ROWLAND WATER DISTRICT

FINANCIAL STATEMENTS

WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

FOR THE YEAR ENDED JUNE 30, 2016

ROWLAND WATER DISTRICT

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For the Year Ended June 30, 2016

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Rowland Water District
Rowland Heights, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Rowland Water District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

2875 Michelle Drive, Suite 300, Irvine, CA 92606 • Tel: 714.978.1300 • Fax: 714.978.7893

Offices located in Orange and San Diego Counties

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rowland Water District as of June 30, 2016 and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Other Matters

Report on 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 for the defined benefit pension plan, and the other post employment benefit plan schedule of funding progress, identified as required supplementary information in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 the 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 that collectively comprise the District's basic financial statements. The schedule of other operating expenses and schedule of general and administrative expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

White Nelson Diehl Evans LLP

Irvine, California
November 23, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

This section of the District's annual financial report presents our analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Fiscal Year 2016

- The District's total net position increased by $1,056,908 or 1.78 percent
- During the year, the District's total revenues decreased to $20,941,930 or 3.21 percent, and total expenses decreased to $19,885,022 or 4.06%.

Fiscal Year 2015

- The District's total net position decreased by $1,136,398 or 1.88 percent
- During the year, the District's total revenues decreased to $21,637,440 or 1.40 percent, and total expenses decreased to $20,727,582 or 8.03%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts: Management's Discussion and Analysis and the Financial Statements. The Financial Statements also include notes that explain in more detail some of the information in the Financial Statements.

REQUIRED FINANCIAL STATEMENTS

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

FINANCIAL ANALYSIS OF THE DISTRICT

Our analysis of the District begins on page 18 of the Financial Statements. One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of the year's activities?" The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information about the District's activities in a way that will help answer this question. These statements report the net position of the District and changes in them. You can think of the District's net position - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other nonfinancial factors such as changes in economic conditions, population growth, and new or changed government legislation.

NET POSITION

To begin our analysis, a summary of the District's Net Position is presented in Table 1.

TABLE 1
Condensed Statements of Net Position

	Fiscal Year 2016	Fiscal Year 2015	Dollar Change
Assets:			
Current, restricted and other	48,988,665	49,338,573	$ (349,908)
Capital assets	58,752,386	58,321,956	430,430
Total Assets	107,741,051	107,660,529	80,522
Liabilities:			
Current liabilities	3,993,955	4,542,981	(549,026)
Noncurrent liabilities	43,231,814	43,659,174	(427,360)
Total Liabilities	47,225,769	48,202,155	(976,386)
Net Position:			
Net investment in capital assets	37,325,615	36,828,271	497,344
Restricted	-	-	-
Unrestricted	23,189,667	22,630,103	559,564
Total Net Position	$ 60,515,282	$ 59,458,374	$ 1,056,908

As can be seen from Table 1, total assets increased $80,522 from fiscal year 2015 to 2016. Total Net Position saw an increase of $1,056,908 or 1.78% from the previous fiscal year.

NET POSITION (CONTINUED)

A further review shows total liabilities decreased by $976,386 or 2.03% from fiscal year 2015 to 2016. There were two main reasons for this decrease. The first being the District's continual paying down of the principal of its two bond obligations. The 2012 Series A Water Revenue Bonds and 2014A Water Revenue Refunding Bonds saw a $999,253 reduction in the liability. The 2012 Series A Water Revenue Bonds decreased by $447,339 and the 2014A Water Revenue Refunding Bonds decreased by $551,914. The second would be the continued reduction in the District's net OPEB obligation. This amounted to $148,664 of the reduction. As the District continues to fund its OPEB Trust, the goal would be for the liability to continue to be reduced each year. The ultimate goal would be for the District to have complete funding of its OPEB Unfunded Actuarial Accrued Liability.

Large projects completed during fiscal year 2016 included:

Reservoir 13 Rehabilitation: Rowland Water District determined through inspections that Reservoir 13 was in need of safety, sanitary and security upgrades along with a complete interior and exterior recoating. Reservoir 13 is located at 18940 Granby Place Rowland Heights, California 91748. Advanced Industrial Services was awarded the project thru a bid process and authorized to make the necessary coating repairs and upgrades. Safety, sanitary and security enhancements included the addition of extended handrails along the roof, installation of security locks on all exterior hatches, safety gate, fall prevention cable and modifications to both interior and exterior ladders. The entire interior coating system was removed to Near White Metal before being coated with a multi-coat epoxy system. The entire exterior coating system was Brush-off Blast cleaned before being coated with an epoxy primer and a urethane top coat.

Reservoir 16 Rehabilitation: Rowland Water District determined through inspections that Reservoir 16 was in need of safety, sanitary and security upgrades along with a complete interior and exterior recoating. Reservoir 13 is located at 3070 Blandford Drive Rowland Heights, CA 91748. Advanced Industrial Services was awarded the project thru a bid process and authorized to make the necessary coating repairs and upgrades. Safety, sanitary and security enhancements included the addition of extended handrails along the roof, installation of security locks on all exterior hatches, safety gate, fall prevention cable and modifications to both interior and exterior ladders. The entire interior coating system was removed to Near White Metal before being coated with a multi-coat epoxy system. The entire exterior coating system was Brush-off Blast cleaned before being coated with an epoxy primer and a urethane top coat.

NET POSITION (CONTINUED)

TABLE 2

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Fiscal Year 2016	Fiscal Year 2015	Dollar Change
Revenues:			
Operating revenues	$ 19,665,042	$ 20,664,408	$ (999,366)
Nonoperating revenues	1,276,888	973,032	303,856
Total Revenues	20,941,930	21,637,440	(695,510)
Expenses:			
Operating expenses	18,291,761	18,759,821	(468,060)
Nonoperating expenses	1,593,261	1,967,761	(374,500)
Total Expenses	19,885,022	20,727,582	(842,560)
Income (loss) before Capital Contributions	1,056,908	909,858	147,050
Capital contributions	-	560	(560)
Change in Net Position	1,056,908	910,418	146,490
Beginning Net Position	59,458,374	60,594,772	(1,136,398)
Restatement		(2,046,816)	2,046,816
Beginning Net Position, as Restated	59,458,374	58,547,956	910,418
Ending Net Position	$ 60,515,282	$ 59,458,374	$ 1,056,908

While the Statements of Net Position show the change in financial position, the Statements of Revenues, Expenses, and Changes in Net Position provide answers as to the nature and source of these changes. As can be seen in Table 2, an increase in ending net position of $1,056,908 occurred fiscal year 2016.

NET POSITION (CONTINUED)

A closer examination of the source of changes in Net Position reveals that the District's total revenues decreased by $695,510 or 3.21% in fiscal year 2016. Of this amount, operating revenues decreased by $999,366 or 4.84% and its nonoperating revenues increased by $303,856 or 31.23% in the past fiscal year. The main factor attributing to the decrease in operating revenues was a decrease in water sales. The District has been encouraging and enforcing water conservation for the entire fiscal year due to drought conditions in California. The majority of the increase in nonoperating revenue was from the District seeing a significant gain from its Investment in Joint Ventures. The District saw Joint Venture gains of $407,016 with $392,615 being derived from Puente Basin Water Agency.

The District's total water sales decrease from approximately 10,760 acre feet in fiscal year 2014-2015 to 9,780 acre feet in fiscal year 2015-2016. The reduction in revenue would have been more significant if not for a rate increase that became effective on January 1, 2017. The base rate increased $0.06 from $2.71 to $2.77 or 2.21% for potable customers. Water usage over 16 hcf is charged at a higher rate. The recycled water rate increased $0.05 from $1.66 to $1.71 or 3.01%. The District's promotes the use of recycled water so there is no tiered rate for excess usage. The monthly service charge for standard 5/8" to 3/4" meters increased $0.16 from $24.96 to $25.12 or 0.64%. The District continues to use a tiered rate structure that was implemented in January 2009. The tiered rates as of January 2017 for Zone 1 were a base rate of $2.77 for 1-16 hcf, $3.19 for 17-23 hcf, and $4.02 for 24+ hcf. The rates increase approximately five to seven percent as you reach Zone 2 through Zone 6. The District has six different pumping zones. Pumping charges cover the energy costs to pump water to each zone of elevation over Zone 1. The additional pumping costs is added to the base rate if the property resides in Zone 2 through Zone 6. The pumping charges vary from $0.22 in Zone 2 up to $0.37 for Zone 6.

Nonoperating revenues increased in fiscal year 2016. The District saw interest and dividend income of $352,137, property tax revenues of $327,836, and gain from investments in joint ventures of $407,016. Gain from investment in joint ventures is mainly attributed to the District participating in the Puente Basin Water Agency. In 2016, PBWA received income from a state grant and revenue from both the lease and sale of water. The District had cash and investments totaling $29,262,199 ending fiscal year 2016, a decrease of $1,461,072 from fiscal year 2015. The main cause of the decrease was District projects in conjunction with Puente Basin Water Agency (PBWA) being still in progress and District bond funds being used to fund these projects. The District's cash and investments are held cash, short-term certificate of deposits (CD's), money market mutual funds, government bonds and treasury bills. A comparison for these types of investments can be the State of California Local Agency Investment Fund (LAIF). LAIF saw its yield increase from 0.30% in fiscal year 2015 to 0.58% ending fiscal year 2016.

While total operating revenues decreased by $999,366 or 4.84%, operating expenses decreased by $468,060 or 2.50%. This resulted in a change in net position of $1,056,908 in fiscal year 2016. While the District saw total revenues decrease by $695,510 from fiscal year 2015, Source of Supply costs decreased $683,917 or 7.11% from fiscal year 2015. Source of Supply include the cost of potable and reclaimed water along with MWD and TVMWD fixed charges.

NET POSITION (CONTINUED)

The average cost of an acre foot of water increased to $899.00 in 2015 to $918.00 in 2016. Fixed charges increased $50,901 or 16.82% from fiscal year 2015 to 2016. General and administrative expense saw an increase of $53,781 or 1.34%. Depreciation for fiscal year 2016 was $2,191,832. The District does continue to fund depreciation of Rowland Water District assets through its rates and charges.

BUDGETARY HIGHLIGHTS

TABLE 3
Budget vs. Actual

	Fiscal Year 2016		
	Actual	Budget	Variance
Revenues:			
Operating revenues	$ 19,665,042	$ 21,875,000	$ (2,209,958)
Nonoperating revenues	1,276,888	575,000	701,888
Total Revenues	20,941,930	22,450,000	(1,508,070)
Expenses:			
Operating Expenses:			
Source of supply	9,616,789	10,695,000	1,078,211
Pumping and power	920,439	1,085,000	164,561
Transmission and distribution	1,124,026	1,080,000	(44,026)
Customer services	62,916	155,000	92,084
Depreciation expenses	2,191,832	-	(2,191,832)
Other operating expenses	312,953	320,000	7,047
General and administrative expenses	4,062,806	4,185,000	122,194
Total Operating Expenses	18,291,761	17,520,000	(771,761)
Nonoperating expenses	1,593,261	2,450,000	856,739
Total Expenses	19,885,022	19,970,000	84,978
Capital Contributions	-	-	-
Change in Net Position	$ 1,056,908	$ 2,480,000	$ (1,423,092)

In looking at Table 3, Budget vs. Actual, the discrepancy in change in Net position over budgeted change in net position and change in net position is $1,423,092. Total Revenues shows a negative variance of $1,508,070. Total operating expenses saw a negative variance of $771,761 when depreciation is included. Depreciation is not a direct expense to the District and funds are collected through rates and charges to fund it. Nonoperating expenses saw a positive variance of $856,739.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of fiscal year 2016, the District had invested $58,752,386 in a broad range of Infrastructure as shown in Table 4.

TABLE 4
Capital Assets

	Fiscal Year 2016	Fiscal Year 2015	Dollar Change
Capital assets, not being depreciated:			
Land	$ 261,340	$ 261,340	$ -
Water rights	5,000	5,000	-
Construction in progress	1,131,918	1,162,307	(30,389)
Total capital assets, not being depreciated	1,398,258	1,428,647	(30,389)
Capital assets, being depreciated:			
Intangible plant	1,022,551	1,022,551	-
Sources of supply plant	2,076,956	2,076,956	-
Pumping plant	10,037,819	10,037,819	-
Transmission and distribution plant	65,121,932	63,116,434	2,005,498
Telemetry equipment	1,489,671	1,354,235	135,436
General plant	570,451	570,451	-
Office building and equipment	6,501,662	6,108,622	393,040
Transportation equipment	964,037	888,066	75,971
Communication equipment	133,902	133,902	-
Total capital assets, being depreciated	87,918,981	85,309,036	2,609,945
Less accumulated depreciation	(30,564,853)	(28,415,727)	(2,149,126)
Total capital assets, being depreciated, net	57,354,128	56,893,309	460,819
Total capital assets, net	$ 58,752,386	$ 58,321,956	$ 430,430

Additional information on the District's capital assets can be found in Note 4 of the notes to basic financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

DEBT ADMINISTRATION

At the end of fiscal year 2016, the District had noncurrent liabilities totaling $43,231,814 as shown in Table 5.

TABLE 5
Noncurrent Liabilities

	Fiscal Year 2016	Fiscal Year 2015	Dollar Change
Refunding Bond Series 2014A	$ 20,112,026	$ 20,673,940	$ (561,914)
Certificates of Participation, net	-	-	-
Installment Purchase Contract payable, net	19,656,215	20,118,554	(462,339)
Compensated absences	294,658	255,689	38,969
Net Pension Liability	3,048,469	2,341,881	706,588
Net OPEB obligation	120,446	269,110	(148,664)
	$ 43,231,814	$ 43,659,174	$ (427,360)

The District currently has five sources of Noncurrent Liabilities in 2016. The Refunding Bond series 2014A is a refunding of the Certificate of Participation (COP) issued January 2009 that were used for the expansion of the District's Recycled Water System. The goal is to lower the dependence on import water by producing recycled water at a lower cost. Recycled water can be used for irrigation at schools, parks, industrial buildings, etc. In November 2012, the District entered into an installment purchase contract with Puente Basin Water Agency in order to finance the acquisition of certain water system improvements. The liability is payable over the next thirty years. The increase in compensated absences is attributed to more accrued sick and vacation time being due to current employees. The liabilities would have to be paid at the employee's retirement or separation from service. Net Pension Liability is the District portion of the unfunded accrued liability attributed to the CalPERS pooled pension plan the District is a member. Accrued net OPEB obligations refer to Other Post Employment Benefits that would be owed to employees upon retirement for medical insurance. The Accrued net OPEB obligation is the difference between the actuarially-determined annual required contribution and the actual contributions made. The District currently funds these expenses on a pay-as-you-go basis, but is funding a GASB 45 trust to help offset the future cost of Other Post-Employment Benefits. This amount should continue to be lower as the District continues to fund its OPEB trust.

Additional information on the District's noncurrent liabilities can be found in Notes 6 - 9 and 11 of the notes to basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's Board of Directors and management considered many factors when setting the fiscal year 2016 Budget, user fees, and charges. A projection is made on the amount of acre feet of water that will be purchased and sold. The District also looks at the increase in the Source of Supply. Since the District heavily relies on import water, the costs are directly passed through by Metropolitan Water District and Three Valleys Municipal Water District. Most are fixed costs that do not vary depending upon the amount of water sold. Other expenses are budgeted individually to account for increases in such things as Automobile and Truck Expenses or Workers' Compensation Insurance. The District's customer base has not changed significantly; therefore, revenue and costs are more easily projected.

TABLE 6
Fiscal Year 2016 Budget vs. Fiscal Year 2016 Actual

	Fiscal Year 2016 Actual	Fiscal Year 2017 Budget	Variance
Revenues:			
Operating revenues	$ 19,665,042	$ 20,250,000	$ 584,958
Nonoperating revenues	1,276,888	575,000	(701,888)
Total Revenues	20,941,930	20,825,000	(116,930)
Expenses:			
Operating Expenses:			
Source of supply	9,616,789	9,725,000	(108,211)
Pumping and power	920,439	1,135,000	(214,561)
Transmission and distribution	1,124,026	1,225,000	(100,974)
Customer services	62,916	155,000	(92,084)
Depreciation expenses	2,191,832	-	2,191,832
Other operating expenses	312,953	350,000	(37,047)
General and administrative expenses	4,062,806	4,685,000	(622,194)
Total Operating Expenses	18,291,761	17,275,000	1,016,761
Nonoperating expenses	1,593,261	2,450,000	(856,739)
Total Expenses	19,885,022	19,725,000	160,022
Capital Contributions	-	-	-
Change in Net Position	$ 1,056,908	$ 1,100,000	$ 43,092

CONTACTING THE DISTRICT'S FINANCIAL OFFICER

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Sean S. Henry, Finance Officer, Rowland Water District.

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BASIC FINANCIAL STATEMENTS

ROWLAND WATER DISTRICT

STATEMENT OF NET POSITION

June 30, 2016

ASSETS:	
CURRENT ASSETS:	
Cash and cash equivalents	$ 2,343,634
Investments	14,688,703
Accounts receivable, net of allowance for doubtful accounts of $30,000	2,614,651
Interest receivable	37,676
Supply inventories	115,816
Water in storage	61,590
Prepaid items	39,118
TOTAL CURRENT ASSETS	19,901,188
RESTRICTED ASSETS:	
Cash and cash equivalents	617,535
Investments	9,300,748
TOTAL RESTRICTED ASSETS	9,918,283
CAPITAL ASSETS:	
Capital assets, not being depreciated	1,398,258
Capital assets, being depreciated, net	57,354,128
TOTAL CAPITAL ASSETS, NET	58,752,386
OTHER NONCURRENT ASSETS:	
Investment in joint ventures	14,982,501
TOTAL ASSETS	103,554,358
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred amounts from pension plans	691,225
Deferred amounts on refunding	3,495,468
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,186,693

(Continued)

See accompanying notes to basic financial statements.

ROWLAND WATER DISTRICT

STATEMENT OF NET POSITION
(CONTINUED)

June 30, 2016

LIABILITIES:	
CURRENT LIABILITIES (PAYABLE FROM UNRESTRICTED ASSETS):	
Accounts payable	$ 2,032,016
Interest payable	131,304
Current portion of installment purchase contract payable	410,000
Current portion of 2014A refunding bonds payable	495,000
	3,068,320
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS):	
Retentions payable	-
Refundable customer deposits	182,577
Unearned construction advances	390,307
	572,884
TOTAL CURRENT LIABILITIES	3,641,204
NONCURRENT LIABILITIES:	
Compensated absences	294,658
Net OPEB obligation	120,446
Installment purchase contract payable	19,656,215
2014A refunding bonds payable	20,112,026
Net pension liability	3,048,469
TOTAL NONCURRENT LIABILITIES	43,231,814
TOTAL LIABILITIES	46,873,018
DEFERRED INFLOWS OF RESOURCES:	
Deferred amounts from pension plans	352,751
NET POSITION:	
Net investment in capital assets	37,325,615
Unrestricted	23,189,667
TOTAL NET POSITION	$ 60,515,282

See accompanying notes to basic financial statements.

ROWLAND WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

For the year ended June 30, 2016

OPERATING REVENUES:	
Water sales:	
Residential	$ 6,831,066
Business	5,132,977
Public entities	204,311
Industrial	20,472
Reclaimed water	624,313
Other	67,249
Total water sales	12,880,388
Water services:	
Water service charges	6,090,233
Nonrefundable new service fees	43,225
New service connection fees	334,630
Reconnection fees	20,310
Customer penalties	199,124
Other	97,132
Total water services	6,784,654
TOTAL OPERATING REVENUES	19,665,042
OPERATING EXPENSES:	
Source of supply	9,616,789
Pumping and power	920,439
Transmission and distribution	1,124,026
Customer services	62,916
Depreciation expense	2,191,832
Other operating expenses	312,953
General and administrative expenses	4,062,806
TOTAL OPERATING EXPENSES	18,291,761
OPERATING INCOME	1,373,281

(Continued)

See accompanying notes to basic financial statements.

ROWLAND WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
(CONTINUED)

For the year ended June 30, 2016

NONOPERATING REVENUES (EXPENSES):	
Investment income:	
Interest and dividend income	$ 352,137
Realized and unrealized gains (losses) on investments, net	(14,972)
Property tax revenues	327,836
Miscellaneous income	65,507
Rental income	139,364
Interest expense	(1,564,669)
Amortization of debt premium/(discount)	(28,592)
Gain from investment in joint ventures	407,016
TOTAL NONOPERATING REVENUES (EXPENSES)	(316,373)
CHANGE IN NET POSITION	1,056,908
NET POSITION - BEGINNING OF YEAR	59,458,374
NET POSITION - END OF YEAR	$ 60,515,282

See accompanying notes to basic financial statements.

ROWLAND WATER DISTRICT

STATEMENT OF CASH FLOWS

For the year ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	$ 19,654,246
Cash payments to suppliers for goods and services	(13,908,706)
Cash payments to employees for services	(2,561,178)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,184,362
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Proceeds from property taxes	327,836
Other receipts	65,507
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	393,343
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(2,622,262)
Receipt of deferred construction advances	576,566
Acquisition of assets through deferred construction advances	(443,176)
Principal payments on debt	(880,000)
Interest paid	(1,564,652)
Rental income	139,364
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(4,794,160)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Contributions to joint ventures	(1,008,470)
Purchases of investments	(5,825,663)
Proceeds from sale of investments	6,345,977
Investment income	344,788
NET CASH USED FOR INVESTING ACTIVITIES	(143,368)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,359,823)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,320,991
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,961,168

See accompanying notes to basic financial statements. (Continued)

ROWLAND WATER DISTRICT

STATEMENTS OF CASH FLOWS
(CONTINUED)

For the year ended June 30, 2016

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 1,373,281
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	2,191,832
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(11,338)
(Increase) decrease in supply inventories	2,418
(Increase) decrease in water in storage	(18,181)
(Increase) decrease in prepaid items	8,797
(Increase) decrease in escrow deposits	104,528
(Increase) decrease in deferred outflows of resources from pension plans	(356,435)
Increase (decrease) in accounts payables	(169,828)
Increase (decrease) in retentions payable	(104,528)
Increase (decrease) in refundable customer deposits	542
Increase (decrease) in compensated absences	38,969
Increase (decrease) in accrued net OPEB obligation	(148,664)
Increase (decrease) in net pension liability	706,588
Increase (decrease) in deferred inflows of resources from pension plans	(433,619)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 3,184,362
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:	
Amortization of debt premiums/discounts and deferred amount on refunding	$ 28,592
NONCASH INVESTING ACTIVITIES:	
Gain (loss) from investment in joint ventures	$ 407,016
Contributions to joint ventures	$ 2,432,129

See accompanying notes to basic financial statements.

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FIDUCIARY FUND FINANCIAL STATEMENTS

ROWLAND WATER DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2016

	Other Post-Employment Benefit (OPEB) Trust Fund
ASSETS:	
Investments	$ 2,311,579
TOTAL ASSETS	2,311,579
NET POSITION:	
Held in trust for OPEB benefits	2,311,579
TOTAL NET POSITION	$ 2,311,579

See accompanying notes to basic financial statements.

ROWLAND WATER DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the year ended June 30, 2016

	Other Post-Employment Benefit (OPEB) Trust Fund
ADDITIONS:	
Employer contributions	$ 420,000
Investment income	19,062
TOTAL ADDITIONS	439,062
DEDUCTIONS:	
Distributions	-
Administrative expense	5,024
TOTAL DEDUCTIONS	5,024
CHANGE IN NET POSITION	434,038
NET POSITION - BEGINNING OF YEAR	1,877,541
NET POSITION - END OF YEAR	$ 2,311,579

See accompanying notes to basic financial statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Nature of Organization:

The Rowland Water District (the District) was formed by the voters on March 3, 1953 under the County Water District Law, Division 12 Water Code, State of California, to provide a safe and reliable water source to allow the community to transform from a cattle raising and farming area into the large urban and industrial area it serves today. The District encompasses a 17.2 square mile area in Southeastern Los Angeles County which services portions of Rowland Heights, La Puente, Hacienda Heights, City of Industry and City of West Covina. The service area's population is approximately 60,000.

b. Basis of Presentation:

The District's activities, other than those that are fiduciary in nature, are accounted for in an enterprise fund. An enterprise fund is a proprietary-type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District's fiduciary activities related to its other post-employment benefit (OPEB) plan are accounted for in a fiduciary fund.

c. Measurement Focus and Basis of Accounting:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Measurement Focus and Basis of Accounting (Continued):

Fiduciary Funds:

The fiduciary fund financial statements are accounted for using the economic resources measurement focus and accrual basis of accounting. All assets and liabilities (whether current or noncurrent) associated with these activities are included on the Statement of Fiduciary Net Position. The Statement of Changes in Fiduciary Net Position presents increases (additions) and decreases (deductions) in total fiduciary net position. Under the accrual basis of accounting, additions are reported when earned and deductions are recorded when a liability is incurred, regardless of the timing of related cash flows.

d. New Accounting Pronouncements:

GASB Current Year Standards:

In fiscal year 2015-2016, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *"Fair Value Measurement and Application"*. GASB Statement No. 72 requires the District to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or income approach. GASB Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. GASB Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that were used for the fair value measurements. There was no material impact on the District's financial statements as a result of the implementation of GASB Statement No. 72.

GASB Statement No. 73 - *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68"*, was required to be implemented in the current fiscal year, except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for periods beginning after June 15, 2016, and did not impact the District.

GASB Statement No. 76 - *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"*, was required to be implemented in the current fiscal year and did not impact the District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. New Accounting Pronouncements (Continued):

GASB Current Year Standards (Continued):

GASB Statement No. 79 - *"Certain External Investment Pools and Pool Participants"*, was required to be implemented in the current fiscal year, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing, which are effective for periods beginning after December 15, 2015, and did not impact the District.

GASB Statement No. 82, "*Pension Issues an Amendment of GASB Statement No. 67, No. 68 and No. 73"*, changed the measurement of covered payroll reported in required supplementary information and has been early implemented.

GASB Pending Accounting Standards:

GASB has issued the following statements, which may impact the District's financial reporting requirements in the future.

- GASB 73 - *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68"*, the provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68, effective for periods beginning after June 15, 2016.

- GASB 74 - *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"*, effective for periods beginning after June 15, 2016.

- GASB 75 - *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*, effective for periods beginning after June 15, 2017.

- GASB 77 - *"Tax Abatement Disclosure"*, effective for periods beginning after December 15, 2015.

- GASB 78 - *"Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans"*, effective for periods beginning after December 15, 2015.

- GASB 79 - *"Certain External Investment Pools and Pool Participants"*, the certain provisions on portfolio quality, custodial credit risk, and shadow pricing, effective for periods beginning after December 15, 2015.

- GASB 80 - *"Blending Requirements for Certain Component Units"*, effective for periods beginning after June 15, 2016.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. New Accounting Pronouncements (Continued):

GASB Pending Accounting Standards (Continued):

- GASB 81 - *"Irrevocable Split-Interest Agreements"*, effective for periods beginning after December 15, 2016.

- GASB 82 - *"Pension Issues"*, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which is effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

e. Deferred Outflows/Inflows of Resources:

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

- Deferred outflow related to the pension plans equal to employer contributions made after the measurement date of the net pension liability.

- Deferred outflows related to the pension plans for annual changes in employer's proportion and differences between employer contributions and the proportionate share of contributions. Each annual amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans, which is 3.8 years.

- Deferred outflows related to pensions for annual differences between actual and expected experiences. Each annual amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans, which is 3.8 years.

- Deferred amount on refunding. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is amortized over the life of the refunding debt, which is 26 years.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

e. Deferred Outflows/Inflows of Resources (Continued):

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

- Deferred inflows related to the pension plans for annual changes in employer's proportion and differences between employer contributions and the proportionate share of contributions. Each annual amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans, which is 3.8 years.

- Deferred inflows related to the pension plans resulting from the annual differences in projected and actual earnings on investments of the pension plan fiduciary net position. Each annual amount is amortized over five years.

- Deferred inflows from pensions resulting from annual changes in assumptions. Each annual amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans, which is 3.8 years.

f. Net Position:

Net position of the District can be classified into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

f. Net Position (Continued):

- Restricted net position - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted net position - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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

g. Uniform System of Accounts for Water Utility Districts:

The District follows the procedures and policies described by the Controller of the State of California for uniform system of accounts for nonprofit water utility districts.

h. Operating Revenues and Expenses:

Operating revenues, such as water sales and services, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as property taxes and investment income, result from nonexchange transactions or ancillary activities in which the District gives (receives) value without directly receiving (giving) equal value in exchange. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets.

i. Cash and Cash Equivalents:

For purposes of the statements of cash flows, cash and cash equivalents have been defined as unrestricted demand deposits and highly liquid investments with maturity of three months or less at date of purchase.

j. Investments:

Investments are reported at the fair value, which represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

k. Restricted Assets:

Amounts shown as restricted assets have been restricted by either bond indentures, external constraints, or laws and regulations of other governments.

l. Accounts Receivable:

The District grants unsecured credit to its customers. Bad debts are accounted for by the reserve method, which establishes an allowance for doubtful accounts based upon historical losses and a review of past due accounts.

m. Inventories and Water in Storage:

Supply inventories maintained by the District consist primarily of water meters and accessories, water pipes, valves and various fittings. Inventories are valued at cost using the first-in, first-out (FIFO) method. Water in storage is valued at average cost.

n. Capital Assets and Depreciation:

Capital assets are stated at cost, net of accumulated depreciation. District policy has set the capitalization threshold for reporting capital assets at $2,500. Depreciation is recorded on the straight-line basis over the estimated useful lives as follows: 5 years for computers, vehicles, office equipment and furniture; 10 years for forklifts; 15 years for hydrants; 20 years for meters; and, 75 years for mains. Maintenance and repairs are charged to expense as incurred. Significant renewals and betterments are capitalized.

o. Capitalized Interest:

The District incurred interest charges on long-term debt totaling $1,564,669 for the year ended June 30, 2016. No interest has been capitalized as additions to the cost of construction for the year ended June 30, 2016.

p. Restricted Liabilities:

Certain liabilities which are currently payable have been classified as current liabilities payable from restricted assets and assets have been restricted for their payment.

q. Unearned Construction Advances and Capital Contributions:

Construction advances from developers are unearned during the period of construction. When a project is completed, the applicable revenues earned are allocated to the contributed capital. Also, capital contributions represent cash and utility plant additions contributed to the District by property owners or developers desiring services that require capital expenditures or capacity commitment.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

r. Property Taxes:

Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent of county-wide assessed valuations. This one percent is allocated pursuant to state law to the appropriate units of local government. The property tax calendar is as follows:

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

s. Compensated Absences:

Vested or accumulated vacation and sick leave is recorded as an expense and liability as benefits accrue to employees.

t. Claims and Judgments:

When it is probable that a claim liability has been incurred at year-end, and the amount of the loss can be reasonably estimated, the District records the estimated loss, net of any insurance coverage under its participation in the Joint Power Insurance Authority program. At June 30, 2016, in the opinion of the District's legal counsel, the District had no material claims which would require loss provision in the financial statements. Small dollar claims and judgments are recorded as expenses when paid.

u. Pensions:

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

v. Use of Estimates:

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

2. CASH AND INVESTMENTS:

Cash and Investments:

Cash and investments as of June 30, 2016 are reported in the accompanying statements of net position as follows:

	Government Wide Statement of Net Position	Fiduciary Fund Statement of Net Position	Total
Financial Statement Classification:			
Unrestricted:			
Cash and cash equivalents	$ 2,343,634	$ -	$ 2,343,634
Investments	14,688,703	2,311,579	17,000,282
Restricted:			
Cash and cash equivalents	617,535	-	617,535
Investments	9,300,748	-	9,300,748
Total Cash and Investments	$ 26,950,620	$ 2,311,579	$ 29,262,199

Cash and investments as of June 30, 2016 consisted of the following:

	District Funds	OPEB Trust	Total
Cash on hand	$ 400	$ -	$ 400
Demand deposits	887,623	-	887,623
Investments	26,062,597	2,311,579	28,374,176
Total cash and investments	$ 26,950,620	$ 2,311,579	$ 29,262,199

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

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. The table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by the California Government Code and the District's Investment Policy (Continued):

Authorized Investment Type	Maximum Maturity	Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Government Sponsored Agency Securities	5 years	None	None
State of California Obligations	5 years	None	None
CA Local Agency Obligations	5 years	None	None
Negotiable Certificates of Deposit (Negotiable CD)	5 years	30%	5%
CD Placement Service	5 years	30%	None
Bankers Acceptances	180 days	40%	30%
Reverse Purchase Agreement	92 days	20%	None
Repurchase Agreements	1 year	None	None
Commercial Paper	270 days	25%	10%
Medium-term Notes	5 years	30%	None
California Local Agency Investment Fund (LAIF)	N/A	None	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	None
Mutual Funds and Money Market Mutual Funds	N/A	20%	10%
Collateralized Bank Deposits	5 years	None	None
Bank/Time Deposits	5 years	None	None

* - Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

N/A - Not Applicable

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by Debt Agreements:

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk and concentration of risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Government Sponsored Agency Securities:			
Federal Home Loan Bank (FHLB)	None	None	None
Federal Home Loan Mortgage Corporation (FHLMC)	None	None	None
Federal National Mortgage Association (FNMA)	None	None	None
Federal Farm Credit Bank (FFCB)	None	None	None
State and Local Agency Obligations	None	None	None
Banker's Acceptances	1 year	None	None
Medium-term Notes	3 years	None	None
Commercial Paper	None	None	None
Money Market Mutual Funds	N/A	None	None
Investment Agreements	None	None	None
Certificates of Deposit	None	None	None
Repurchase Agreements	30 days	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None

N/A - Not Applicable

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk:

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

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2016.

	Remaining Maturity (in Years)				
Investment Type	Less Than 1 year	1 to 2 Years	2 to 3 Years	3 to 5 Years	Fair Value Total
District Investments:					
U.S. Treasury Notes	$ 751,331	$ 450,781	$ 3,153,544	$ -	$ 4,355,656
U.S. Government Sponsored Agency Securities:					
FFCB	-	-	242,614	-	242,614
FHLMC	968,981	1,192,099	556,641	-	2,717,721
FNMA	1,434,442	3,239,074	250,216	254,803	5,178,535
Negotiable CD	1,084,609	611,845	-	-	1,696,453
Non-Negotiable CD	498,000	-	-	-	498,000
LAIF	1,928,931	-	-	-	1,928,931
Money Market Mutual Funds	99,564	-	-	-	99,564
Held by Trustee:					
U.S. Treasury Notes	1,420,740	1,000,940	-	-	2,421,680
U.S Government Sponsored Agency Securities:					
FHLMC	985,635	2,008,089	-	-	2,993,724
FNMA	1,475,072	-	-	-	1,475,072
LAIF	44,680	-	-	-	44,680
Money Market Mutual Funds	2,409,967	-	-	-	2,409,967
OPEB Trust Investments:					
PARS Trust Pool	2,311,579	-	-	-	2,311,579
	$ 15,413,531	$ 8,502,828	$ 4,203,015	$ 254,803	$28,374,176

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Credit Risk (Continued):

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the following table are the Standard and Poor's credit ratings for the Districts investments as of June 30, 2016. U.S. treasury notes and bills are not required to be rated and, therefore, have been excluded from the tables below.

Investment	Minimum Legal Rating	Total as of June 30, 2016	AAA	AA+	Not rated
District Investments:					
U.S. Government					
Sponsored Agency Securities:					
FFCB	N/A	$ 242,614	$ -	$ 242,614	$ -
FHLMC	N/A	2,717,721	-	2,717,721	-
FNMA	N/A	5,178,535	-	5,178,535	-
Negotiable CD	N/A	1,696,453	1,696,453	-	-
Non-negotiable CD	N/A	498,000	-	-	498,000
LAIF	N/A	1,928,931	-	-	1,928,931
Money Market Mutual Funds	A	99,564	99,564	-	
Held by Trustee:					
U.S. Government					
Sponsored Agency Securities:					
FHLMC	N/A	2,993,724	-	2,993,724	-
FNMA	N/A	1,475,072	-	1,475,072	-
LAIF	N/A	44,680	-	-	44,680
Money Market Mutual Funds	A	2,409,967	2,409,967	-	-
OPEB Trust Investments:					
PARS Trust Pool	N/A	2,311,579	-	-	2,311,579
		$ 21,596,840	$ 4,205,984	$ 12,607,666	$ 4,783,190

Concentration of Credit Risk:

Investments in any one issuer that represents 5% or more of total District's investments are as follows:

Issuer	Investment Type	
Federal Home Loan Mortgage Corporation	U.S. Government Sponsored Agency Securities	$5,711,445
Federal National Mortgage Association	U.S. Government Sponsored Agency Securities	$6,653,607

2. CASH AND INVESTMENTS (CONTINUED):

Custodial Credit Risk:

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2016, the District's deposits were covered by the Federal Deposit Insurance Corporation insurance limits or collateralized as required by California law.

Investment in State Investment Pool:

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

Investments - Other Post-Employment Benefit (OPEB) Trust:

The District established a trust account with Public Agency Retirement Services (PARS) to hold assets that are legally restricted for use in administering the District's other post-employment benefit (OPEB) health plan. The OPEB Trust's specific cash and investments are managed by a third-party portfolio manager and invested under a pool arrangement using certain investment guidelines offered by PARS and approved by the District.

2. CASH AND INVESTMENTS (CONTINUED):

Investments - Other Post-Employment Benefit (OPEB) Trust (Continued):

Those investment guidelines approved by the District are as follows:

Risk Tolerance:	Moderate
Time Horizon:	Long-Term
Income or Liquidity Needs:	As Requested
Account of Trust Restrictions:	None
Unique Needs and Circumstances:	None
Investment Objective:	Moderate Index Plus
Strategic Ranges:	0% - 20% Cash
	40% - 60% Fixed Income
	40% - 60% Equity

Acceptable Investments:

The following is a list of acceptable investments:

Equity Securities:
- Domestic
- American Depository Receipts (ADRs)

Equity Mutual Funds:
- Large Cap Growth and Value
- Mid Cap Core
- Small Cap Growth and Value
- International and Emerging Markets
- REITs

Exchange Traded Funds (ETFs)

Fixed Income Securities:
- Government/Agencies
- Mortgage Backed Bonds
- Corporate Bonds and Notes
- Unit Trusts

Fixed Income Mutual Funds:
- Corporate
- Government
- High Yield
- International and Emerging Market
- Convertible
- Preferred

Closed End Funds

Cash and Cash Equivalents:
- Money Market Mutual Fund
- Commercial Paper
- CDs and Bankers Acceptance

2. CASH AND INVESTMENTS (CONTINUED):

Investments - Other Post-Employment Benefit (OPEB) Trust (Continued):

Fixed Income Guidelines:

The fixed income guidelines consist of (a) the long-term fixed income investments (greater than seven years in maturity) shall constitute no more than 20%, and as little as 0% of the total Plan assets, (b) the intermediate-term fixed income investments (between three and seven years in maturity) shall constitute no more than 60%, nor less than 20% of the total Plan assets, (c) the high-yield portion of the Plan shall constitute no more than 10%, and as little as 0% of the total Plan assets, (d) the convertible bond exposure shall constitute no more than 10%, and as little as 0% of the total Plan assets, and (e) the short-term fixed income investments (between one and three years in maturity) shall constitute no more than 20%, and as little as 0% of the total Plan assets.

Equity Guidelines:

The equity guidelines consist of (a) the domestic large cap equity investments of the Plan shall constitute no more than 50% nor less than 20% of the total Plan assets, (b) the domestic mid-capitalization equity investments of the Plan shall constitute no more than 20%, and as little as 0% of the total Plan assets, (c) the domestic small capitalization equity investments of the Plan shall constitute no more than 20%, nor less than 0% of the total Plan assets, (d) the international equity investments of the Plan shall constitute no more than 20% and as little as 0% of the total Plan assets, and (e) the real estate investments of the Plan shall constitute no more than 10%, and as little as 0% of the total Plan assets.

Fair Value Measurements:

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

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

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

2. CASH AND INVESTMENTS (CONTINUED):

Fair Value Measurements (Continued):

Level 2: Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the District's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the District's own data.

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

The determination of what constitutes observable requires judgment by the District's management. District management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market.

The categorization of an investment or liability within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to District management's perceived risk of that investment or liability.

The following is a description of the recurring valuation methods and assumptions used by the District to estimate the fair value of its investments. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. When quoted prices in active markets are not available, fair values are based on evaluated prices received by District's asset manager from third party service provider.

2. CASH AND INVESTMENTS (CONTINUED):

Fair Value Measurements (Continued):

The District has no investments categorized in Level 3. When valuing Level 3 securities, the inputs or methodology are not necessarily an indication of the risks associated with investing in those securities. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy.

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
U.S. Treasury Notes	$ -	$ 4,355,656	$ -	$ 4,355,656
U.S. Government Sponsored				
Agency Securities:				
FFCB	-	242,614	-	242,614
FHLMC	-	2,717,721	-	2,717,721
FNMA	-	5,178,535	-	5,178,535
Negotiable CD	-	1,696,453	-	1,696,453
Held by Trustee:				
U.S. Treasury Notes	-	2,421,680	-	2,421,680
U.S. Government Sponsored				
Agency Securities:				
FHLMC	-	2,993,724	-	2,993,724
FNMA	-	1,475,072	-	1,475,072
Total Investments	$ -	$ 21,081,455	$ -	21,081,455
Investments not subject to hierarchy:				
LAIF				1,928,931
Money Market Mutual Funds				99,564
Held By Trustee:				
LAIF				44,680
Money Market Mutual Funds				2,409,967
OPEB Trust:				
PARS Trust Pool				2,311,579
Total Investments				$ 27,876,176

3. RESTRICTED ASSETS:

Restricted assets were provided by, and are to be used for, the following:

Funding Source	Use	June 30, 2016
Deposits from customers	Security deposits for payment of utility bills	$ 182,577
Customer advances	Construction	390,307
Bond proceeds	Construction projects	9,345,399
		$ 9,918,283

4. CAPITAL ASSETS:

Changes in capital assets for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015	Additions	Retirements/ Transfers	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	$ 261,340	$ -	$ -	$ 261,340
Water rights	5,000	-	-	5,000
Construction in progress	1,162,307	1,599,299	(1,629,688)	1,131,918
Total capital assets, not being depreciated	1,428,647	1,599,299	(1,629,688)	1,398,258
Capital assets, being depreciated:				
Intangible plant	1,022,551	-	-	1,022,551
Sources of supply plant	2,076,956	-	-	2,076,956
Pumping plant	10,037,819	-	-	10,037,819
Transmission and distribution plant	63,116,434	2,005,496	-	65,121,930
Telemetry equipment	1,354,235	135,437	-	1,489,672
General plant	570,451	-	-	570,451
Office building and equipment	6,108,622	393,040	-	6,501,662
Transportation equipment	888,066	118,678	(42,706)	964,037
Communication equipment	133,902	-	-	133,902
Total capital assets, being depreciated	85,309,036	2,652,651	(42,706)	87,918,981
Less accumulated depreciation	(28,415,727)	(2,191,832)	42,706	(30,564,853)
Total capital assets, being depreciated, net	56,893,309	(460,819)	-	57,354,128
Total capital assets, net	$ 58,321,956	$ 2,060,118	$ (1,629,688)	$ 58,752,386

5. INVESTMENT IN JOINT VENTURES:

Puente Basin Water Agency:

The Puente Basin Water Agency (the Agency) was created in 1971 by the execution of a Joint Powers Agreement (the Agreement) between the Rowland Water District and the Walnut Valley Water District. The Agreement was made pursuant to Article 1, Chapter 5, Division 7, Title 1 of the government code of the State of California. The Agency was organized for the purpose of protection and utilization of the local, imported and reclaimed water supply within the Puente Basin. The Agency is governed by a four-member appointed Board of Commissioners. Each District appoints two members to this Board.

Upon dissolution of the Agency, the assets in the possession of the Agency shall be distributed to the members as their interest may appear on the books of the Agency and pursuant to the provisions of Section 6512 of the Government Code. Complete financial statements for the Agency can be obtained by written request at 271 South Brea Canyon Road, Walnut, California.

The District records its investment in the Puente Basin Water Agency as an other noncurrent asset, Investment in Joint Ventures. The changes in its investment in Puente Basin Water Agency consisted of the following as of June 30, 2016:

Beginning of year	$ 10,450,257
Contributions*	3,440,599
Share of income	392,615
End of year	$ 14,283,471

*Contributions contains a value of water in storage transferred from the District to the Agency during the year, totaling $2,432,129.

The following is condensed financial information of the investment in Puente Basin Water Agency as of and for the year ended June 30, 2016 including the participants' approximate percentage shares:

	Amount	Walnut Valley Water District	Rowland Water District
Total assets	$ 66,271,827	50.0%	50.0%
Total liabilities	37,704,883	50.0%	50.0%
Total equity	28,566,944	50.0%	50.0%
Billings to participants	15,725,770		

5. INVESTMENT IN JOINT VENTURES (CONTINUED):

Pomona-Walnut-Rowland Joint Water Line Commission:

The District is a member of the Pomona-Walnut-Rowland Joint Water Line Commission (the Commission). The Commission was formed, under the Joint Powers Agreement (the JPA) of 1956, between the City of Pomona, the Walnut Valley Water District and the Rowland Water District. The JPA's purpose is to acquire, construct, maintain, repair, manage and operate a water transmission pipeline for the benefit of the members' water supplies. The Commission is governed by a three-member board composed of one appointee from each member agency

Each year, every member agency is charged an assessment for their share of the general and administrative costs of the Commission which is allocated to each agency on a one-third basis. A budget assessment is collected each fiscal year and each agency pays one-third the amount of the assessment. In addition, a capital surcharge is assessed for the future replacement of the pipeline. For the year ended June 30, 2016, the District remitted assessments of $47,976, for their share of future replacement costs. Also, the District purchased water totaling $5,150,972 for the Commission during the year ended June 30, 2016.

Upon dissolution of the Commission, the net position will be divided in proportion to the contribution each agency made to the maintenance and operation account during the last prior twelve month period. The District, consequently, has an ongoing financial responsibility in the activities of the Commission. However, the JPA does not explicitly require the measurement of the District's equity interest in the Commission. Complete financial statements for the Commission can be obtained by written request at P.O. Box 508, Walnut, California.

The District records its investment in the Pomona-Walnut-Rowland Joint Waterline Commission Agency as an other noncurrent asset, Investment in Joint Ventures, primarily capital assets. The changes in its investment in Pomona-Walnut-Rowland Joint Waterline Commission consisted of the following:

Beginning of year	$ 684,629
Share in income	14,401
End of year	$ 699,030

The following is condensed financial information of the investment in Pomona-Walnut-Rowland Joint Waterline Commission as of and for the year ended June 30, 2016 including the participants' approximate percentage shares:

5. INVESTMENT IN JOINT VENTURES (CONTINUED):

Pomona-Walnut-Rowland Joint Water Line Commission (Continued):

	Amount	City of Pomona	Walnut Valley Water District	Rowland Water District
Total assets	$5,473,079	27.5%	43.9%	27.5%
Total liabilities	$3,020,343	27.5%	43.9%	27.5%
Total equity	$2,452,736	27.5%	43.9%	27.5%
Water billings to participants	$16,312,820			

6. WATER REVENUE REFUNDING BONDS, SERIES 2014A:

Water Revenue Refunding Bonds, Series 2014A were issued on September 18, 2014, in the amount of $20,060,000 to refund $19,105,000 of outstanding balance on the 2008 Certificates of Participation. The prior obligations were issued to finance certain improvements to the Enterprise. The District completed the advance refunding, to reduce its total debt service over the next 26 years by $3,455,528 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $2,659,410.

These bonds mature in various amounts through December 1, 2039. The balance outstanding as of June 30, 2016 is $19,025,000. The Bonds were issued at a premium of $1,686,785, which is being amortized over the life of the debt on a straight-line basis. The unamortized premium outstanding as of June 30, 2016 is $1,582,026.

Interest is payable semi-annually on December 1 and June 1 at rates ranging from 2.00% to 5.00%. The installment payments on these bonds are secured by a first priority lien on the Net Revenues of the District. The following is a summary of the changes in Water Revenue Refunding Bonds, Series 2014A bonds for the year ended June 30, 2016:

	Balance at June 30, 2015	Additions	Reductions	Balance at June 30, 2016	Due Within One Year
Water Revenue Refunding Bonds, Series 2014A	$ 19,510,000	$ -	$ (485,000)	$ 19,025,000	$ 495,000
Add: Unamortized Premium	1,648,940	-	(66,914)	1,582,026	-
TOTAL	$ 21,158,940	$ -	$ (551,914)	$ 20,607,026	$ 495,000

6. WATER REVENUE REFUNDING BONDS, SERIES 2014A (CONTINUED):

Maturities of the Water Revenue Refunding Bonds, Series 2014A and interest payments subsequent to June 30, 2016 as follows:

Year Ending	Principal	Interest	Total
2017	$ 495,000	$ 795,819	$ 1,290,819
2018	510,000	780,744	1,290,744
2019	525,000	765,219	1,290,219
2020	540,000	749,244	1,289,244
2021	560,000	729,944	1,289,944
2022 - 2026	3,170,000	3,286,719	6,456,719
2027 - 2031	3,815,000	2,673,722	6,488,722
2032 - 2036	4,700,000	1,788,500	6,488,500
2037 - 2039	4,710,000	486,000	5,196,000
Total	$ 19,025,000	$ 12,055,911	$ 31,080,911

7. INSTALLMENT PURCHASE CONTRACT PAYABLE:

On November 1, 2012, the Puente Basin Water Agency issued $19,835,000 in water revenue bonds, 2012 Series A in order to finance the acquisition of certain water system improvements of the Rowland Water District. Proceeds of the bonds including $1,570,182 of bond premium were loaned to the District pursuant to an installment purchase contract entered into concurrently with the bonds issuance.

The bond premium is being amortized and recognized as interest expense over the life of the debt on a straight-line basis. The installment purchase contract payments mirror the debt service payments on the water revenue bonds. Interest is payable semi-annually on December 1 and June 1 at rates ranging from 2.00% to 5.00%.

The District's obligation to make installment payments is a special obligation of the District payable solely from the net revenues of the District. The following is a summary of the installment purchase contract for the year ended June 30, 2016:

	Balance at June 30, 2015	Additions	Reductions	Balance at June 30, 2016	Due Within One Year
Installment purchase Contract	$ 19,070,000	$ -	$ (395,000)	$ 18,675,000	$ 410,000
Add: Unamortized premium	1,433,554	-	(52,239)	1,391,215	-
TOTAL	$ 20,513,554	$ -	$ (447,339)	$ 20,066,215	$ 410,000

7. INSTALLMENT PURCHASE CONTRACT PAYABLE (CONTINUED):

Maturities of the installment purchase contract and interest payments subsequent to June 30, 2016 as follows:

Year Ending	Principal	Interest	Total
2017	$ 410,000	$ 742,450	$ 1,152,450
2018	425,000	725,750	1,150,750
2019	445,000	710,575	1,155,575
2020	460,000	694,700	1,154,700
2021	475,000	676,000	1,151,000
2022 - 2026	2,690,000	3,072,100	5,762,100
2027 - 2031	3,205,000	2,559,825	5,764,825
2032 - 2036	3,750,000	2,020,625	5,770,625
2037 - 2041	4,620,000	1,149,500	5,769,500
2042 - 2043	2,195,000	111,125	2,306,125
Total	$ 18,675,000	$ 12,462,650	$ 31,137,650

8. COMPENSATED ABSENCES:

In accordance with the District's policy, employees may accrue up to 240 hours of vacation. For the year ended June 30, 2016, the total accrued vacation liability for all employees totaled $164,092. Also, in accordance with the District's policy, employees may accrue up to 352 hours of sick leave. Upon attaining 352 hours, the employee may exercise a one-time option to exchange sick leave hours for cash or vacation time. Upon separation, retirement or death, an employee shall receive as additional retirement benefit, an amount equal to 50% of accrued hours for unused sick leave pay for up to 352 hours, or 176 hours.

The District has modified the Employment Agreement in regards to the General Manager's sick leave benefits. The General Manager shall receive the same sick leave benefits, upon the same terms and conditions, as provided to all other District employees. For the year ended June 30, 2016, the total accrued sick leave liability for all employees totaled $130,566.

9. DEFERRED COMPENSATION PLAN:

The District has adopted a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code Section 457. The Plan, available to all District employees, permits them to defer a portion of their salary until future years. The funds are not available to employees until termination, retirement, death or an unforeseeable emergency. Employees may contribute to the Plan up to 25% of their annual compensation, not to exceed limits established in the Internal Revenue Code. The District does not make any contributions to this Plan. Deferred compensation plan assets are not included in the financial statements as the plan assets are held in trust to protect them from general creditors of the District.

10. DEFINED BENEFIT PENSION PLANS:

a. General Information about the Pension Plans:

Plan Descriptions:

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

Benefits Provided:

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

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
		PEPRA
	Prior to	On or After
Hire date	July 13, 2012	January 1, 2013
Benefit formula	2.5%@55	2%@62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	18.804%	6.25%

10. DEFINED BENEFIT PENSION PLANS (CONTINUED):

a. General Information about the Pension Plans (Continued):

Contributions:

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate shares of the net pension liability of all Plans as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$ 3,048,469

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for all Plans as of June 30, 2015 and 2016 was as follows:

	Miscellaneous
Proportion - June 30, 2015	0.09476%
Proportion - June 30, 2016	0.11112%
Change - Increase (Decrease)	0.01636%

10. DEFINED BENEFIT PENSION PLANS (CONTINUED):

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

For the year ended June 30, 2016, the District recognized pension expense of $247,370. At June 30, 2016, the District 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	$ 337,455	$ -
Differences between actual and expected experience	21,457	-
Change in assumptions	-	(203,007)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	332,313	(47,974)
Net differences between projected and actual earnings on plan investments	-	(101,770)
Total	$ 691,225	$ (352,751)

$337,455 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction to pension expense as follows:

Year Ending June 30,	Amount
2016	$ (42,401)
2017	(41,369)
2018	(45,296)
2019	130,085
2020	-
Thereafter	-

10. DEFINED BENEFIT PENSION PLANS (CONTINUED):

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

Actuarial Assumptions:

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) The probabilities of mortality are derived using CalPERS' membership data for all funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

Change of Assumptions:

GASB 69, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

10. DEFINED BENEFIT PENSION PLANS (CONTINUED):

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

Discount Rate:

The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Plans, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of 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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

10. DEFINED BENEFIT PENSION PLANS (CONTINUED):

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

Discount Rate (Continued):

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period
(b) An expected inflation of 3.0% used for this period

10. DEFINED BENEFIT PENSION PLANS (CONTINUED):

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

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

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

	Miscellaneous
1% Decrease	6.65%
Net Pension Liability	$ 5,038,057
Current Discount Rate	7.65%
Net Pension Liability	$ 3,048,469
1% Increase	8.65%
Net Pension Liability	$ 1,405,833

Pension Plans Fiduciary Net Position:

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

c. Payable to the Pension Plans:

At June 30, 2016, the District had no outstanding amount of contributions to the pension plans due for the year ended June 30, 2016.

11. OTHER POST-EMPLOYMENT BENEFITS (OPEB):

a. Plan Description:

The District has a single-employer other post-employment benefit plan that provides medical, dental and vision coverage to 25 active employees and 10 retired employees through the ACWA health program. At retirement, the District provides a contribution for the continuation of these coverage's for eligible retirees. Eligibility for a District contribution requires retirement from the District and under CalPERS on or after age 50 with at least 15 years of continuous service. The District provides 100% of the cost of coverage for the retiree and any covered spouse.

Employees hired on or after July 1, 2012 are eligible for a District contribution if retiring from the District and under CalPERS on or after age 62 with at least 15 years of continuous District service. The District provides 100% of the cost of coverage for the retiree only.

b. Funding Policy:

The contribution requirements of plan members and the District are established and may be amended by the District and/or District's Board of Directors. Currently, contributions are not required from plan members. The District has been typically funding this OPEB plan on a pay-as-you-go basis. For the year ended June 30, 2016, the District paid $147,319 in health care costs for its retirees and their covered dependents. In addition, the District made a $420,000 contribution to a trust account established to fund the District's net OPEB obligation for the year ended June 30, 2016.

c. Annual OPEB Cost and Net OPEB Obligation:

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45 applied prospectively. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities of the plan over a period not to exceed thirty years.

11. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED):

c. Annual OPEB Cost and Net OPEB Obligation (Continued):

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	$ 418,321
Interest on net OPEB obligation	17,492
Adjustment to annual required contribution	(17,158)
Annual OPEB cost (expense)	418,655
Actual contributions made	(567,319)
Increase (decrease) in net OPEB obligation	(148,664)
Net OPEB Obligation - beginning of year	269,110
Net OPEB Obligation - end of year	$ 120,446

d. Three-Year Trend Information:

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2016, 2015 and 2014 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation
6/30/14	$ 360,066	$ 187.15%	$ 459,526
6/30/15	351,251	154.21%	269,110
6/30/16	418,655	135.51%	120,446

e. Funded Status and Funding Progress:

As of July 1, 2015, the plan was 28.95% percent funded. The actuarial accrued liability for benefits was $6,485,558, and the actuarial value of assets was $1,877,541, resulting in an unfunded actuarial accrued liability (UAAL) of $4,608,017. The estimated covered payroll (annual payroll of active employees covered by the plan) was $2,099,673 and the ratio of the UAAL to the covered payroll was 219.46%.

11. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED):

e. Funded Status and Funding Progress (Continued):

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about rates of employee turnover, retirement, mortality, as well as economic assumptions regarding claim costs per retiree, healthcare inflation and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

f. Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The entry age normal cost method was used for the actuarial valuation as of July 1, 2015. Significant assumptions included a discount rate of 6.5% per annum, projected salary increases of 3.25% per annum and medical trend rates that start at 9.0% for HMO and 9.5% for PPO coverage in the initial year and are decreased 0.5% per year to an ultimate rate of 5.0%. The unfunded actuarial accrued liability is being amortized over an initial 30 years using the level-percentage-of-pay method on a closed-basis. The remaining amortization period is 30 years.

12. RISK MANAGEMENT:

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of the Insurance Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

12. RISK MANAGEMENT (CONTINUED):

At June 30, 2016, the District participated in the self-insurance programs of the Insurance Authority as follows:

Property Loss - The Insurance Authority has pooled self-insurance up to $50,000 per occurrence and has purchased excess insurance coverage up to $100,000,000 (total insurable value of $44,989,422). The District has a $2,500 deductible for buildings, personal property and fixed equipment, a $1,000 deductible for mobile equipment and a $500 deductible for licensed vehicles.

General Liability - The Insurance Authority has pooled self-insurance up to $2,000,000 per occurrence and has purchased excess insurance coverage of $58,000,000. This program does not have a deductible.

Auto Liability - The Insurance Authority has pooled self-insurance up to $2,000,000 per occurrence and has purchased excess insurance coverage of $58,000,000. This program does not have a deductible.

Public Officials' Liability - The Insurance Authority has pooled self-insurance up to $2,000,000 per occurrence and has purchased excess insurance coverage of $58,000,000.

Fidelity Bond - The Insurance Authority has pooled self-insurance up to $100,000 per occurrence. The District has a $1,000 deductible.

Public Official Bond - The District has purchased a $200,000 bond to cover the general manager's faithful performance of duty.

Workers' Compensation - Insured up to the statutory limit; the Insurance Authority is self-insured up to $2,000,000 and excess insurance coverage has been purchased up to the statutory limit. Employer's liability is insured up to the statutory limit. The Insurance Authority has pooled self-insurance up to $2,000,000 and has purchased excess insurance coverage of $2,000,000.

Underground Storage Tank Pollution Liability - The Insurance Authority is self-insured up to $500,000 per occurrence and has purchased excess coverage of $3,000,000. The District has a $10,000 deductible.

The District pays annual premiums for these coverages. They are subject to retrospective adjustments based on claims expended. The nature and amount of these adjustments cannot be estimated and are charged to expenses as invoiced. There were no instances in the past three years where a settlement exceeded the District's coverage.

13. UNRESTRICTED NET POSITION:

The District has adopted a policy to designate reserves of unrestricted net position. Total reserves were designated as follows as of June 30, 2016:

Designated reserves for:	
Operations	$ 3,633,750
Rate stabilization	1,757,855
Capital funding including expansion of facilities and future repairs and maintenance	13,125,164
Total Designated Reserves	18,516,769
Undesignated net position	4,672,898
Total Unrestricted Net Position	$ 23,189,667

14. COMMITMENTS AND CONTINGENCIES:

The District is party to a water production and delivery agreement dated May 12, 2012 with the La Habra Heights County Water District ("La Habra Heights") for the purpose of assisting the District to access water rights in the Central Groundwater Basin of Los Angeles County ("Central Basin"). The District has acquired pumping rights in the Central Basin but has no facilities to produce water from Central Basin. La Habra Heights has facilities to produce water from the Central Basin and is able to assist the District to produce water, pursuant to the District's water rights, and deliver the water to the District's water distribution system. Subject to certain limitations as specified in the agreement, La Habra Heights will convey to the District, groundwater from the Central Basin. La Habra Heights will bill the District on a monthly basis for water delivery costs. The District will pay La Habra Heights for transporting water, and La Habra Height's direct cost of production, energy costs associated with the delivery of the water to the delivery point, any other variable cost of production. The District will pay a wheeling charge that is $50 per acre-foot until the District has amortized its capital costs. After the District has fully amortized its capital cost, the wheeling charge is $75 per acre-foot. In addition, La Habra Heights will share the cost savings that the District realizes as a result of La Habra Heights pumping and delivering water to the District from the Central Basin instead of the District purchasing water from other sources.

15. SUBSEQUENT EVENTS:

Events occurring after June 30, 2016 have been evaluated for possible adjustments to the financial statements or disclosure as of November 23, 2016, which is the date these financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

ROWLAND WATER DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years*

Fiscal year ended	June 30, 2016	June 30, 2015
Measurement period	June 30, 2015	June 30, 2014
Proportion of the net pension liability	0.04441%	0.03764%
Proportionate share of the net pension liability	$ 3,048,469	$ 2,341,881
Covered - employee payroll	$ 2,161,937	$ 2,163,227
Proportionate share of the net pension liability as percentage of covered - employee payroll	141.01%	108.26%
Plan's fiduciary net position	$ 11,560,803	$ 11,721,653
Plan fiduciary net position as a percentage of the total pension liability	78.40%	83.35%

Notes to Schedule:

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
GASB 69, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

ROWLAND WATER DISTRICT

SCHEDULE OF CONTRIBUTIONS - DEFINED BENEFIT PENSION PLAN

Last Ten Fiscal Years*

	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	$ 337,455	$ 334,790
Contributions in relation to the actuarially determined contributions	(337,455)	(334,790)
Contribution deficiency (excess)	$ -	$ -
Covered - employee payroll	$ 2,099,673	$ 2,161,937
Contributions as a percentage of covered - employee payroll	16.07%	15.49%

Notes to Schedule:

Valuation Date	6/30/2013

Methods and Assumptions Used to Determine Contribution Rates:

Cost-sharing employers	Entry age normal cost method**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market Value***
Inflation	2.75%**
Salary increases	3.30% to 14.20% depending on age, service, and type of employment; including inflation of 2.75%**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	50 years (2%@55 and 2%@60), 52 years (2%@62)**
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.**

* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown

** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) included the same actuarial assumptions.

*** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method.

ROWLAND WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the year ended June 30, 2016

OTHER POST-EMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS

Retiree Health Plan

Actuarial Valuation Date		Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Actuarial Accrued Liability (UAAL) (a) - (b)	Funded Ratio (b)/(a)	Estimated Annual Covered Payroll (c)	UAAL as a % of Covered Payroll [(a)-(b)]/(c)
07/01/09		$ 4,645,724	$ -	$ 4,645,724	0.00%	$ 1,964,000	236.54%
07/01/12		$ 4,499,844	$ 404,434	$ 4,095,410	8.99%	$ 2,161,937	189.43%
07/01/15	(1)	$ 6,485,558	$ 1,877,541	$ 4,608,017	28.95%	$ 2,099,673	219.46%

(1) The changes to the AAL from July 1, 2012 to July 1, 2015 are summarized as follows (in thousands):

Changes to AAL	AAL
AAL as of July 1, 2012	$ 4,500,000
Expected Benefits Earned, Benefit Payments and Interest	950,000
Recognition of an Age-Related Implicit Subsidy	830,000
Revised CalPERS Assumed Mortality Rates	410,000
Revised Plan Selection and Marriage Assumptions	360,000
Plan Amendment Change: New Eligibility Ages	300,000
Revised Health Care Cost Assumed Trend Rates	180,000
Revised CalPERS Assumed Retirement Rates	80,000
Vision Calculation Error Fixed	(70,000)
Middle-of-Year Active Decrements	(140,000)
Actual 2015 Premium Rates	(1,010,000)
Actual Demographic and Other Experience	96,000
AAL as of July 1, 2015	$ 6,486,000

OTHER SUPPLEMENTARY INFORMATION

ROWLAND WATER DISTRICT

SCHEDULE OF OTHER OPERATING EXPENSES

For the year ended June 30, 2016

Engineering	$	13,048
Maintenance and operations		31,361
Small tools and supplies		40,294
Water tests		21,887
Certification, fees and permits		48,650
Water supply planning and development		157,713
TOTAL OTHER OPERATING EXPENSES	$	312,953

ROWLAND WATER DISTRICT

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended June 30, 2016

Salaries and wages	$ 998,870
Payroll taxes	168,188
Insurance	602,393
Automobile expenses	63,671
Service charges	112,807
Office supplies and expenses	254,040
Utilities	71,329
Professional services	429,581
Membership fees and dues	45,931
Conferences and travel	60,969
Directors' fees and expenses	116,579
Public relations	110,563
Repairs and maintenance	31,368
Pension plan contributions	425,614
Other post employment benefits	418,655
Seminars and training	67,007
Conservation rebate program expenses	10,352
Taxes, permits and fees	17,160
Uncollectable accounts	12,845
Miscellaneous	44,884
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	$ 4,062,806

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Rowland Water District
Rowland Heights, California

We have audited, in accordance with the 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, the financial statements of the proprietary fund and fiduciary fund of the Rowland Water District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 23, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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Offices located in Orange and San Diego Counties

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

White Nelson Diehl Evans LLP

Irvine, California
November 23, 2016