,380	5,594		(4,396)	12,578
Total assets not being depreciated	12,414	5,594	-	(4,396)	13,612
<b>Depreciable capital assets:</b>					
Buildings and improvements	62,268			260	62,528
Infrastructure	158,444			3,896	162,340
Machinery and equipment	46,079	579	(810)	240	46,088
Intangible	58	22			80
Total other capital assets at cost	266,849	601	(810)	4,396	271,036
<b>Less accumulated depreciation &amp; amortization:</b>					
Buildings and improvements	18,692	1,033			19,725
Infrastructure	59,214	3,667			62,881
Machinery and equipment	20,885	2,204	(810)		22,279
Amortization	-	16			16
Total accumulated depreciation & amortization	98,791	6,920	(810)	-	104,901
Total assets being depreciated	168,058	(6,319)	-	4,396	166,135
Water Fund capital assets, net	\$ 180,472	\$ (725)	\$ -	\$ -	\$ 179,747

A summary of the changes in Water Utility's June 30, 2019 Capital Assets are as follows:

	Balance at June 30, 2018	Increases	Decreases	Reclass / Transfers	Balance at June 30, 2019
<b>Capital assets not being depreciated:</b>					
Land	\$ 1,034				\$ 1,034
Construction in progress	9,577	4,376		(2,573)	11,380
Total assets not being depreciated	10,611	4,376	-	(2,573)	12,414
<b>Depreciable capital assets:</b>					
Buildings and improvements	61,700	6		562	62,268
Infrastructure	156,433	-		2,011	158,444
Machinery and equipment	45,673	618	(212)		46,079
Intangible	-	58			58
Total other capital assets at cost	263,806	682	(212)	2,573	266,849
<b>Less accumulated depreciation:</b>					
Buildings and improvements	17,664	1,028			18,692
Infrastructure	55,678	3,536			59,214
Machinery and equipment	18,845	2,252	(212)		20,885
Total accumulated depreciation	92,187	6,816	(212)	-	98,791
Total assets being depreciated	171,619	(6,134)	-	2,573	168,058
Water Fund capital assets, net	\$ 182,230	\$ (1,758)	\$ -	\$ -	\$ 180,472



Financial Statements: Water Utility

4. Long-Term Debt

The Water Utility’s outstanding principal as of June 30, 2020 and 2019 consists of the following:

Investments	Remaining Interest Rates	Original Issue	Outstanding June 30, 2020	Outstanding June 30, 2019
Water Revenue Bonds, 2008 Series	3.10% - 5.00%	\$ 50,000	\$ 39,500	\$ 40,970
Water Revenue Bonds, 2012 Series	2.75% - 5.00%	\$ 35,000	\$ 33,675	\$ 34,150

Water Revenue Bonds, 2008 Series

The Water utility of Glendale Water & Power issued \$50,000 in revenue bonds in February 2008 to finance the costs of acquisition and construction of certain improvements to the City’s water public utility including Chevy Chase 968 reservoir and pump station replacement, Grandview pump station third unit upgrade, Verdugo-Metro pump station upgrade and main cleaning, lining and replacement projects.

As of June 30, 2020, the reserve requirement of the bond issue is satisfied by a cash reserve fund with a minimum funding requirement of \$2,932. The 2008 bonds mature in regularly increasing amounts ranging from \$1,525 to \$3,060 annually from FY 2020-21 to FY 2037-38.

The outstanding balance at June 30, 2020 was \$39,500.

The 2008 Bonds have an optional redemption on and after February 1, 2019. The 2008 Bonds maturing on February 1, 2032 and February 1, 2038 are subject to mandatory sinking fund redemption from mandatory sinking account payments set aside in the Parity Obligation Payment Fund.

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.

As of June 30, 2020, the reserve requirement of the bond issue is satisfied by a cash reserve fund with a minimum funding requirement of \$1,380. The bonds mature in regularly increasing amounts ranging from \$515 to \$4,945 annually from FY 2020-21 to FY 2041-42. The outstanding balance at June 30, 2020 was \$33,675.



## Financial Statements: Water Utility

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.

The Water utility has pledged future water customer revenues, net of specified operating expenses, to pay the remaining total principal and interest on the Water revenue bonds of \$114,330 through FY 2041-42. The bonds are payable solely from Water utility's net revenues and is expected to require the net revenues to be at least equal to 1.25 times the amount of the annual debt services as they become due each fiscal year. The rates to be charged for services furnished by the Water utility should incorporate the debt service requirements to provide revenues sufficient to pay, as the principal and interest become due. Total debt service paid and total net available revenues for debt service coverage for FY 2019-20 were \$5,079 and \$8,562, respectively.

The water utility fund has outstanding long-term debt of \$74,778 and has no direct borrowings and no direct placements related to business-type activities as of June 30, 2020. The water utility fund also has no outstanding or unused line of credit related to long-term debt of business-type activities as of June 30, 2020. The water utility fund bonds payable contains a provision that none of the water utility assets owned by the City will be sold or leased if the City is unable to satisfy the debt service requirement. The water utility fund bonds payable contains a provision that, in an event of default, the owners of 25% in aggregate Bond Obligations of Bonds then outstanding, may call a meeting of the bond owners for the purpose of electing a bond owners' committee. The water utility fund bonds payable contains a subjective acceleration clause that allows the bond owners' committee to accelerate payment of the entire principal and interest amounts to become immediately due in an event of default by the City, with the exception of Water Revenue Bonds, 2008 Series that have bond insurance with Assured Guaranty Municipal Corporation to guarantee scheduled payments of principal and interest on the 2008 Bonds when due, as set forth in the bond insurance policy.



### Financial Statements: Water Utility

	Amount outstanding June 30, 2019	Additions	Retirements	Amount outstanding June 30, 2020	Due within one year
Water Revenue Bonds, 2008 Series	\$ 40,970	-	1,470	39,500	1,525
Water Revenue Bonds, 2012 Series	34,150	-	475	33,675	515
Bond Premium	1,689	-	86	1,603	86
<b>Total bonds payable</b>	<b>\$ 76,809</b>	<b>-</b>	<b>2,031</b>	<b>74,778</b>	<b>2,126</b>

	Amount outstanding June 30, 2018	Additions	Retirements	Amount outstanding June 30, 2019	Due within one year
Water Revenue Bonds, 2008 Series	\$ 42,390	-	1,420	40,970	1,470
Water Revenue Bonds, 2012 Series	34,585	-	435	34,150	475
Bond Premium	1,776	-	87	1,689	86
<b>Total bonds payable</b>	<b>\$ 78,751</b>	<b>-</b>	<b>1,942</b>	<b>76,809</b>	<b>2,031</b>

The annual debt service requirements to amortize long-term bonded debt at June 30, 2020 are as follows:

Fiscal Year	Water Revenue Bonds		
	Interest	Principal	Total
2021	3,039	2,040	5,079
2022	2,948	2,135	5,083
2023	2,853	2,225	5,078
2024	2,749	2,325	5,074
2025	2,639	2,430	5,069
2026-2030	11,551	13,835	25,386
2031-2035	8,662	17,140	25,802
2036-2040	5,542	21,320	26,862
2041-2044	1,172	9,725	10,897
	<b>\$ 41,155</b>	<b>73,175</b>	<b>114,330</b>

### 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, 2020. For the year ended June 30, 2020, net income as defined in the indenture, was \$8,562 and the debt service requirement was \$5,079. For the year ended June 30, 2019, net income as defined in the indenture, was \$11,027 and the debt service requirement was \$5,083.



Financial Statements: Water Utility

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 Plan's provisions and benefits in effect at June 30, 2019 measurement date, are summarized as follows:

	Miscellaneous		
	Prior to January 1, 2011	Between January 1, 2011 and December 31, 2012	On or after January 1, 2013
Hire date			
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.



### Financial Statements: Water Utility

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, 2019, the Water Utility’s contributions to the City’s Miscellaneous Plan were \$1,890.

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

As of June 30, 2020, the Water Utility reported a liability of \$19,525 for its proportionate share of the City Miscellaneous Plan net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019 using standard update procedures. The water utility’s proportion of the city miscellaneous plan net pension liability at June 30, 2020 was based on the water utility’s fiscal year 2019 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, 2020 and June 30, 2020.

For the year ended June 30, 2020, the Water Utility recognized pension expense of \$4,165.

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,890	-
Changes of assumptions	-	159
Differences between expected and actual experience	535	-
Net differences between projected and actual earnings on plan investments	-	309
<b>Total</b>	<b>\$ 2,425</b>	<b>468</b>

The amount of \$1,890 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, 2021.

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

Year ending June 30,	Amounts
2021	\$ 1,158
2022	(914)
2023	(136)
2024	177
<b>Total</b>	<b>\$ 285</b>





Financial Statements: Water Utility

Actuarial Assumptions

The June 30, 2018 valuation was rolled forward to measure the June 30, 2019 total pension liability, based on the following actuarial methods and assumptions:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
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 The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter
Post-retirement benefit increase	

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:



**Financial Statements: Water Utility**

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:



### Financial Statements: Water Utility

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

1% Decrease	6.15%
Net Pension Liability	\$ 27,810
Current Discount Rate	7.15%
Net Pension Liability	\$ 19,525
1% Increase	8.15%
Net Pension Liability	\$ 10,648

### Pension Plan Fiduciary Net Position

Detailed information about the City’s collective net pension liability is available in the City’s separately issued Comprehensive Annual Financial Report (CAFR). 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](http://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 2019-20 is as follows:

Insurance Type	Program Limits	Deductible / SIR (self insured retention)
Excess Liability Insurance	\$ 52,000	\$2,000 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	400,000	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, 2020, premiums charged to the Glendale Water & Power Utility were \$413.

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



Financial Statements: Water Utility

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)

Table with 7 columns (Year) and 7 rows (Liability, Payroll, Percentage, Fiduciary, Date). Rows include: Water Utility's proportion of the net pension liability, Water Utility's proportionate share of the net pension liability, Covered payroll, Water Utility's proportionate share for the City's Miscellaneous Plan's net pension liability as a percentage of covered payroll, Miscellaneous Plan fiduciary net position as a percentage of the total pension liability, and Measurement Date.

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



Financial Statements: Water Utility

WATER UTILITY  
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Contributions  
Last Ten Years (1)

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,890	\$ 1,856	\$ 1,555	\$ 1,387	\$ 1,229	\$ 986
Contributions in relation to the actuarially determined contribution	1,890	1,856	1,555	1,387	1,229	986
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 5,940	\$ 5,717	\$ 5,568	\$ 5,438	\$ 5,193	\$ 5,507
Contributions as a percentage of covered payroll	31.82%	32.46%	27.93%	25.51%	23.67%	17.90%

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