

# **Santa Clara Valley Water District**

also referred to as

**Valley Water**

Serving Santa Clara County, California

Annual Comprehensive Financial Report  
For the Fiscal Year Ended June 30, 2024

Prepared by the General Accounting Services Unit

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December 20, 2024

TO THE BOARD OF DIRECTORS OF VALLEY WATER AND CITIZENS OF SANTA CLARA VALLEY:

It is our pleasure to submit the Annual Comprehensive Financial Report (ACFR) for the Santa Clara Valley Water District (Valley Water) for the fiscal year ended June 30, 2024. The ACFR is prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with Valley Water. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various activities of Valley Water. All disclosures necessary to enable the reader to gain an understanding of Valley Water's financial activities have been included.

To provide a reasonable basis for making these representations, management of Valley Water has established a comprehensive internal control framework that is designed both to protect Valley Water's assets from loss, theft, or misuse and to compile sufficient, reliable information for the preparation of Valley Water's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, Valley Water's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Valley Water's financial statements have been audited by Vasquez and Company LLP, a firm of licensed certified public accountants. The purpose of the independent audit was to provide reasonable assurance that the financial statements of Valley Water for the fiscal year ended June 30, 2024, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The audit included obtaining an understanding of the entity and its environment, including internal controls, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering unmodified opinions on Valley Water's financial statements for the fiscal year ended June 30, 2024. The opinions rendered concluded that the financial statements are fairly presented, in all material respects, in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

## Letter of Transmittal (continued)

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The independent audit of the financial statements of Valley Water is part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements but also on Valley Water’s internal controls and compliance over the administration of federal awards. The single audit review is applicable when Federal funded expenditures equal \$750 thousand or more. This audit is typically completed after the audit of the financial statements and will be issued separately for Valley Water’s Board of Directors (Board) acceptance.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Valley Water’s MD&A can be found immediately following the report of the independent auditor.

### Valley Water Profile

The mission of Valley Water is to provide Silicon Valley safe, clean water for a healthy life, environment, and economy. Valley Water operates as a State of California special district under the authority of the 1929 Santa Clara Valley Water District Act or District Act (Wat. Code, § Ch. 60, Refs & Annos). The District Act governs the structure, function, and operations of the Board, which governs Valley Water and directs the Chief Executive Officer.

Valley Water is the primary water resource agency for Santa Clara County (County), California. It is the largest multi-purpose water supply, watershed stewardship, and flood management special district in California. It acts not only as the County’s primary water wholesaler but also as its flood protection agency and is the steward for its streams and creeks, underground aquifers, and Valley Water-built reservoirs. For fiscal year 2024, Valley Water adopted a net operating and capital budget of \$856.6 million to provide these critical services<sup>1</sup>.

Valley Water serves the nearly two million residents of the County, an area of approximately 1,300 square miles which includes the County’s 15 cities and towns: Campbell, Cupertino, Gilroy, Los Altos, Los Altos Hills, Los Gatos, Milpitas, Monte Sereno, Morgan Hill, Mountain View, Palo Alto, San Jose, Santa Clara, Saratoga, and Sunnyvale. Valley Water also serves certain unincorporated areas of the County.

Valley Water sells treated water to 8 water retail companies, cities, and towns that service communities within the County via their own distribution systems. There are also private well owners in the County, for which Valley Water levies a groundwater production charge for water pumped from the ground. San Jose Water Company is the largest water retailer served by Valley Water, and currently provides water service to over one million customers. Revenues from San Jose Water Company for the sale of treated water and production of groundwater comprise over 50% of the water charge related revenue for Valley Water’s Water Enterprise. For Fiscal Year 2024, total budgeted outlays for water supply management totaled \$681.6 million<sup>2</sup>.

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<sup>1</sup> Valley Water FY2023-24 Operating and Capital Budget, chapter 3, page 6

<sup>2</sup> Valley Water FY2023-24 Operating and Capital Budget, chapter 6, page 47



## Letter of Transmittal (continued)

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A steady supply of safe, clean water to the County residents requires Valley Water to operate and maintain a complex delivery and treatment system that includes 3 water treatment plants, an advanced water purification center, 10 local reservoirs and dams, a water quality laboratory, dozens of groundwater recharge basins, 3 pumping stations and approximately almost 150 miles of pipelines. Water supplies include local surface water and groundwater, imported water, and recycled water. Water conservation is also an important part of the water supply strategy because it reduces water demands and helps improve water supply reliability.

The Board has established groundwater benefit zones in accordance with the District Act. The objective of establishing various groundwater benefit zones is to recover costs for the benefits resulting from Valley Water activities within that zone. In Fiscal Year 2021, the Board modified the boundaries of existing groundwater benefit zones W-2 and W-5 and created two new zones; Zone W-7, which overlays the Coyote Valley, and Zone W-8, which includes areas below Uvas and Chesbro Reservoirs. The four modified zone boundaries ensure that rate payers are grouped in a way that reflects the most recent and relevant data regarding services and benefits received by well users.

To ensure an adequate and reliable supply of high-quality water, Valley Water has partnered with cities and water retailers in the county to develop recycled water supplies. About 5% of the County's total water use currently consists of recycled water, limited primarily to landscaping and industrial uses. The Board's plan is to expand the use of recycled water in the coming years.

In 2010, the Board approved agreements with the City of San Jose to partner and build the Silicon Valley Advanced Water Purification Center (SVAWPC), a facility designed to produce about eight million gallons per day (MGD) or about nine thousand acre-feet per year of highly purified water. Valley Water and the City of San Jose entered into a ground lease and property use agreement (the "Ground Lease") with respect to the City of San Jose owned site in North San Jose on which the SVAWPC is located. In addition, Valley Water and the City of San Jose entered into an integration agreement (the "Integration Agreement") with respect to the operation of the SVAWPC. Valley Water and the City of San Jose each have the annual option to terminate the Integration Agreement on or after June 30, 2021, in accordance with its terms. The Ground Lease provides that if the Integration Agreement is terminated, the Ground Lease will simultaneously terminate and upon such termination, Valley Water would be required to surrender the facilities of the SVAWPC to the City of San Jose. The book value of the SVAWPC facilities as of June 30, 2024 is \$62.7 million. The option to terminate the Integration Agreement provides an opportunity for the City of San Jose and Valley Water to re-evaluate the continued need for integrated management of their respective facilities (i.e., Valley Water's SVAWPC and City of San Jose's Regional Wastewater Facility), financial support, and opportunities for the use of recycled water. Both parties would be required to meet and discuss potential amendments to the Integration Agreement in lieu of terminating the Integration Agreement to address the parties' concerns.

The SVAWPC in North San Jose commenced full operation in March 2014. Currently, purified water produced by the SVAWPC is not used for potable (drinking) purposes and is instead blended with existing recycled water to enhance its quality for non-potable purposes such as irrigation, cooling towers and industrial applications.

In December 2019, Valley Water's Board approved a 76-year agreement with the cities of Palo Alto and Mountain View to secure a minimum of 9 MGD or about ten thousand acre-feet per year of wastewater effluent through an effluent transfer option. Under the agreement, Valley Water will pay

## Letter of Transmittal (continued)

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\$0.2 million per year for the option to receive the wastewater effluent until June 1, 2033 or the point in time when Valley Water begins to receive the wastewater effluent, whichever occurs first. If Valley Water exercises its option, 9 MGD of effluent would be delivered to a regional purification facility to be constructed and owned by Valley Water. The purified water, which would be a locally controlled drought resilient supply, could be used for either indirect potable reuse (e.g., recharge local groundwater basins) or direct potable reuse (raw water or treated water augmentation, subject to future regulatory requirements). If Valley Water exercises the option, Valley Water would pay \$1.0 million per year for the effluent plus an inflation escalator for the 76-year term of the agreement. Valley Water has not made a decision as to whether it will exercise the option to receive wastewater effluent under the agreement. In addition to the foregoing option, Valley Water will contribute \$16.0 million to be used to fund either: (1) a portion of the costs of a local salt removal facility at the Regional Water Quality Control Plant in the City of Palo Alto to provide a higher quality of recycled water for irrigation and cooling towers; or (2) in the event that the cities of Palo Alto and Mountain View decide not to construct the local plant within 13 years of the effective date of the agreement, to fund other recycled water or water supply projects. In February 2024, the Valley Water Board of Directors placed the project to build a regional purification facility on hold due to affordability issues. This decision will be reviewed in two years.

Valley Water also provides stream stewardship that encompasses managing flood and storm waters within the County. The 1929 Santa Clara Valley Water District Act requires Valley Water to uphold the safety of the Santa Clara County residents from floods and storm waters, monitor the condition affecting watersheds and riparian corridors, and provide for the protection of property and the natural environment along creeks and rivers, and at the edge of the San Francisco Bay. For fiscal year 2024, total budgeted outlays for watershed management and flood protection totaled \$253.0 million<sup>3</sup>.

### Factors Affecting Financial Condition

#### Local Economy

Located south of the San Francisco Bay Area, Santa Clara County is the sixth largest county in California, with a population of approximately 1.9 million<sup>4</sup> and measures approximately 1,300 square miles. The northwest portion of the County, known as Silicon Valley, is home to many leading computer and electronics companies such as Google, Apple, Cisco, Intel, VMware, Hewlett Packard, Applied Materials, Adobe, and several other Fortune 500 companies. It ranks as the 3rd wealthiest county in the nation and second in annual median income at \$153,792<sup>5</sup>. Real estate values increased 12.4% over last year with the median home valued at \$1.56<sup>6</sup> million compared to \$0.41 million for the whole United States<sup>7</sup>.

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<sup>3</sup> Valley Water FY2023-24 Operating and Capital Budget, chapter 6, page 4

<sup>4</sup> California Department of Finance, Demographic Research Unit, Report E-4, Population Estimates

<sup>5</sup> US News, The 15 Richest Counties in the US, Steven Ross Johnson, Dec. 20, 2023

<sup>6</sup> Zillow Home Value Index, Santa Clara County, June 2024

<sup>7</sup> Federal Reserve Bank of St. Louis, Median Sales Price of Houses Sold for the US, Q2 2024

## Letter of Transmittal (continued)

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Silicon Valley's economy demonstrated resilience despite growing income and wealth divides, coupled with persistent housing challenges for residents. Although employment growth showed a slight slowdown, Silicon Valley's workforce rebounded to pre-pandemic levels, gaining thousands of jobs over the past year. Even amidst losses in the tech sector, Silicon Valley achieved record breaking financial gains. According to the 2024 Silicon Valley Index released on February 28, 2024 by the Institute of Regional Studies, the region achieved an unprecedented market cap of \$14.3 trillion. Venture capital funding reached an astounding \$30 billion and an impressive 220% increase in investments in generative AI companies underscored the region's commitment to technological innovation according to the new release from Joint Venture Silicon Valley, a San Jose-based think tank<sup>8</sup>.

Unemployment rate was 4.1% as of June 2024, which is the same as that of the nation (4.1%) but better than the rest of California (5.2%)<sup>9</sup>. Meanwhile, the region's population estimate (as of January 2024) of 1.9 million approximated that of the prior year<sup>10</sup>.

Inflation rate slowed down as the Federal Reserve cautiously raised interest rates in July 2023 as a counter measure to rising prices. The consumer price index (CPI) for the San Francisco Bay Area, California and the nation as of June 2024 showed an increase of 3.2%, 3.3% and 3.0%, respectively when compared to the same month last year. This is a slight change in contrast to the prior year (June 2023) CPI increase of 2.5%, 3.1%, and 3.0%, respectively<sup>11</sup>. Despite the inflation slowdown, rising prices, increased construction and manufacturing cost, and the cost of borrowing remain a concern for both consumers and business owners.

California's concern about the impact of the drought experienced during the last 3 fiscal years was alleviated by the abundant rain and snow fall experienced during the winter months of this fiscal year. More precipitation fell along the California coast between late January and March 2024, which helped mitigate the dry start in October to December 2023<sup>12</sup>. Nevertheless, Valley Water continues to implore residents, businesses and farms to make water conservation a way of life and encourage a voluntary 15% reduction in water use when compared to the 2019 consumption level. As climate change creates extreme weather events such as severe droughts and flooding, Valley Water continues to invest in water infrastructure to ensure a reliable water supply for generations to come. This includes upgrading and maintaining existing pipelines and water treatment plants, evaluating new water storage projects, increasing the use of recycled and purified water, and progressing on the Anderson Dam Seismic Retrofit project. In addition, Valley Water is using all financial resources available to offset the negative effects of the prior years of drought on water rate charges to constituents by vigorously pursuing federal and state grant funding.

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<sup>8</sup> Joint Venture Silicon Valley, 2024 Silicon Valley Index, Feb 28, 2024

<sup>9</sup> Bureau of Labor Statistics, News Release, July 19, 2024

<sup>10</sup> California Department of Finance, Demographic Research Unit, Report E-4, Population Estimates

<sup>11</sup> State of California, Department of Industrial Relations, 10/10/2024 update

<sup>12</sup> NOAA, Drought status update for California-Nevada, 10/17/2024

## Letter of Transmittal (continued)

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### Long-term Financial Planning

Valley Water plans, manages, and carries out work to meet policies established by the Board. Under Valley Water's form of Policy Governance, these "Ends" policies describe the mission, outcomes, or results to be achieved by Valley Water staff. Balancing the Ends policies are Executive Limitations, which set limits on staff activities in fulfilling the Ends. Alignment of plans and resources with the Ends policies helps the Board fulfill the critical responsibility of defining, balancing, and prioritizing "what benefits, for what people, at what cost," and enhances Valley Water staff's accountability in using budgeted resources to accomplish those ends.

Valley Water supports activities that carry out its mission through the following three highest-level "End Policies"<sup>13</sup>.

- E2 - Valley Water provides a reliable, safe, and affordable water supply for current and future generations in all communities served.
- E3 - Natural flood protection is provided to reduce risk and improve health and safety for residents, businesses, and visitors, now and into the future.
- E4 - Water resources stewardship to protect and enhance ecosystem health in Santa Clara County.

The fiscal year 2024 budget included over \$60.0 million for the contractual obligations of water purchases with the federal Central Valley Project and the State Water Project. In addition to contract water, Valley Water's budget included Water Banking expenses of approximately \$5.9 million to bring approximately 27,800-acre feet of water to the county from Semitropic Water Storage District located in Kern County and an additional \$6.0 million in supplemental water purchases to help mitigate the impact on water supply of the multi-year storage capacity loss of Valley Water's largest dam at Anderson Reservoir<sup>14</sup>.

Valley Water's Semitropic groundwater bank reserves were at 86% or 300,694 acre-feet and valued at \$130.2 million as of June 30, 2024. Semitropic Water Storage District has reported elevated concentration of 1, 2, 3 trichloropropane in some of its underground wells. There is currently insufficient information to conclude whether these detections could impact banking operations. Impacts could potentially include higher pumping, recovery and treatment costs, and possible impaired recovery of banked water supplies. Because the Semitropic water bank is located in Kern County, downstream of Valley Water, banked water must be returned by exchange with State Water Project water from the Delta. In critically dry years or in the event of a Delta disruption, there may be insufficient State Water Project supplies to facilitate withdrawal of supplies from the bank.

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<sup>13</sup> [www.valleywater.org/how-we-operate/board-governance-policies](http://www.valleywater.org/how-we-operate/board-governance-policies)

<sup>14</sup> Valley Water FY2023-24 Operating and Capital Budget, chapter 4, page 5

## Letter of Transmittal (continued)

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The State has placed operating restrictions on five of Valley Water's ten dams due to Seismic safety conditions. Valley Water's immediate response was to allocate a total of \$1.3 billion in its FY24-28 Capital Improvement Program to fix four of these dams (Almaden, Anderson, Calero and Guadalupe). The scope for the fifth dam (Pacheco) was expanded to include a significant capacity expansion of the reservoir at an estimated cost of \$2.8 billion<sup>15</sup>.

For the Pacheco Reservoir Expansion Project, Valley Water is partnering with Pacheco Pass Water District and San Benito County Water District. This Project will encompass the acquisition and expansion of this reservoir from 6,000 AF to 140,000 AF and will provide water quality benefits, operational flexibility, emergency storage, flood protection, and ecosystem benefits. On July 24, 2018, the California Water Commission awarded \$484.55 million to support the project, including an early funding award of \$24.2 million. In February 2021, the maximum conditional eligibility determination was increased to \$496.7 million to reflect an inflation adjustment of 2.5%<sup>16</sup>. In March 2022, the maximum conditional eligibility was increased to \$504.1 million to reflect an inflation adjustment of 1.5%.

The Five-Year Capital Improvement Plan (CIP) includes 73 projects totaling \$10.0 billion to implement the goals and objectives of Valley Water's program and master plans. Valley Water has been and continues to be successful in leveraging funding for its capital projects through partnerships with federal, state, and local agencies. Of the \$10.0 billion total funding needed, \$1.2 billion is expected from Valley Water's various partners, such as the U.S. Army Corps of Engineers (USACE), and the remaining, \$8.8 billion, from Valley Water. These projects are grouped into five types of improvements<sup>17</sup>:

- Water supply capital improvements – 37 projects contributing to “End Policy E-2”
- Flood protection capital improvements – 15 projects contributing to “End Policy E-3”
- Water resource stewardship capital improvement – 13 projects contributing to “End Policy E-4”
- Buildings and grounds capital improvements – 3 projects supporting Valley Water efforts to achieve the “End Policies”
- Information Technology capital improvements – 5 projects supporting Valley Water efforts to achieve the “End Policies”

On November 3, 2020, the Measure S (Safe, Clean Water and Natural Flood Protection or Safe Clean Water) parcel tax met the two-thirds super majority vote required for approval with a voter passing result of 75.6%. The measure renewed Valley Water's existing parcel tax, without significantly increasing rates. The voter-approved special parcel tax funds projects addressing the following community priorities:

- Ensure a safe reliable water for the future.
- Reduce toxins, hazards, and contaminants in our waterways.
- Protect our water supply and dams from earthquakes and other natural disasters.
- Restore wildlife habitat and providing open space.
- Provide flood protection to homes, businesses, schools, streets, and highways.

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<sup>15</sup> Valley Water FY2024-28 Capital Improvement Program, chapter 2, page 6

<sup>16</sup> Valley Water FY2025-29 Capital Improvement Program, chapter 2, page 2

<sup>17</sup> Valley Water FY2024-28 Capital Improvement Program, chapter 1, pages 7 and 8

## Letter of Transmittal (continued)

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- Support public health and public safety for our community.

The renewed Safe Clean Water Program builds on the success of the Clean, Safe Creeks and Natural Flood Protection (Clean, Safe Creeks) plan approved by the voters in 2000, as well as the Safe, Clean Water and Natural Flood Protection Program that replaced the Clean, Safe Creeks measure, which was approved by voters in November 2012. The program is funded by a combination of revenues from the continuation of an annual special tax, reserves carried forward from the 2012 program, and state and federal funding.

The revenue received from the special parcel tax for fiscal year 2024 was \$52.2 million.

### Relevant Financial Policies

#### End of Year Balances

Valley Water policies for end-of-year balance re-appropriations are as follows:

- Any remaining appropriation balances at the end of the fiscal year for capital projects are annually re-appropriated for continued use in those same projects in the following fiscal year. These amounts shall be consistent with the planned expenditure schedule identified in the 5-year CIP.
- Any variances at the end of the current fiscal year in Operating and Capital Reserves from those estimated in the budget not otherwise re-appropriated above shall result in corresponding adjustments to the estimated reserve appropriations in accordance with Valley Water Reserve policy.

Valley Water, through the Public Facilities Financing Corporation (PFFC), also maintains a commercial paper program for funding capital projects. Commercial paper is used to provide low-cost interim financing during construction. Valley Water issues long-term debt obligations over a 30-year term to repay principal outstanding on the commercial paper. In October 2020, Valley Water established a \$170.0 million syndicated bank line of credit to ensure that Valley Water will have ample liquidity to continue funding ongoing capital projects and meet general financing needs despite the economic uncertainties related to the COVID-19 pandemic. To contribute towards the development of the local economy, \$20.0 million of this credit capacity is reserved for small local banks (having total assets of under \$10.0 billion) located within the nine Bay Area counties.

#### Budgetary Controls

Valley Water adopts an annual budget in June to be effective July 1 for the ensuing fiscal year. Annual appropriated budgets are adopted for the general fund, special revenue funds, and for all proprietary funds. The COP construction and COP debt service funds are not budgeted.

Legal budgetary (expenditure) control is established at the fund level, further controlled within the fund at the category level. The categories are defined as the operating budget (operations and

## Letter of Transmittal (continued)

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maintenance, debt service, and operating projects) and the capital budget (capital improvement projects) in the budget and actual budgetary basis schedules.

Valley Water also maintains an encumbrance accounting system as a means for accomplishing budgetary control. Budget adjustments that increase or decrease revenue projections, appropriations or reserves of any fund require Board approval. Budget and actual comparisons are provided in this report for each fund for which an appropriated annual budget has been adopted. For governmental funds, this comparison is presented starting on page 128 as part of required supplementary information and selected watershed activities starting on page 136 as part of supplemental information. For proprietary funds, this comparison is presented starting on page 140 as part of the combining and individual fund statements and schedules.

The guidelines used by Valley Water in developing its formal budget process are from those recommended by the National Advisory Council on State and Local Budgeting, and the Government Finance Officers Association (GFOA).

### Reserve Requirements

Valley Water's financial policies establish the levels at which reserves shall be maintained. Valley Water reserve policies address the need for both operating and capital reserves, and funding of contingency and future liabilities. The level of reserves maintained and the policies behind them are reviewed annually with the Board of Directors during budget deliberations.

More information about Valley Water's reserve policy is discussed in Valley Water's FY 2023-24 Operating and Capital Budget.

### **Major Initiatives**

Highlights of activities and accomplishments for the fiscal year ended June 30, 2024 include the following:

- On September 1, 2023, Valley Water released the Draft Environmental Impact Report (EIR) for the Anderson Dam Seismic Retrofit Project for public comment. The preparation of the Draft EIR fulfills Valley Water's lead agency responsibility under the California Environmental Quality Act (CEQA).
- During the fiscal year, Valley Water protected 8,747 linear feet of banks, cleared 804 cubic yards of trash through the Good Neighborhood Maintenance program, removed 2,475 cubic yard of debris around creeks and ponds, and cleaned 798 tons of trash and debris under the Good Neighborhood Encampment Cleanup program.
- On September 27, 2023, Valley Water received notification from the United States Bureau of Reclamation (USBR) that the feasibility studies for Purified Water and South County Water Reuse project were being considered for award. Funding would be used for feasibility studies that would help expand the use of recycled water in the County.

## Letter of Transmittal (continued)

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- Governor Newsom signed AB 939 (Pellerin) Smart Financing for Valley Water Infrastructure on September 8, 2023. The bill amends the District Act to add the financial flexibility needed to help Valley Water adapt to climate change by fixing the revenue bond authority and authorizing general obligation bonds. Specifically, AB 939 authorizes the Valley Water Board to place on the countywide ballot General Obligation Bonds paid for by ad valorem property taxes.
- Governor Newsom signed AB 1469 (Kalra) Valley Water Assisting Unsheltered People on October 10, 2023. The bill amends the District Act to allow flexibility to use Valley Water land and the existing ad valorem property tax to assist unsheltered people, including contracting for services or providing low-barrier navigation centers, supportive housing, transitional housing, affordable housing, or other facilities. These facilities would be operated by a city, the County, or a non-profit with the appropriate expertise to provide shelter and services that can improve outcomes for unsheltered people and enable compliance with federal case law requiring a legitimate offer of shelter before relocating unsheltered people living on public lands.
- On December 21, 2023, the Department of Water Resources (DWR) approved the Delta Conveyance Project (Project) and certified the Final Environmental Impact Report (EIR). With the EIR approval, DWR will pursue state and federal permits for the Project. Valley Water is one of the 17 public water agencies participating in the planning stage of the Project.
- Governor Newsom signed AB 1572 into law which prohibits the use of potable water for the irrigation of non-functional turf (NFT) on commercial, industrial and institutional properties. The ban will take effect in a phased approach between 2027 through 2031.

Completed capital projects in fiscal year 2024 include the following:

- Construction of the Bolsa Road Fish Passage Improvements Project
- Construction of the Lower Calera Creek Flood Protection Project
- Construction of Lower Penitencia Creek Improvements Project
- Construction of Coyote Creek Rodent Levee Repair Project under WARP
- Construction of the Rinconada Water Treatment Plant FRP Residuals Management Modification
- Construction of Coyote Warehouse



## Letter of Transmittal (continued)

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### Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Valley Water for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023. This was the 27th consecutive year that Valley Water has received this prestigious award. To be awarded a Certificate of Achievement, Valley Water must publish an easily readable and efficiently organized comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

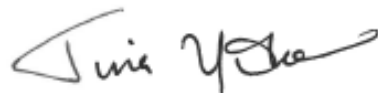
The preparation of this ACFR represents the culmination of months of concerted team effort by diverse Valley Water staff, including team members from Financial Planning and Management Services Division, Water Supply Division, Information Technology Division, General Services Division, Human Resources Division, and Office of the District Counsel. In addition, special thanks to Valley Water staff in all groups for responding so positively to the requests for detailed information that accompanies each annual audit. The role of Vasquez and Company LLP is also acknowledged for their significant technical contribution and assistance.

Special thanks go to Jimmy Salandanan, General Accounting Unit Manager; the following Accounting staff: Oliva Manaloto, Veronica Martinez, Ofelia Hsieh, Gloria Chou, Elaine Lee, Nicole Truong, Godwin Adofo and Kim Burke; and the rest of the Financial Planning staff: Carmen Narayanan, Charlene Sun, Enrique De Anda, Hoan Cutler, Steven Peters, Kristie Resendez, and Adrian Liu for their talent and dedication in preparing this financial report.

Finally, we wish to express our sincere appreciation to Valley Water's Board of Directors and management for providing policy direction and a firm foundation of support for the pursuit of Valley Water's mission.



Darin Taylor  
Chief Financial Officer



Tina Yoke  
Acting Chief Executive Officer



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Santa Clara Valley Water District  
California**

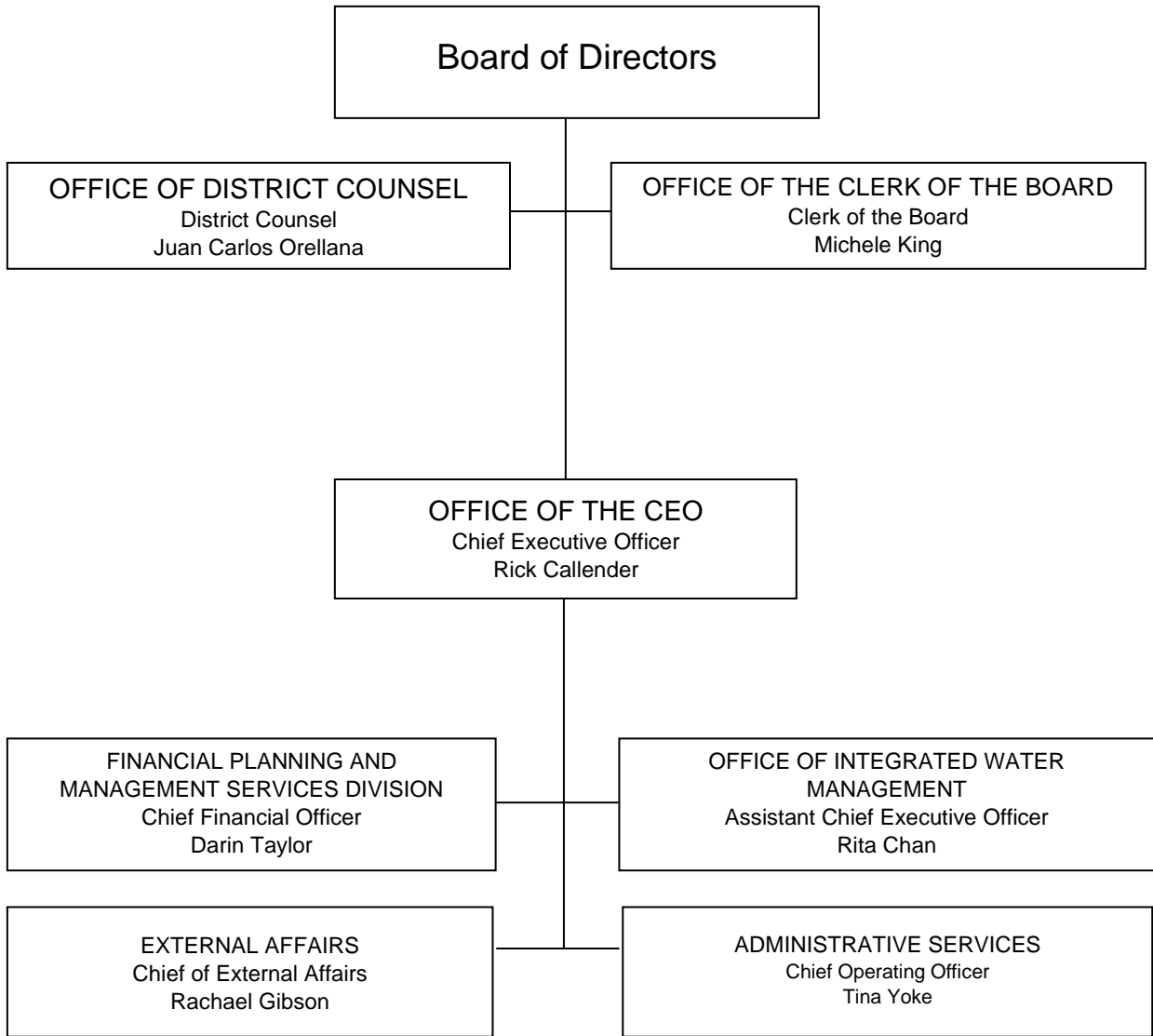
For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2023

*Christopher P. Morill*

Executive Director/CEO

# VALLEY WATER Organizational Chart



**VALLEY WATER  
2023 – 2024  
BOARD OF DIRECTORS**



**John L. Varela  
District 1**



**Barbara Keegan  
District 2**



**Richard P. Santos  
District 3**



**Jim Beall  
District 4**



**Nai Hsueh  
District 5**



**Tony Estremera  
District 6**



**Rebecca Eisenberg  
District 7**



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Suite 1550  
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MANILA, PH

## Independent Auditor's Report

Board of Directors  
Santa Clara Valley Water District  
San Jose, California

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Santa Clara Valley Water District (Valley Water), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Valley Water's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Valley Water as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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



### ***Management's Responsibilities for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Valley Water's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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



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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary Information as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management, and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Valley Water's basic financial statements. The combining individual fund statements and schedules on pages 132 through 152 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

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



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

*Vasquez & Company LLP*

**Glendale, California  
December 20, 2024**



## Management's Discussion and Analysis

Management's discussion and analysis of financial performance provides an overview of Valley Water's financial activities for the fiscal year ended June 30, 2024. This information is presented in conjunction with the audited financial statements that follow this section.

### Financial Highlights

- Valley Water's total net position was \$3.2 billion as of June 30, 2024. Of this amount, \$306.6 million (unrestricted, but committed and assigned net position) may be used to meet Valley Water's ongoing obligations to citizens, businesses, stakeholders, and creditors.
- Valley Water's total net position increased by \$94.7 million during the current fiscal year. The net position for governmental activities increased by \$79.6 million. Net position for business-type activities increased by \$15.0 million.
- Cash and investments for governmental increased by \$10.0 million while that for business-type activities decreased by \$27.6 million.
- The fund balance for the General Fund was \$30.1 million, an increase of \$8.2 million from the prior fiscal year fund balance of \$21.9 million. Committed and assigned fund balances were \$30.1 million or 100% of the total fund balance.
- The fund balance for the Watershed & Stream Stewardship and Safe, Clean Water & Natural Flood Protection Funds was \$371.6 million, an increase of \$4.5 million from the prior fiscal year balance of \$367.1 million.
- Net position for the Water Utility Funds increased by \$22.6 million.

### OVERVIEW OF THE ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR)

The ACFR is presented in the following three sections:

1. The Introductory Section that includes the Transmittal and general information
2. The Financial Section that includes:
  - Management's Discussion and Analysis
  - The Basic Financial Statements that include the Government-wide and Fund Financial Statements, along with the accompanying Notes to the financial statements
  - Required and Other Supplementary information
3. Statistical Section

## Management's Discussion and Analysis (continued)

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### Basic Financial Statements

The Basic Financial Statements contain the Government-wide Financial Statements, the Fund Financial Statements, and the Notes to the financial statements. The financial statements presented herein include all the activities of Valley Water and its component units using the integrated approach as prescribed by Generally Accepted Accounting Principles (GAAP). This report also includes supplementary information intended to furnish additional detail to support the Basic Financial Statements.

### Government-wide Financial Statements

The government-wide financial statements present the financial picture of Valley Water from an economic resources' measurement focus using the accrual basis of accounting.

They include the Statement of Net Position and the Statement of Activities:

*The Statement of Net Position.* The Statement of Net Position presents information on all Valley Water's assets, deferred outflows, liabilities, and deferred inflows, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Valley Water is improving or deteriorating.

*The Statement of Activities.* The Statement of Activities presents information showing how Valley Water's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues earned, and expenses incurred are reported in this statement even if the resulting cash flows will occur in future fiscal periods (e.g., earned but uncollected taxes and earned but unused vacation leave).

The Statement of Net Position and the Statement of Activities are presented for Governmental and Business-type activities.

*Governmental activities* are principally supported by taxes and intergovernmental revenues and include general government, watershed management, and construction and debt service funding.

*Business-type activities* are those that are intended to recover all of a significant portion of their costs through user fees and charges, including the water utility operation fund.

The government-wide financial statements include not only Valley Water itself (known as the primary government), but also the Santa Clara Valley Water District Public Facilities Financing Corporation (PFFC) for which Valley Water is financially accountable. Financial information for this blended component unit is reported as if it were part of the primary government because its sole purpose is to provide financing to Valley Water under the debt issuance documents of Valley Water. Additional information on this legally separate entity can be found in Note 1(b) in the notes to basic financial statements.

The Government-wide Financial Statements can be found starting on page 38 of this report.

## Management's Discussion and Analysis (continued)

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### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Valley Water, like other special districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of Valley Water are segregated into three categories: governmental funds, proprietary funds, and fiduciary funds.

#### Governmental funds.

Valley Water's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view of Valley Water's general government operations and the basic services it provides. Governmental funds information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance Valley Water's projects.

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, which are reported using the accrual basis, governmental funds statements, which are reported using the modified accrual basis, focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. A reconciliation of both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and change in fund balances to the government-wide statements are provided to facilitate this comparison between *governmental funds* and *governmental activities*.

Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Watershed & Stream Stewardship, Safe and Clean Water & Natural Flood Protection Program, COP Construction Fund and COP Debt Service Fund which are considered to be major funds. These can be found on pages 42 to 48.

#### Proprietary funds.

Valley Water maintains two-different types of proprietary funds: enterprise funds and internal service funds.

*Proprietary funds* are reported using the accrual basis of accounting. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements but provide more detail and additional information. Valley Water uses enterprise funds to account for its water utility operations fund. All of the enterprise funds are considered to be major funds.

The proprietary funds financial statements can be found on pages 49 to 52.

*Internal Service Funds* are used to accumulate and allocate costs internally among Valley Water's various functions. Valley Water uses internal service funds to account for its fleet of vehicles and computer equipment, risk management, and information technology activities. All of the internal service funds are combined into a single, aggregated presentation in the proprietary funds financial

## Management's Discussion and Analysis (continued)

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statements. The internal service funds have been included within governmental and business-type activities in the government-wide financial statements.

*Fiduciary funds* are used to account for resources held for the benefit of parties outside Valley Water. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Valley Water's own programs. The fiduciary fund financial statements can be found on pages 53 to 54.

### **Notes to Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found starting on page 55 of this report.

### **Other Information**

The "Required Supplementary Information" related to Valley Water's pension and OPEB plans and budget and actual for budgeted governmental funds is included after the Notes to the Financial Statements and can be found starting on page 122 of this report.

## Management's Discussion and Analysis (continued)

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

The balance in net position is a useful indicator of a government's ability to finance its operations. In the case of Valley Water, assets and deferred outflows exceeded liabilities and deferred inflows by \$3.2 billion at the end of the current fiscal year.

#### Valley Water Condensed Statement of Net Position (in Thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2024	2023	2024	2023	2024	2023
Cash and investments	\$ 450,662	\$ 440,697	\$ 505,388	\$ 532,995	\$ 956,050	\$ 973,692
Other assets	24,278	15,725	198,473	168,554	222,751	184,279
Capital assets	1,846,921	1,819,995	1,891,587	1,667,984	3,738,508	3,487,979
Total assets	<u>2,321,861</u>	<u>2,276,417</u>	<u>2,595,448</u>	<u>2,369,533</u>	<u>4,917,309</u>	<u>4,645,950</u>
Deferred amount on refunding	-	-	176	207	176	207
Pension and OPEB related	95,680	40,169	78,766	98,858	174,446	139,027
Total deferred outflow of resources	<u>95,680</u>	<u>40,169</u>	<u>78,942</u>	<u>99,065</u>	<u>174,622</u>	<u>139,234</u>
Current liabilities	21,986	15,887	271,801	86,052	293,787	101,939
Long-term liabilities	409,631	391,804	1,196,134	1,189,165	1,605,765	1,580,969
Total liabilities	<u>431,617</u>	<u>407,691</u>	<u>1,467,935</u>	<u>1,275,217</u>	<u>1,899,552</u>	<u>1,682,908</u>
Deferred amount on refunding	225	213	-	-	225	213
Pension and OPEB related	3,523	6,000	2,901	4,763	6,424	10,763
Capital leases	38	176	69	152	107	328
Total deferred inflow of resources	<u>3,786</u>	<u>6,389</u>	<u>2,970</u>	<u>4,915</u>	<u>6,756</u>	<u>11,304</u>
Net position						
Net investment in capital assets	1,718,899	1,639,659	822,531	603,803	2,541,430	2,243,462
Restricted	263,239	262,847	74,334	149,595	337,573	412,442
Unrestricted	-	-	306,620	435,068	306,620	435,068
Total net position	<u>\$ 1,982,138</u>	<u>\$ 1,902,506</u>	<u>\$ 1,203,485</u>	<u>\$ 1,188,466</u>	<u>\$ 3,185,623</u>	<u>\$ 3,090,972</u>

The largest portion of Valley Water's net position, at \$2.5 billion (78.6%), reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment) less any related debt used to acquire those assets still outstanding. Investment in capital assets is *not* available for future spending. Although Valley Water's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

For governmental activities, net investment in capital assets increased by \$40.7 million from the prior fiscal year. Capital assets, net of depreciation, increased by \$26.9 million. Noncurrent liabilities, which include related debt outstanding, increased by \$17.8 million due mainly to the increases in net pension and other post-employment benefit liabilities.

## Management's Discussion and Analysis (continued)

For business type activities, net investment in capital assets increased by \$218.7 million from the previous fiscal year. Capital assets, net of depreciation, increased by \$223.6 million, reflecting the increase in work in progress for the following main projects: Anderson Dam Tunnel (\$60.6 million), Coyote Creek Flood Management Measures (\$43.0 million), RWTP Reliability Improvement (\$37.0 million), 10-year Pipeline Inspection and Rehab (\$32.4 million), Pacheco Reservoir Expansion Project (\$20.2 million), Anderson Dam Seismic Retrofit (\$19.3 million), Coyote Percolation Dam Replacement (\$11.3 million), Coyote Creek Chillers (\$8.4 million), Indirect Potable Reuse – Plan C (\$6.0 million) and South County Recycled Water Pipeline 1B (\$5.2 million). Noncurrent liabilities, which include related debt outstanding, increased by \$7.0 million due mainly to increases in net pension and other post-employment benefit liabilities.

Unrestricted net position may be used to meet Valley Water's ongoing obligations to citizens, customers, and creditors. For the current fiscal year, Valley Water's total unrestricted net position of \$320.7 million decreased by \$114.3 million.

### Valley Water Condensed Statement of Activities (in Thousands)

	Governmental Activities		Business-type Activities		Total	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Revenues:						
Program revenues:						
Water charges	\$ -	\$ -	\$ 320,638	\$ 268,101	\$ 320,638	\$ 268,101
Operating grants and contributions	-	-	5,184	5,376	5,184	5,376
Capital grants and contributions	13,356	34,781	3,544	13,624	16,900	48,405
General revenues:						
Property taxes	187,245	177,788	39,058	39,394	226,303	217,182
Investment earnings	21,906	1,827	20,230	7,582	42,136	9,409
Miscellaneous	5,622	5,600	7,692	2,049	13,314	7,649
Total revenues	<u>228,129</u>	<u>219,996</u>	<u>396,346</u>	<u>336,126</u>	<u>624,475</u>	<u>556,122</u>
Expenses:						
General government	15,465	11,757	-	-	15,465	11,757
Watersheds	132,333	134,027	-	-	132,333	134,027
Interest on long-term debt	3,532	4,834	-	-	3,532	4,834
Water enterprise	-	-	378,494	265,150	378,494	265,150
Total expenses	<u>151,330</u>	<u>150,618</u>	<u>378,494</u>	<u>265,150</u>	<u>529,824</u>	<u>415,768</u>
Increase in net position before transfers	76,799	69,378	17,852	70,976	94,651	140,354
Transfers	2,833	(22,212)	(2,833)	22,212	-	-
Change in net position	79,632	47,166	15,019	93,188	94,651	140,354
Net position, beginning	1,902,506	1,855,340	1,188,466	1,095,278	3,090,972	2,950,618
Net position, ending	<u>\$ 1,982,138</u>	<u>\$ 1,902,506</u>	<u>\$ 1,203,485</u>	<u>\$ 1,188,466</u>	<u>\$ 3,185,623</u>	<u>\$ 3,090,972</u>

Valley Water's net position for the current fiscal year was \$3.2 billion, an increase of \$94.7 million or 3.1% from the prior fiscal year.

## Management's Discussion and Analysis (continued)

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### Governmental activities

Net position of governmental activities increased by \$79.6 million during the fiscal year. Total revenues and expenses were \$228.1 million and \$151.3 million respectively. Net transfers in were at \$2.8 million.

Total revenues of \$228.1 million were \$8.1 million higher than the \$220.0 million earned in the prior fiscal year.

- Capital grants and contributions of \$13.4 million were lower than prior year by \$21.4 million mainly due to lower capital costs reimbursements of \$16.4 million received from the State of California, Department of Water Resources.
- Property taxes, the largest general revenue source at \$187.2 million, increased by \$9.5 million, and is an indication of the strong property values in the Santa Clara County and the surrounding bay area.
- Investment earnings of \$21.9 million went up by \$20.1 million when compared to the \$1.8 million earnings experienced in the prior fiscal year due to higher yields from investments. Investment earnings include an unrealized gain of \$7.3 million due to the increase in the portfolio's fair value compared to the prior year. This unrealized gain is temporary and should not materialize due to Valley Water's investment policy of holding all securities to their maturity under normal operating conditions.
- Miscellaneous revenues of \$5.6 million approximated what was earned in the prior fiscal year.

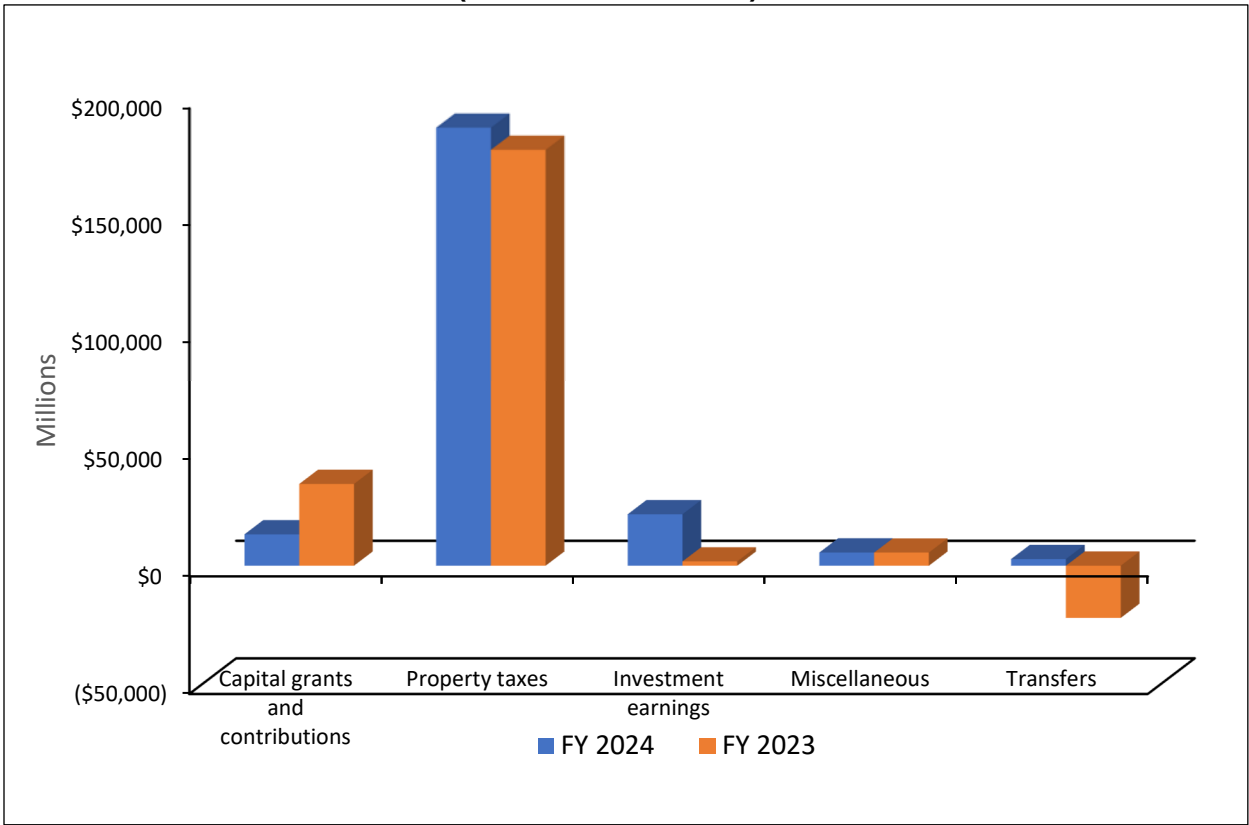
Total expenses were \$151.3 million or \$0.7 million higher than the prior fiscal year.

- General government expenses of \$15.5 million went up by \$3.7 million.
- Watershed operating cost of \$132.3 million went down by \$1.7 million.
- Interest on long-term debt of \$3.5 million went down by \$1.3 million due to the decrease in the principal amount of bonds as debt service payments were made.

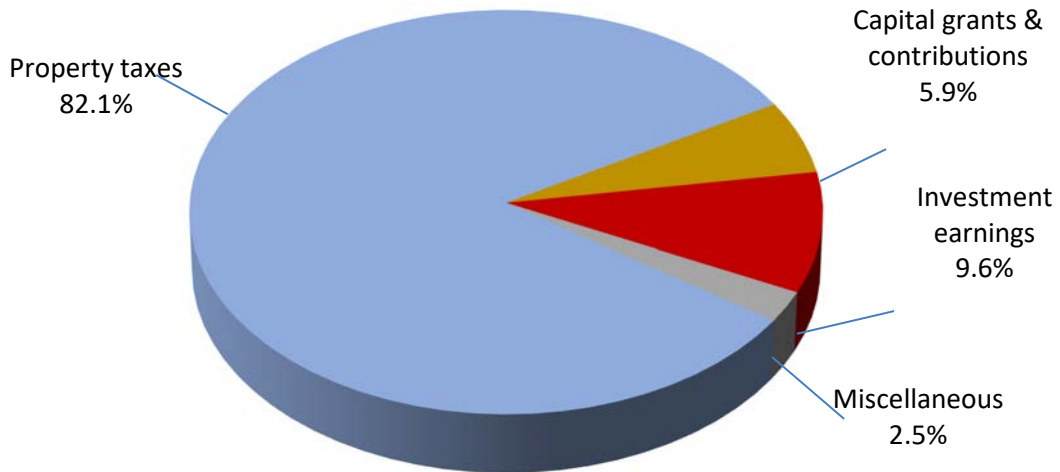
Net transfers in of \$2.8 million were higher by \$25.0 million from the prior fiscal year. The prior fiscal year included a \$25.0 million transfer out to the Water Utility Fund to help minimize water rate impacts caused by the drought. See Note 14 of the basic financial statements for more information on the transfers made during the current fiscal year.

Management’s Discussion and Analysis (continued)

Revenue by Sources – Governmental Activities  
(FY 2024 & FY 2023)

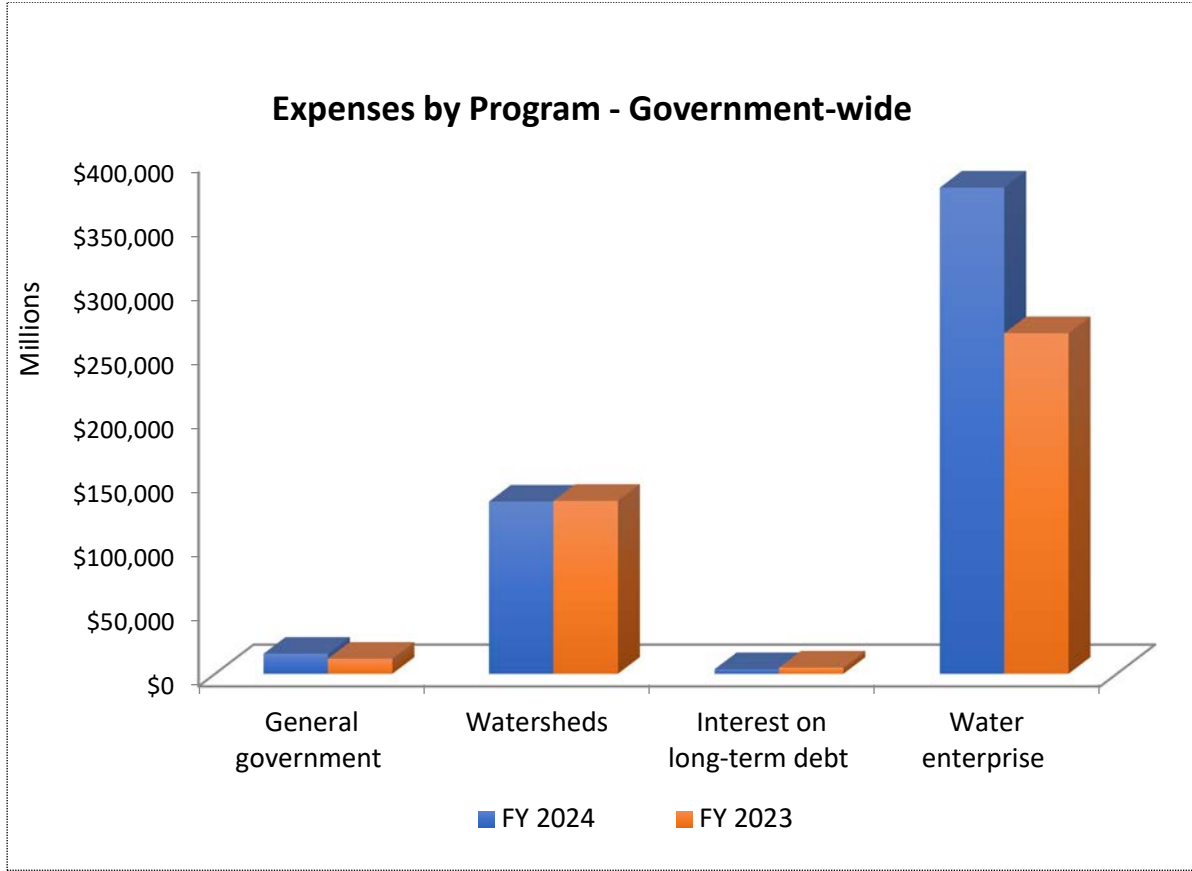


Revenues by Sources – Governmental Activities  
(FY 2024)





**Management’s Discussion and Analysis (continued)**



**Business-type activities**

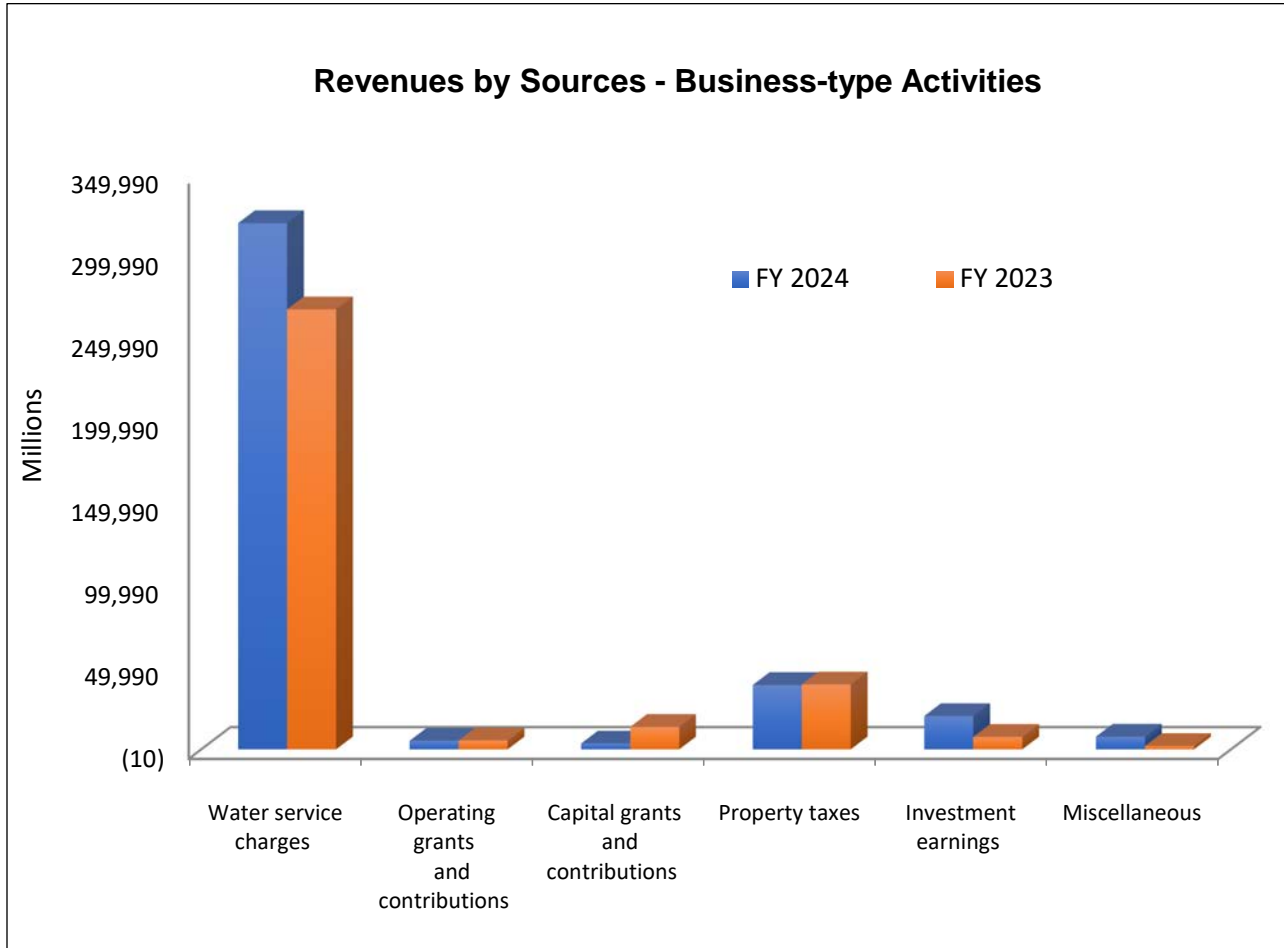
Net position in business-type activities of \$1.2 billion increased by \$15.0 million during the current fiscal year. Total revenues and expenses were \$396.3 million and \$378.5 million, respectively. Net revenues before transfers were \$17.9 million. Net transfers out during the current fiscal year were \$2.8 million.

Compared to the prior fiscal year, total revenues increased by \$60.2 million. Key elements of the changes in revenues and expenses from prior year are as follows:

- Total water revenue of \$320.6 million was \$52.5 million (19.6%) higher from the prior fiscal year. The increase was mainly from groundwater and treated water revenues of \$41.8 million and \$10.4 million, respectively.
- Capital grants and contributions decreased by \$10.1 million compared to last fiscal year due mainly to lesser cost reimbursements received from the State of California, Department of Water Resources (\$6.1 million) for the Pacheco Reservoir Expansion Project under the Water Storage Investment Program, and the US Bureau of Reclamation (\$3.1 million) for the South Santa Clara County Recycled Water Project.

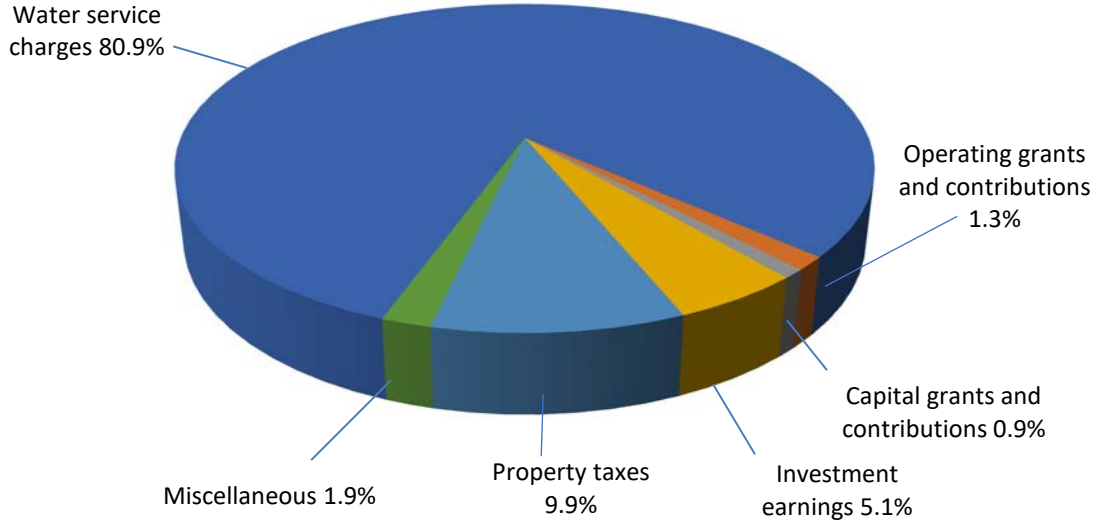
## Management's Discussion and Analysis (continued)

- Investment earnings for the current fiscal year was \$20.2 million or \$12.7 million higher than the \$7.6 million investment gain posted in the prior fiscal year. Investment earnings include an unrealized gain of \$5.9 million due to the increase in the portfolio's fair value compared to the prior year. This unrealized gain is temporary and should not materialize due to Valley Water's investment policy of holding all securities to their maturity under normal operating conditions.



## Management's Discussion and Analysis (continued)

### Revenues by Source – Business-type Activities (FY 2024)



### FINANCIAL ANALYSIS OF VALLEY WATER'S FUNDS

Valley Water uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following analysis refers to the Basic Financial Statements for the Governmental and Proprietary Funds beginning on page 42.

#### Governmental funds

The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. As of June 30, 2024, Valley Water's governmental funds reported combined ending fund balances of \$401.8 million, an increase of \$7.4 million for the fiscal year.

Total revenues of \$225.6 million increased by \$5.7 million when compared to the prior fiscal year. Total expenditures of \$214.9 million decreased by \$11.7 million.

- Revenues from property taxes of \$187.2 million increased by \$9.5 million, an indication of the strong property values in Santa Clara County and the surrounding bay area. Benefits assessments at \$6.9 million went down by \$6.3 million. Capital reimbursements of \$6.5 million decreased by \$15.1 million due to the lower receipts from the State of California, Department of Water Resources. Investment earnings of \$19.9 million increased by \$17.9 million due to higher yields from investments. Investment earnings include an unrealized gain of \$7.3 million due to the increase in the portfolio's fair value compared to the prior year. This unrealized gain is temporary and should not materialize due to Valley Water's investment policy of holding all securities to their maturity under normal operating conditions.

## Management's Discussion and Analysis (continued)

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- Spending from operations and operating projects of \$107.0 increased by \$12.4 million from the prior fiscal year.
- Expenditures from capital improvement projects amounted to \$91.1 million or \$3.0 million lower than the prior fiscal year.
- \$37.2 million or 9.2% of the total fund balance of \$401.8 million constitutes committed and assigned for specific purposes. The \$364.7 million is restricted to indicate that it is not available for new spending because of the external enforceable limitations on its use for 1) Safe, Clean Water & Natural Flood Protection projects (\$217.5 million), 2) Watershed and Stream Stewardship projects (\$147.1 million), and 3) debt service payments (\$0.1 million).

### General Fund

The General Fund is the chief operating fund of Valley Water supporting all administrative and strategic support services costs for the organization. It accounts for all financial resources except those required to be accounted for in another fund and is supported primarily by property taxes and overhead reimbursements from other funds. At the end of the current fiscal year, total fund balance of \$30.1 million increased by \$8.2 million mainly from higher property taxes received from the County of Santa Clara. The excess of revenues over expenditures was \$6.6 million. Net transfers in were \$1.6 million.

### Special revenue funds

The special revenue funds are used to account for specific revenue sources for which expenditures are restricted by law or regulation to finance the watershed functions or activities of Valley Water.

#### -Watershed and Stream Stewardship Fund

The increase in fund balance for the Watershed and Stream Stewardship Fund was \$19.6 million. Revenues in excess of expenditures was \$27.4 million. Net transfers out were \$7.8 million.

Current fiscal year total revenues for the Watershed and Stream Stewardship Fund decreased by \$2.7 million. While higher revenues were realized from property taxes and investment income of \$6.1 million and \$6.5 million, respectively, benefit assessments and capital reimbursements went down by \$6.3 million and \$10.5 million, respectively. Meanwhile, total expenditures went up by \$3.1 million, with the \$7.1 million increase in operating project cost more than offset by the \$4.0 million drop in expenditures from capital related projects.

#### -Safe, Clean Water and Natural Flood Protection Program Fund

Fund Balance for the Safe, Clean Water and Natural Flood Protection Program Fund decreased by \$15.2 million. Expenditures exceeded revenues by \$11.9 million, while net transfer out amounted to \$3.2 million.

Current fiscal year revenues for the Safe, Clean Water and Natural Flood Protection Program of \$68.2 million were \$8.5 million higher than the prior fiscal year. Property tax and investment income increased by \$2.7 million and \$10.3 million, respectively. Reimbursement of capital costs decreased by \$4.6 million. Other revenues went slightly up by \$0.1 million.

## Management's Discussion and Analysis (continued)

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Current year expenditures of \$80.1 million were \$9.9 million higher than last fiscal year. Operating project cost and debt service payments increased by \$7.7 million and \$2.3 million, respectively. Expenditures for capital-related projects went down slightly by \$0.1.

### COP Construction Fund

The COP Construction Fund is used to account for resources used for the acquisition or construction of major capital projects. At fiscal year-end, fund balance was \$0.0 million.

### COP Debt Service Fund

The COP Debt Service Fund is used to account for resources used for debt service payments. At fiscal year-end, fund balance was \$0.1 million.

## Proprietary funds

Valley Water's proprietary funds provide a detailed breakdown of the same type of information found in the government-wide financial statements.

### Water Enterprise fund

The Water Enterprise fund accounts for operations in a manner similar to a private business enterprise. Operations are accounted for to show net income or loss from operations. The fund is intended to be entirely or predominantly self-supported by water charges.

Net position of the Water Enterprise fund at the end of the fiscal year was \$1.2 billion, which is the same as the prior year. Net operating income was \$19.5 million, with operating revenues and operating expenses of \$321.1 million and \$301.6 million, respectively. Nonoperating revenues (expenses) posted a net loss of less than \$1.0 million, with \$36.4 million of the nonoperating revenues being more than offset by the \$38.3 million of financing cost incurred for interest and fiscal agent fees. Income before capital contribution and transfers were \$18.7 million. Capital contributions for the fiscal year was \$3.5 million. Net transfers out were \$2.8 million. Please refer to Note 14 for more information on transfers in and out.

Operating revenues for the current fiscal year were \$52.9 million higher than last fiscal year, mainly the result of increase in ground water production charges. Operating expenses went up by \$93.6 million as administration and general expenses increased by \$85.5 million. Nonoperating revenues increased by \$7.6 million, mainly from the \$12.6 million increase in investment income less the \$5.7 million cost increase in interest and fees from borrowing.

### State Water Project fund

The State Water Project fund was established and approved by the Board on October 26, 2010. This fund accounts for the State Water Project Tax receipts pursuant to Section 1B of Article 13A of the California Constitution to pay for county-wide voter-approved State Water Project contract obligations. Fund resources are used for the Water System Revenue Bond and other related capital expenditures billed by the State of California Department of Water Resources and are accounted for

## Management's Discussion and Analysis (continued)

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in such a manner as to restrict the use of the resources exclusively for the State Water Project related costs.

Ending net position was \$33.8 million or \$3.1 million higher than the prior fiscal year. Net operating losses of \$27.8 million were \$3.7 million higher than the prior fiscal year. Net non-operating revenues of \$30.9 million were \$0.8 million higher than the prior fiscal year and mainly comprised of property taxes of \$28.0 million.

### Internal Service Funds

Valley Water has three internal service funds - the Equipment Fund, Risk Management Fund, and Information Technology Fund. Revenues of the funds are generated from fees charged for services provided to other Valley Water operating programs.

The Equipment fund charges replacement and maintenance costs to all operations, operating, and capital projects based on equipment assignment and usage of equipment on projects. The fund's annual reimbursement charge for the replacement and maintenance cost of equipment is determined during the budget process and varies yearly depending upon need.

The Risk Management fund charges premiums based on exposure levels by project for liability, property, worker's compensation, and self-insurance costs. Revenues required to properly reimburse the Risk Management Fund are determined during the budget process and varies yearly depending upon need.

The Information Technology fund was established on July 1, 2014 to account for the acquisition, installation, replacement, and maintenance costs of capital charges related to information technology projects for Valley Water. Beginning with fiscal year 2019, the fund also accounts for annual operations associated with information technology activities. The annual reimbursement charge to the Information Technology Fund is determined during the budget process and varies yearly depending upon need.

The Internal Service Fund's ending net position was \$28.3 million, or \$6.8 million lower than the prior fiscal year. The decrease in net position was the result of the increase in administration and general expenses in the Risk Management Fund and increase in equipment maintenance cost in the Information Technology Fund.

## Management's Discussion and Analysis (continued)

### GENERAL FUND BUDGETARY HIGHLIGHTS

The summary table below shows a final budget of \$94.9 million for operating and capital expenditures for fiscal year 2024. The adopted budget was \$91.8 million. The budget adjustments made during the fiscal year were \$3.1 million.

(A)	(B)	(C)	(A + B + C)
Adopted Budget	Capital Projects Budget Remaining Carry-forward	Fiscal Year Budget Adjustments	Final Budget
\$91.8 million	\$0.0 million	\$3.1 million	\$94.9 million

Total expenditures on a budgetary basis (which recognizes encumbrances as expenditures) in the General Fund for fiscal year 2024 was \$80.4 million, which is \$1.0 million higher than the prior fiscal year.

Beginning fiscal year 2019, all project expenditures relating to the Information Technology Department were moved to the Information Technology Internal Service Fund. These expenditures were previously accounted for in the General Fund.

### CAPITAL ASSETS

Valley Water's capital assets, net of accumulated depreciation, for governmental and business-type activities amounted to \$3.7 billion as of June 30, 2024. Capital asset components include intangible rights and software, land, buildings, structures and improvements (which include the flood control improvement), and equipment. During fiscal year 2024, the net increase in Valley Water's capital assets was \$250.5 million or 7.2%. Governmental and business-type activities increased by \$26.9 million and \$223.6 million, respectively.

Detailed information on Valley Water's capital assets activity for the current fiscal year can be found in Note 6 of the notes to the financial statements.

## Management's Discussion and Analysis (continued)

### LONG-TERM OBLIGATIONS

At the end of the current fiscal year, Valley Water had total long-term obligations of \$1.6 billion. Valley Water's long-term obligations outstanding at the end of the fiscal year consisted of the following:

**VALLEY WATER**  
**Long-Term Obligations**  
(Dollars in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Certificates of Participation	\$ 29,235	\$ 38,900	\$ 404,795	\$ 422,055	\$ 434,030	\$ 460,955
Revenue bonds	120,820	121,740	521,095	526,540	641,915	648,280
Premium on debt issuances	13,796	16,157	61,597	66,163	75,393	82,320
Total long-term debt	<u>163,851</u>	<u>176,797</u>	<u>987,487</u>	<u>1,014,758</u>	<u>1,151,338</u>	<u>1,191,555</u>
Compensated absence	13,301	13,309	8,599	8,605	21,900	21,914
Semitropic water banking liability	-	-	13,859	11,919	13,859	11,919
Claims payable	10,745	8,337	-	-	10,745	8,337
Net pension liability	170,181	163,437	140,099	129,765	310,280	293,202
Other post-employment benefits liability	54,976	26,631	45,259	21,144	100,235	47,775
Lease liability	2,441	3,293	2,690	2,974	5,131	6,267
Total	<u>\$ 415,495</u>	<u>\$ 391,804</u>	<u>\$1,197,993</u>	<u>\$1,189,165</u>	<u>\$1,613,488</u>	<u>\$1,580,969</u>

The credit ratings for Valley Water outstanding debt reflect a high-grade investment quality debt. They are based on Valley Water's positive fiscal policy and financial strengths. The bond ratings are either the highest or among the highest for a water related governmental entity in the State of California. Bonds issued at this credit rating result in lower interest rates and corresponding lower debt service payments. Valley Water's ratings are the same on a secured and unsecured basis pursuant to the rating methodologies of the respective rating agencies.

Please see table below for current ratings.

	<u>Water Utility</u>	<u>Watershed</u>
	<u>Parity Debt</u>	<u>Debt</u>
Moody's	Aa1	Aa1
Standard & Poor's	N/A	AAA
Fitch	AA+	AA+

Valley Water's total long-term obligations increased by \$32.5 million during fiscal year 2024. \$23.7 million of the increase was from the governmental activities and \$8.8 million was from the business-type activities.



## Management's Discussion and Analysis (continued)

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Significant factors for the increase in long-term obligations are as follows:

- Increase in net pension liability of \$17.1 million as reflected in Valley Water's actuarial study under GASB 68.
- Increase in other post-employment benefits liability of \$52.5 million as reflected in Valley Water's actuarial study under GASB 75.

Additional information on Valley Water's long-term debt can be found in Note 7 of the notes to the financial statements.

### NEXT YEAR'S BUDGET

Valley Water's net operating and capital budget for fiscal year 2025 is at \$963.6 million<sup>18</sup>. This budget was developed to meet the objective and challenges facing Valley Water that includes the following:

- Maintaining optimal conditions in all Valley Water infrastructure such as levees, concrete channels, culverts, percolation ponds, dams and reservoirs, water distribution systems, water treatment plants, various operations buildings, and other facilities
- Delivering an ambitious capital program on time and within budget
- Advancing Valley Water's interests in countywide stormwater resource planning
- Actively participating in decisions regarding California Delta Conveyance
- Leading efforts to advance recycled and purified water efforts within Santa Clara County
- Pursuing new water supply and increased water storage opportunities
- Providing safe, clean water and natural flood protection equitably to all Santa Clara County while protecting ecosystem functions and enhancing habitats
- Attaining net positive impact on the environment when completing projects
- Addressing future impacts of climate change to Valley Water's mission and operations
- Addressing encampments in coordination with regional partners and progressing on an Unhoused Task Force framework

### REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of Valley Water's finances, and to demonstrate Valley Water's accountability for the money it receives. If you have any questions about this report or need any additional information, contact the General Accounting Unit as noted below.

Mail - 5750 Almaden Expressway, San Jose, CA 95118

Phone - (408) 265-2600

Email - [jsalandanan@valleywater.org](mailto:jsalandanan@valleywater.org)

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<sup>18</sup> Valley Water FY2024-25 Operating and Capital Budget, chapter 3, page 7

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**BASIC FINANCIAL STATEMENTS**

# VALLEY WATER

## Statement of Net Position

June 30, 2024

(Dollars in Thousands)

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments (Note 3)	\$ 406,495	\$ 352,452	\$ 758,947
Restricted cash and investments (Note 3)	44,167	152,936	197,103
Receivables (net):			
Accounts	1,973	53,558	55,531
Interest	3,020	570	3,590
Taxes	383	115	498
Leases	-	55	55
Inventory - water	-	154,920	154,920
Deposits and other assets	2,337	5,820	8,157
Total current assets	458,375	720,426	1,178,801
Internal balances	16,565	(16,565)	-
Capital assets (Note 6):			
Contract water and storage rights, net	-	28,796	28,796
Depreciable, net	914,580	723,546	1,638,126
Lease assets, net	2,342	2,441	4,783
Nondepreciable	929,999	1,136,804	2,066,803
Total assets	2,321,861	2,595,448	4,917,309
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on refunding	-	176	176
Deferred outflows of resources - pension activities (Note 11)	61,408	50,553	111,961
Deferred outflows of resources - OPEB (Note 12)	34,272	28,213	62,485
Total deferred outflow of resources	95,680	78,942	174,622
<b>LIABILITIES</b>			
Accounts payable	6,529	23,752	30,281
Accrued liabilities	6,444	32,903	39,347
Commercial paper debt (Note 7)	-	208,600	208,600
Claims payable (Note 7)	2,989	-	2,989
Compensated absences (Note 7)	2,875	1,859	4,734
Deposits payable	811	4,687	5,498
Bonds payable (Note 7)	7,704	106,336	114,040
Lease Liability (Note 7)	700	286	986
Accrued interest payable	2,338	-	2,338
Total current liabilities	30,390	378,423	408,813
Noncurrent liabilities (Note 7):			
Claims payable	7,756	-	7,756
Compensated absences	10,426	6,740	17,166
Bonds payable	156,147	881,151	1,037,298
Pension	170,181	140,099	310,280
Other post employment benefits	54,976	45,259	100,235
Lease liability	1,741	2,404	4,145
Other debts	-	13,859	13,859
Total liabilities	431,617	1,467,935	1,899,552

See accompanying notes to basic financial statements.

# VALLEY WATER

## Statement of Net Position (Continued)

June 30, 2024

(Dollars in Thousands)

	Governmental Activities	Business-type Activities	Total
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred amount on refunding	225	-	225
Deferred inflows of resources - OPEB (Note 12)	3,523	2,901	6,424
Deferred inflows of resources - leases	38	69	107
Total deferred inflow of resources	3,786	2,970	6,756
<b>NET POSITION (Note 10)</b>			
Net investment in capital assets	1,718,899	822,531	2,541,430
Restricted			
Debt service	71	9,782	9,853
Safe, Clean Water - other activities	263,168	-	263,168
Water Utility San Felipe Emergency	-	3,651	3,651
GP5 Reserve	-	25,813	25,813
Water Utility Rate Stabilization	-	6,067	6,067
State Water projects	-	22,451	22,451
Advanced water purification center	-	1,293	1,293
Supplemental water supply	-	5,277	5,277
Unrestricted	-	306,620	306,620
Total net position	\$ 1,982,138	\$ 1,203,485	\$ 3,185,623

See accompanying notes to basic financial statements.

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# VALLEY WATER

Statement of Activities  
For the Year Ended June 30, 2024  
(Dollars in Thousands)

Description	Governmental Activities			Total	Business- Type Activities	Total
	General Government	Watersheds	Interest on Long-term Debt			
<b>Expenses:</b>						
Operations and operating projects	\$ 15,465	\$ 132,333	\$ 3,532	\$ 151,330	\$ -	\$ 151,330
Water cost of production	-	-	-	-	378,494	378,494
<b>Program revenues:</b>						
Water Revenues	-	-	-	-	320,638	320,638
Operating grants and contributions	-	-	-	-	5,184	5,184
Capital grants and contributions	-	13,355	-	13,355	3,544	16,899
<b>Net program revenue (expense)</b>	<b><u>\$ (15,465)</u></b>	<b><u>\$ (118,978)</u></b>	<b><u>\$ (3,532)</u></b>	<b><u>(137,975)</u></b>	<b><u>(49,128)</u></b>	<b><u>(187,103)</u></b>
<b>General revenues:</b>						
Property taxes (Note 8)				187,245	39,058	226,303
Unrestricted investment earnings, net				21,906	20,230	42,136
Lease revenue				-	83	83
Miscellaneous				5,623	7,609	13,232
<b>Transfers</b>				<u>2,833</u>	<u>(2,833)</u>	<u>-</u>
<b>Total general revenues and transfers</b>				<u>217,607</u>	<u>64,147</u>	<u>281,754</u>
<b>Change in net position</b>				79,632	15,019	94,651
<b>Net position, beginning of year</b>				<u>1,902,506</u>	<u>1,188,466</u>	<u>3,090,972</u>
<b>Net position, end of year</b>				<u><u>\$ 1,982,138</u></u>	<u><u>\$ 1,203,485</u></u>	<u><u>\$ 3,185,623</u></u>

See accompanying notes to basic financial statements.

# VALLEY WATER

Balance Sheet

Governmental Funds

June 30, 2024

(Dollars in Thousands)

	<u>Special Revenue Fund</u>	
	General Fund	Watershed & Stream Stewardship
<b>ASSETS</b>		
Cash and investments (Note 3)	\$ 28,323	\$ 154,946
Restricted cash and investments (Note 3)	-	77
Receivables:		
Accounts	36	1,701
Interest	2,869	-
Taxes	34	349
Deposits and other assets	2,012	1
Total assets	\$ 33,274	\$ 157,074
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 632	\$ 1,280
Accrued liabilities	2,495	1,138
Deposits payable	10	565
Total liabilities	3,137	2,983
<b>FUND BALANCES (Note 9)</b>		
Restricted Fund Balance	-	147,076
Committed Fund Balance	25,202	-
Assigned Fund Balance	4,935	7,015
Total fund balances	30,137	154,091
Total liabilities and fund balances	\$ 33,274	\$ 157,074

See accompanying notes to basic financial statements.



<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	
Safe, Clean Water & Natural Flood Protection Program	COP Construction Fund	COP Debt Service Fund	Total Governmental Funds
\$ 179,172	\$ -	\$ 71	\$ 362,512
44,090	-	-	44,167
236	-	-	1,973
151	-	-	3,020
-	-	-	383
237	-	-	2,250
<u>\$ 223,886</u>	<u>\$ -</u>	<u>\$ 71</u>	<u>\$ 414,305</u>
\$ 4,122	\$ -	\$ -	\$ 6,034
2,024	-	-	5,657
236	-	-	811
<u>6,382</u>	<u>-</u>	<u>-</u>	<u>12,502</u>
217,504	-	71	364,651
-	-	-	25,202
-	-	-	11,950
<u>217,504</u>	<u>-</u>	<u>71</u>	<u>401,803</u>
<u>\$ 223,886</u>	<u>\$ -</u>	<u>\$ 71</u>	<u>\$ 414,305</u>

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# VALLEY WATER

Reconciliation of the Balance Sheet of  
Governmental Funds to the Statement of Net Position  
June 30, 2024  
(Dollars in Thousands)

Amount reported for governmental activities in the statement of net position are different because:

Fund balances of governmental funds	\$ 401,803
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the balance sheet of governmental funds.	1,833,067
Lease and subscription assets	2,342
Internal service funds are used by management to charge the costs of equipment, information technology, and risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	
Internal service funds included in governmental activities	28,268
Transfer of internal service funds from business-type activities	16,565
Interest payable on long-term debt does not require the use of current financial resources and, therefore, interest payable is not accrued as a liability in the balance sheet of governmental funds.	(2,338)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the balance sheet of governmental funds:	
Certificates of participation	(150,055)
Deferred amount on refunding	(225)
Net original issue premium	(13,796)
Compensated absences	(12,534)
Net pension liability and related deferrals	(96,897)
Net OPEB liability and related deferrals	(21,583)
Lease and subscription liabilities and related deferrals	(2,479)
Net position of governmental activities	<u>\$ 1,982,138</u>

See accompanying notes to basic financial statements.

# VALLEY WATER

Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2024  
(Dollars in Thousands)

		<u>Special Revenue Fund</u>
	<u>General Fund</u>	<u>Watershed &amp; Stream Stewardship</u>
<b>Revenues:</b>		
Property taxes (Note 8)	\$ 12,240	\$ 122,830
Benefit assessments (Note 8)	-	6,889
Use of money and property:		
Investment income (Note 5)	796	6,824
Rental	-	1,690
Reimbursement of capital costs (Note 4)	-	3,064
Other	199	2,724
Total revenues	<u>13,235</u>	<u>144,021</u>
<b>Expenditures:</b>		
Current:		
Operations and operating projects	3,183	76,070
Capital improvement projects	3,420	40,505
Debt service:		
Principal repayment	-	-
Interest and fiscal agent fees	-	6
Total expenditures	<u>6,603</u>	<u>116,581</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,632</u>	<u>27,440</u>
<b>Other financing sources (uses):</b>		
Proceeds from Borrowing	-	-
Transfers in (Note 14)	2,084	7,586
Transfers out (Note 14)	(472)	(15,381)
Total other financing sources (uses)	<u>1,612</u>	<u>(7,795)</u>
Net change in fund balances	8,244	19,645
Fund balances, beginning of year	21,893	134,446
Fund balances, end of year	<u>\$ 30,137</u>	<u>\$ 154,091</u>

See accompanying notes to basic financial statements.

<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	
Safe, Clean Water & Natural Flood Protection Program	COP Construction Fund	COP Debt Service Fund	Total Governmental Funds
\$ 52,175	\$ -	\$ -	\$ 187,245
-	-	-	6,889
12,071	-	173	19,864
344	-	-	2,034
3,402	-	-	6,466
194	-	-	3,117
<u>68,186</u>	<u>-</u>	<u>173</u>	<u>225,615</u>
27,720	-	-	106,973
47,159	-	-	91,084
920	-	9,665	10,585
4,321	-	1,894	6,221
<u>80,120</u>	<u>-</u>	<u>11,559</u>	<u>214,863</u>
<u>(11,934)</u>	<u>-</u>	<u>(11,386)</u>	<u>10,752</u>
-	-	-	-
-	-	11,559	21,229
<u>(3,240)</u>	<u>-</u>	<u>(5,534)</u>	<u>(24,627)</u>
<u>(3,240)</u>	<u>-</u>	<u>6,025</u>	<u>(3,398)</u>
<u>(15,174)</u>	<u>-</u>	<u>(5,361)</u>	<u>7,354</u>
<u>232,678</u>	<u>-</u>	<u>5,432</u>	<u>394,449</u>
<u>\$ 217,504</u>	<u>\$ -</u>	<u>\$ 71</u>	<u>\$ 401,803</u>

## VALLEY WATER

### Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended June 30, 2024

(Dollars in Thousands)

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 7,354
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents capital outlays, net of depreciation.</p>	
Capital Outlay	42,474
Depreciation	(13,718)
<p>Accrued interest expense on long-term debt is reported in the government-wide statement of activities, but they do not require the use of current financial resources. This amount represents the net change in accrued interest expense not reported in governmental funds.</p>	
	340
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.</p>	
Certificates of participation repayment	10,585
Deferred amount on refunding	(12)
Net original issue premium	2,361
<p>Internal service funds are used by management to charge the costs of equipment, information technology, and risk management to individual funds. The net revenue of internal service funds is reported with governmental activities.</p>	
	743
<p>Some revenues and expenses reported in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds:</p>	
Compensated absences	7
Change in net OPEB liability, deferred inflows and outflows	(6,498)
Change in net pension liability, deferred inflows and outflows	36,043
Capital lease and SBITA expenses	(47)
Change in net position of governmental activities	\$ 79,632

See accompanying notes to basic financial statements

# VALLEY WATER

## Statement of Net Position

### Proprietary Funds

June 30, 2024

(Dollars in Thousands)

	Business-type Activity			Governmental
	Water	State Water	Total	Internal
	Enterprise Fund	Project Fund	Enterprise Funds	Service Funds
<b>ASSETS</b>				
Current assets:				
Cash and investments (Note 3)	\$ 329,552	\$ 22,900	\$ 352,452	\$ 43,983
Receivables:				
Accounts	53,541	17	53,558	-
Interest	570	-	570	-
Taxes	31	84	115	-
Lease	55	-	55	-
Inventory-Water	154,920	-	154,920	-
Deposits and other assets	5,820	-	5,820	87
Total current assets	<u>544,489</u>	<u>23,001</u>	<u>567,490</u>	<u>44,070</u>
Non current assets:				
Restricted cash and investments (Note 3)	152,936	-	152,936	-
Capital assets (Note 6):				
Contract water rights, net	17,463	11,333	28,796	-
Depreciable, net	723,546	-	723,546	11,512
Lease assets, net	2,441	-	2,441	-
Nondepreciable	1,136,804	-	1,136,804	-
Total non current assets	<u>2,033,190</u>	<u>11,333</u>	<u>2,044,523</u>	<u>11,512</u>
Total assets	<u>2,577,679</u>	<u>34,334</u>	<u>2,612,013</u>	<u>55,582</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amount on refunding	176	-	176	-
Deferred outflows of resources - pension activities (Note 11)	50,553	-	50,553	6,704
Deferred outflows of resources - OPEB (Note 12)	28,213	-	28,213	3,742
Total deferred outflow of resources	<u>78,942</u>	<u>-</u>	<u>78,942</u>	<u>10,446</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	23,558	194	23,752	495
Accrued liabilities	32,547	356	32,903	787
Commercial paper debt (Note 7)	208,600	-	208,600	-
Deposits payable	4,687	-	4,687	-
Claims payable (Note 13)	-	-	-	2,989
Bond payable - current (Note 7)	106,336	-	106,336	-
Compensated absence (Note 7)	1,859	-	1,859	166
Lease liability (Note 7)	286	-	286	-
Total current liabilities	<u>377,873</u>	<u>550</u>	<u>378,423</u>	<u>4,437</u>
Non current liabilities:				
Bonds payable - net of discounts and premiums (Note 7)	881,151	-	881,151	-
Claims payable (Note 13)	-	-	-	7,756
Compensated absence (Note 7)	6,740	-	6,740	601
Net pension liability (Note 11)	140,099	-	140,099	18,580
Other post employment benefits liability (Note 12)	45,259	-	45,259	6,002
Lease liability (Note 7)	2,404	-	2,404	-
Other debts	13,859	-	13,859	-
Total non current liabilities	<u>1,089,512</u>	<u>-</u>	<u>1,089,512</u>	<u>32,939</u>
Total liabilities	<u>1,467,385</u>	<u>550</u>	<u>1,467,935</u>	<u>37,376</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources - OPEB (Note 12)	2,901	-	2,901	384
Deferred inflows of resources - leases (Note 2d)	69	-	69	-
Total deferred inflows of resources	<u>2,970</u>	<u>-</u>	<u>2,970</u>	<u>384</u>
<b>NET POSITION (Note 10)</b>				
Net investment in capital assets	811,198	11,333	822,531	11,512
Restricted				
Debt Service	9,782	-	9,782	-
San Felipe operations	3,651	-	3,651	-
GP5 Reserve	25,813	-	25,813	-
Rate stabilization	6,067	-	6,067	-
State Water Project	-	22,451	22,451	-
Advanced water purification center	1,293	-	1,293	-
Supplemental Water Supply	5,277	-	5,277	-
Unrestricted	323,185	-	323,185	16,756
Total net position	<u>\$ 1,186,266</u>	<u>\$ 33,784</u>	<u>1,220,050</u>	<u>\$ 28,268</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			(16,565)	
Net position of business-type activities			<u>\$ 1,203,485</u>	

See accompanying notes to basic financial statements.

# VALLEY WATER

Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2024  
(Dollars in Thousands)

	Business-type Activity			Governmental
	Water	State	Total	Internal
	Enterprise Fund	Water Fund		Enterprise Funds
<b>Operating revenues:</b>				
Ground water production charges	\$ 148,744	\$ -	\$ 148,744	\$ -
Treated water charges	169,633	-	169,633	-
Surface and recycled water revenue	2,261	-	2,261	-
Charges for services	-	-	-	43,570
Other	444	3,250	3,694	-
Total operating revenues	321,082	3,250	324,332	43,570
<b>Operating expenses:</b>				
Sources of supply	104,626	30,070	134,696	-
Water treatment	53,858	-	53,858	-
Transmission and distribution:				
Raw water	20,988	-	20,988	-
Treated water	2,792	-	2,792	-
Administration and general	97,775	-	97,775	13,577
Equipment maintenance	-	-	-	42,830
Depreciation and amortization	21,572	944	22,516	2,751
Total operating expenses	301,611	31,014	332,625	59,158
Operating income (loss)	19,471	(27,764)	(8,293)	(15,588)
<b>Nonoperating revenues (expenses):</b>				
Property taxes (Note 8)	11,045	28,013	39,058	-
Investment income (Note 5)	20,230	-	20,230	2,040
Operating grants	5,184	-	5,184	-
Rental income	90	-	90	-
Lease revenue	83	-	83	-
Other	930	2,895	3,825	479
Interest and fiscal agent fees	(38,288)	-	(38,288)	-
Net nonoperating revenues (expenses)	(726)	30,908	30,182	2,519
Income/(loss) before capital contributions and transfers	18,745	3,144	21,889	(13,069)
Capital contributions (Note 4)	3,544	-	3,544	-
Transfers in (Note 14)	1,093	-	1,093	6,231
Transfers out (Note 14)	(3,926)	-	(3,926)	-
Change in net position	19,456	3,144	22,600	(6,838)
Net position, beginning of year	1,166,810	30,640	1,197,450	35,106
Net position, end of year	\$ 1,186,266	\$ 33,784	1,220,050	\$ 28,268
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund.			(16,565)	
Net position of business-type activities			\$ 1,203,485	
Reconciliation of the Statement of Revenues, Expenses and Change in Net Position to the Statement of Activities:				
Amounts reported as business-type activities in the statement of activities are different because:				
Net change in net position - enterprise funds			\$ 22,600	
Adjustment to the net effect of the current year activity between the internal service funds and the enterprise funds			(7,581)	
Change in net position of business-type activities			\$ 15,019	

See accompanying notes to basic financial statements.



# VALLEY WATER

## Statement of Cash Flows

### Proprietary Funds

For the Year Ended June 30, 2024

(Dollars in Thousands)

	Business-type Activities			Governmental
	Water	State	Total	Total
	Enterprise Fund	Water Project Fund	Enterprise Funds	Internal Service Funds
<b>Cash flows from operating activities:</b>				
Payment for interfund services provided	\$ -	\$ -	\$ -	\$ 43,570
Payment to suppliers	(75,526)	(29,557)	(105,083)	(34,148)
Payment to employees	(132,066)	-	(132,066)	(12,723)
Other receipts	1,065	2,895	3,960	425
Net cash provided by (used for) operating activities	80,639	(23,429)	57,210	(2,876)
<b>Cash flows from noncapital financing activities:</b>				
Property taxes received	11,052	28,042	39,094	-
Operating grants	5,184	-	5,184	-
Transfers in from other funds	1,093	-	1,093	-
Net cash provided by noncapital financing activities	17,329	28,042	45,371	-
<b>Cash flows from capital &amp; related financing activities:</b>				
COP/Revenue bonds issuance/(payment)	(27,240)	-	(27,240)	-
Commercial paper issuance/(payment)	173,600	-	173,600	-
Capital grants	3,544	-	3,544	-
Interest & fiscal agents fees paid	(38,288)	-	(38,288)	-
Payment for contract water rights	(11,511)	-	(11,511)	-
Acquisition and construction of capital assets	(246,117)	-	(246,117)	(1,760)
Transfers in from other funds	-	-	-	6,231
Transfers out to other funds	(3,926)	-	(3,926)	-
Net cash provided by (used for) capital & related financing activities	(149,938)	-	(149,938)	4,471
<b>Cash flows from investing activities:</b>				
Sale/(purchase) of investments	59,930	-	59,930	-
Rental income received	90	-	90	-
Interest received on cash & investments	19,660	-	19,660	2,040
Net cash provided by/(used for) investing activities	79,680	-	79,680	2,040
Net increase/(decrease) in cash & cash equivalents	27,710	4,613	32,323	3,635
Cash & cash equivalents, beginning	301,842	18,287	320,129	40,348
Cash & cash equivalents, ending	\$ 329,552	\$ 22,900	\$ 352,452	\$ 43,983
<b>Cash and cash equivalents are reported on the Statement of Net Position as follows:</b>				
Cash and investments	\$ 329,552	\$ 22,900	\$ 352,452	\$ 43,983
Cash & cash equivalents, ending	\$ 329,552	\$ 22,900	\$ 352,452	\$ 43,983

See accompanying notes to basic financial statements.

**VALLEY WATER**  
Statement of Cash Flows (Continued)  
Proprietary Funds  
For the Year Ended June 30, 2024  
(Dollars in Thousands)

	Business-type Activities			Governmental Activities
	Water Enterprise Fund	State Water Project Fund	Total Enterprise Funds	Internal Service Funds
<b>Reconciliation of net operating income/(loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 19,471	\$ (27,764)	\$ (8,293)	\$ (15,588)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>				
Other receipts/(payments)	1,065	2,895	3,960	425
Depreciation and amortization	33,082	944	34,026	2,751
<b>Change in operating assets and liabilities:</b>				
(Increase)/decrease in deposits and other assets	(3,085)	-	(3,085)	22
(Increase)/decrease in accounts receivable	(12,627)	(17)	(12,644)	-
(Increase)/decrease in water inventory	(21,289)	-	(21,289)	-
Increase/(decrease) in accounts payable	728	194	922	210
Increase (decrease) in accrued liabilities	6,313	319	6,632	249
Increase (decrease) in lease payable	(283)	-	(283)	-
Increase (decrease) in compensated absences	(6)	-	(6)	(1)
Increase (decrease) in Claims payable	-	-	-	2,408
Increase (decrease) in deposits payable	2,736	-	2,736	-
Increase (decrease) in payable to Semitropic	1,940	-	1,940	-
Increase/(decrease) in pension liability	10,334	-	10,334	598
Increase/(decrease) in other post employment benefits payable	24,114	-	24,114	3,072
Increase/(decrease) in deferred inflow/outflow of resources	18,146	-	18,146	2,978
Net cash provided by (used in) operating activities	<u>\$ 80,639</u>	<u>\$ (23,429)</u>	<u>\$ 57,210</u>	<u>\$ (2,876)</u>
<b>Noncash investing, capital and financing activity:</b>				
(Acquisition)/disposition of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54</u>

See accompanying notes to basic financial statements.

**VALLEY WATER**  
Statement of Fiduciary Net Position  
Custodial Fund  
June 30, 2024  
(Dollars in Thousands)

**ASSETS**

Cash and investments (Note 3)	\$ 352
Total assets	<u>352</u>

**LIABILITIES**

Deposits payable	<u>352</u>
Total liabilities	<u>352</u>

**NET POSITION**

\$ -
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See accompanying notes to basic financial statements.

**VALLEY WATER**  
Statement of Changes in Fiduciary Net Position  
Custodial Fund  
For the Year Ended June 30, 2024  
(Dollars in Thousands)

**Deposit Fund**

Additions:

Contributions	\$ 53
Total additions	53

Deductions:

Withdrawals	53
Total deductions	53
Net increase in fiduciary net position	-
Net Position, beginning	-
Net Position, ending	\$ -

See accompanying notes to basic financial statements.

**VALLEY WATER**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2024

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**NOTE 1 - THE FINANCIAL REPORTING ENTITY**

**(a) Description of the Reporting Entity**

The Santa Clara Valley Water District (Valley Water) is a special district created by an act of the legislature of the State of California (State) in 1951 and as amended. Valley Water encompasses all of Santa Clara County.

Valley Water is governed by a seven-member Board of Directors (Board). Each member represents one of the equally divided districts drawn through a formal process. The term of office of a director is four years.

On October 12, 2009, Assembly Bill 466 was signed by the Governor of California revising the composition of the Board to an all-elected board that, on or after noon on December 3, 2010, consists of seven directors who are elected pursuant to specified requirements. On May 14, 2010, the Board adopted a resolution that officially set the boundaries of the seven electoral districts. As required by state law, Valley Water redrew its boundaries to reflect the 2010 Census results, and on October 11, 2011, the Board adopted Resolution No. 11-63 selecting the Redistricting Plan, known as the Current Adjusted Map.

Under the Santa Clara Valley Water District Act (District Act), Valley Water has broad powers relating to all aspects of flood control and storm waters within Santa Clara Valley, whether such waters have their sources within Valley Water. It is also authorized to import, store, treat, and distribute water for use within its jurisdictional boundaries and to provide sufficient water for present or future beneficial use of the lands and inhabitants of Santa Clara Valley. Valley Water acquires, stores, and distributes water for groundwater recharge and for irrigation, residential, fire protection, municipal, commercial, industrial, and all other uses. In addition to the broad authorities provided by the District Act, the Sustainable Groundwater Management Act (SGMA) provides several additional specified powers to Valley Water. These legal authorities under SGMA include the ability to regulate groundwater pumping and assess different types of groundwater charges as potential tools to support continued groundwater sustainability. Valley Water also directly supports the environment and the community through careful stewardship.

As required by generally accepted accounting principles (GAAP) in the United States of America, the accompanying basic financial statements present Valley Water and its component unit. The component unit discussed below is included in Valley Water's reporting entity because of the significance of its operational and financial relationship with Valley Water.

**(b) Blended Component Unit**

The Santa Clara Valley Water District Public Facilities Financing Corporation (PFFC) was established on December 16, 1987 to provide assistance in financing the acquisition, construction, and improvement of public buildings, works and equipment for Valley Water. Although legally separate from Valley Water, the PFFC is reported as if it were part of the primary government because its governing board is also Valley Water's Board of Directors. Its sole purpose is to provide financing to Valley Water under the debt issuance documents of Valley Water.

**VALLEY WATER**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2024

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The operations of the PFFC are accounted for as a blended component unit in the debt service and capital project funds of Valley Water. No separate financial statements are issued for the PFFC.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Presentation**

Government-wide Financial Statements

The statement of net position and statement of activities display information about the primary government (Valley Water) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the *governmental* and *business-type activities* of Valley Water. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from the business-type activities, which rely to a significant extent on water sales charged to external parties.

Certain eliminations have been made in regard to interfund activities. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, internal service fund transactions have been eliminated. However, transactions between the governmental and business-type activities have not been eliminated.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of Valley Water and for each function of Valley Water's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

When both restricted and unrestricted net position is available, restricted resources are used for qualified expenses before any unrestricted resources are spent.

Fund Financial Statements

The fund financial statements provide information about Valley Water's funds, including fiduciary funds. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented.

**VALLEY WATER**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2024

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Valley Water reports the following Governmental Funds, all of which are major funds:

The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental functions of Valley Water that are not accounted for through other major funds.

The *Special Revenue Type Funds* are used to account for specific revenue sources for which expenditures are restricted by law or regulation or committed by board resolutions to finance particular watershed or safe, clean water and natural flood protection functions or activities of Valley Water. Valley Water has the following special revenue funds:

- The *Watershed and Stream Stewardship Fund* is funded by Valley Water's one percent property tax allocation and benefit assessments and used to protect, restore, or enhance the watersheds, streams, and natural resources therein. Starting from fiscal year 2009, this fund was redefined to consolidate all watershed stewardship activities from a portion of Valley Water's ad valorem property tax allocation.

This fund includes the following watershed activities that are based on their geographic boundaries (zone funds):

- ◆ The *Lower Peninsula Watershed* is defined by geographic boundaries encompassing the tributaries and watersheds of San Francisquito Creek, Matadero Creek, Barron Creek, Adobe Creek, Stevens Creek, and Permanente Creek. The geographic area includes the Cities of Palo Alto, Los Altos, Mountain View, the Town of Los Altos Hills, and portions of Cupertino.
  - ◆ The *West Valley Watershed* is defined by geographic boundaries encompassing the tributaries and watersheds of the Guadalupe Slough, Sunnyvale West Outfall, Sunnyvale East Outfall, Calabazas Creek, San Tomas Aquino Creek, and Saratoga Creek. The geographic area includes portions of the Cities of Sunnyvale, Cupertino, Monte Sereno, San Jose, Santa Clara, Campbell, Saratoga and the Town of Los Gatos.
  - ◆ The *Guadalupe Watershed* is defined by geographic boundaries encompassing the tributaries and watersheds of the Guadalupe River. The major tributaries are Los Gatos Creek, Canoas Creek, Ross Creek, Guadalupe Creek, and Alamos Creek. The geographic area includes portions of the Cities of Santa Clara, San Jose, Campbell, Monte Sereno, and the Town of Los Gatos.
  - ◆ The *Coyote Watershed* is defined by geographic boundaries encompassing the tributaries and watersheds of Coyote Creek. The major tributaries are Lower Penitencia Creek, Scott Creek, Berryessa Creek, Upper Penitencia Creek, Silver Creek, Thompson Creek, Fisher Creek, and Packwood Creek. The geographic area includes the City of Milpitas and portions of the Cities of San Jose and Morgan Hill.
- The *Safe, Clean Water & Natural Flood Protection Program Fund* is used to account for the countywide special parcel tax approved by voters on November 3, 2020. This program replaces the Safe, Clean Water and Natural Flood Protection Program that was approved by the voters in November 2012, which replaces the original Clean, Safe Creeks and Natural Flood Protection Plan that was approved by the voters in November 2000.

**VALLEY WATER**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2024

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The *Capital Project Fund* is used to account for Certificate of Participation (COP) proceeds used for the construction of major capital projects. The COP Construction Fund is Valley Water's sole capital project fund.

The *Debt Service Fund* is used to account for monies being held for reserve requirements and arbitrage rebate for Valley Water's debt payments. The COP Debt Service Fund is Valley Water's sole debt service fund.

Valley Water reports the following Proprietary Funds:

- The *Water Enterprise Fund* (major fund) accounts for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.
- The *State Water Project Fund* (major fund) accounts for all revenues and costs associated with the State Water Project.
- The *Internal Service Funds* account for the financing of goods or services provided by one department or agency of Valley Water to other departments or agencies on a cost-reimbursement basis.
  - The *Equipment Fund* accounts for the maintenance and operation of Valley Water's vehicle fleet and heavy construction equipment used in the field.
  - The *Risk Management Fund* accounts for the monies set aside to pay for all claims, judgments, and premium cost.
  - The *Information Technology Fund* accounts for the replacement, operations, and maintenance of information technology projects for Valley Water.

All of the internal service funds are combined into a single, aggregated presentation in the Proprietary Funds financial statements. In the government-wide financial statements, the activities of the internal service funds are allocated between the Governmental and Business-type Activities.

Valley Water reports the following Fiduciary Fund - *Custodial Fund* to account for assets held by Valley Water as an agent for private organizations and/or other governments.

- The *Custodial Fund* is used to account for the collection and payment of funds held by Valley Water as an agent for private organizations and/or other governments. There is no trust agreement between Valley Water and these third parties.

The Fiduciary Fund is not included in the government-wide financial statements as it is not an asset of Valley Water.



**VALLEY WATER**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2024

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**(b) Basis of Accounting**

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which Valley Water gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, benefit assessments and grants. On an accrual basis, revenues from property taxes and benefit assessments are recognized in the fiscal year for which the taxes and assessments are levied; revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied; and revenue from investments is recognized when earned.

Governmental Funds

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property taxes, benefit assessments, interest, grants and charges for services are accrued when received within sixty days after the end of the fiscal year so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences are recorded when payment is due. Capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and capital leases are reported as other financing sources.

Proprietary Funds

Proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting and distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Enterprise Fund is the sale of water to outside customers. The principal operating revenues of Valley Water's internal service funds are charges for services provided to internal departments. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Proprietary funds *operating* revenues, such as charges for services, result from the exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. *Non-operating* revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Fiduciary Funds

Fiduciary funds are used to account for assets held by Valley Water in a fiduciary capacity as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary funds

**VALLEY WATER**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2024

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use the economic resources measurement focus and accrual basis of accounting for reporting assets and liabilities.

**(b) Cash and Investments**

While maintaining safety and liquidity, Valley Water maximizes its investment return by pooling its available cash for investment purposes. Interest earnings are apportioned among funds based upon the average monthly cash balance of each fund and are allocated to each fund on a monthly basis.

Valley Water reports investments in nonparticipating interest earnings contracts (including guaranteed investment contracts) at cost, and all other investments at fair value. The fair value of investments is based on current market prices.

For purposes of the Statement of Cash Flows, the proprietary funds consider all highly liquid investments with a maturity of three months or less when purchased (including restricted investments), and their equity in the cash and investment pool to be cash equivalents.

**(c) Lease Receivable**

Lease receivable is measured at the present value of lease payments expected to be received during the lease term.

Valley Water has entered into property leases with telecommunication companies and other parties for antennae and pipeline sites for a term of 5 years and 10 years, respectively. The discount rate used is equivalent to Valley Water's average annual investment earnings rate of 1.1%.

Deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. Deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

**(d) Inventory**

Proprietary fund inventory consists of materials and supplies held for consumption and stored water inventory. In fiscal year 2022, Valley Water implemented a new enterprise resource financial system that resulted in a change in accounting methodology. Purchases for inventory items stored in the warehouse that previously were being expensed are now being recorded as inventory and then expensed as incurred or issued.

For financial statement purposes, chemical inventories are presented under deposits and other assets. Water inventory is valued based on the rolling average of imported water purchase cost. The components of water inventory as of the end of the current fiscal year are shown on the succeeding page.

**VALLEY WATER**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2024

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<u>Type</u>	<u>Acre Feet</u>		<u>Total</u> (in thousands)
	<u>Volume</u>	<u>Average</u> <u>Unit Cost</u>	
Semitropic storage	300,694	\$ 433	\$ 130,201
Local Reservoir Storage	57,088	433	24,719
Total inventory - water			\$ 154,920

**(e) Lease or Right-to-Use Assets**

Valley Water has recorded lease or right-to-use assets as a result of implementing Governmental Accounting Standard Board Statement No. 87 (Leases) and Governmental Accounting Standard Board Statement No. 96 (Subscription-based Information Technology Arrangements). The lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The lease assets are amortized on a straight-line basis over the term of the related leases or useful life of the underlying assets, whichever is shorter.

**(f) Capital Assets**

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. Capital assets of governmental activities include pipelines, channel linings, floodwalls, levees, bridge flood proofing, box culverts and re-vegetation.

Valley Water defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets, including assets under capital leases used in operations, are depreciated or amortized using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and proprietary funds. The estimated useful lives are as follows:

Water treatment facilities	50 Years
Buildings, structures, and trailers	25 - 50 Years
Flood control projects	30 - 100 Years
Dams, structures, and improvements	80 Years
Office furniture, fixtures, and equipment	5 - 20 Years
Automobiles and trucks	6 - 12 Years
Computer equipment	5 Years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

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**(g) Amortization of Contract Water Rights**

Valley Water has contracted with the State of California for water deliveries from the State Water Project through calendar year 2035. A portion of the payments under this contract represent reimbursement of capital costs for transportation facilities (the capital cost component). The Water Enterprise Fund capitalizes the capital cost component and amortizes such component, using the straight-line method, over the remaining entitlement period.

**(h) Amortization of Water Banking Rights**

Valley Water has contracted with the Semitropic Water Storage District and its Improvement Districts for the water banking and exchange program. The program is in effect through calendar year 2035. Participation in the program provides Valley Water a 35% allocation for storage rights at the Semitropic Water Storage District facility, totaling 350,000 acre-feet. The Water Enterprise Fund has capitalized the cost of the program and amortizes its cost over the 40-year entitlement period using the straight-line method. See Note 15c for more information on Valley Water's participation in the Semitropic water banking and exchange program.

**(i) Amortization of Water Delivery Rights**

Valley Water has contracted with the United States Department of the Interior Bureau of Reclamation for water deliveries from the California Central Valley through calendar year 2027. A portion of this contract represents reimbursement of capital costs for general construction of the San Felipe Division facilities. The San Felipe Division transports water from San Luis Reservoir to the Santa Clara – San Benito service area through Pacheco Tunnel and other project features, which include 48.5 miles of closed conduits, two pumping plants and one small reservoir. The Water Enterprise Fund capitalizes the capital cost component and amortizes such component, using the straight-line method, over the remaining entitlement period.

**(k) Receivables**

Receivables include amounts due from water utility customers, as well as from other miscellaneous revenue sources. All receivables are shown net of an allowance for doubtful accounts. At the end of the fiscal year, a review of outstanding receivables results in an updated estimate of the bad debt allowance at year-end, whereby delinquent balances over 3 years are assigned a weight of 75%, up to 3 years a weight of 50%, up to 2 years a weight of 20%, and up to 1 year a weight of 5%. The totals of each of these amounts are then combined to determine the fiscal year's ending bad debt allowance. On June 30, 2024, the bad debt allowance was \$0.9 million.

**(l) Compensated Absences - Accrued Vacation and Sick Leave Pay**

It is the policy of Valley Water to permit employees to accumulate earned but unused vacation and sick leave benefits. Vested or accumulated vacation and sick leave are reported as noncurrent liabilities on the statement of net position.

Maximum vacation accruals may not exceed three times the employee's annual accrual rate, per

**VALLEY WATER**  
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For the Year Ended June 30, 2024

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employee. All regular full-time employees are eligible for twelve (12) days of sick leave per fiscal year. Unused sick leave may be carried forward to the following fiscal year without limitation. Upon retirement, up to 480 hours of accrued sick leave shall be paid to the eligible employee at the rate of 50% of the equivalent cash value. Upon resignation with ten or more years of service, or upon separation by layoff regardless of service, up to 480 hours of accrued sick leave shall be paid off at the rate of 25% of the cash value.

The compensated absences liability is recognized in Valley Water's proprietary funds and on the government-wide activities column in the statement of net position.

**(m) Bond Premiums, Discounts and Issuance Costs**

Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premiums or discounts. Refunding differences associated with debt refinancing are reported as deferred outflows or inflows of resources and amortized over the life of the bonds. Issuance costs are recorded as an expense of the current period.

Premiums and discounts related to outstanding debt are deferred and amortized over the life of the debt. Debt payables are reported net of the applicable bond premiums or discounts. Prepaid insurance associated with the issuance of debts are reported as prepaid expenses.

**(n) Encumbrances**

Valley Water employs encumbrance accounting as a significant aspect of budgetary control. Under encumbrance accounting, purchase orders, contracts, and other commitments for expenditure of funds are recorded as assignment of fund balance since they are not treated as current expenditures or outstanding liabilities at year end for GAAP financial reporting.

**(o) Net position**

Fund net position is classified based primarily to the extent to which Valley Water is bound to observe constraints imposed upon the use of the resources. When both restricted and unrestricted resources are available for expenses, Valley Water expends the restricted funds and then the unrestricted funds.

**(p) Use of Estimates**

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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**(q) 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 Valley Water'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.

**(r) Other Post-Employment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of Valley Water's plan (OPEB Plan) and additions to/deductions from the OPEB's Plan's fiduciary net position have been determined on the same basis as reported by CalPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**(s) Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**(t) New Pronouncements**

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on Valley Water's financial reporting process. Current and future new standards which may impact Valley Water include the following:

GASB Statement No. 104 – In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement also requires additional disclosures for capital assets held for sale. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Valley Water has not yet determined the impact of this pronouncement on the financial statements.

GASB Statement No. 103 – In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this statement is to improve key components of the financial

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reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Valley Water has not yet determined the impact of this pronouncement on the financial statements.

GASB Statement No. 102 – In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Valley Water has not yet determined the impact of this pronouncement on the financial statements.

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Valley Water has not yet determined the impact of this pronouncement on the financial statements.

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Errors Corrections – an amendment of GASB Statement No. 62*. The objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections, the required disclosure in the notes to the financial statements, and how information that is affected by a change in accounting principle or error correction should be presented in the required supplementary information (RSI) and supplementary information (SI). The requirements of this statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The implementation of this standard does not have an impact on Valley Water's financial statements.

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.

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- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.
- for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The implementation of this standard does not have an impact on Valley Water's financial statements.



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**NOTE 3 - CASH AND INVESTMENTS**

Valley Water's total cash and investments on June 30, 2024 are as follows (in thousands):

	Governmental Activities	Business-type Activities	Total Government Wide	Fiduciary Fund	Total
Cash and investments	\$ 406,495	\$ 352,452	\$ 758,947	\$ 352	\$ 759,299
Restricted cash and investments	44,167	152,936	197,103	-	197,103
<b>Total cash and investments</b>	<b>\$ 450,662</b>	<b>\$ 505,388</b>	<b>\$ 956,050</b>	<b>\$ 352</b>	<b>\$ 956,402</b>

**Deposits and Investments**

On June 30, 2024, Valley Water's cash and investments consisted of the following (in thousands):

U.S. Government Agencies	\$ 237,905
U.S. Treasury Obligations	145,269
Medium Term Notes	12,550
State of California Investment Pool - Local Agency Investment Fund (LAIF)	72,518
Mutual Funds	181,758
Supranational Obligations	11,454
Municipal Bonds	42,083
Negotiable Certificates of Deposit	233
Time Certificates of Deposit	204,802
Money Market Funds	45,608
Total Investments	954,180
Deposits	2,222
Total Deposits and Investments	\$ 956,402

As of June 30, 2024, the fair value of Valley Water's investment in the State of California investment pool (LAIF) was \$72.5 million. The Local Investment Advisory Board (LIA Board) has oversight responsibility for LAIF. The LIA Board consists of five members as designated by State Statute. Valley Water is a voluntary participant in the pool. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of Valley Water's position in LAIF. The pool is not registered with the Securities and Exchange Commission.

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Notes to Basic Financial Statements  
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**Authorized Investments by Valley Water**

Valley Water's Investment Policy and the California Government Code allow Valley Water to invest in the following types of investments, provided the credit ratings of the issuers are acceptable to Valley Water. The following items also identify certain provisions of Valley Water and California Government Code that address interest rate risk, credit risk, and concentration of credit risk. This list does not address Valley Water's investments of debt proceeds held by fiscal agents that are governed by the provisions of debt agreements of Valley Water, rather than the general provisions of the California Government Code or Valley Water's investment policy, when more restrictive.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	(Exempt from disclosure)	None	None
U.S. Government Agency Issues <sup>(A)</sup>	5 years	(Exempt from disclosure)	None	None
Bankers Acceptances	180 days	AA-	40%	4.8%
Commercial Paper	90 days	AA-	15%	1.8%
Negotiable Certificates of Deposit	5 years	AA-	30%	3.6%
Time Certificates of Deposit <sup>(B)</sup>	5 years	Satisfactory CRA	5%	\$250,000 & FDIC Membership
Collateralized Repurchase Agreements	30 days	AA-	None	None
Medium Term Notes	5 years	AA-	15%	1.8%
Municipal Obligations	5 years	AA-	15%	1.8%
LAIF <sup>(C)</sup>	N/A	N/A	(B)	(B)
Mutual Funds	N/A	AAA	10%	- -
Supranational Obligations	5 years	AA	15%	1.8%

<sup>(A)</sup> Securities issued by agencies of the federal government such as the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), the Federal Agricultural Mortgage Corporation of America and the Tennessee Valley Authority.

<sup>(B)</sup> Valley Water Board of Directors approved investments in California based local banks with a threshold of a minimum of 4% invested in banks with up to \$10 billion in assets and 1% in banks with up to \$2 billion in assets for a limit of 5 years in the form of collateralized deposits, FDIC/NCUA insured CDs, CDARS, or any legally allowable deposits.

<sup>(C)</sup> LAIF will accept no more than \$75 million of an agency's unrestricted funds while placing no constraints on funds relating to unspent bond proceeds.

**Restricted Cash and Investments for Bond Interest and Redemption**

Under the provisions of Valley Water's revenue bond resolutions and Installment Purchase Agreement for the 2012A, 2016C, 2016D, 2017A, 2019C, 2020C, 2020D, 2022B, 2023C, 2023C-1, 2023C-2 and 2023d Certificates of Participations (COPs) and Water Utility Revenue Bonds 2016A, 2016B, 2017A, 2019A, 2019B, 2020A, 2020B, 2022A, 2023A and 2023B, a portion of the proceeds from these debt issuances is required to be held in custody accounts by a fiscal agent as trustee.

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As of June 30, 2024, the amount held by fiscal agents amounted to \$15.3 million and was equal to or more than the amount required at that date.

**Restricted Cash and Investments for Capital Projects**

On June 30, 2024, Valley Water has \$181.7 million of cash and investments deposited with fiscal agent that is restricted for capital-related projects.

**Restricted Cash and Investments for Watershed Management Projects**

Valley Water has entered into certain cost sharing agreements with the U.S. Army Corps of Engineers (the Corps). Under these agreements, Valley Water is required to deposit monies into escrow accounts to be used by the Corps for watershed management projects. As of June 30, 2024, Valley Water's restricted deposits held in escrow for construction of the Guadalupe Watershed project amounted to \$77 thousand.

**Authorized Investments by Debt Agreements**

Valley Water must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if Valley Water fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in instruments which, at the time of such investment, are legal investments under the laws of the State of California, Valley Water ordinances, policies, and bond indentures. The following identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
U.S. Treasury Obligations <sup>(A)</sup>	N/A	N/A
U.S. Agency Securities <sup>(B)</sup>	N/A	N/A
State Obligations <sup>(C)</sup>	N/A	A
Commercial Paper	270 days	A1
Unsecured CD's, deposit accounts, time deposits, and bankers acceptances	365 days	A-1
FDIC Insured Deposit <sup>(D)</sup>	N/A	N/A
Money Market Funds	N/A	AAA
Collateralized Repurchase Agreements <sup>(E)</sup>	N/A	A-1
Investment Agreements <sup>(F)</sup>	N/A	AA-
Investment Approved in Writing by the Certificate Insurer	N/A	N/A
LAIF	N/A	N/A
Supranational Obligations	N/A	AA

<sup>(A)</sup> Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, provided that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee.

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- (B) Direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("FHLMCs"); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association ("FNMA's"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMA's"); guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; local authority Certificates of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; guaranteed transit Certificates of the Washington Metropolitan Area Transit Authority; Resolution Funding Corporation securities.
- (C) Direct obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured, uninsured, and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and "A" or better by S&P.
- (D) Deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than \$3.0 million, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation.
- (E) Repurchase agreements collateralized by Direct Obligations, GNMA's, FNMA's or FHLMCs with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "P-1" or "A3" or better by Moody's and "A-1" or "A-" or better by S&P, provided: (1) a master repurchase agreement or specific written repurchase agreement governs the transaction; and (2) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent ("Agent") for the Trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50.0 million or (iii) a bank approved in writing for such purpose by the Certificate Insurer, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee; and (3) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. if such securities is created for the benefit of the Trustee; and (4) the repurchase agreement has a term of 180 days or less, and the Trustee or the agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and (5) the fair value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%.
- (F) Investment agreements, guaranteed investment contracts, funding agreement, or any other form of corporate note representing the unconditional obligations of entities or agencies with the unsecured long-term debt obligations or claims-paying ability rated in one of the top two rating categories by Moody's and S&P.

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Notes to Basic Financial Statements  
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**Interest Rate Risk**

Interest Rate Risk is related to changes in market interest rates that 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. Valley Water generally manages interest rate risk by holding investments to maturity.

Information about the sensitivity of the fair value of Valley Water's investments to market interest rate fluctuations, summarized in the following table, shows the distribution of Valley Water's investments by maturity or earliest call date (in thousands).

	Total	Maturity		
		12 Months or less	13 to 24 Months	25 to 60 Months
U.S. Government Agencies	\$ 139,787	\$ 66,038	\$ 59,492	\$ 14,256
U.S. Government Agencies - Callable	98,118	32,950	37,572	27,596
U.S. Treasury Obligations	145,269	88,502	40,907	15,860
Medium Term Notes - Callable	12,550	2,948	6,776	2,826
Local Agency Investment Fund	72,518	72,518	-	-
Mutual Funds	181,758	181,758	-	-
Supranational Obligations	11,454	4,861	6,593	-
Municipal Bonds	42,083	13,136	16,645	12,302
Negotiable Certificates of Deposit	233	233	-	-
Time Certificates of Deposit	204,802	204,802	-	-
Money Market Funds	45,608	45,608	-	-
Total Investments	<u>\$ 954,180</u>	<u>\$ 713,354</u>	<u>\$ 167,985</u>	<u>\$ 72,840</u>

**Credit Risk**

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.

The ensuing table shows the minimum rating required by the California Government Code, Valley Water's investment policy, or debt agreements and the actual rating as of June 30, 2024 for each investment type as provided by Standard and Poor's (in thousands).

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	Total	Minimum Legal Rating	Exempt from Disclosure	Rating as of Year-end				
				AAA	AA+	AA	AA-	Not Rated
U.S. Government Agencies	\$237,905	AA-	\$ -	\$ -	\$ 180,303	\$ -	\$ -	\$ 57,602
U.S. Treasury Obligations	145,269	AA-	145,269	-	-	-	-	-
Medium Term Notes	12,550	AA-	-	-	12,550	-	-	-
Local Agency Investment Fund	72,518	N/A	-	-	-	-	-	72,518
Mutual Funds	181,758	AAA	-	-	-	-	-	181,758
Supranational Obligations	11,454	AA	-	9,569	-	-	-	1,885
Municipal Bonds	42,083	AA-	-	13,661	12,470	11,033	3,335	1,584
Negotiable Certificates of Deposit	233	AA-	-	-	-	-	-	233
Time Certificates of Deposit	204,802	N/A	-	-	-	-	-	204,802
Money Market Funds	45,608	N/A	-	-	-	-	-	45,608
<b>Total Investments</b>	<b>\$954,180</b>		<b>\$145,269</b>	<b>\$23,230</b>	<b>\$ 205,323</b>	<b>\$11,033</b>	<b>\$3,335</b>	<b>\$565,990</b>

### Concentration of Credit Risk

Valley Water's investment policy regarding the amount that can be invested in any one issuer is stipulated by the California Government Code and Valley Water's investment policy, whichever is more restrictive. However, Valley Water is required to disclose investments that represent a concentration of five percent or more of investments in any one issuer, other than U.S. Treasury securities, mutual funds and external investments pools. At June 30, 2024, such investments are as follows (in thousands):

Issuer	Investment Type	Reported Amount
<b>Government-Wide</b>		
Federal Home Loan Bank	U.S. Government Agency	\$ 79,004
Federal National Mortgage Association	U.S. Government Agency	\$ 58,097

### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, Valley Water 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.

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

Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its Agent having a fair value of 105% to 150% of public agencies' cash on deposit. All of Valley Water's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions but not in Valley Water's name.

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Notes to Basic Financial Statements  
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**Fair Value Measurement and Application**

Government Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, (GASB 72) provides the framework for measuring fair value and the fair value hierarchy. Valley Water measures and records its investments using fair value measurement guidelines in accordance with GASB 72. These guidelines recognize a three-tiered fair value hierarchy as shown below:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs (other than quoted marked prices) using matrix pricing based on the securities relationship to benchmark quoted prices; and
- Level 3: Unobservable inputs (not applicable to Valley Water).

The following table summarizes by level, within the fair value hierarchy, Valley Water's investments at fair value at June 30, 2024 (in thousands):

	June 30 2024	Level 1	Level 2	Uncategorized
U.S. Government Agencies	\$237,905	\$ -	\$237,905	\$ -
U.S. Treasury Obligations	145,269	145,269	-	-
Medium Term Notes	12,550	-	12,550	-
Mutual Funds	181,758	-	181,758	-
Supranational Obligations	11,454	-	11,454	-
Municipal Bonds	42,083	-	42,083	-
Negotiable Certificates of Deposit	233	-	233	-
Time Certificates of Deposit	204,802	-	204,802	-
Subtotal - Leveled Investments	<u>836,054</u>	<u>145,269</u>	<u>690,785</u>	<u>-</u>
Local Agency Investment Fund	72,518	-	-	72,518
Money Market Funds	45,608	-	-	45,608
Subtotal - Uncategorized	<u>118,126</u>	<u>-</u>	<u>-</u>	<u>118,126</u>
Total Investments	<u>\$954,180</u>	<u>\$145,269</u>	<u>\$690,785</u>	<u>\$ 118,126</u>

Deposits and withdrawals in LAIF are made on the basis of \$1 and are recorded on an amortized cost basis. Accordingly, LAIF is uncategorized.

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**NOTE 4 – REIMBURSEMENT OF CAPITAL COSTS**

Valley Water derives certain revenues from reimbursements of capital costs by local, state, federal agencies, and other outside sources. The following table shows a summary of such reimbursements during fiscal year 2024 (in thousands).

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Local Agencies:		
San Benito Water Agency	\$ -	\$ 57
City of Milpitas	253	
State Agencies:		
Department of Water Resources	4,222	3,287
Federal Agencies:		
U.S. Bureau of Reclamation	1,264	200
EPA	727	
Total reimbursement of capital costs	<u>\$ 6,466</u>	<u>\$ 3,544</u>

**NOTE 5 - INVESTMENT INCOME**

The following table represents the components of investment income for the year ended June 30, 2024 (in thousands).

<b>Fund</b>	<u>Unrealized Gain (Loss)</u>	<u>Interest Income</u>	<u>Investment Earnings, Net</u>
General Fund	\$ 321	\$ 475	\$ 796
Watershed and Streams Stewardship Fund	2,626	4,198	6,824
Safe, Clean Water and Natural Flood Protection Fund	4,393	7,678	12,071
COP Construction Fund	-	-	-
COP Debt Service Fund	1	172	173
Internal Service Funds	799	1,241	2,040
Total Governmental Activities	<u>8,140</u>	<u>13,764</u>	<u>21,904</u>
Water Enterprise Fund	5,140	15,090	20,230
State Water Project Fund	-	-	-
Total Business-type Activities	<u>5,140</u>	<u>15,090</u>	<u>20,230</u>
Total	<u>\$ 13,280</u>	<u>\$ 28,854</u>	<u>\$ 42,134</u>



**VALLEY WATER**  
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**NOTE 6 - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2024 is as follows (in thousands):

	Beginning Balance	Additions	Transfers	Deletions	Ending Balance
<b><u>Governmental Activities</u></b>					
Nondepreciable capital assets:					
Land	\$ 191,852	\$ -	\$ -	\$ -	\$ 191,852
Intangible - easements	28,669	2,340	-	-	31,009
Construction in progress					
Governmental Funds	763,816	39,929	(96,607)	-	707,138
Total nondepreciable capital assets	<u>984,337</u>	<u>42,269</u>	<u>(96,607)</u>	<u>-</u>	<u>929,999</u>
Depreciable capital assets:					
Buildings	42,007	-	-	-	42,007
Structures and improvements	969,329	-	96,607	-	1,065,936
Equipment					
Governmental Funds	21,836	205	-	-	22,041
Internal Service Funds	38,083	1,814	-	(440)	39,457
Lease assets	4,530	-	-	-	4,530
Intangibles					
Governmental Funds	2,338	-	-	-	2,338
Internal Service Funds	1,925	-	-	-	1,925
Total depreciable capital assets	<u>1,080,048</u>	<u>2,019</u>	<u>96,607</u>	<u>(440)</u>	<u>1,178,234</u>
Less: accumulated depreciation and amortization					
Buildings	(18,699)	(862)	-	-	(19,561)
Structures & improvements	(173,407)	(12,697)	-	-	(186,104)
Equipment					
Governmental Funds	(21,092)	(159)	-	-	(21,251)
Internal Service Funds	(26,161)	(2,390)	-	439	(28,112)
Lease assets	(1,294)	(894)	-	-	(2,188)
Intangible - Software					
Governmental Funds	(2,338)	-	-	-	(2,338)
Internal Service Funds	(1,399)	(359)	-	-	(1,758)
Total accumulated depreciation	<u>(244,390)</u>	<u>(17,361)</u>	<u>-</u>	<u>439</u>	<u>(261,312)</u>
<b>Total Governmental Activities -     capital assets, net</b>	<u>\$ 1,819,995</u>	<u>\$ 26,927</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ 1,846,921</u>
<b><u>Business-type Activities</u></b>					
Nondepreciable capital assets:					
Land	\$ 19,989	\$ 12	\$ -	\$ -	\$ 20,001
Intangible - easements	24,238	8,539	-	-	32,777
Construction in progress	893,431	237,185	(46,590)	-	1,084,026
Total nondepreciable	<u>937,658</u>	<u>245,736</u>	<u>(46,590)</u>	<u>-</u>	<u>1,136,804</u>
Depreciable capital assets:					
Contracted water rights	258,896	11,512	-	-	270,408
Buildings	97,751	-	9,883	-	107,634
Structures and improvements	979,939	-	36,707	-	1,016,646
Equipment	30,378	381	-	-	30,759
Intangible-software	113	-	-	-	113
Lease assets	3,254	-	-	-	3,254
Total depreciable capital assets	<u>1,370,331</u>	<u>11,893</u>	<u>46,590</u>	<u>-</u>	<u>1,428,814</u>
Less: accumulated depreciation and amortization					
Contracted water rights	(227,678)	(13,934)	-	-	(241,612)
Buildings	(19,199)	(2,399)	-	-	(21,598)
Structures & improvements	(364,665)	(16,754)	-	-	(381,419)
Equipment	(27,819)	(657)	-	-	(28,476)
Intangible-software	(102)	(11)	-	-	(113)
Lease assets	(542)	(271)	-	-	(813)
Total accumulated depreciation	<u>(640,005)</u>	<u>(34,026)</u>	<u>-</u>	<u>-</u>	<u>(674,031)</u>
<b>Total Business-type Activities -     capital assets, net</b>	<u>\$ 1,667,984</u>	<u>\$ 223,603</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,891,587</u>

**VALLEY WATER**  
Notes to Basic Financial Statements  
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During fiscal year 2024, additions to construction-in-progress were \$39.9 million for governmental activities. There were 29 in-progress and completed projects during the fiscal year with the major projects listed below (in millions):

- \$15.9 - Upper Llagas Creek
- \$10.7 - San Francisco Bay Shoreline
- \$8.9 - Berryessa Creek, Calaveras Boulevard to Interstate 680
- \$7.5 - SCW Fish Passage Improvement
- \$2.2 - Bolsa Road Fish Passage Improvement
- \$3.6 - San Francisquito Creek
- \$2.0 - Pond A4 Resilient Habitat Restoration
- \$1.3 - Berryessa Creek, Lower Penitencia Phase 2

During the fiscal year 2024, new construction-in-progress amounted to \$237.2 million for the business-type activities. There were 34 in-progress and completed projects during the fiscal year, with major projects listed below (in millions):

- \$60.6 - Anderson Dam Tunnel Project
- \$43.0 - Coyote Creek Flood Management Measures
- \$37.0 - Rinconada Water Treatment Plant
- \$32.4 - 10-year Pipeline
- \$20.2 - Pacheco Reservoir Expansion Project
- \$19.3 - Anderson Dam Seismic Retrofit
- \$11.3 - Coyote Percolation Dam Replacement
- \$8.4 - Coyote Creek Chillers
- \$6.0 - Indirect Potable Reuse
- \$5.2 – South County Recycled Water Pipeline

**Right-to-Use Assets and Subscription-based Information Technology Arrangements (SBITA)**

With the implementation of Governmental Accounting Standard Board Statement No. 87 (Leases) and Governmental Accounting Standard Board Statement No. 96 (SBITA), Valley Water has recorded leases or right-to-use assets for leased land, building office spaces, equipment, and software for an enterprise financial, human resource and payroll system. The lease assets are amortized on a straight-line basis over the term of the lease agreements, or useful life of the underlying assets, whichever is shorter.

Refer to Note 7 for the details of the corresponding lease liabilities.

**VALLEY WATER**  
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The lease assets included as part of the total capital assets for the year ended June 30, 2024 are as follows (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b><u>Governmental Activities</u></b>				
Lease assets:				
Buildings	\$ 1,568	\$ -	\$ -	\$ 1,568
Subscription asset	2,962	-	-	2,962
Total	<u>4,530</u>	<u>-</u>	<u>-</u>	<u>4,530</u>
Less: accumulated amortization				
Buildings	(800)	(400)	-	(1,200)
Subscription asset	(494)	(494)	-	(988)
Total accumulated amortization	<u>(1,294)</u>	<u>(894)</u>	<u>-</u>	<u>(2,188)</u>
<b>Total Governmental Activities</b>	<b><u>\$ 3,236</u></b>	<b><u>\$ (894)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,342</u></b>
 <b><u>Business-type Activities</u></b>				
Lease assets:				
Land	\$ 3,254	\$ -	\$ -	\$ 3,254
Total	<u>3,254</u>	<u>-</u>	<u>-</u>	<u>3,254</u>
Less: accumulated amortization				
Land	(542)	(271)	-	(813)
Total accumulated amortization	<u>(542)</u>	<u>(271)</u>	<u>-</u>	<u>(813)</u>
<b>Total Business-type Activities</b>	<b><u>\$ 2,712</u></b>	<b><u>\$ (271)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,441</u></b>

Capital asset depreciation and amortization reported by the primary government for the current fiscal year are as follows (in thousands):

General government	\$ (1,226)
Watershed and Stream Stewardship	(9,864)
Safe, clean water and natural flood protection	(2,628)
Capital assets held by Valley Water's internal service funds charged to the various functions based on asset usage	(2,749)
Lease and subscription assets	(894)
Total depreciation expense – governmental activities	<u>\$ (17,361)</u>
Total depreciation and amortization expense – business-type activity	
Water cost of production	\$ (33,755)
Lease and subscription assets	(271)
Total depreciation expense – business-type activities	<u>\$ (34,026)</u>

**VALLEY WATER**  
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**NOTE 7 - SHORT-TERM AND LONG-TERM LIABILITIES**

**(a) Short-term debt**

On December 17, 2002, the Board authorized a commercial paper program, through the PFFC. The commercial paper program allows Valley Water to finance capital acquisitions while taking advantage of short-term rates, and Valley Water issues tax and revenue anticipation notes on an annual basis to secure the commercial paper program. This program is used in conjunction with issuing long-term liabilities to obtain the least expensive financing for Valley Water.

On January 13, 2015, the Board authorized an increase in commercial paper program to \$150.0 million. The proceeds of the commercial paper may be used for any Valley Water purposes, including but not limited to, capital expenditure, investment and reinvestment, and the discharge of any obligation or indebtedness of Valley Water.

On April 28, 2020, the Board authorized a \$170.0 million Revolving Line of Credit program ("Revolver"), through the PFFC, to provide additional short-term financing for Valley Water. The proceeds of the Revolver may be used for any Valley Water purpose, including but not limited to, capital expenditure, investment and reinvestment, and the discharge of any obligation or indebtedness of Valley Water.

The combined authorized amount for commercial paper and Revolver is \$320.0 million. As of June 30, 2024, Valley Water has \$208.6 million of commercial papers and revolving line of credits outstanding for certain Water Utility capital projects.

Valley Water's short-term liabilities as of June 30, 2024 consisted of the following (in thousands):

<u>Type of indebtedness</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>June 30, 2024</u>
<b>Governmental activities:</b>			
Commercial paper:			\$ -
<b>Total governmental activities</b>			<u>\$ -</u>
<b>Business-type activities:</b>			
Commercial paper:			
Tax exempt	09/05/24	3.65%	\$ 118,640
Taxable	09/03/24	5.51%	<u>31,360</u>
Total commercial paper			150,000
Revolving line of credit	09/24/24	5.70%	<u>58,600</u>
<b>Total business-type activities</b>			<u>\$ 208,600</u>

\* The Commitment Expiration Date for the syndicated and non-syndicated revolving line of credit is April 29, 2025.

**VALLEY WATER**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2024

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The following is a summary of changes in short-term liabilities as of and for the year ended June 30, 2024 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Governmental activities:</b>				
Commercial paper	\$ -	\$ -	\$ -	\$ -
Revolving line of credit	-	-	-	-
<b>Total Governmental Activities</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 <b>Business-type activities:</b>				
Commercial paper	\$ 35,000	\$ 147,975	\$ (32,975)	\$ 150,000
Revolving line of credit	-	58,600	-	58,600
<b>Total Business-type Activities</b>	<u>\$ 35,000</u>	<u>\$ 206,575</u>	<u>\$ (32,975)</u>	<u>\$ 208,600</u>

**VALLEY WATER**  
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**(b) Long-term liabilities**

Valley Water's long-term liabilities as of June 30, 2024 consisted of the following (in thousands):

<u>Type of indebtedness</u>	<u>Maturity</u>	<u>Interest Rate*</u>	<u>Authorized and Issued</u>	<u>June 30, 2024</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Certificates of participation					
2012A COP	2024	1.41%	\$ 52,955	\$ -	\$ -
2017A COP	2030	2.56%	59,390	29,235	4,295
2022A Revenue bond	2049	4.13%	75,295	74,375	1,455
2022B Revenue bond	2026	3.01%	46,445	46,445	-
Bond premium				13,796	1,954
Total long-term debt				163,851	7,704
Compensated absences				13,301	2,875
Claims payable (Note 13)				10,745	2,989
Net pension liability (Note 11)				170,181	-
Other post employment benefits liability (Note 12)				54,976	-
Lease and subscription liability				2,441	700
<b>Total governmental activities</b>				<b>\$ 415,495</b>	<b>\$ 14,268</b>
<b>Business-type activities:</b>					
2016A Water revenue bond	2046	3.25%	\$ 106,315	\$ 106,315	\$ -
2016B Water revenue bond	2046	4.32%	75,215	75,215	-
2016C Water revenue COP	2029	2.13%	43,075	20,940	3,880
2016D Water revenue COP	2029	3.14%	54,970	26,255	4,870
2017A Water revenue bond	2037	3.13%	54,710	41,530	2,275
2019A Water revenue bond	2049	3.75%	15,225	13,955	290
2019B Water revenue bond	2049	3.81%	80,030	71,475	1,840
2019C Water revenue bond	2036	2.76%	38,280	28,600	2,255
2020A Water revenue bond	2050	3.33%	24,120	24,120	-
2020B Water revenue bond	2050	2.98%	68,530	68,530	-
2020C Water revenue COP	2041	2.07%	41,765	36,610	1,790
2020D Water revenue COP	2041	2.20%	81,560	71,650	3,435
2023A Water revenue bond	2052	4.19%	52,090	52,090	-
2023B Water revenue bond	2052	5.11%	69,045	67,865	1,225
2023C-1 Water revenue COP	2026	2.35%	117,365	117,365	53,180
2023C-2 Water revenue COP	2041	3.22%	42,285	40,760	1,610
2023D Water revenue COP	2026	4.33%	62,615	62,615	25,120
Bond discount				(821)	(29)
Bond premium				62,418	4,595
Total long-term debt				987,487	106,336
Compensated absences				8,599	1,859
Net pension liability (Note 11)				140,099	-
Other post employment benefits liability (Note 12)				45,259	-
Semitropic water banking liability	2035		46,900	13,859	-
Lease and subscription liability				2,690	286
<b>Total business-type activities</b>				<b>\$ 1,197,993</b>	<b>\$ 108,481</b>

\* Interest rate represents the total cost of a bond financing, taking account any accrued interest, original issue premium or discount and costs of issuance.

**VALLEY WATER**  
Notes to Basic Financial Statements  
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The following is a summary of changes in long-term liabilities as of and for the year ended June 30, 2024 (in thousands):

<b>Governmental activities:</b>	Beginning	Additions	Reductions	Ending	Due Within	Long term
	Balance			Balance	One Year	
2012A COP	\$ 5,090	\$ -	\$ (5,090)	\$ -	\$ -	\$ -
2017A COP	33,810	-	(4,575)	29,235	4,295	24,940
2022A Revenue bond	75,295	-	(920)	74,375	1,455	72,920
2022B Revenue bond	46,445	-	-	46,445	-	46,445
Premium on debt issuances	16,157	-	(2,361)	13,796	1,954	11,842
Total long-term debt	176,797	-	(12,946)	163,851	7,704	156,147
Compensated absences	13,309	7,588	(7,596)	13,301	2,875	10,426
Claims payable (Note 13)	8,337	2,695	(287)	10,745	2,989	7,756
Net pension liability (Note 11)	163,437	6,748	(4)	170,181	-	170,181
Other post employment benefits liability (Note 12)	26,631	28,345	-	54,976	-	54,976
Lease and subscription liability	3,293	-	(852)	2,441	700	1,741
<b>Total Governmental Activities</b>	<b>\$ 391,804</b>	<b>\$ 45,376</b>	<b>\$ (21,685)</b>	<b>\$ 415,495</b>	<b>\$ 14,268</b>	<b>\$ 401,227</b>

<b>Business-type activities:</b>	Beginning	Additions	Reductions	Ending	Due Within	Long term
	Balance			Balance	One Year	
2016A revenue bonds	\$ 106,315	\$ -	\$ -	\$ 106,315	\$ -	\$ 106,315
2016B revenue bonds	75,215	-	-	75,215	-	75,215
2016C COPS	24,625	-	(3,685)	20,940	3,880	17,060
2016D COPS	30,995	-	(4,740)	26,255	4,870	21,385
2017A revenue bonds	43,720	-	(2,190)	41,530	2,275	39,255
2019A revenue bonds	14,235	-	(280)	13,955	290	13,665
2019B revenue bonds	73,270	-	(1,795)	71,475	1,840	69,635
2019C COPS	30,790	-	(2,190)	28,600	2,255	26,345
2020A revenue bonds	24,120	-	-	24,120	-	24,120
2020B revenue bonds	68,530	-	-	68,530	-	68,530
2020C COPS	38,360	-	(1,750)	36,610	1,790	34,820
2020D COPS	75,020	-	(3,370)	71,650	3,435	68,215
2023A revenue bonds	52,090	-	-	52,090	-	52,090
2023B revenue bonds	69,045	-	(1,180)	67,865	1,225	66,640
2023C-1 COPS	117,365	-	-	117,365	53,180	64,185
2023C-2 COPS	42,285	-	(1,525)	40,760	1,610	39,150
2023D COPS	62,615	-	-	62,615	25,120	37,495
Bond discount	(851)	-	30	(821)	(29)	(792)
Premium on debt issuances	67,014	-	(4,596)	62,418	4,595	57,823
Total long-term debt	1,014,758	-	(27,271)	987,487	106,336	881,151
Compensated Absences	8,605	6,247	(6,253)	8,599	1,859	6,740
Net pension liability (Note 11)	129,765	10,334	-	140,099	-	140,099
Other post employment benefits liability (Note 12)	21,144	24,115	-	45,259	-	45,259
Semitropic water banking liability	11,919	1,940	-	13,859	-	13,859
Lease and subscription liability	2,974	-	(284)	2,690	286	2,404
<b>Total Business-type Activities</b>	<b>\$ 1,189,165</b>	<b>\$ 42,636</b>	<b>\$ (33,808)</b>	<b>\$ 1,197,993</b>	<b>\$ 108,481</b>	<b>\$ 1,089,512</b>

**VALLEY WATER**  
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The aggregate maturities of long-term debt are as follows (in thousands):

Year Ending <u>June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	5,750	7,466	101,770	36,880
2026	6,045	7,177	125,935	34,459
2027	52,790	5,712	25,110	29,426
2028	6,660	4,231	26,025	28,503
2029	6,995	3,896	27,000	27,522
2030-2034	15,745	15,624	114,125	106,444
2035-2039	13,100	12,444	143,765	94,518
2040-2044	16,710	8,735	147,505	64,464
2045-2049	21,335	4,002	152,485	29,894
Thereafter	4,925	123	62,170	4,441
Total bonds payable requirements	<u>\$ 150,055</u>	<u>\$ 69,412</u>	<u>\$ 925,890</u>	<u>\$ 456,549</u>

**Leases**

Valley Water has entered into agreements to lease certain land, building office spaces and equipment. The lease agreements qualify as other than short-term leases under Governmental Accounting Standard Board Statement No. 87 (GASB 87) and, therefore, have been recorded at the present value of the future minimum lease payments as of July 1, 2021, implementation date of GASB 87. There are no variable payment components of the leases. The lease liabilities are measured at the discount rate of 1.6%, Valley Water's average interest rate. As a result of the leases, Valley Water recorded right-to-use assets with net book value of \$2.8 million at June 30, 2024. The right-to-use assets are included in Capital Assets (Note 6).

The future minimum lease payments as of June 30, 2024 are as follows (in thousands):

Year Ending <u>June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 232	\$ 3	\$ 286	\$ 29
2026	103	1	290	25
2027	52	-	1,494	81
2028	-	-	620	10
2029	-	-	-	-
	<u>\$ 387</u>	<u>\$ 4</u>	<u>\$ 2,690</u>	<u>\$ 145</u>



**VALLEY WATER**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2024

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**Subscription-based Information Technology Arrangements (SBITA)**

Valley Water uses enterprise financial, human resource and payroll systems that qualify as a SBITA-related asset under Governmental Accounting Standard Board Statement No.96. The corresponding lease liability has been recorded at the present value of the future minimum subscription payments as of July 1, 2022. There are no variable payment components pertaining to the lease. The lease liability was measured at the discount rate of 1.46%, Valley Water's average interest rate. Valley Water recorded the SBITA-related asset amounting to \$2.0 million at June 30, 2024. The SBITA asset is further discussed in Note 6 - Capital Assets.

The future minimum subscription payments as of June 30, 2024 are as follows (in thousands):

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2025	\$ 468	\$ 30	\$ -	\$ -
2026	495	23	-	-
2027	528	16	-	-
2028	563	8	-	-
2029	-	-	-	-
	<u>\$ 2,054</u>	<u>\$ 77</u>	<u>\$ -</u>	<u>\$ -</u>

**Water Infrastructure Financing and Innovation Agreements (WIFIA)**

In fiscal year 2023, Valley Water entered into 2 WIFIA loan agreements with the United States of America's Environmental Protection Agency for the Anderson (\$73.9 million) and Safe Clean Water (\$41.3 million, planning, design and construction costs) related projects. In October 2023, Valley Water entered into a third WIFIA loan agreement for the Pacheco Reservoir Expansion project (\$91.6 million, planning and design costs only). These agreements provide Valley Water an expedient and significant funding source for supporting the renovation and construction costs for these major projects.

As of June 30, 2024, no amounts have been drawn from or is outstanding under these agreements.

**VALLEY WATER**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2024

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**Governmental Activities**

The following provides a brief description of Valley Water's debt, and other long-term debt, for governmental activities outstanding as of June 30, 2024:

2012A Certificates of Participation

In November 2012, Valley Water issued \$52.9 million of Certificates of Participation, Series 2012A, executed and delivered through the PFFC. The proceeds of 2012A COPs were used to: (1) refinance \$52.4 million of the 2003A Certificates of Participation; (2) finance the cost of certain flood control improvements; (3) fund a reserve fund; and (4) pay the costs of issuing the 2012A Certificates. The 2012A COPs are payable from the 1994 Installment Payments, which are payable by Valley Water, and are secured by a pledge of and lien on, the Valley Water Flood Control System Revenues pursuant to Master Resolution No. 94-60 Flood Control System Revenues adopted by the Board on June 23, 1994. On May 12, 2023, Valley Water defeased the 2012A COPs through the deposit of \$5,293,600 with the Trustee which was applied to the payment of interest due on August 1, 2023 and principal and interest due on February 1, 2024.

2017A Certificates of Participation

In March 2017, Valley Water issued \$59.4 million of Certificates of Participation, Series 2017A, executed and delivered through the PFFC. The proceeds of the 2017A COPs were used to: (1) refinance the \$5.3 million outstanding balance of the 2004A Certificates of Participation; (2) refinance the \$54.2 million outstanding balance of the 2007A Certificates of Participation; (3) finance the cost of certain flood control improvements; and (4) pay the costs of issuing the 2017A Certificates. The 2017A COPs are payable from the 1994 and 1995 Installment Payments, which are payable by Valley Water, and are secured by a pledge of and lien on, the Valley Water Flood Control System Revenues pursuant to Master Resolution No. 94-60 Flood Control System Revenues adopted by the Board on June 23, 1994.

2022A Safe Clean Water Revenue Bonds

In December 2022, Valley Water issued \$75.3 million of Revenue Bonds, Series 2022A. The proceeds of the 2022A Bonds, along with original issue premium, were used to: (1) refinance the \$53.0 million outstanding balance of commercial paper notes; (2) refinance the \$29.7 million outstanding balance of the Revolving Certificates; and (3) pay the costs of issuing the 2022A Bonds. The 2022A Bonds are issued pursuant to Resolution No. 21-34 (SCW Master Resolution) adopted by the Board of Directors on May 11, 2021, and are payable from and secured by a pledge of a lien under the Safe Clean Water Master Resolution on SCW Revenues.

2022B Safe Clean Water Certificates of Participation

In December 2022, Valley Water issued \$46.4 million of COPs, Series 2022B. The proceeds of the 2022B COPs, along with original issue premium, were used to: (1) finance \$38.5 million of capital projects; (2) refinance the \$2.8 million outstanding balance of the commercial paper notes and Revolving Certificates; (3) finance \$8.6 million of capitalized interest; and (4) pay the costs of issuing the 2022B COPs. The 2022B Bonds are issued pursuant to Resolution No. 21-34 (SCW Master Resolution) adopted by the Board of Directors on May 11, 2021, and are payable from and secured by a pledge of a lien under the SCW Master Resolution on SCW Revenues.

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**Business-type Activities**

The following provides a brief description of Valley Water's long-term debt for business-type activities outstanding as of June 30, 2024:

2016A/B Water Systems Revenue Bonds

In March 2016, Valley Water issued \$181.5 million of Water Systems Revenue Bonds comprised of Series 2016A for \$106.3 million and Taxable Series 2016B for \$75.2 million, pursuant to the Water Utility Parity System Master Resolution (16-10) approved by the Board in February 2016. Proceeds of the 2016A Revenue Bonds, along with the original issue premium, were used to refinance all outstanding Water Utility System Revenue Bonds Series 2006A and repay \$73.0 million of outstanding tax-exempt commercial paper notes and costs of issuance. Proceeds of the 2016B Revenue Bonds were used to repay \$75.0 million of the balance of the outstanding taxable commercial paper notes and costs of issuance. The obligation of Valley Water to pay principal and interest of the 2016A/B Water Systems Revenue Bonds is secured by a pledge of and lien on Valley Water's Water Utility System revenues and are payable from the Net Water Utility System revenues.

2016C/D Water Utility Revenue Certificates of Participation

In March 2016, Valley Water issued \$98.0 million of Water Utility Revenue Certification of Participation, comprised of Series 2016C for \$43.4 million and Taxable Series 2016D for \$55.0 million, which were executed and delivered through the PFFC. Proceeds of the 2016C and 2016D COPs, along with the original issue premium were used to finance capital construction projects in the Water Utility Enterprise and costs of issuance. The 2016C and 2016D COPs are payable from 2016 Installment Payments which are payable by Valley Water from and secured by a pledge and lien on water utility revenues and are payable from the Net Water Utility System revenues pursuant to the Water Utility System Parity Master Resolution (16-10).

2017A Water System Revenue Bonds

In May 2017, Valley Water issued \$54.7 million of Water Systems Revenue Bonds to refund the \$64.8 million outstanding balance of the Water Utility System Revenue Certificates of Participation Series 2007A and pay costs of issuance of the 2017A Bonds. The obligation of Valley Water to pay principal and interest on the 2017A Bonds is secured by a pledge of and lien on Valley Water's Water Utility System Revenues and are payable from the Net Water Utility System Revenues pursuant to the Water Utility Parity System Master Resolution (16-10).

2019A/B Water Systems Revenue Bonds

In April 2019, Valley Water issued \$95.2 million of Water System Revenue Bonds consisting of Series 2019A for \$15.2 million and Series 2019 B for \$80.0 million to repay the outstanding Commercial Paper Certificates to free up capacity in Valley Water's commercial paper program to finance on-going capital costs and costs of issuance. The obligation of Valley Water to pay principal and interest on the 2019A/B Bonds is secured by a pledge of and lien on Water Utility System Revenues and are payable from the Net Water Utility System Revenues pursuant to the Water Utility Parity System Master Resolution (16-10).

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2019C Water Utility System Certificates of Participation

In November 2019, Valley Water issued \$38.3 million of Water Utility System Certificates of Participation Series 2019C to refinance all the outstanding Water Utility Revenue Certifications of Participation Taxable Series 2007B and fund costs of issuance. The obligation of Valley Water to pay principal and interest on the 2019C Bonds is secured by a pledge of and lien on Water Utility System Revenues and are payable from the Net Water Utility System Revenues pursuant to the Water Utility Parity System Master Resolution (16-10).

2020A/B Water Systems Revenue Bonds

In September 2020, Valley Water issued \$92.6 million of Water System Revenue Bonds comprised of Series 2020A for \$24.1 million and Taxable Series 2020B for \$68.5 million. Proceeds of the 2020A Revenue Bonds, along with the original issue premium, were used to repay \$31.0 million of outstanding tax-exempt commercial paper notes and costs of issuance. Proceeds of the 2020B Revenue Bonds were used to repay \$68.3 million of outstanding taxable commercial paper notes and costs of issuance. The obligation of Valley Water to pay principal and interest of the 2020A/B Water Systems Revenue Bonds is secured by a pledge of and lien on Valley Water's Water Utility System Revenues and are payable from the Net Water Utility System Revenues pursuant to the Water Utility Parity System Master Resolution (16-10).

2020C/D Water Utility Revenue Certificates of Participation

In September 2020, Valley Water issued \$123.4 million of Water Utility Revenue Certificates of Participation, comprised of Series 2020C for \$41.8 million and Taxable Series 2020D for \$81.6 million, executed and delivered through the PFFC. Proceeds of the 2020C and 2020D COPs, along with the original issue premium, are being used to finance capital construction projects in the Water Utility Enterprise and costs of issuance. The 2020C and 2020D COPs are payable from 2020 Installment Payments which are payable by Valley Water from and secured by a pledge and lien on water utility revenues and are payable from the Net Water Utility System Revenues pursuant to the Water Utility Parity System Master Resolution (16-10).

2023A/B Water Systems Revenue Bonds

In January 2023, Valley Water issued \$121.1 million of Water System Revenue Bonds comprised of Series 2023A for \$52.1 million and Taxable Series 2023B for \$69.0 million. Proceeds of the 2023A Revenue Bonds, along with the original issue premium, were used to repay \$58.6 million of outstanding tax-exempt commercial paper notes and costs of issuance. Proceeds of the 2023B Revenue Bonds were used to repay \$67.7 million of outstanding taxable commercial paper notes and costs of issuance. The obligation of Valley Water to pay principal and interest of the 2023A/B Water Systems Revenue Bonds is secured by a pledge of and lien on Valley Water's Water Utility System Revenues and are payable from the Net Water Utility System Revenues pursuant to the Water Utility Parity System Master Resolution (16-10).

2023C/D Water Utility Revenue Certificates of Participation

In January 2023, Valley Water issued \$222.3 million of Water Utility Revenue Certificates of Participation, comprised of Series 2023C-1 for \$117.4 million, 2023C-2 for \$42.3 million, and Taxable series 2023D for \$62.6 million, executed and delivered through the PFFC. Proceeds of the COPs, along with the original issue premium, are being used to finance capital construction projects

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in the Water Utility Enterprise and costs of issuance. The COPs are payable from 2022 Installment Payments which are payable by Valley Water from and secured by a pledge and lien on water utility revenues and are payable from the Net Water Utility System Revenues pursuant to the Water Utility Parity System Master Resolution (16-10).

**Semitropic Water Banking Liability**

In December 1995, Valley Water entered into a water banking and exchange program with Semitropic Water Storage District and its Improvement Districts that entitles Valley Water to storage, withdrawal, and exchange rights for Valley Water's State Water Project supplies. Valley Water's share of the total program capital costs is \$46.9 million based on a 35 percent vesting in the program. Valley Water pays the program capital costs when storing and recovering water. As of June 30, 2024, Valley Water has an outstanding liability of \$13.9 million related to water storage and banking rights. See Note 15c for further information on Valley Water's Semitropic water banking program.

**(c) Other Debt Related Information**

Valley Water has adopted master resolutions with respect to its water utility, safe clean water and watershed which contain certain events of default and remedies as described therein. Valley Water has also issued various bonds, notes or other obligations secured by such master resolutions or other revenues of Valley Water and which contain certain events of default and remedies as described therein. Valley Water has also entered into various reimbursement agreements or other financial contracts which contain certain events of default and remedies as described therein. Certain of these master resolutions, bonds, notes and other obligations and reimbursement agreement and other financial contracts contain provisions concerning the application of applicable Valley Water revenues if certain of the following conditions occur: default on debt service payments; the failure of Valley Water to observe or perform the conditions, covenants, or other agreement with respect thereto; bankruptcy filing by Valley Water; or if any court or competent jurisdiction shall assume custody or control of Valley Water, among other defaults. Certain of such master resolutions, bonds, notes and other obligations and reimbursement agreement and other financial contract contain acceleration provisions that allows a trustee, owners of bonds, notes or other obligations or the parties to such reimbursement agreements or other financial contracts to accelerate payments thereunder to the extent and as provided therein.

Resolutions and other financing agreements associated with Valley Water's and PFFC's bonds and certificates of participation contain a number of covenants, limitations, and restrictions. Valley Water believes it is in compliance with all significant covenants, limitations, and restrictions.

Financial obligations incurred under the commercial paper program, issued through the PFFC, currently include the obligations to reimburse the bank issuing direct pay letter of credit supporting the commercial paper program, the revolving lines of credit, and to pay letter of credit and other fees to the bank. Valley Water's failure to comply with certain such obligations could result in an event of default. If an event of default occurs, the bank may exercise one or more rights and remedies. In addition to rights and remedies provided for under the law, the bank can declare all financial obligations with respect to such letter of credit or revolving line of credit to be immediately due and payable, cause the issuance of commercial paper to be temporarily ceased, or terminate the letter of credit or revolving line of credit which would cause the issuance of commercial paper or revolving

**VALLEY WATER**  
Notes to Basic Financial Statements  
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line of credit to be permanently ceased. Commercial paper certificates are not subject to acceleration.

Valley Water has also pledged water utility system revenues, net of specified maintenance and operating expenses, to repay \$925.9 million in long-term debt outstanding as of June 30, 2024, that was issued to finance the cost of capital construction projects for the Water Utility Enterprise Fund. The secured debt includes revenue bonds and COPs. The revenue bonds are payable from net water utility system revenues and the revenue COPs are payable from installments that are secured by net water utility system revenues. The long-term debt is payable through fiscal year 2052. Total principal outstanding and interest costs remaining to be paid on the combined debt is \$1.4 billion.

**NOTE 8 - PROPERTY TAXES AND BENEFIT ASSESSMENTS**

The County of Santa Clara (County) is responsible for the assessment, collection, and apportionment of property taxes for Valley Water. The amount of property tax levies is restricted by Article 13A of the California State Constitution (commonly referred to as Proposition 13). Valley Water is responsible for determining the amount of benefit assessment, special parcel tax, and State Water Project obligations. Secured property taxes and benefit assessments are each payable in equal installments, November 1 and February 1, and become delinquent on December 10 and April 10, respectively. The lien date is January 1 of each year. Property taxes on the unsecured roll are due on the March 1 lien date and become delinquent if still unpaid on August 31.

Valley Water derives certain revenues from the assessment of property tax parcel levies and the levy of benefit assessments and a special parcel tax. The property tax levy is composed of two categories: (1) an allocation of the County's 1 percent tax; and (2) voter approved levy to repay capital and operating costs related to imported water from the State Water Project. Benefit assessments are collected by the County as part of duly authorized debt repayment phase of the voter-approved assessments. In November 2000, voters approved a 15-year special parcel tax to fund the countywide Clean, Safe Creeks & Natural Flood Protection Program. The levy became effective July 1, 2001 and is based on the proportionate storm water runoff for each property.

In November 2012, the voters approved the Safe, Clean Water and Natural Flood Protection (Safe, Clean Water) special parcel tax, which built on the success of the Clean, Safe Creeks and Natural Flood Protection (Clean, Safe Creeks) plan approved by the voters on November 3, 2000. The renewed Safe, Clean Water program, as approved by voters, took effect beginning fiscal year 2022. \$52.2 million of special parcel tax was collected for this program during fiscal year 2024.

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Property tax and benefit assessment revenues recorded for the year ended June 30, 2024 are as follows (in thousands).

	General Fund	Special Revenue Funds	Total Governmental Activities	Business- type Activities
Property taxes:				
1% tax allocation	\$ 12,240	\$ 122,830	\$ 135,070	\$ 11,045
Special parcel tax	-	52,175	52,175	-
Voter approved indebtedness:				
State water project	-	-	-	28,013
Total taxes	12,240	175,005	187,245	39,058
Benefits assessment	-	6,890	6,890	-
Total taxes and benefits assessment	<u>\$ 12,240</u>	<u>\$ 181,895</u>	<u>\$ 194,135</u>	<u>\$ 39,058</u>

Valley Water has elected to participate in the “Teeter Plan” offered by the County whereby Valley Water receives 100 percent of secured property and supplemental property taxes levied in exchange for foregoing any interest and penalties collected on the related delinquent taxes.

**NOTE 9 - FUND BALANCES**

In the fund financial statements, governmental funds report fund balance as non-spendable, restricted, committed, assigned or unassigned based primarily to the extent to which Valley Water is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

- Non-spendable fund balance includes net resources that cannot be spent because they are either a) not spendable because of their form, or b) must be maintained intact pursuant to legal or contractual requirements.
- Restricted fund balance includes amounts that are subject to limitations imposed by either: a) creditors, grantors, contributors or laws and regulations of other governments, or b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance includes spendable resources that can only be used for specific purposes pursuant to constraints imposed by formal action of Valley Water’s highest level of decision-making authority, the Board, through adopted resolutions. Those constraints remain binding unless the Board removes or changes in the same manner to previously commit those resources. These Board actions must occur prior to June 30<sup>th</sup> of the applicable fiscal year.
- Assigned fund balance includes amounts that are constrained by Valley Water’s intent to be used for specific purposes but are neither restricted nor committed. The intent can be established or changed at the discretion of the Board, or an official designated for that purpose, the Chief Executive Officer, in accordance with the provisions of the Governance

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Policies of the Board, Policy No. EL-5, *Purchasing and Contracts*. The encumbrances amount shown in this category represents contracts and commitments for goods and services needed to carry out the operation of the funds.

- Unassigned fund balance represents residual net resources that have not been restricted, committed, or assigned.

Spending Prioritization in Using Available Resources

When an expense is incurred for purposes for which both restricted resources and unrestricted resources fund balance are available, Valley Water considers restricted resources to be spent first. When committed, assigned, and unassigned resources can be used for the same purpose, Valley Water's flow assumption is to spend in the sequence of committed resources first, assigned second, and unassigned last.

The various fund balance classifications above are established by actions of the Board and can be increased, reduced or eliminated by similar actions with the exception of contracts and commitments on the assigned fund balance, which can be reduced or eliminated without the action of the Board. Valley Water's committed and assigned fund balances are reviewed annually to ensure compliance with Valley Water's reserve policy. Changes to the restricted, committed and assigned reserves are presented to the Board for review and approval.

A detailed schedule of fund balances as of June 30, 2024 for the governmental funds is shown in the ensuing table (in thousands).

	Special Revenue Funds			Debt Service Funds		Total Governmental Funds
	General Fund	Watershed & Stream Stewardship	Safe, Clean Water and Natural Flood Protection Program	COP Construction	COP Debt Service	
<b>Restricted Fund Balance</b>						
Debt service	\$ -	\$ -	\$ 5,557	\$ -	\$ 71	\$ 5,628
Reserves for:						
Watershed & Stream Stewardship	-	147,076	-	-	-	147,076
Safe Clean Water	-	-	211,947	-	-	211,947
Total restricted fund balance	-	147,076	217,504	-	71	364,651
<b>Committed Fund Balance</b>						
Operating and capital	21,083	-	-	-	-	21,083
Current authorized capital projects	4,119	-	-	-	-	4,119
Total committed fund balance	25,202	-	-	-	-	25,202
<b>Assigned Fund Balance</b>						
Encumbrances	4,935	7,015	-	-	-	11,950
Total assigned fund balance	4,935	7,015	-	-	-	11,950
Total fund balances	\$ 30,137	\$ 154,091	\$ 217,504	\$ -	\$ 71	\$ 401,803



**VALLEY WATER**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2024

The encumbrances for the General, and Watershed and Stream Stewardship Funds represent resources solely dedicated to cover the outstanding purchase orders, contracts and agreements of said funds.

**NOTE 10 - NET POSITION**

The proprietary funds financial statements utilize a net position presentation. Net position is categorized as follows: (1) net investment in capital assets, (2) restricted and (3) unrestricted.

Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net position – This category presents external restrictions imposed by creditors, grantors, contributors, laws, or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net position – This category represents net position of Valley Water, not restricted for any project or other purpose.

The table that follows shows the detailed schedule of the proprietary funds' net position as of June 30, 2024 (in thousands).

	Water Enterprise Fund	State Water Project Fund	Internal Service Funds	Total Proprietary Funds
<b>Restricted net position:</b>				
Debt Service	\$ 9,782	\$ -	\$ -	\$ 9,782
San Felipe emergency reserve	3,651	-	-	3,651
GP5 reserve	25,813	-	-	25,813
Rate stabilization	6,067	-	-	6,067
Advance water purification center	1,293	-	-	1,293
Supplemental water supply	5,277	-	-	5,277
State water project	-	22,451	-	22,451
Total restricted net position	51,883	22,451	-	74,334
<b>Unrestricted net position:</b>				
Operating and capital	32,026	+	7,072	39,098
Water inventory	154,920	-	-	154,920
Current authorized projects	-	-	356	356
Property self-insurance/catastrophic	-	-	6,649	6,649
Purchase Commitments	244,906	-	9,924	254,830
Net pension liability	(76,513)	-	(5,141)	(81,654)
Net other post-employment benefits	(32,154)	-	(2,104)	(34,258)
Total unrestricted net position	323,185	-	16,756	339,941
<b>Net investment in capital assets</b>	811,198	11,333	11,512	834,043
<b>Total net position</b>	\$1,186,266	\$ 33,784	\$ 28,268	\$1,248,318

**VALLEY WATER**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2024

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**NOTE 11 - EMPLOYEES' RETIREMENT PLAN**

**Plan Description**

All qualified permanent and probationary employees are eligible to participate in the agent multiple-employer defined benefit pension plan (the Pension Plan) administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Valley Water's resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 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 California Public Employees' Retirement Law. Benefit provisions and all other requirements are established by State statutes and may be amended by Valley Water's governing board.

The Plan's provisions and benefits in effect for fiscal year 2024 are summarized as follows:

	Prior to 3/19/2012	3/19/2012 to 12/31/2012	On or after 1/1/2013
Hire date			
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Minimum Retirement age	50	50	52
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.1% to 2.4%	1.0% to 2.5%
Required employee contribution rates	8.0%	7.0%	6.75%
Required employer contribution rates	10.17% plus \$3.0 million prepayment for prior unfunded service cost		

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Notes to Basic Financial Statements  
For the Year Ended June 30, 2024

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**Employees Covered** – As of the most recent CalPERS actuarial report using a valuation date of June 30, 2022, the following employees were covered by the benefit terms of the Plan:

Inactive employees or beneficiaries currently receiving benefits	1,197
Active employees	856

**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 the Plan 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.

For the fiscal year ended June 30, 2024 contribution to the plan was \$42.0 million. Valley Water is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

**Net Pension Liability**

Valley Water's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

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Notes to Basic Financial Statements  
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**Actuarial Assumptions** – The total pension liabilities in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions:

Valuation date	June 30, 2022
Measurement date	June 30, 2023
Reporting date	June 30, 2024
Actuarial cost method	Entry-age actuarial cost method

Discount rate	6.90%
Inflation	2.30%
Projected salary increase	Varies by entry age and service

Mortality rate table	The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.
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Post-retirement benefit increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter
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**Discount Rate**

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

<u>Asset class<sup>1</sup></u>	<u>Assumed asset allocation</u>	<u>Real return<sup>1,2</sup></u>
Global Equity - Cap-weighted	30.00 %	4.54 %
Global Equity - Non-Cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	(5.00)	(0.59)

(1) An expected inflation of 2.30% used for this period.

(2) Figures are based on the 2021 Asset Liability Management study.

Subsequent Events/Change in Assumptions

There were no subsequent events that would materially affect the results presented in this disclosure.

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**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Beginning balance	\$ 1,029,993	\$ 736,791	\$ 293,202
Changes recognized for the measurement period:			
Service cost	22,018	-	22,018
Interest on total pension liability	71,253	-	71,253
Changes of Benefits	573	-	573
Changes of Assumptions	-	-	-
Difference between expected and actual experience	17,909	-	17,909
Contributions - employer	-	39,835	(39,835)
Contributions - employees	-	9,319	(9,319)
Net investment income	-	46,063	(46,063)
Benefits payment, including refunds of employee contributions	(53,662)	(53,662)	-
Administrative expense	-	(542)	542
Net changes	58,091	41,013	17,078
Ending balance	<u>\$ 1,088,084</u>	<u>\$ 777,804</u>	<u>\$ 310,280</u>

Net pension liability increased versus the prior fiscal year primarily due to a 5.8% return on investments reported by CalPERS for the measurement period ending June 30, 2023, which was lower than the investment return assumption of 6.8%.

At June 30, 2024, the net pension liability is recorded in the government-wide statement of net position as follows (in thousands):

Government activities	\$ 170,181
Business-type activities	<u>140,099</u>
Total net pension liability	<u>\$ 310,280</u>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of Valley Water, calculated using the current discount rate, as well as what Valley Water's 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 (in thousands):

	Discount Rate		
	-1%	Current	+1%
Plan Net Pension Liability	<u>\$ 452,190</u>	<u>\$ 310,280</u>	<u>\$ 192,716</u>

**VALLEY WATER**  
Notes to Basic Financial Statements  
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**Pension Plan Fiduciary Net Position**

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

**Pension Expenses and Deferred Outflow/Inflow of Resources**

For the year ended June 30, 2024, Valley Water has an actuarial pension expense of \$57.4 million. The actuarial report showed deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contribution subsequent to measurement date	\$ 41,970	\$ -
Changes of assumptions	15,799	-
Differences between expected and actual experience	19,388	-
Net difference between projected and actual earnings on pension plan investments	<u>34,804</u>	<u>-</u>
Total	<u>\$ 111,961</u>	<u>\$ -</u>

\$42.0 million is reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction from the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as shown in the succeeding table.

Fiscal years ending June 30:	<u>Deferred Outflows / (Inflows) of Resources</u>
2025	\$ 19,714
2026	15,300
2027	31,727
2028	3,250
2029	-
Thereafter	-
Total	<u>\$ 69,991</u>

**VALLEY WATER**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2024

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**NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**Plan Description**

Valley Water provides post-employment health care benefits, in accordance with negotiated memoranda of understanding with employee groups and adoption by the Board, for retired employees and/or their surviving spouses, and to certain employees who retire due to disability who meet the eligibility requirements and elect the option. Valley Water must be the employee's last CalPERS employer, and the retiree must be receiving monthly CalPERS retirement benefits.



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**Benefits Provided**

Employee Type	Hire/Retirement Date	Eligibility Rule (Years of Continuous Service)	Valley Water's Required Contribution
<p><b>Classified</b> Employee Association (AFSCME –Local 101)</p> <p>Engineers Society (IFPTE-Local 21)</p> <p>Professional Managers Association (IFPTE – Local 21)</p>	Retired prior to July 1, 1988	—	Fixed amount of \$165 per month.
	Retired from July 1, 1988 through June 30, 1990	10 years	100% medical premium for retiree.
	Retired from July 1, 1990 or later and hired prior to December 30, 2006	10 years 15 years	100% medical premium for retiree. 100% medical premium for retiree plus one eligible dependent.
	Retired from July 1, 1990 or later and hired between December 30, 2006 and March 1, 2007	10 years 15 years	Retiree is covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less.  Retiree plus one eligible dependent are covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less.
	Hired on or after March 1, 2007	15 years 20 years	Retiree is covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less.  Retiree plus one eligible dependent are covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less.

(Continued)



**VALLEY WATER**  
Notes to Basic Financial Statements  
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<b>Employee Type</b>	<b>Hire/Retirement Date</b>	<b>Eligibility Rule (Years of Continuous Service)</b>	<b>Valley Water's Required Contribution</b>
<b>Unclassified</b>  At Will	(continued)  Hired on or after December 30, 2006 and prior to March 1, 2007	25 years	Medical, dental, and vision coverages are provided for retiree plus two or more eligible dependents. Medical premium cost sharing is required with the same contribution percentage as active employees and based on the medical premium amount applicable to active employees or retirees, whichever is less.
	Hired on or after March 1, 2007	15 years  20 years	Retiree is covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less.  Retiree plus one eligible dependent are covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less.

As of August 1, 2007, all current retirees not yet 65 years of age and Medicare eligible and all future retirees who are Medicare eligible must enroll themselves in Medicare when they reach the eligibility date for Medicare. Their Medicare eligible dependents who are enrolled in Valley Water's health plan must also enroll in Medicare upon their eligibility date. Valley Water reimburses the ongoing Medicare Part B cost incurred by the retiree and/or dependent payable quarterly.

After an evaluation of the cost savings realized in implementing the Medicare enrollment plan since August 2007, Valley Water expanded the Medicare enrollment requirement to all retirees and their eligible dependents that are enrolled in Valley Water's medical plan. As of July 1, 2009, all Medicare eligible retirees and their eligible dependents were required to enroll in Medicare. Valley Water reimburses the Medicare Part B penalty charged by the Social Security Administration to the retirees/dependents due to late enrollment.

**VALLEY WATER**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2024

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Valley Water provides the unclassified group of retirees \$50,000 life insurance upon retirement with a five-year phase out in declining increments of \$10,000 per year after retirement.

**Employees Covered** – As of the most recent OPEB actuarial report using a valuation date of June 30, 2023, the following employees were covered by the benefit terms of the plan:

Inactive employees or beneficiaries currently receiving benefits	657
Active employees	849

**Contributions**

On June 24, 2008, the Board adopted a resolution approving the agreement and election of Valley Water to prefund OPEB through CalPERS under its California Employer’s Retiree Benefit Trust (CERBT) Program, an agent multiple-employer plan consisting of an aggregation of single-employer plans. On September 9, 2008, Valley Water joined CERBT. The Board approved the reallocation of \$17.7 million from its existing reserve for the initial prefunding of the unfunded liability for the first year of reporting. Subsequent years funding, pursuant to the annual budget approved by the Board, was made at the beginning of each fiscal year through fiscal year 2017. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Employees’ Retirement System, P. O. Box 942703, Sacramento, CA 94229-2703.

OPEB and its contribution requirements are established by memorandum of understanding with the applicable employee bargaining units and may be amended by agreements between Valley Water and the bargaining groups. For the fiscal year ended June 30, 2024, Valley Water’s total contribution to the plan amounted to \$13.4 million.

**Net OPEB Liability**

Valley Water’s net OPEB liability for the Plan is measured as the total OPEB liability, less the OPEB plan’s fiduciary net position. A summary of principal assumptions and methods used to determine the net OPEB liability is shown in the following table.

**VALLEY WATER**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2024

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**Actuarial Assumptions** – The total net OPEB liability for Valley Water for fiscal year ended June 30, 2023 was derived from the CalPERS actuarial valuation using the following actuarial assumptions:

Valuation date	June 30, 2023
Measurement date	June 30, 2023
Reporting date	June 30, 2024
Discount rate <sup>(1)</sup>	6.00%
Investment rate of return <sup>(1)</sup>	6.00%
Inflation	2.80%
Payroll growth rate	2.80%
Actuarial cost method	Entry-age normal cost method
Mortality rate	Derived from the CalPERS study of Miscellaneous Public Agency experience
Pre-retirement turnover <sup>(2)</sup>	Derived from the CalPERS study of Miscellaneous Public Agency experience
Healthcare trend rate <sup>(3)</sup>	Medical and Part B trend rate begin at 5.0% then taper to 4.0% by 2025/26; dental and vision are at 3.0%

<sup>(1)</sup>The discount rate is the expected long-term rate of return on Valley Water assets using investment strategy #1 within the CERBT.

<sup>(2)</sup>Net of OPEB plan investment expenses, including inflation

<sup>(3)</sup>The mortality rate table was developed based on CalPERS' nonindustrial miscellaneous public agency experience study for 14 years ending June 2011.

**Discount Rate**

The projected cash flows used to determine the discount rate of 6.00% assumed that Valley Water contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**VALLEY WATER**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2024

**Changes in OPEB Liability**

The following table shows the changes in net OPEB liability recognized over the measurement period (in thousands):

	Increase (Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(c) = (a) - (b)
Beginning balance	\$ 178,050	\$ 130,275	\$ 47,775
Changes recognized for the measurement period:			
Service cost	2,404	-	2,404
Interest cost	13,086	-	13,086
Change in actuarial assumptions	38,357	-	38,357
Other liability experience loss/(gain)	5,349	-	5,349
Effect of plan amendments	15,451	-	15,451
Contributions	-	13,884	(13,884)
Benefits payment	(13,884)	(13,884)	-
Administrative expenses	-	(65)	65
Expected investment return	-	9,885	(9,885)
Investment experience (loss)/gain	-	(1,517)	1,517
Net changes	60,763	8,303	52,460
Ending balance	\$ 238,813	\$ 138,578	\$ 100,235

In March 2024, Valley Water was informed that the CERBT lowered their strategy #1 expected long-term rate of return from 7.59% to 6.00%, which required the same reduction to Valley Water's GASB 75 discount rate. As a result, the Net OPEB Liability increased significantly versus the prior year from \$47.7 million as of June 30, 2023 to \$100.2 million as of June 30, 2024.

At June 30, 2024, the net OPEB liability is recorded in the government-wide statement of net position as follows (in thousands):

Government activities	\$ 54,976
Business-type activities	45,259
Total net pension liability	<u>\$ 100,235</u>

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of Valley Water, calculated using the current discount rate, as well as what Valley Water's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate, as of measurement date, June 30, 2023 (in thousands):

	Discount Rate		
	-1%	Current	+1%
Plan Net OPEB Liability	\$ 129,849	\$ 100,235	\$ 75,559

**VALLEY WATER**  
Notes to Basic Financial Statements  
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**Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates**

The following presents the net OPEB liability of Valley Water, if it were calculated using health care cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current rate, as of measurement date of June 30, 2023 (in thousands):

	Discount Rate		
	-1%	Current	+1%
Plan Net OPEB Liability	\$ 73,687	\$ 100,235	\$ 132,617

**OPEB Plan Fiduciary Net Position**

Detailed information about Valley Water's OPEB plan fiduciary net position is available in separately issued CalPERS CERBT financial reports.

**OPEB Expense and Deferred Outflow/Inflow of Resources**

For the year ended June 30, 2024, Valley Water has an actuarial OPEB expense of \$27.2 million. The actuarial report showed deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflow of Resources
OPEB contribution subsequent to measurement date	\$ 13,445	\$ -
Changes in assumption	32,688	3,417
Other liability experience loss / (gain)	4,681	3,007
Investment experience loss / (gain)	11,671	-
Total	\$ 62,485	\$ 6,424

\$13.4 million is reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction from the net OPEB liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows (in thousands):

Fiscal years	Deferred Outflows / (Inflows)
ending June 30:	of Resources
2025	\$ 7,827
2026	7,488
2027	12,398
2028	6,639
2029	6,923
Thereafter	1,341
Total	\$ 42,616

**VALLEY WATER**  
Notes to Basic Financial Statements  
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**NOTE 13 - RISK MANAGEMENT**

Valley Water is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Valley Water reports all of its risk management activities in its Risk Management Internal Service Fund.

Valley Water's self-insured retention (SIR) and maximum coverage are as follows (in thousands):

<u>Coverage Descriptions</u>	Commercial Insurance	
	<u>SIR</u>	<u>Coverage</u>
General liability	\$3,000	\$50,000
Workers' compensation	1,000	Statutory
Property damage (subject to policy sub-limits)	50	500,000
Fidelity (Crime) - Directors	5	1,000
Fidelity (Crime) – Non-Directors	10	2,000
Non-owned aircraft liability	-	5,000
Boiler and machinery	50	100,000
Cyber liability	50	10,000

Claims expenses and liabilities are reported for self-insured deductibles when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported, allocated and unallocated claims adjustment expenses and incremental claim expense. Claim liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. This liability is Valley Water's best estimate based on available information. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Changes in claims payable for the fiscal years ended June 30, 2024 and 2023 are as follows (in thousands):

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Total</u>
Claims payable, June 30, 2022	\$ 4,924	\$ 2,790	\$ 7,714
Incurred claims and changes in estimates	942	57	999
Claims payments	(127)	(249)	(376)
Claims payable, June 30, 2023	<u>5,739</u>	<u>2,598</u>	<u>8,337</u>
Incurred claims and changes in estimates	4,925	(13)	4,912
Claims payments	(2,230)	(274)	(2,504)
Claims payable, June 30, 2024	<u>\$ 8,434</u>	<u>\$ 2,311</u>	<u>\$ 10,745</u>



**VALLEY WATER**  
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**NOTE 14 – INTERFUND TRANSFERS**

Interfund Transfers are used to: 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) move receipts to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and 3) move debt proceeds held in the construction fund to the funds incurring the construction expense.

Transfers made during fiscal year 2024 are shown below (in thousands):

Fund Receiving Transfer	Fund Making Transfer	Amount	Description
General Fund	Watershed and Stream Stewardship	\$ 31	Security upgrade & enhancement
General Fund	Safe, Clean Water & Nat. Flood Prot'n	94	Security upgrade & enhancement
General Fund	Water Enterprise Fund	188	Security upgrade & enhancement
General Fund	Watershed and Stream Stewardship	1,771	Drought induced tree removal
Watershed and Stream Stewardship	Safe, Clean Water & Nat. Flood Prot'n	2,053	Management of Revegetation
West Valley Watershed	COP Debt Service	53	2012A final distribution
Guadalupe Watershed	COP Debt Service	132	2012A final distribution
Coyote Watershed	COP Debt Service	55	2012A final distribution
West Valley Watershed	COP Debt Service	1,166	2012A reserve fund release
Guadalupe Watershed	COP Debt Service	2,917	2012A reserve fund release
Coyote Watershed	COP Debt Service	1,210	2012A reserve fund release
COP Debt Service	West Valley Watershed	1,144	Debt Service Transfer
COP Debt Service	Guadalupe Watershed	2,861	Debt Service Transfer
COP Debt Service	Coyote Watershed	1,187	Debt Service Transfer
COP Debt Service	Lower Peninsula Watershed	1,945	Debt Service Transfer
COP Debt Service	West Valley Watershed	584	Debt Service Transfer
COP Debt Service	Guadalupe Watershed	680	Debt Service Transfer
COP Debt Service	Coyote Watershed	1,751	Debt Service Transfer
COP Debt Service	West Valley Watershed	22	Debt Service Transfer
COP Debt Service	Guadalupe Watershed	56	Debt Service Transfer
COP Debt Service	Coyote Watershed	23	Debt Service Transfer
COP Debt Service	Lower Peninsula Watershed	329	Debt Service Transfer
COP Debt Service	West Valley Watershed	99	Debt Service Transfer
COP Debt Service	Guadalupe Watershed	110	Debt Service Transfer
COP Debt Service	Coyote Watershed	296	Debt Service Transfer
COP Debt Service	General Fund	22	Debt Service Transfer
COP Debt Service	General Fund	450	Debt Service Transfer
Water Enterprise Fund	Safe, Clean Water & Nat. Flood Prot'n	1,093	Water Conservation program
Information Technology Fund	Watershed and Stream Stewardship	2,492	IT capital project
Information Technology Fund	Water Enterprise Fund	3,739	IT capital project
		<u>\$ 28,553</u>	

**VALLEY WATER**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2024

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**NOTE 15 – COMMITMENTS**

**(a) Contract and Purchase Commitments**

As of June 30, 2024, governmental funds had encumbrances of approximately \$36.9 million, while proprietary funds had open purchase commitments of approximately \$262.9 million related to new or existing contracts and agreements. These encumbrances are only commitments for the expenditure of funds and do not represent actual expenditures or liabilities. See Note 9 for discussion of assigned fund balance for governmental funds.

**(b) San Felipe Project Water Deliveries**

In 2007, Valley Water entered into a contract with the United States of America Bureau of Reclamation for water deliveries from the Central Valley Project (CVP). The contract requires Valley Water to operate Reach 1, Reach 2, and Reach 3 of the federal San Felipe Division facilities.

On May 11, 2020, there was an amendment to this contract. The amended contract provided for compliance with the Water Infrastructure Improvements for the Nation Act (WIIN Act) and converted it from a water service to a repayment contract. This conversion required that Valley Water repay by lump sum its remaining share of capital costs for the CVP except for those capital costs associated with the San Felipe Division facilities. In accordance with the original contract, Valley Water's share of capital costs for the San Felipe Divisions facilities are repaid through semi-annual payments according to a payment schedule. To become fully enforceable, the repayment contract requires that Valley Water secure a final judgment from a court of competent jurisdiction that the contract is valid. This court proceeding has been initiated and is awaiting judgment. The conversion of Valley Water's contract, as well as the contracts for all CVP contractors that elected to convert their contract pursuant to the WIIN Act, is subject to legal challenge by several environmental groups, which alleged violations of the National Environmental Policy Act and the federal Endangered Species Act.

Under the contract, the total commitment for repayment, including applicable interest, was \$432.7 million. The remaining commitment as of June 30, 2024 was \$156.2 million.

**(c) Participation Rights in Storage Facilities**

In December 1995, Valley Water entered into a water banking and exchange program with Semitropic Water Storage District and its Improvement Districts that entitles Valley Water to storage, withdrawal, and exchange rights for Valley Water's State Water Project supplies. Valley Water's share of the total program capital costs is \$46.9 million based on a 35 percent participation level in the program. Valley Water pays the program capital costs when storing and recovering Tier 1 water. The participation rights of \$46.9 million are recorded as a component of Capital assets and are amortized using the straight-line method over the life of the agreement. Amortization of \$33.4 million has been recorded through fiscal year 2024. This agreement terminates in December 2035.

Under the terms of the program, upon withdrawal by Valley Water of all 148,749 acre-feet of remaining Tier 1 water stored, Valley Water would have paid its share of the total program costs.

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The 2024 rate to retrieve Tier 1 water is \$93.17 per acre-feet. During the first 10 years of the program, Valley Water had a reservation to participate in 35% of the original banking program. At the end of calendar year 2005, Valley Water made the necessary payments to secure the full 35% participation level in the program. As a result, Valley Water has a current storage allocation of 350,000 acre-feet. As of June 30, 2024, Valley Water has 300,694 acre-feet of water in storage.

Semitropic Water Storage District has reported elevated concentrations of 1, 2, 3 trichloropropane in some of its groundwater wells. There is currently insufficient information to conclude whether these detections could impact banking operations. Impacts could potentially include higher pumping, recovery, and treatment costs and possibly impaired recovery of banked water supplies. Because the Semitropic water bank is located in Kern County, downstream of Valley Water, banked water must be returned by exchange with State Water Project water from the Delta. In critically dry years or in the event of a Delta disruption, there may be insufficient State Water Project supplies to facilitate withdrawal of supplies from the bank.

**(d) Partnership Agreement Between Valley Water, the City of Palo Alto, and the City of Mountain View to Advance Resilient Water Reuse Programs in Santa Clara County (County)**

On December 10, 2019, the Board approved an agreement between Valley Water and its local partners, the Cities of Palo Alto and Mountain View, to further develop water supplies and infrastructure to meet the County's water supply needs. The three main parts of the agreement include: (1) funding a local salt removal facility at the Regional Water Quality Control Plant in Palo Alto, to provide a higher quality of recycled water for irrigation and cooling towers, (2) an effluent transfer option to Valley Water for a regional purification facility (referred to as the "Regional Plant"), owned and operated by Valley Water, to provide advanced purified water for potable reuse, and (3) a water supply option for the cities of Palo Alto and Mountain View to request an additional supply if needed.

Under this partnership agreement, the financial impact to Valley Water includes funding the local salt removal facility in the amount of \$16.0 million, which may be sourced as a component of the Expedited Purified Water Program. Valley Water will also pay \$0.2 million per year, starting in year one to culminate in year thirteen, or at startup of the regional purification facility, whichever occurs first. Finally, Valley Water will pay \$1.0 million per year for the effluent once startup of the regional purification facility has been initiated. Such annual payments will escalate annually based on the factors outlined in the partnership agreement and would be paid for with water charge related revenues. Timing of such payments are still to be determined. In February 2024, the Valley Water Board of Directors placed the project to build a regional purification facility on hold due to affordability issues. This decision will be reviewed in two years.

**VALLEY WATER**  
Notes to Basic Financial Statements  
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**NOTE 16 – CONTINGENCIES**

**(a) Litigation**

It is normal for a public entity like Valley Water, with its size and activities, to be a defendant, co-defendant, or cross-defendant in court cases in which money damages are sought. A number of claims and suits are pending against Valley Water for alleged damages arising out of matters usually incident to its operations. Although the aggregate amount asserted for such lawsuits and claims is significant, in the opinion of Valley Water management, Valley Water has reasonable defenses against such claims, thus the ultimate loss, if any, relating to these claims and suits not covered by insurance or reflected on the financial statements, will not materially affect the financial position of Valley Water.

Discussed below are all pending litigations that Valley Water is aware of which are significant and may have a potential impact on the financial statements.

**Aguirre, et al. v. SCVWD**

In May 2023, Valley Water was served with an action by five former Valley Water employees (Amanda Aguirre, Matthew Bruni, Eric Calderon, Raymond Corral, and Jesse Perez). The plaintiffs are alleging violations of the California Fair Employment and Housing Act, retaliation, and wrongful discharge in violation of public policy in relation to their dismissals or resignations from Valley Water. The plaintiffs were either released by Valley Water for failing to comply with Valley Water's COVID-19 policies then in effect or resigned after being told they would be subject to the policies. This case is in its early phases. A case management conference was scheduled October 29, 2024. As with any litigation, there is uncertainty as to the result. However, Valley Water believes it has reasonable defenses to plaintiffs' allegations, which it intends to assert. Valley Water cannot predict what effects this lawsuit may have or if such effects would be material.

**County of Santa Clara – Dunne Avenue Damages**

The County submitted a claim to Valley Water seeking damages for alleged landslide and settlement damages to its East Dunne Avenue roadway adjacent to Anderson Reservoir. The County maintains that the damages were caused by Valley Water's draining of the reservoir for a capital project. While no amount was specified in the claim, the County has since asserted that its estimated damages exceed \$4.2 million. Valley Water is currently evaluating the claim with respect to liability.

**Great Oaks Water Co. v. SCVWD**

In 2005, Great Oaks filed suit against Valley Water alleging, among other things, that Valley Water's groundwater production charges violated Proposition 218 (which added Article XIID to the California Constitution), because proceeds are used to fund projects and services that benefit the general public, not just ratepayers (Great Oaks Water Company v. Santa Clara Valley Water District, Santa Clara County Superior Court Case No. 2005-CV-053142; Cal. Court of Appeals Case Nos. HO35260 and HO35885; Cal. Supreme Court No. S231846 (the "Great Oaks Case").

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On February 3, 2010, the trial court issued a judgment ruling that Valley Water owed Great Oaks a refund of groundwater charges of approximately \$4.6 million plus interest at 7% per annum. This judgment was appealed, and in 2015, the Court of Appeal reversed in full the judgment of the trial court finding that Valley Water's groundwater production charges did not violate Proposition 218 or the law. Great Oaks petitioned the California Supreme Court to review the Court of Appeal's ruling, and the Supreme Court granted its petition. The case was placed on hold pending the California Supreme Court's decision in a similar case, *City of Buenaventura v. United Water Conservation District* ("UWCD"). In late 2017, the California Supreme Court issued its opinion in the UWCD case, finding that Proposition 218 does not apply to groundwater charges, but that Article XIII C of the California Constitution does apply. The Supreme Court vacated the Court of Appeal's decision and remanded the Great Oaks case for reconsideration in light of its UWCD opinion. On November 8, 2018, the Court of Appeal reaffirmed its 2015 decision. This case was remanded to the trial court for further proceedings in February 2019.

While the 2005 Great Oaks case was pending, Great Oaks filed additional annual claims and additional annual lawsuits challenging Valley Water's groundwater production charges for each year after 2005, continuing through the present. Great Oaks' subsequent, similar lawsuits were stayed pending resolution of its 2005 case. In addition, in 2011 Shatto Corporation, Mike Rawitser Golf Shop, and Santa Teresa Golf Club filed a similar refund action, making similar claims (Santa Clara Superior Court Case No. 2011-CV-195879). In 2019, Valley Water filed a collection action against Shatto Corporation for failure to pay groundwater charges from 2009 to 2014 and associated penalties and interest. Shatto Corporation filed a cross-complaint, alleging that Valley Water's groundwater charges violate Article XIII C of the California Constitution (Santa Clara Superior Court Case No. 2019-CV-348413).

Once the Great Oaks Case was remanded to the trial court in February 2019, the court lifted the stay over Great Oaks' subsequently filed cases, as well as the case brought by Shatto Corporation, Mike Rawitser Golf Shop, and Santa Teresa Golf Club. At the request of the trial court, in order to streamline resolution of the remaining issues regarding this litigation and related litigation, the parties stipulated and agreed to the filing of a new, omnibus complaint. On June 12, 2020, the proposed omnibus "Master Complaint" of plaintiffs Great Oaks and Shatto Corporation was approved for filing and filed under Santa Clara Superior Court Case No. 2011-CV-205462. Great Oaks alleged that Valley Water's groundwater production charges violated Proposition 26, and that Valley Water did not levy or collect groundwater charges from agricultural pumpers but instead used property taxes to pay these charges. On or about October 7, 2020, Valley Water and Shatto Corporation entered into a settlement agreement by which both parties dismissed with prejudice all actions each had against the other. Shatto paid Valley Water \$1.1 million in connection with the settlement.

The second trial in the Great Oaks Case took place in June 2022 at which Great Oaks sought approximately \$85 million for the full amount it contends it paid to Valley Water for the years in question. The case was dismissed as to all plaintiffs except for Great Oaks. A final statement of decision fully in Valley Water's favor was issued on February 8, 2023, and judgment for Valley Water was entered. In March 2023, Great Oaks filed a notice of appeal of the judgment. The appeal has been fully briefed and oral argument is currently scheduled for January 7, 2025.

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**Howard Jarvis Taxpayer Association v. Coachella Valley Water District**

Howard Jarvis Taxpayers Association is pursuing litigation against Coachella Valley Water District (“Coachella”) challenging Coachella’s collection of the SWP tax and use of SWP tax proceeds. Among other things, the lawsuit alleges that Coachella violated the California Constitution in imposing a SWP tax without evidence showing that this was necessary, i.e., that Coachella’s water rate revenue was insufficient to pay SWP expenses. The trial court agreed with plaintiff, in holding that SWP expenses should generally be paid through water rates and not taxes, and Coachella’s SWP tax was unlawful because the record failed to show that it was necessary for Coachella to impose the SWP tax, i.e., that it was infeasible to pay SWP expenses through its rates. The trial of this action was bifurcated and the damages phase of trial has not yet started. A final judgment will likely not be issued until late 2024 at earliest.

Many SWP contractors, including Valley Water, rely on the imposition of the SWP tax to pay for all or most of their SWP expenses. If the trial court’s decision is appealed and upheld on appeal, this could impair the ability of Valley Water and other SWP contractors to pay for their SWP expenses through use of the SWP tax, resulting in a significant increase in their water rates.

**Deanna Lacy, et. al. v. SCVWD et. al.**

This case concerns a fatal accident where a pedestrian was struck by an ACE train while jogging across the railroad tracks on or near one or more trails adjacent to land either owned or leased by Valley Water. This action, brought by decedent’s estate, remains an active matter and discovery is ongoing. A jury trial was scheduled for October 7, 2024. Valley Water intends to vigorously defend against this action. Plaintiff’s counsel has previously indicated an intention to seek damages in excess of \$2,000,000. As with any litigation, there is uncertainty as to the result. However, Valley Water believes it has reasonable defenses to plaintiffs’ allegations, which it intends to assert. Valley Water cannot predict what effects this lawsuit may have or if such effects would be material.

**PG&E v. SCVWD; SJUSD v. SCVWD (2017 Flooding in the City of San Jose)**

Following a series of storms, a flood event occurred on the Coyote Creek in San Jose, California on or about February 21, 2017. The Coyote Creek is approximately 42 miles long and is the longest creek in the County. In the southern portion of the County, Valley Water owns and maintains the Leroy Anderson Dam and Reservoir along the Coyote Creek near Morgan Hill, California. The Anderson Dam is upstream from the City of San Jose. After the reservoir reached capacity, water began going over the Anderson Dam spillway, as was designed, on February 18, 2017. The spillover volume peaked on the morning of February 21, 2017, increasing flows on Coyote Creek. Beginning on or about February 21, 2017, certain residential and non-residential areas of San Jose along Coyote Creek experienced flooding due to rising water levels in the creek. Thousands of residents were temporarily evacuated, and numerous properties experienced flood damage. Such flood water receded within a short period of time after February 21, 2017.

A number of claimants filed lawsuits in Santa Clara County Superior Court against Valley Water and the City of San Jose alleging damage from the Coyote Creek flood event. In July 2022, Valley Water and plaintiffs in the consolidated reached a full settlement in the amount of \$8,250,000. This

**VALLEY WATER**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2024

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settlement resulted in the entry of an amended stipulated judgment on July 11, 2022. The settlement has been paid by Valley Water and its insurer; Valley Water's contributions towards this settlement was \$3,175,000.

There are two pending actions in the Santa Clara County Superior Court arising from the same flood event (San José Unified School District v. SCVWD, Case No. 18CV330233; PG&E v. SCVWD, Case No. 20CV371349). PG&E v. SCVWD was scheduled for mediation in July 2024; the San Jose Unified School District action was scheduled for a Trial Setting Conference on October 8, 2024. Valley Water believes that the aggregate amounts recoverable against Valley Water with respect to these cases, taking into account insurance coverage, are not material.

**San Francisco Baykeeper v. SCVWD**

In September 2022, petitioner, San Francisco Baykeeper, filed a petition for writ of mandate and declaratory relief against Valley Water in Santa Clara County Superior Court for alleged violations of the California Fish and Game Code, waste and unreasonable use of water resources and violations of the public trust doctrine. (San Francisco Baykeeper v. Valley Water, Santa Clara County Superior Court, Case No. 22CV403523). Petitioners alleged that Valley Water does not operate its dams and waterways to allow sufficient water flows to maintain fish stocks in good condition, to remove artificial barriers that prevent fish passage and has failed to manage its waterways to protect habitat values for fish and wildlife. The petitioner in this action asks the court to order Valley Water to modify its operations to rectify the foregoing, and for an injunction enjoining all activity of Valley Water which violate the California Fish and Game Code and common law until Valley Water implements an appropriate flow regime.

Valley Water has filed two motions to stay with the Court on April 16, 2024. In the first motion, Valley Water asked the Court to stay the case regarding operations in the Coyote Watershed (within which the Anderson Dam Seismic Retrofit Project is located) to allow a FERC proceeding to be completed. In the second motion, Valley Water asked the Court to stay the case regarding operations in the Guadalupe River and Stevens Creek Watersheds, because of the significant risk that any relief ordered by the Court would conflict or otherwise interfere with the regulatory proceeding before the SWRCB. These motions were scheduled to be heard on July 25, 2024, and trial was set for March 10, 2025.

As with any litigation, there is uncertainty as to the result. However, Valley Water believes it has reasonable defenses to petitioner's allegations, which it intends to assert. Valley Water cannot predict what effects this lawsuit may have or if such effects would be material.

**Santa Clara Valley Water District v. 3M Company; et al.**

In response to required testing for PFAS chemicals at various fire-fighting training sites, Valley Water learned that PFAS were detected at one of its recharge ponds immediately adjacent to a fire training site. (The site drains to the pond.) In addition, several Valley Water retailer wells have tested positive for PFAS chemicals above State and federal recommended or mandated levels. In response, Valley Water has expended monies conducting testing for PFAS chemicals at a wide variety of sites and wells throughout the County. The EPA has proposed drinking water test standards for various PFAS

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chemicals, and PFAS are proposed to be listed as hazardous substances under federal law, imposing potential cleanup liability on any entity that handles, processes, or transports PFAS chemicals. This could impact Valley Water's disposal of sludge or RO concentrate from its water treatment plants. Valley Water filed suit against PFAS manufacturers to recoup current and anticipated future costs relating to PFAS testing and remediation. The matter is currently pending in the trial court.

**Santa Clara Valley Water District v. CH2M Hill, Inc., et al.**

Valley Water filed this lawsuit against the planning and design services consultants as a result of negligent work performed on the Rinconada Water Treatment Plant Residuals Management Project. This case has been settled with defendants CDM Smith, Inc. and TJC & Associates for \$3.3 million conditioned on entry of an order by the Superior Court finding that the settlement was in good faith. Litigation was continuing against the remaining defendant, CH2MHill, and the matter was set for trial on October 28, 2024.

**Stanford University Claims**

On April 23, 2021, Valley Water received a claim from Stanford University ("Stanford") challenging Valley Water's application of groundwater charges in Charge Zone W-2 to Stanford. Stanford seeks a refund of the 2020-2021 groundwater charges that it paid to Valley Water, which as of May 1, 2021, was \$594,782. Stanford argues that Valley Water's groundwater charges, as applied to it, violate the Law, Proposition 218, Proposition 26, Stanford's water rights, and the Sustainable Groundwater Management Act. In its claim, Stanford asserts that the groundwater charges are unlawful because Stanford does not benefit from Valley Water's groundwater recharge activities. Stanford presented Valley Water with another claim on May 10, 2022, demanding a refund of 2021-2022 groundwater charges paid to Valley Water, which Stanford identified as \$449,630.77 for the months of July 2021 through February 2022. This latest claim contains the same legal theories asserted in its claim for 2020-2021 groundwater charges.

Valley Water believes Stanford's claims are without merit since Valley Water's consultant concluded in a 2020 groundwater benefit zone study that groundwater wells that Stanford pumps from do benefit from Valley Water's groundwater recharge activities. This comprehensive study was finalized and relied upon by the Board when it updated Valley Water's groundwater charge zones, including Charge Zone W-2, through adoption of Board Resolution No. 20-12 on April 28, 2020.

The Board denied Stanford's 2020-2021 groundwater charge claim on May 25, 2021, and 2021-2022 groundwater charge claim on May 24, 2022. In May 2024, Valley Water and Stanford University entered into a tolling agreement extending the tolling period through August 31, 2024. Also, in May 2024, Stanford's counsel submitted a claim for a refund of Fiscal Year 2023-24 groundwater charges, totaling \$542,178 for the months of July 2023 through January 2024, and stating that payments for February 2024 through June 2024 are yet to be determined.

If Stanford were to be successful in challenging its groundwater charges, Valley Water would not only be liable for groundwater charges levied against Stanford since Fiscal Year 2020-21 but may potentially be liable for refunding groundwater charges of other similarly situated groundwater



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Notes to Basic Financial Statements  
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pumpers. As a result, a successful challenge by Stanford may have a material impact on Valley Water's groundwater charge revenue generated from groundwater benefit zone W-2.

**Toledo v. San Joaquin Regional Rail Commission, et al.**

This matter involves a pedestrian versus train accident on the Guadalupe River railroad bridge in the Alviso neighborhood of San Jose. Plaintiff, the father of decedent, Celeste Toledo, brought this action against Valley Water and other defendants claiming a dangerous condition of public property and negligent bridge construction. Trial in this action was scheduled for January 13, 2025. As with any litigation, there is uncertainty as to the result. However, Valley Water believes it has reasonable defenses to plaintiffs' allegations, which it intends to assert. Valley Water cannot predict what effects this lawsuit may have or if such effects would be material.

**Weigand v. SCVWD**

This is a disability harassment and discrimination action filed in November 2018 against Valley Water by former Environmental, Health & Safety Unit Program Manager Geoffrey Weigand. Weigand alleged that Valley Water violated the Fair Employment and Housing Act by discriminating against him, failing to reasonably accommodate his disability, failing to fairly engage in the interactive process, harassing him because of his medical condition, and retaliating against him. Weigand ultimately retired from Valley Water while the reasonable accommodation process was ongoing. The Fair Employment and Housing Act causes of action asserted by Weigand provided for an award of attorneys' fees if he prevailed. The action settled in March 2024, in the amount of \$1 Million.

**(b) Grants and Subventions**

Valley Water has received federal and state grants for specific purposes that are subject to review and audit. Although such audits could result in expenditure disallowances under grant terms, any such disallowances are not expected to be material.

**(c) Factors Affecting Water Supply**

***2019 Revised Federal Biological Opinions Litigation***

In October of 2019 the NMFS and United States Fish and Wildlife Service ("FWS") issued revised biological opinions ("BiOps") for the long-term coordinated operations of the CVP and the SWP, replacing prior BiOps issued in 2008 and 2009. Several lawsuits were filed against the United States shortly thereafter, including one by the State of California. These lawsuits were consolidated in the United States District Court for the Eastern District of California and allege violations of the Administrative Procedure Act ("APA"), the ESA, and the NEPA. Shortly after the Biden Administration took office, counsel for the United States requested to stay such litigation to allow the Biden Administration to formally re-initiate ESA consultations on joint project operations – a commitment to develop new BiOps. For the last few years, the United States District Court has stayed this litigation pending the United States' issuance of new BiOps, and approved one-year "joint

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Notes to Basic Financial Statements  
For the Year Ended June 30, 2024

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interim operations plans” (“IOPs”) for the CVP and SWP, as jointly proposed by the United States and California. Under these IOPs, the United States has agreed to operate the CVP in accordance with the State’s stricter CESA Incidental Take Permit (“ITP”), discussed below, rather than the 2019 BiOps. (The ITP contains Bay-Delta export restrictions not contained in the 2019 BiOps.) This case is currently stayed through December 31, 2024.

***Bay-Delta Water Quality Control Plan Phase 1 Amendments Litigation***

In late 2018, the SWRCB released the Phase 1 Amendments to the Bay-Delta Plan. Among other things, the Phase 1 Amendments require an adaptive 40% unimpaired flow requirement on all major tributaries to the San Joaquin River, including the Tuolumne River, from which the SFPUC Hetch-Hetchy system obtains its water supplies. The unimpaired flow requirement could reduce imported SFPUC supplies in the northern part of the County, causing increased groundwater pumping. Several public agency plaintiffs allege that the flow requirements are arbitrary and capricious, not based on the best available science, or are too restrictive of, or alter, water rights. Environmental group plaintiffs allege that the requirements are not protective enough of fish. These lawsuits were consolidated in Sacramento Superior Court. The trial court recently issued a decision in favor of the SWRCB, upholding the Plan’s Phase 1 Amendments against all causes of action. Several parties have filed notices of appeal. This decision supports the State Board’s authority to issue proposed Phase 2 Bay-Delta Plan amendments that will require an adaptive 65% unimpaired flow requirement on all major tributaries to the Sacramento River. This requirement could significantly reduce exports of CVP and SWP water from the Delta.

***California Incidental Take Permit Litigation (CDWR Water Operations Cases)***

Under the CESA, DWR is required to obtain an incidental take permit to minimize, avoid and mitigate impacts to threatened or endangered species as a result of SWP operations, including the Delta Smelt and other fish species. Prior to 2019, DWR obtained coverage for SWP operations under CESA by securing a “consistency determination” from CDFW based on federal BiOps issued by the NMFS and FWS, but in February 2019, DWR and CDFW announced that they would pursue a separate State permit to ensure the SWP’s compliance with the CESA. In March 2020, DWR issued its final EIR for the long-term operation of the SWP and shortly thereafter CDFW issued the ITP for the long-term operation of the SWP. The ITP and final EIR significantly limits exports in wetter years as compared to what is allowed under the 2019 revised BiOps, with potential reductions of up to 400,000 acre-feet in April and May. Several lawsuits were filed challenging the ITP and these lawsuits have been coordinated in Sacramento Superior Court. SWP contractors allege, among other things, that the State violated CEQA or CESA by changing the project description after the draft EIR, certifying a new alternative project without adequate disclosure or public comment, failing to use the best available science, and imposing requiring unnecessary and unjustified avoidance and mitigation measures. Conversely, environmental groups allege that the final EIR and ITP violate the Delta Reform Act and CEQA and do not go far enough in protecting threatened fish species. Although the ITP applies only to SWP operations, as noted above, the United States has been voluntarily operating the CVP in accordance with the ITP’s terms since 2021. In conjunction with the United States reinitiating ESA consultations on the joint operations of the CVP and SWP, California’s

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Department of Fish & Wildlife has reinitiated consultations on developing a new SWP ITP. This litigation may be voluntarily stayed pending issuance of a new ITP and environmental review.

***Center for Bio. Diversity v. USBR, SCVWD, et al.***

(U.S.D.C., E.D.Cal., Case No. 1:20-cv-00706-DAD-EPG; related case 1:20-cv-01814 (Hoopa Valley tribe). This action challenges the conversion of many Central Valley Project (CVP) water service contracts into permanent repayment contracts under the Water Infrastructure Improvements for the Nation Act (WIIN Act), alleging that this conversion violates NEPA and the ESA. Plaintiffs allege violations of NEPA and ESA through the federal Administrative Procedures Act. APA. The parties have filed competing cross-motions for summary judgment which are awaiting hearing. The WIIN Act conversion makes CVP contract permanent, eliminating need for numerous short-term renewals and limiting opportunities for environmental challenges to renewals under NEPA, CEQA, ESA, etc.

***City of Fresno et al. v. Bureau of Reclamation***

The City of Fresno and 17 other CVP Friant Division water contractors filed a lawsuit against the United States of America, alleging that in 2014 the USBR violated its water service contracts with them by using water stored in Millerton Reservoir that should have been provided to them but was instead released to satisfy water deliveries to senior water rights holder the San Joaquin River Exchange Contractors Authority. Among other arguments, plaintiffs claimed that USBR could not use water stored in Millerton Reservoir as “substitute water” to provide to the “Exchange Contractors.” SLDMWA and Valley Water intervened in this action.

The trial court granted summary judgment in favor of defendant United States and intervenors. This decision was appealed and the appeal has been fully briefed and argued. The parties are now waiting for the Court of Appeal’s decision. If plaintiffs prevail, this could negatively impact future CVP water allocations to Valley Water and other non-Friant Division CVP contractors.

***DWR DCF Bond Validation Action (Sierra Club v. DWR)***

Sacramento County Sup. Ct. Case No. 34-2020-80003517 [lead case, CEQA] & 34-2020-00283112 [validation]). DWR, through its bond counsel, filed this action to validate its authority to issue revenue bonds to finance the environmental review, planning, engineering and design, and, if approved, construction of a Delta conveyance project under the CVP Act and Burns-Porter Act. Sierra Club and other NGOs filed a lawsuit alleging that DWR’s bond resolution violated CEQA. The validation case and CEQA case were consolidated. On January 4, 2022, the court granted DWR’s motion for summary judgment as to all CEQA causes of action and CEQA affirmative defenses. On December 9, 2022, the court granted DWR’s motion for summary adjudication as to all causes of action and affirmative defenses premised upon the Delta Reform Act and Public Trust Doctrine. However, on January 16, 2024 the trial court issued its Final Statement of Decision finding that DWR’s 2020 broadly-worded bond resolutions were not authorized by the CVP Act and Burns-Porter Act but suggested that a more narrow, or specific, bond resolution might be so authorized. DWR and several intervening parties have appealed this decision.

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Notes to Basic Financial Statements  
For the Year Ended June 30, 2024

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***DWR SWP Contract Long-Term Extension Validation Action & CEQA Actions***

(Sac. Sup. Ct. Case No. 34-2018-00246183 and Nos. 34-2019-80003047 & 3053). DWR filed a validation action in Sacramento County Superior Court in 2018 to validate the legality of its approval of long-term extensions of all SWP water service contracts, including Valley Water's contract. A judgment in favor of DWR would provide that the matters contained therein are in conformity with applicable law and allow DWR to have the ability to issue and successfully market low-interest rate, long-term (30 year) SWP bonds.

In February 2019, Valley Water filed an answer supporting DWR's allegations, as did several other SWP contractors. However, several environmental groups and counties and districts filed answers or separate lawsuits opposing DWR's approval of the long-term extension, asserting that the approval violates CEQA, the Public Trust Doctrine or the DRA.

All cases were consolidated. The administrative record has been certified, and the parties have fully briefed and argued their positions. The trial court granted judgment in favor of DWR and supporting SWP contractors on all causes of action. Several environmental groups and agencies filed notices of appeal and their appeals were coordinated. The Court of Appeal affirmed the trial court judgment in its entirety, and the California Supreme Court denied petitioner's request to review the Court of Appeals decision, effectively ending this litigation.

***Oroville Spillway Environmental Damage Cases***

These consolidated cases in the Sacramento County Superior Court involve claims of damage resulting from the failure of the Oroville Dam spillway in 2017. The most important case to Valley Water and other State Water Project contractors in this litigation was brought by the Butte County District Attorney, alleging strict liability environmental damage to Feather River pursuant to Fish & Game Code §5650 totaling \$51 billion (\$25k/day penalty and \$10/pound of spillway and materials discharged into river). The trial court granted summary judgment to DWR on the Butte County District Attorney's Fish & Game § 5650 claim, finding that the State is not a "person" subject to suit under that section. The Butte County DA appealed, and the court of appeal ruled in favor of DWR in an October 2023 opinion.

***Water Imported through San Francisco-San Joaquin Bay-Delta***

Valley Water's imported and local supplies are subject to regulatory restrictions pursuant to, among other laws, the federal Endangered Species Act ("ESA"), California Endangered Species Act ("CESA"), the Water Quality Control Plan for the San Francisco Bay/Sacramento-San Joaquin Delta Estuary Bay-Delta, and State Water Resources Control Board Decision D-1641. The listing of winter-run Chinook salmon in 1989 and delta smelt in 1993 resulted in pumping restrictions imposed on the State and federal water projects to protect these species. These pumping restrictions resulted in reduced deliveries from the SWP and CVP. In 1993, the United States Environmental Protection Agency (the "EPA") also proposed to implement water quality standards for the Bay-Delta that would impose severe restrictions on the operation of the SWP and CVP. These circumstances led to the Bay-Delta Accord in 1994, in which the State and federal governments, along with urban, agricultural and environmental interests, agreed to an interim set of ESA protection measures coupled with water

**VALLEY WATER**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2024

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supply certainty. The Bay-Delta Accord laid the groundwork for the establishment of the CALFED Bay-Delta Program, which has been succeeded by a number of efforts, including the California Water Action Plan, the Delta Reform Act and Delta Plan, and the proposed Delta Conveyance Project to develop a long-term solution for conflicts in the Bay-Delta. However, there has been significant recent litigation concerning ESA and CESA issues and water moving through the Delta for export to contractors.

Various legal actions have been filed, involving the conveyance of water through the Delta by DWR, via the SWP, and by USBR, via the CVP.

**NOTE 17 - SUBSEQUENT EVENTS**

Events have been evaluated subsequent to the balance sheet date through December 20, 2024, the date the financial statements were available to be issued. Based upon this evaluation, no events have occurred that require adjustment to or disclosures in the financial statements except as noted below:

- On August 6, 2024, after more than 14 years of development, the Office of Administrative Law (OAL) approved the Direct Potable Reuse (DPR) Regulations. The DPR regulations had previously been adopted by the State Water Resources Control Board on December 19, 2023. The effective date of the regulation is October 1, 2024. DPR is the planned introduction of highly treated recycled water either directly into a public water system or into a raw water supply immediately upstream of a water treatment plant. Valley Water has been involved in the development of DPR regulations since the beginning as part of the WaterReuse California Direct Potable Reuse Working Group, which has been guiding the development of these regulations for the past two years. The finalization of DPR regulations opens up new possibilities for implementing large-scale water recycling projects throughout the State. Valley Water is working to implement the San Jose Purified Water Project - Phase 1 (DPR Demonstration Facility) in collaboration with the Cities of San Jose and Santa Clara.
- On September 10, 2024, the Valley Water Board of Directors voted to reduce Valley Water's storage request in the Los Vaqueros Expansion Project from 50,000 acre-feet to 20,000 acre-feet to help address a storage oversubscription issue at the time and to reduce Valley Water's exposure to the potential project risks. Subsequently, on September 18, 2024, the Contra Costa Water District (CCWD) Board directed its general manager to develop an approach to end CCWD's participation in the project due to concluding that the project was no longer viable in light of changed conditions. On November 6, 2024, the CCWD Board adopted Resolution No. 24-014 to authorize the General Manager to withdraw CCWD's Phase 2 LVE Project Proposition 1 Water Storage Improvement Program grant application and to begin JPA dissolution and JPA Agreement termination efforts.
- In September 2024, Valley Water issued \$314 million of Water System Revenue Bonds comprised of Refunding Revenue Bonds Series 2024A-1 for \$104.8 million and Taxable Series 2024B-1 for \$90.5 million, Refunding Revenue Notes 2024A-2 for \$50.6 million and Taxable Series 2024B-2 for \$25.0 million, and Revenue Bonds Series 2024C for \$43.2 million (the "2024 Bonds"). Proceeds of the 2024A-1 Refunding Revenue Bonds, along with the original issue premium, were used to repay \$118.6 million of outstanding tax-exempt commercial paper notes

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Notes to Basic Financial Statements  
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and costs of issuance. Proceeds of the 2024B-1 Taxable Refunding Revenue Bonds were used to repay \$31.4 million of outstanding taxable commercial paper notes, \$58.6 million of taxable Revolver, and costs of issuance. Proceeds of the 2024A-2 Refunding Revenue Notes, along with the original issue premium, were used to repay \$50.6 million of a portion of the outstanding Revenue Certificates of Participation Series 2023C-1 and costs of issuance. Proceeds of the 2024B-2 Revenue Notes were used to repay \$25 million of a portion of the outstanding Revenue Certificates of Participation Taxable Series 2023D, and costs of issuance. Proceeds of the 2024C Revenue Bonds, along with the original issue premium, are being used to finance the cost of certain Water Utility System improvements and costs of issuance. The obligation of Valley Water to pay principal and interest of the Series 2024 Bonds is secured by a pledge of and lien on Valley Water's Water Utility System Revenues and are payable from the Net Water Utility System Revenues pursuant to the Water Utility Parity System Master Resolution (16-10).

- On October 22, 2024, the Valley Water Board adopted Resolution No. 24-49, authorizing the execution and delivery of certain agreements in connection with a direct issue Commercial Paper Program, including the authorization for a \$250 million LOC from Sumitomo Mitsui Banking (SMBC) to replace the \$150 million LOC from MUFG Bank, Ltd. which expires on December 10, 2024.

- Deanna Lacy, et. al. v. SCVWD et. al.

This action fully settled in July 2024, in the amount of \$600,000.

- PG&E v. SCVWD

This action fully settled on August 14, 2024, in the amount of \$450,000 payable by Valley Water's insurers.

- Santa Clara Valley Water District v. CH2M Hill, Inc., et al.

This action fully settled in September 2024, in the amount of \$4,550,000 payable to Valley Water.

- San Francisco Baykeeper v. SCVWD

On October 29, 2024, the court granted Valley Water's motions to stay the mandate action. As a result, all action in the litigation is on hold pending further order of the court.

**Required  
Supplementary  
Information**

**VALLEY WATER**

Schedule of Changes In Net Pension Liability and Related Ratios - Last 10 Years

June 30, 2024

(Dollars in Thousands)

	2015	2016	2017	2018
<b>Total pension liability</b>				
Service cost	\$ 14,351	\$ 13,736	\$ 13,764	\$ 15,752
Interest on total pension liability	46,262	48,842	51,160	53,110
Differences between expected and actual experience	-	(184)	(3,174)	(4,717)
Changes in assumptions	-	(12,080)	-	44,289
Changes in benefits	-	-	-	-
Benefit payments, including refunds of employee contributions	<u>(25,005)</u>	<u>(27,800)</u>	<u>(30,428)</u>	<u>(32,499)</u>
Net change in pension liability	35,608	22,514	31,322	75,935
Total pension liability, beginning	<u>622,149</u>	<u>657,757</u>	<u>680,271</u>	<u>711,593</u>
Total pension liability, ending (a)	<u>\$ 657,757</u>	<u>\$ 680,271</u>	<u>\$ 711,593</u>	<u>\$ 787,528</u>
 <b>Plan fiduciary net position</b>				
Contributions - employer	\$ 13,804	\$ 15,158	\$ 17,044	\$ 19,055
Contributions - employee	9,037	6,242	6,568	6,625
Net investment income	75,675	11,478	2,753	56,514
Benefits payment	(25,005)	(27,800)	(30,428)	(32,499)
Net plan to plan resource movement	-	-	-	-
Administrative expenses	-	(567)	(312)	(751)
Other miscellaneous income / (expenses)	-	-	-	-
Net change in fiduciary net position	<u>73,511</u>	<u>4,511</u>	<u>(4,375)</u>	<u>48,944</u>
Plan fiduciary net position, beginning	<u>434,730</u>	<u>508,241</u>	<u>512,752</u>	<u>508,377</u>
Plan fiduciary net position, ending (b)	<u>\$ 508,241</u>	<u>\$ 512,752</u>	<u>\$ 508,377</u>	<u>\$ 557,321</u>
 Net pension liability, ending (a - b)	<u>\$ 149,516</u>	<u>\$ 167,519</u>	<u>\$ 203,216</u>	<u>\$ 230,207</u>
 Plan fiduciary net position as a percentage of total pension liability	77.27%	75.37%	71.44%	70.77%
Covered payroll	\$ 77,886	\$ 78,010	\$ 79,664	\$ 84,111
Net pension liability as a percentage of covered payroll	191.97%	214.74%	255.09%	273.69%
Discount rate	7.50%	7.65%	7.65%	7.15%



2019	2020	2021	2022	2023	2024
\$ 16,023	\$ 16,483	\$ 16,988	\$ 18,122	\$ 20,886	\$ 22,018
54,940	58,350	61,604	64,728	67,371	71,253
(1,354)	13,358	10,680	8,045	5,063	17,909
(8,126)	-	-	-	28,437	-
-	-	-	-	-	573
<u>(35,347)</u>	<u>(38,352)</u>	<u>(42,163)</u>	<u>(44,848)</u>	<u>(48,423)</u>	<u>(53,662)</u>
26,136	49,839	47,109	46,047	73,334	58,091
787,528	813,664	863,503	910,612	956,659	1,029,993
<u>\$813,664</u>	<u>\$863,503</u>	<u>\$910,612</u>	<u>\$956,659</u>	<u>\$1,029,993</u>	<u>\$1,088,084</u>

\$ 20,101	\$ 26,623	\$ 29,743	\$ 33,640	\$ 37,448	\$ 39,835
7,030	7,631	7,624	8,368	8,898	9,319
47,227	39,280	31,577	149,286	(60,895)	46,063
(35,347)	(38,352)	(42,163)	(44,847)	(48,423)	(53,662)
-	-	-	-	-	-
(868)	(424)	(886)	(654)	(499)	(542)
<u>(1,649)</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
36,494	34,759	25,895	145,793	(63,471)	41,013
557,321	593,815	628,574	654,469	800,262	736,791
<u>\$593,815</u>	<u>\$628,574</u>	<u>\$654,469</u>	<u>\$800,262</u>	<u>\$ 736,791</u>	<u>\$ 777,804</u>
<u>\$219,849</u>	<u>\$234,929</u>	<u>\$256,143</u>	<u>\$156,397</u>	<u>\$ 293,202</u>	<u>\$ 310,280</u>

72.98%	72.79%	71.87%	83.65%	71.53%	71.48%
\$ 88,533	\$ 92,134	\$ 97,299	\$106,472	\$ 115,455	\$ 124,538
248.32%	254.99%	263.25%	146.89%	253.95%	249.14%
7.15%	7.15%	7.15%	7.15%	6.90%	6.90%

**VALLEY WATER**  
Schedule of Employer Pension Contributions - Last 10 Years  
June 30, 2024  
(Dollars in Thousands)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$ 13,948	\$ 16,532	\$ 18,569	\$ 19,746
Contributions in relation to the actuarially determined contribution	<u>(13,948)</u>	<u>(16,532)</u>	<u>(18,569)</u>	<u>(19,746)</u>
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll <sup>(1)</sup>	\$ 78,010	\$ 79,664	\$ 84,111	\$ 88,533
Contribution as a percentage of covered payroll	17.88%	20.75%	22.08%	22.30%

<sup>(1)</sup>The covered payroll noted on this page is different from the covered payroll presented on the previous page as the previous page is payroll related to the net pension liability in the applicable measurement period.

The covered payroll for the current year is from the actuarial valuation study using a prior year measurement date, adjusted to the current year using a 2.75% increase.

Fiscal Year					
<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$ 22,409	\$ 25,273	\$ 28,610	\$ 32,021	\$ 37,411	\$ 38,970
(25,409)	(28,273)	(31,610)	(35,021)	(40,411)	(41,970)
<u>\$ (3,000)</u>	<u>\$ (3,000)</u>	<u>\$ (3,000)</u>	<u>\$ (3,000)</u>	<u>\$ (3,000)</u>	<u>\$ (3,000)</u>
\$ 92,134	\$ 97,299	\$ 106,472	\$ 115,455	\$ 124,538	\$ 158,786
27.58%	29.06%	29.69%	30.33%	32.45%	26.43%

**VALLEY WATER**  
Schedule of Changes In Net OPEB Liability and Related Ratios - Last 10 Years\*  
June 30, 2024  
(Dollars in Thousands)

	Fiscal Year						
	2018	2019	2020	2021	2022	2023	2024
<b>Total OPEB liability</b>							
Service cost	\$ 2,913	\$ 2,914	\$ 2,644	\$ 2,501	\$ 2,287	\$ 2,570	\$ 2,404
Interest on total OPEB liability	12,018	12,473	12,899	12,818	13,195	13,201	13,086
Effect of change in actuarial assumptions/methods	-	-	(5,556)	-	1,115	(4,688)	38,357
Effect of plan amendments	-	-	-	-	-	-	15,451
Benefits payment	(8,471)	(8,877)	(10,068)	(10,338)	(10,581)	(11,562)	(13,884)
Other liability experience loss / (gain)	-	54	(8,018)	211	(5,605)	196	5,349
Net change in OPEB liability	6,460	6,564	(8,099)	5,192	411	(283)	60,763
Total OPEB liability, beginning	167,805	174,265	180,829	172,730	177,922	178,333	178,050
Total OPEB liability, ending (a)	<u>\$ 174,265</u>	<u>\$ 180,829</u>	<u>\$ 172,730</u>	<u>\$ 177,922</u>	<u>\$ 178,333</u>	<u>\$ 178,050</u>	<u>\$ 238,813</u>
<b>Plan fiduciary net position</b>							
Contributions	\$ 11,471	\$ 11,877	\$ 10,068	\$ 10,338	\$ 10,581	\$ 11,562	\$ 13,884
Benefits payment	(8,471)	(8,877)	(10,068)	(10,338)	(10,581)	(11,562)	(13,884)
Expected investment income	6,259	7,143	7,825	8,659	23,496	11,419	9,885
Investment experience (loss) / gain - differences between expected and actual experience	2,925	787	(1,180)	(4,622)	8,960	(31,551)	(1,517)
Administrative expense	(45)	(52)	(53)	(57)	(66)	(73)	(65)
Net change in fiduciary net position	12,139	10,878	6,592	3,980	32,390	(20,205)	8,303
Plan fiduciary net position, beginning	84,501	96,640	107,518	114,110	118,090	150,480	130,275
Plan fiduciary net position, ending (b)	<u>\$ 96,640</u>	<u>\$ 107,518</u>	<u>\$ 114,110</u>	<u>\$ 118,090</u>	<u>\$ 150,480</u>	<u>\$ 130,275</u>	<u>\$ 138,578</u>
Net OPEB liability, ending (a - b)	<u>\$ 77,625</u>	<u>\$ 73,311</u>	<u>\$ 58,620</u>	<u>\$ 59,832</u>	<u>\$ 27,853</u>	<u>\$ 47,775</u>	<u>\$ 100,235</u>
Plan fiduciary net position as a percentage of total OPEB liability	55.46%	59.46%	66.07%	66.37%	84.38%	73.17%	58.03%
Covered payroll	84,111	88,533	92,134	97,299	106,472	115,455	124,538
Net OPEB liability as a percentage of covered payroll	92.29%	82.81%	63.62%	61.49%	26.16%	41.38%	80.49%
Discount rate	7.28%	7.28%	7.59%	7.59%	7.59%	7.59%	6.00%

\* Fiscal year 2018 was the first year of GASB 75 implementation, therefore only 7 years are shown.

## VALLEY WATER

### Schedule of Employer Other Post Employment Benefit Contributions - Last 10 Years\*

June 30, 2024

(Dollars in Thousands)

	Fiscal Year						
	2018	2019	2020	2021	2022	2023	2024
Actuarially determined contribution	\$ 8,780	\$ 8,559	\$ 8,162	\$ 7,356	\$ 7,431	\$ 5,063	\$ 6,861
Contributions in relation to the actuarially determined contribution	(12,546)	(10,227)	(10,757)	(10,972)	(12,078)	(13,910)	(13,445)
Contribution Deficiency / (Excess)	<u>\$ (3,766)</u>	<u>\$ (1,668)</u>	<u>\$ (2,595)</u>	<u>\$ (3,616)</u>	<u>\$ (4,647)</u>	<u>\$ (8,847)</u>	<u>\$ (6,584)</u>
Covered payroll <sup>(1)</sup>	\$ 88,533	\$ 92,134	\$ 97,299	\$ 106,472	\$ 115,455	\$ 124,538	\$ 158,786
Contribution as a percentage of covered payroll	14.17%	11.10%	11.13%	10.31%	10.46%	11.17%	8.47%

<sup>(1)</sup> The covered payroll noted on this page is different from the covered payroll presented on the previous page as the previous page is payroll related to the net OPEB liability in the applicable measurement period.

The covered payroll for the current year is from the actuarial valuation study using a prior year measurement date, adjusted to the current year using a 2.75% increase.

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\* Fiscal year 2018 was the first year of GASB 75 implementation, therefore only 7 years are shown.

# VALLEY WATER

Schedule of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
Budgeted Governmental Funds  
For the Year Ended June 30, 2024  
(Dollars in Thousands)

	General Fund			
	Original	Final	Budgetary	Variance with
	budget	Budget	Basis Actual	Final Budget Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 11,261	\$ 11,261	\$ 12,240	\$ 979
Use of money and property:				
Investment income	105	105	796	691
Rental	-	-	-	-
Reimbursement of capital costs	-	-	-	-
Other	30	30	199	169
Total revenues	11,396	11,396	13,235	1,839
<b>Expenditures:</b>				
<b>Operating budget:</b>				
Operations and operating projects	84,957	86,417	77,328	9,089
Debt Service:				
Principal payment	450	450	450	-
Interest payments	25	25	22	3
Total operating budget	85,432	86,892	77,800	9,092
<b>Capital budget:</b>				
Capital improvement projects	6,386	7,965	2,619	5,346
Total expenditures	91,818	94,857	80,419	14,438
Excess (deficiency) of revenues over (under) expenditures	(80,422)	(83,461)	(67,184)	16,277
Other financing sources (uses):				
Intra-district overhead reimbursement	80,224	80,224	73,185	(7,039)
Certificates of participation proceeds	-	-	-	-
Transfers in	1,843	1,843	2,084	241
Transfers out	-	-	-	-
Total other financing sources (uses)	82,067	82,067	75,269	(6,798)
Excess (deficiency) of revenues and other financing sources				
Net change in fund balances	\$ 1,645	\$ (1,394)	8,085	\$ 9,479
<b>Reconciliation of GAAP and budgetary basis:</b>				
Interest payments not budgeted			-	
Expenditures of prior year encumbrances recognized on the GAAP basis:				
Operations and operating projects			(825)	
Capital improvement projects			(1,977)	
Debt Service			-	
Current year encumbrances recognized on the budgetary basis:				
Operations and operating projects			1,785	
Capital improvement projects			1,176	
Debt Service			-	
Fund Balances, beginning of year			21,893	
Fund Balances, end of year			\$ 30,137	

<u>Watershed &amp; Stream Stewardship Fund</u>			
<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Variance with</u>
<u>budget</u>	<u>Budget</u>	<u>Basis</u>	<u>Final Budget</u>
		<u>Actual</u>	<u>Positive</u>
			<u>(Negative)</u>
\$116,444	\$116,444	\$122,830	\$ 6,386
1,630	1,630	6,824	5,194
1,509	1,509	1,690	181
34,170	34,170	3,064	(31,106)
301	301	2,724	2,423
<u>154,054</u>	<u>154,054</u>	<u>137,132</u>	<u>(16,922)</u>
78,032	78,232	75,373	2,859
-	-	-	-
-	-	-	-
<u>78,032</u>	<u>78,232</u>	<u>75,373</u>	<u>2,859</u>
24,109	40,207	26,275	13,932
<u>102,141</u>	<u>118,439</u>	<u>101,648</u>	<u>16,791</u>
51,913	35,615	35,484	(131)
-	-	-	-
-	-	-	-
1,011	3,064	3,383	319
(4,054)	(4,054)	(4,295)	(241)
<u>(3,043)</u>	<u>(990)</u>	<u>(912)</u>	<u>78</u>
<u>\$ 48,870</u>	<u>\$ 34,625</u>	34,572	<u>\$ (53)</u>
		-	
		(1,717)	
		(16,141)	
		-	
		1,019	
		1,912	
		-	
		<u>134,446</u>	
		<u>\$154,091</u>	

<u>Safe, Clean Water &amp; Natural Flood Protection Fund</u>			
<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Variance with</u>
<u>budget</u>	<u>Budget</u>	<u>Basis</u>	<u>Final Budget</u>
		<u>Actual</u>	<u>Positive</u>
			<u>(Negative)</u>
\$ 52,277	\$ 52,277	\$ 52,175	\$ (102)
1,900	1,900	12,071	10,171
-	-	344	344
23,400	23,400	3,402	(19,998)
-	-	194	194
<u>77,577</u>	<u>77,577</u>	<u>68,186</u>	<u>(9,391)</u>
26,351	30,057	25,631	4,426
1,167	1,167	920	247
8,307	8,307	4,365	3,942
<u>35,825</u>	<u>39,531</u>	<u>30,916</u>	<u>8,615</u>
103,873	122,726	45,793	76,933
<u>139,698</u>	<u>162,257</u>	<u>76,709</u>	<u>85,548</u>
(62,121)	(84,680)	(8,523)	76,157
-	-	-	-
38,361	38,361	-	(38,361)
-	-	-	-
(1,187)	(3,240)	(3,240)	-
<u>37,174</u>	<u>35,121</u>	<u>(3,240)</u>	<u>(38,361)</u>
<u>\$ (24,947)</u>	<u>\$(49,559)</u>	(11,763)	<u>\$ 37,796</u>
		(2,322)	
		(2,019)	
		(6,619)	
		(6)	
		2,252	
		5,253	
		50	
		<u>232,678</u>	
		<u>\$ 217,504</u>	

**VALLEY WATER**  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2024

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Valley Water adopts an annual budget in June to be effective July 1 for the ensuing fiscal year. Annual appropriated budgets are adopted for the general fund, special revenue funds, and for all proprietary funds. The COP construction and COP debt service funds are not budgeted.

Legal budgetary (expenditure) control is established at the fund level, further controlled within the fund at the category level. The categories are defined as the operating budget (operations and maintenance, debt service, and operating projects) and the capital budget (capital improvement projects) in the budget and actual budgetary basis schedules. The amounts stated therein as proposed expenditures become appropriations to the various organization units. The Board may amend the budget by motion during the fiscal year. The Chief Executive Officer is authorized to transfer appropriations within budget categories by fund. All unencumbered appropriations for operations and maintenance, operating projects, and debt service lapse at fiscal year-end. The encumbered appropriation balance is carried forward to the succeeding year and is not re-appropriated. Unexpended appropriations for capital projects are carried forward until project completion or termination.

The budget process is based upon accounting for certain transactions on a basis other than the Generally Accepted Accounting Principles (GAAP) basis. The results of operations are presented in the budget and actual schedules in accordance with the budgetary basis to provide a meaningful comparison with the budget. The major differences between the budgetary basis and GAAP basis are as follows:

- Certain accruals (primarily accrued vacation and sick leave pay) are excluded from the budgetary basis because such amounts are budgeted on a cash basis.
- Year-end encumbrances are recognized as expenditures on the budgetary basis, while encumbered amounts are not recognized as expenditures on the GAAP basis until incurred.
- Certain budgeted debt service expenditures in special revenue funds are recorded as operating transfers out on a GAAP basis.
- Inter-fund overhead reimbursement on a budgetary basis is reflected as a reimbursement of expenditures on a GAAP basis.

Reported budget amounts reflect the annual budget as originally adopted and as subsequently amended by the Board. The budget amounts are based on estimates of Valley Water's expenditures/expenses and the proposed means of financing them. The final budget of capital improvement projects includes budget adjustments related to capital projects' period year balance forward. Actual expenditures for capital items, as in the case of special revenue funds, may vary significantly from the budgeted amounts due to the timing of such expenditures.



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**Supplemental  
Information**

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**Schedule of Revenues, Expenditures and Change in Fund Balances – Selected Watershed Activities Contained Within the Watershed and Stream Stewardship Funds**

**Schedule of Revenues, Expenditures and Change in Fund Balances – Budget and Actual Selected Watershed Activities Contained Within the Watershed and Stream Stewardship Fund**

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**VALLEY WATER**  
Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Selected Watershed Activities  
Within the Watershed and Stream Stewardship Fund  
For the Year Ended June 30, 2024  
(Dollars in Thousands)

	Lower Peninsula Watershed	West Valley Watershed
<b>Revenues:</b>		
Benefit assessments	\$ 2,700	\$ 810
Total revenues	<u>2,700</u>	<u>810</u>
<b>Expenditures:</b>		
Debt service:		
Interest and fiscal agent fees	<u>1</u>	<u>1</u>
Total expenditures	<u>1</u>	<u>1</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,699</u>	<u>809</u>
<b>Other financing sources (uses):</b>		
Transfers in (Note 14)	-	1,219
Transfers out (Note 14)	<u>(2,699)</u>	<u>(2,028)</u>
Total other financing sources (uses)	<u>(2,699)</u>	<u>(809)</u>
Net change in fund balances	-	-
Fund balances, beginning of year	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>

Guadalupe Watershed	Coyote Watershed	Total
\$ 945	\$ 2,434	\$ 6,889
<u>945</u>	<u>2,434</u>	<u>6,889</u>
2	2	6
<u>2</u>	<u>2</u>	<u>6</u>
943	2,432	6,883
3,050	1,265	5,534
<u>(3,993)</u>	<u>(3,697)</u>	<u>(12,417)</u>
<u>(943)</u>	<u>(2,432)</u>	<u>(6,883)</u>
-	-	-
-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# VALLEY WATER

Schedule of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
Selected Watershed Activities  
Within the Watershed and Stream Stewardship Fund  
For the Year Ended June 30, 2024  
(Dollars in Thousands)

	Lower Peninsula Watershed			Variance with Final Budget Positive (Negative)
	Original budget	Final Budget	Budgetary Basis Actual	
<b>Revenues:</b>				
Benefit assessments	\$ 2,705	\$ 2,705	\$ 2,700	\$ (5)
Total revenues	2,705	2,705	2,700	(5)
<b>Expenditures:</b>				
Debt Service:				
Principal payment	1,617	1,617	1,616	1
Interest and fiscal charges	678	678	659	19
Total expenditures	2,295	2,295	2,275	20
Excess (deficiency) of revenues over (under) expenditures	410	410	425	15
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(410)	(410)	(425)	(15)
Total other financing sources (uses)	(410)	(410)	(425)	(15)
Excess (deficiency) of revenues and other financing sources				
Net change in fund balances	\$ -	\$ -	\$ -	\$ -

West Valley Watershed				Guadalupe Watershed			
Original budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)	Original budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
\$ 811	\$ 811	\$ 810	\$ (1)	\$ 941	\$ 941	\$ 945	\$ 4
<u>811</u>	<u>811</u>	<u>810</u>	<u>(1)</u>	<u>941</u>	<u>941</u>	<u>945</u>	<u>4</u>
1,606	1,606	1,606	-	3,374	3,374	569	2,805
<u>256</u>	<u>256</u>	<u>243</u>	<u>13</u>	<u>363</u>	<u>363</u>	<u>3,140</u>	<u>(2,777)</u>
<u>1,862</u>	<u>1,862</u>	<u>1,849</u>	<u>13</u>	<u>3,737</u>	<u>3,737</u>	<u>3,709</u>	<u>28</u>
<u>(1,051)</u>	<u>(1,051)</u>	<u>(1,039)</u>	<u>12</u>	<u>(2,796)</u>	<u>(2,796)</u>	<u>(2,764)</u>	<u>32</u>
1,166	1,166	1,039	(127)	2,917	2,917	2,764	(153)
<u>(115)</u>	<u>(115)</u>	<u>-</u>	<u>115</u>	<u>(121)</u>	<u>(121)</u>	<u>-</u>	<u>121</u>
<u>1,051</u>	<u>1,051</u>	<u>1,039</u>	<u>(12)</u>	<u>2,796</u>	<u>2,796</u>	<u>2,764</u>	<u>(32)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# VALLEY WATER

Schedule of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual (Continued)  
Selected Watershed Activities  
Within the Watershed and Stream Stewardship Fund  
For the Year Ended June 30, 2024  
(Dollars in Thousands)

	Coyote Watershed			Variance with Final Budget Positive (Negative)
	Original budget	Final Budget	Budgetary Basis Actual	
<b>Revenues:</b>				
Benefit assessments	\$ 2,435	\$ 2,435	\$ 2,434	\$ (1)
Total revenues	2,435	2,435	2,434	(1)
<b>Expenditures:</b>				
Debt Service:				
Principal payment	2,619	2,619	1,455	1,164
Interest and fiscal charges	661	661	1,804	(1,143)
Total expenditures	3,280	3,280	3,259	21
Excess (deficiency) of revenues over (under) expenditures	(845)	(845)	(825)	20
Other financing sources (uses):				
Transfers in	1,210	1,210	825	(385)
Transfers out	(365)	(365)	-	365
Total other financing sources (uses)	845	845	825	(20)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financial uses	\$ -	\$ -	\$ -	\$ -



## **Water Enterprise and State Water Project Funds**

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### **Schedules of Revenues, Expenses and Change in Fund Net Position Budget and Actual**

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# VALLEY WATER

Schedule of Revenues, Expenses and  
Changes in Net Position - Budget to Actual  
Water Enterprise and State Water Project Funds  
For the Year Ended June 30, 2024  
(Dollars in Thousands)

	Water Enterprise Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Budgetary Basis Actual	
<b>Revenues:</b>				
Property taxes	\$ 10,315	\$ 10,315	\$ 11,045	\$ 730
Intergovernmental services	1,424	1,424	5,184	3,760
Ground water production charges	150,871	150,871	148,744	(2,127)
Treated water charges	174,081	174,081	169,633	(4,448)
Surface and recycled water revenue	3,613	3,613	2,261	(1,352)
Investment income	3,125	3,125	20,230	17,105
Capital reimbursement	10,266	10,266	3,544	(6,722)
Other	1,603	1,603	1,547	(56)
Total revenues	355,298	355,298	362,188	6,890
<b>Expenses:</b>				
<b>Current:</b>				
Operations and operating projects	213,762	203,334	235,824	(32,490)
<b>Debt service:</b>				
Principal repayment	26,915	26,915	22,705	4,210
Interest and fiscal agent fees	49,396	49,396	38,492	10,904
<b>Capital outlay:</b>				
Capital improvement projects	361,165	394,209	307,493	86,716
Total expenses	651,238	673,854	604,514	69,340
<b>Excess (deficiency) of revenues over</b>				
<b>(under) expenses before transfers</b>				
	(295,940)	(318,556)	(242,326)	76,230
Transfers in	1,093	1,093	1,093	-
Transfers out	(3,927)	(3,927)	(3,926)	1
Excess (deficiency) of revenues and other financing sources over (under) expenses	\$ (298,774)	\$ (321,390)	(245,159)	\$ 76,231
<b>Reconciliation of GAAP and budgetary basis:</b>				
Depreciation and amortization expense not budgeted			(21,571)	
Inventory adjustment not budgeted			21,289	
Capitalized expenditures			246,118	
Capitalized leases			315	
Debt principal and GAAP basis accruals for interest payable			22,909	
GAAP basis expenses and other liabilities			(2,402)	
Expenses of prior year encumbrances recognized on the GAAP basis:				
Operations and operating projects			(12,883)	
Capital improvement projects			(108,721)	
Current year encumbrances recognized on the budgetary basis:				
Operations and operating projects			7,878	
Capital improvement projects			111,683	
Net position, beginning of year			1,166,810	
Net position, end of year			\$ 1,186,266	

State Water Project				Total			
Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
\$ 27,000	\$ 27,000	\$ 28,013	\$ 1,013	\$ 37,315	\$ 37,315	39,058	\$ 1,743
-	-	-	-	1,424	1,424	5,184	3,760
-	-	-	-	150,871	150,871	148,744	(2,127)
-	-	-	-	174,081	174,081	169,633	(4,448)
-	-	-	-	3,613	3,613	2,261	(1,352)
-	-	-	-	3,125	3,125	20,230	17,105
-	-	-	-	10,266	10,266	3,544	(6,722)
1,000	1,000	6,145	5,145	2,603	2,603	7,692	5,089
<u>28,000</u>	<u>28,000</u>	<u>34,158</u>	<u>6,158</u>	<u>383,298</u>	<u>383,298</u>	<u>396,346</u>	<u>13,048</u>
30,325	30,325	30,325	-	244,087	233,659	266,149	(32,490)
-	-	-	-	26,915	26,915	22,705	4,210
-	-	-	-	49,396	49,396	38,492	10,904
-	-	-	-	361,165	394,209	307,493	86,716
<u>30,325</u>	<u>30,325</u>	<u>30,325</u>	<u>-</u>	<u>681,563</u>	<u>704,179</u>	<u>634,839</u>	<u>69,340</u>
(2,325)	(2,325)	3,833	6,158	(298,265)	(320,881)	(238,493)	82,388
-	-	-	-	1,093	1,093	1,093	-
-	-	-	-	(3,927)	(3,927)	(3,926)	1
<u>\$ (2,325)</u>	<u>\$ (2,325)</u>	<u>3,833</u>	<u>\$ 6,158</u>	<u>\$ (301,099)</u>	<u>\$ (323,715)</u>	<u>(241,326)</u>	<u>\$ 82,389</u>
		(944)				(22,515)	
		-				21,289	
		-				246,118	
		-				315	
		-				22,909	
		-				(2,402)	
		-				(12,883)	
		-				(108,721)	
		255				8,133	
		-				111,683	
		<u>30,640</u>				<u>1,197,450</u>	
		<u>\$ 33,784</u>				<u>\$ 1,220,050</u>	

## Internal Service Funds

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The Internal Service Funds are similar to Enterprise Funds, except that services are rendered to other Valley Water units rather than to the community. This fund type consists of the Equipment Fund, Risk Management Fund, and Information Technology Fund.

**Equipment Fund** - the fund is used to account for the maintenance and operation of Valley Water's fleet vehicles and heavy construction equipment. Financing is provided through rental charges to operations based upon usage.

**Risk Management Fund** – the fund is used to account for the monies set aside to pay for all claims, judgment, and premium costs. Financing is provided through premiums charged to operations.

**Information Technology Fund** – the fund is used to account for the maintenance and replacement of capital related information technology projects for Valley Water. Financing is provided through rental charges to operations based upon usage.

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## VALLEY WATER

### Combining Statement of Net Position

Internal Service Funds

June 30, 2024

(Dollars in Thousands)

	Equipment	Risk Management	Information Technology	Total
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 8,158	\$ 17,869	\$ 17,956	\$ 43,983
Deposits and other assets	87	-	-	87
Total current assets	<u>8,245</u>	<u>17,869</u>	<u>17,956</u>	<u>44,070</u>
Noncurrent assets:				
Capital assets				
Depreciable assets	26,608	18	14,756	41,382
Accumulated depreciation	(18,084)	(18)	(11,768)	(29,870)
Total noncurrent assets	<u>8,524</u>	<u>-</u>	<u>2,988</u>	<u>11,512</u>
Total assets	<u>16,769</u>	<u>17,869</u>	<u>20,944</u>	<u>55,582</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Deferred outflows of resources - pension activities	908	1,210	4,586	6,704
Deferred outflows of resources - OPEB	507	675	2,560	3,742
Total deferred outflows of resources	<u>1,415</u>	<u>1,885</u>	<u>7,146</u>	<u>10,446</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	58	5	432	495
Accrued liabilities	61	266	460	787
Claims payable	-	2,989	-	2,989
Compensated absence	67	49	50	166
Total current liabilities	<u>186</u>	<u>3,309</u>	<u>942</u>	<u>4,437</u>
Non current liabilities:				
Claims payable	-	7,756	-	7,756
Net Pension liability	2,516	3,353	12,711	18,580
Other post employment benefits liability	813	1,083	4,106	6,002
Compensated absence	242	177	182	601
Total non current liabilities	<u>3,571</u>	<u>12,369</u>	<u>16,999</u>	<u>32,939</u>
Total liabilities	<u>3,757</u>	<u>15,678</u>	<u>17,941</u>	<u>37,376</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Deferred inflows of resources - OPEB	52	69	263	384
Total deferred inflows of resources	<u>52</u>	<u>69</u>	<u>263</u>	<u>384</u>
<b>NET POSITION</b>				
Net investment in capital assets	8,524	-	2,988	11,512
Unrestricted	5,851	4,007	6,898	16,756
Total net position	<u>\$ 14,375</u>	<u>\$ 4,007</u>	<u>\$ 9,886</u>	<u>\$ 28,268</u>

# VALLEY WATER

Combining Statement of Revenues, Expenses and  
Change in Fund Net Position  
Internal Service Funds  
For the Year Ended June 30, 2024  
(Dollars in Thousands)

	Equipment	Risk Management	Information Technology	Total
<b>Operating revenues:</b>				
Vehicle service charges	\$ 6,361	\$ -	\$ -	\$ 6,361
Computer equipment use charges	-	-	25,680	25,680
Self-insurance service charges	-	11,529	-	11,529
Total operating revenues	<u>6,361</u>	<u>11,529</u>	<u>25,680</u>	<u>43,570</u>
<b>Operating expenses:</b>				
Administration and general	-	13,577	-	13,577
Equipment maintenance	6,108	-	36,722	42,830
Depreciation and amortization	1,643	-	1,108	2,751
Total operating expenses	<u>7,751</u>	<u>13,577</u>	<u>37,830</u>	<u>59,158</u>
Operating Income (loss)	<u>(1,390)</u>	<u>(2,048)</u>	<u>(12,150)</u>	<u>(15,588)</u>
<b>Nonoperating revenues:</b>				
Investment income	412	792	836	2,040
Gain on sale of capital assets	54	-	-	54
Other	-	425	-	425
Total nonoperating revenues	<u>466</u>	<u>1,217</u>	<u>836</u>	<u>2,519</u>
Income (loss) before transfers	<u>(924)</u>	<u>(831)</u>	<u>(11,314)</u>	<u>(13,069)</u>
Transfer in	<u>-</u>	<u>-</u>	<u>6,231</u>	<u>6,231</u>
Change in net position	<u>(924)</u>	<u>(831)</u>	<u>(5,083)</u>	<u>(6,838)</u>
Net position, beginning of year	<u>15,299</u>	<u>4,838</u>	<u>14,969</u>	<u>35,106</u>
Net position, end of year	<u>\$ 14,375</u>	<u>\$ 4,007</u>	<u>\$ 9,886</u>	<u>\$ 28,268</u>

**VALLEY WATER**  
Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2024  
(Dollars in Thousands)

	Equipment	Risk Management	Information Technology	Total
<b>Cash flows from operating activities:</b>				
Payment for interfund services provided	\$ 6,361	\$ 11,529	\$ 25,680	\$ 43,570
Payment to suppliers	(3,415)	(7,439)	(23,294)	(34,148)
Payment to employees	(1,842)	(2,318)	(8,563)	(12,723)
Other receipts	-	425	-	425
Net cash provided by (used for) operating activities	<u>1,104</u>	<u>2,197</u>	<u>(6,177)</u>	<u>(2,876)</u>
<b>Cash flows from capital &amp; related financing activities:</b>				
Acquisition and construction of capital assets	(1,184)	-	(576)	(1,760)
Transfers in from other funds			6,231	6,231
Net cash provided by (used for) capital & related financing activities	<u>(1,184)</u>	<u>-</u>	<u>5,655</u>	<u>4,471</u>
<b>Cash flows from investing activities:</b>				
Interest received on cash & investments	412	792	836	2,040
Net cash provided by/(used for) investing activities	<u>412</u>	<u>792</u>	<u>836</u>	<u>2,040</u>
Net increase/(decrease) in cash & cash equivalents	332	2,989	314	3,635
Cash & cash equivalents, beginning	7,826	14,880	17,642	40,348
Cash & cash equivalents, ending	<u>\$ 8,158</u>	<u>\$ 17,869</u>	<u>\$ 17,956</u>	<u>\$ 43,983</u>
<b>Cash and cash equivalents are reported on the Statement of Net Position as follows:</b>				
Cash and investments	\$ 8,158	\$ 17,869	\$ 17,956	\$ 43,983
Cash & cash equivalents, ending	<u>\$ 8,158</u>	<u>\$ 17,869</u>	<u>\$ 17,956</u>	<u>\$ 43,983</u>
<b>Reconciliation of net operating income/(loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ (1,390)	\$ (2,048)	\$ (12,150)	\$ (15,588)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>				
Other receipts/(payments)	-	425	-	425
Depreciation and amortization	1,643	-	1,108	2,751
<b>Change in operating assets and liabilities:</b>				
(Increase)/decrease in deposits and other assets	22	-	-	22
Increase/(decrease) in accounts payable	(10)	1	219	210
Increase (decrease) in accrued liabilities	(24)	228	45	249
Increase (decrease) in compensated absences	-	-	(1)	(1)
Increase (decrease) in Claims payable	-	2,408	-	2,408
Increase/(decrease) in pension liability	(4)	68	534	598
Increase/(decrease) in other post employment benefits payable	402	548	2,122	3,072
Increase/(decrease) in deferred inflow/outflow of resources	465	567	1,946	2,978
Net cash provided by (used in) operating activities	<u>\$ 1,104</u>	<u>\$ 2,197</u>	<u>\$ (6,177)</u>	<u>\$ (2,876)</u>
<b>Noncash investing, capital and financing activity:</b>				
(Acquisition)/disposition of capital assets	<u>\$ 54</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54</u>

# VALLEY WATER

Schedule of Revenues, Expenses and  
Changes in Fund Net Position - Budget and Actual  
Internal Service Funds  
For the Year Ended June 30, 2024  
(Dollars in Thousands)

	Equipment			
	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Investment income	\$ 60	\$ 60	\$ 412	\$ 352
Vehicle service charge	6,362	6,362	6,361	(1)
Computer equipment use charge	-	-	-	-
Self-insurance service charge	-	-	-	-
Gain on sale of fixed assets	20	20	54	34
Other	-	-	-	-
Total revenues	6,442	6,442	6,827	385
<b>Expenses:</b>				
<b>Current:</b>				
Operations and operating projects	4,957	5,207	6,107	(900)
Capital equipment acquisition	2,006	911	825	86
Total expenses	6,963	6,118	6,932	(814)
<b>Excess (deficiency) of revenues over (under) expenditures before transfers</b>	(521)	324	(105)	(429)
Transfers in	-	-	-	-
Excess (deficiency) of revenues and other financing resources over (under) expenditures and other financial uses	\$ (521)	\$ 324	(105)	\$ (429)
<b>Reconciliation of GAAP and budgetary basis:</b>				
Depreciation and amortization expense not budgeted			(1,643)	
Capitalized expenditures			1,238	
Expenditures of prior year encumbrances recognized on the GAAP basis:				
Operations and operating projects			-	
Capital improvement projects			(1,120)	
Current year encumbrances recognized on the budgetary basis:				
Operations and operating projects			-	
Capital improvement projects			706	
Net position, beginning of year			15,299	
Net position, end of year			\$ 14,375	



Risk Management			
Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
\$ 160	\$ 160	\$ 792	\$ 632
-	-	-	-
-	-	-	-
12,662	12,662	11,529	(1,133)
-	-	-	-
-	-	425	425
<u>12,822</u>	<u>12,822</u>	<u>12,746</u>	<u>(76)</u>
10,852	12,071	13,518	(1,447)
-	-	-	-
<u>10,852</u>	<u>12,071</u>	<u>13,518</u>	<u>(1,447)</u>
1,970	751	(772)	(1,523)
-	-	-	-
<u>\$ 1,970</u>	<u>\$ 751</u>	<u>(772)</u>	<u>\$ (1,523)</u>

Information Technology			
Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
\$ 220	\$ 220	\$ 836	\$ 616
-	-	-	-
25,680	25,680	25,680	-
-	-	-	-
-	-	-	-
<u>25,900</u>	<u>25,900</u>	<u>26,516</u>	<u>616</u>
27,752	27,816	30,844	(3,028)
6,692	7,725	6,700	1,025
<u>34,444</u>	<u>35,541</u>	<u>37,544</u>	<u>(2,003)</u>
(8,544)	(9,641)	(11,028)	(1,387)
6,231	6,231	6,231	-
<u>\$ (2,313)</u>	<u>\$ (3,410)</u>	<u>(4,797)</u>	<u>\$ (1,387)</u>

-	(1,108)
-	576
(85)	(2,179)
-	(2,239)
26	3,114
-	1,550
<u>4,838</u>	<u>14,969</u>
<u>\$ 4,007</u>	<u>\$ 9,886</u>

# VALLEY WATER

Schedule of Revenues, Expenses and  
Changes in Fund Net Position - Budget and Actual (Continued)  
Internal Service Funds  
For the Year Ended June 30, 2024  
(Dollars in Thousands)

	Total			Variance with
	Original	Final	Budgetary	Final Budget
	Budget	Budget	Basis	Positive
			Actual	(Negative)
<b>Revenues:</b>				
Investment income	\$ 440	\$ 440	\$ 2,040	\$ 1,600
Vehicle service charge	6,362	6,362	6,361	(1)
Computer equipment use charge	25,680	25,680	25,680	-
Self-insurance service charge	12,662	12,662	11,529	(1,133)
Gain on sale of fixed assets	20	20	54	34
Other	-	-	425	425
Total revenues	45,164	45,164	46,089	925
<b>Expenses:</b>				
<b>Current:</b>				
Operations and operating projects	43,561	45,094	50,469	(5,375)
Capital equipment acquisition	8,698	8,636	7,525	1,111
Total expenses	52,259	53,730	57,994	(4,264)
<b>Excess (deficiency) of revenues over (under)</b>				
<b>expenditures before transfers</b>	(7,095)	(8,566)	(11,905)	(3,339)
Transfers in	6,231	6,231	6,231	-
Excess (deficiency) of revenues and other financing resources				
over (under) expenditures and other financial uses	\$ (864)	\$ (2,335)	(5,674)	\$ (3,339)
			(2,751)	
			1,814	
			-	
			(2,264)	
			(3,359)	
			-	
			3,140	
			2,256	
			35,106	
			\$ 28,268	

## **Capital Assets Used in the Operation of Governmental Activities**

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Capital assets consist of land, improvements to land, buildings, equipment, and intangibles that are used in operations and that have initial useful lives extending beyond a single reporting period.

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**VALLEY WATER**

Capital Assets Used in the Operation of Governmental Activities

Schedule by Source

June 30, 2024

(Dollars in Thousands)

**Governmental activities capital assets:**

Land	\$ 191,852
Buildings	42,007
Structures and improvements	1,065,936
Equipment	61,498
Lease assets	4,530
Construction in process	707,138
Intangibles:	
Easements	31,009
Computer Software	4,263
<b>Total governmental funds capital assets</b>	<u><u>\$ 2,108,233</u></u>

**Investments in governmental activities capital assets by source:**

General fund	\$ 93,477
Special revenue funds:	
Watershed & Stream Stewardship	1,284,404
Safe, Clean Water & Natural Flood Protection	688,970
Internal service funds	41,382
<b>Total governmental funds capital assets</b>	<u><u>\$ 2,108,233</u></u>

# VALLEY WATER

Capital Assets Used on the Operation of Governmental Activities  
 Schedule by Function and Activity  
 June 30, 2024  
 (Dollars in Thousands)

Dept	Function and Activity	Land	Buildings	Structures and Improvements	Equipment	Lease Assets	Construction -in-Progress	Intangibles Easements	Software	Total
<b>100</b>	<b>CEO Support Operations</b>									
102	Chief Executive Office	\$ -	\$ -	\$ -	\$ 360	\$ -	\$ -	\$ -	\$ -	\$ 360
<b>200</b>	<b>Watershed Operations</b>									
210	Chief Operating Office	-	-	-	2,779	-	-	-	-	2,779
<b>210</b>	<b>Watershed Management Division</b>									
215	Watershed Business Management	-	-	-	84	-	-	-	-	84
250	Lower Peninsula/West Valley Mgmt.	-	-	-	167	-	-	-	-	167
270	Guadalupe Watershed Mgmt.	-	-	-	318	-	-	-	-	318
<b>310</b>	<b>Capital Program Services Division</b>									
340	Capital Program Services Departments	-	-	-	415	-	-	-	-	415
<b>410</b>	<b>Water Utility Enterprise Operations</b>									
410	Chief Operating Office	-	-	-	3	-	-	-	-	3
420	Water Utility Enterprise	-	-	-	125	-	-	-	-	125
<b>600</b>	<b>Administration</b>									
602	Chief Administrative Office	-	-	-	214	-	-	-	-	214
<b>670</b>	<b>Financial Services Division</b>									
610	Office of Administrative Services	-	-	-	68	-	-	-	-	68
670	Business And Finance Program	-	-	-	1,405	-	-	-	-	1,405
<b>710</b>	<b>Information Management Division</b>									
715	Information Management Division	-	-	-	249	-	-	-	-	249
720	Information Mgmt. Support Department	-	-	-	12,407	-	-	-	-	12,407
<b>810</b>	<b>General Services Division</b>									
815	Technical Services Division	-	-	-	-	-	-	-	-	-
820	Technical Services Support Division	-	-	-	2,742	-	-	-	-	2,742
765	Records and Library	-	-	-	168	-	-	-	-	168
820	Warehouse Services	-	-	-	311	-	-	-	-	311
885	Equipment Management	-	-	-	24,901	-	-	-	-	24,901
<b>910</b>	<b>Human Resources Program</b>									
660	Human Resources Program	-	-	-	53	-	-	-	-	53
<b>Other:</b>										
	District-wide property	191,852	42,007	1,065,936	14,729	4,530	707,138	31,009	4,263	2,061,464
	<b>Total capital assets</b>	<b>\$ 191,852</b>	<b>\$ 42,007</b>	<b>\$ 1,065,936</b>	<b>\$ 61,498</b>	<b>\$ 4,530</b>	<b>\$ 707,138</b>	<b>\$ 31,009</b>	<b>\$ 4,263</b>	<b>\$2,108,233</b>

# VALLEY WATER

## Capital Assets Used in the Operation of Governmental Activities

### Schedule of Changes By Function and Activity

For the Year Ended June 30, 2024

(Dollars in Thousands)

Dept	Function and Activity	Governmental Capital Assets June 30, 2023	Additions	Deductions	Governmental Capital Assets June 30, 2024
<b>100</b>	<b>CEO Support Operations</b>				
102	Chief Executive Office	\$ 360	\$ -	\$ -	\$ 360
<b>200</b>	<b>Watershed Operations</b>				
202	Chief Operating Office	2,714	65	-	2,779
<b>210</b>	<b>Watershed Management Division</b>				
215	Watershed Business Management	84	-	-	84
250	Lower Peninsula/West Valley Mgmt.	161	6	-	167
270	Guadalupe Watershed Mgmt.	318	-	-	318
<b>310</b>	<b>Capital Program Services Division</b>				
340	Capital Program Services Departments	415	-	-	415
<b>410</b>	<b>Water Utility Enterprise Operations</b>				
410	Chief Operating Office	3	-	-	3
420	Water Utility Enterprise	125	-	-	125
<b>600</b>	<b>Administration</b>				
602	Chief Administrative Office	214	-	-	214
<b>670</b>	<b>Financial Services Division</b>				
610	Office of Administrative Services	68	-	-	68
670	Business And Finance Program	1,405	-	-	1,405
<b>710</b>	<b>Information Management Division</b>				
715	Information Management Division	249	-	-	249
720	Information Mgmt. Support Departments	11,831	576	-	12,407
<b>810</b>	<b>General Services Division</b>				
820	Technical Services Support Division	2,647	95	-	2,742
765	Records and Library	168	-	-	168
820	Warehouse Services	311	-	-	311
885	Equipment Management	24,065	1,276	(440)	24,901
<b>910</b>	<b>Human Resources Program</b>				
660	Human Resources Program	53	-	-	53
	<b>Other:</b>				
	District-wide property	2,019,194	42,270	-	2,061,464
		<u>\$ 2,064,385</u>	<u>\$ 44,288</u>	<u>\$ (440)</u>	<u>\$ 2,108,233</u>

# SANTA CLARA VALLEY WATER DISTRICT

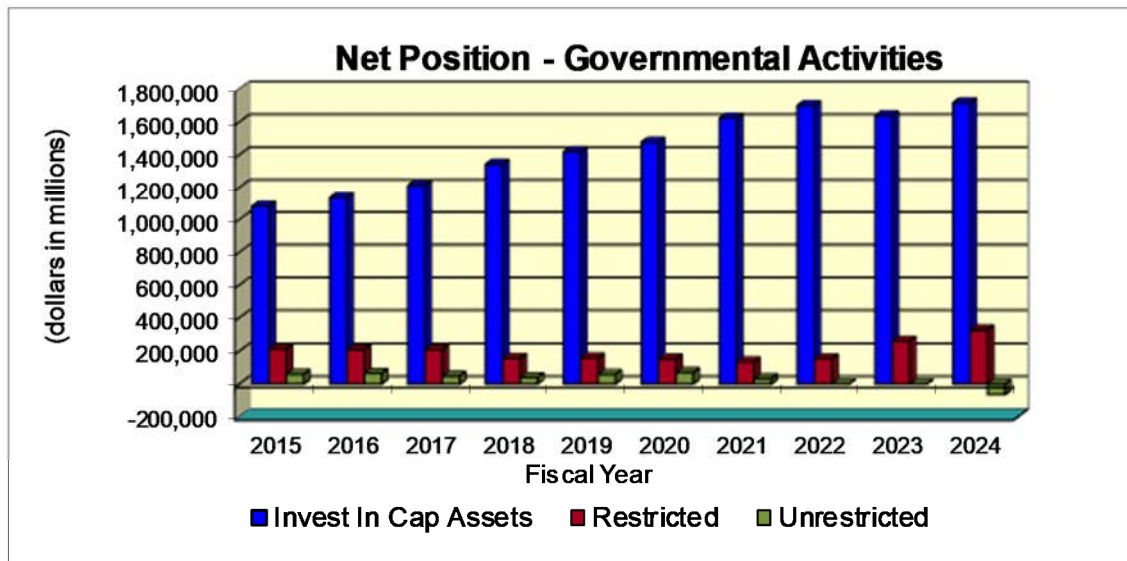
## Statistical Section

This part of Valley Water's annual comprehensive financial statement report presents detailed information as a context for understanding what the information in the financial statement, note disclosures, and required supplementary information says about Valley Water's overall financial health.

<b><u>Contents</u></b>	<b>Page</b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how Valley Water's financial performance and well-being have changed over time.	154
<b>Revenue Capacity</b> These schedules contain information to help the reader assess Valley Water's most significant local revenue source - water sales.	162
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of Valley Water's current level of outstanding debt and Valley Water's ability to issue additional debt in the future.	169
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which Valley Water's financial activities take place.	175
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in Valley Water's financial report relates to the services Valley Water provides and the activities it performs.	177

**VALLEY WATER**  
**Net Position By Component**  
**Government-wide**  
**Last Ten Fiscal Years**  
**(Dollars in Thousands)**

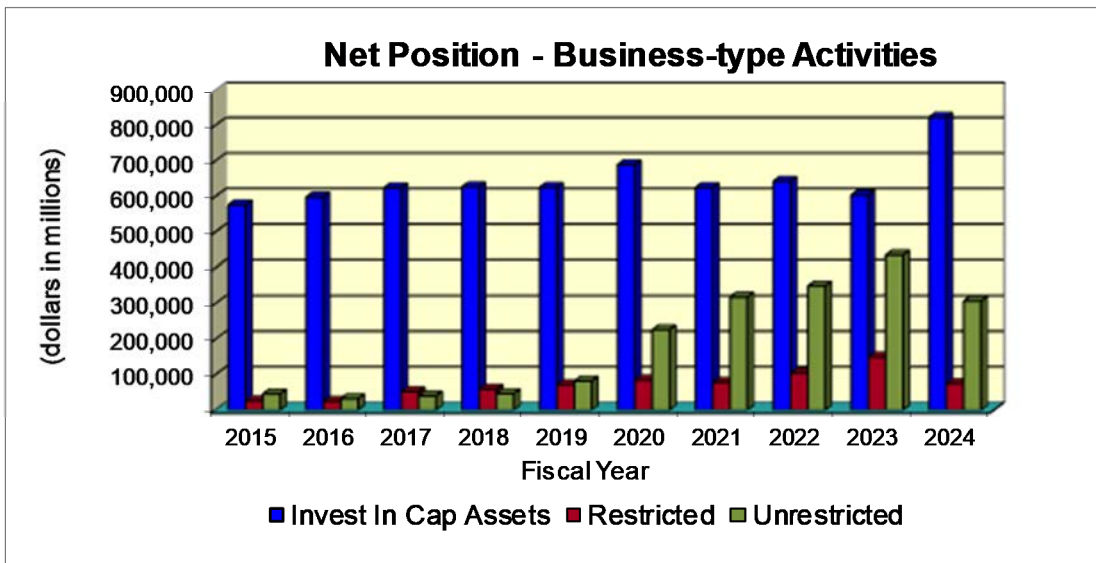
	2015	2016	2017	2018
<b>Governmental activities</b>				
Net investment in capital assets	\$ 1,083,571	\$ 1,135,593	\$ 1,213,840	\$ 1,344,142
Restricted	214,991	210,198	209,873	158,062
Unrestricted	60,731	66,407	48,978	40,479
<b>Total governmental activities net position</b>	<b>\$ 1,359,293</b>	<b>\$ 1,412,198</b>	<b>\$ 1,472,691</b>	<b>\$ 1,542,683</b>
<b>Business-type activities</b>				
Net investment in capital assets	575,873	598,075	623,828	626,514
Restricted	26,087	24,552	52,118	58,679
Unrestricted	45,429	32,191	39,895	46,102
<b>Total business-type activities net position</b>	<b>\$ 647,389</b>	<b>\$ 654,818</b>	<b>\$ 715,841</b>	<b>\$ 731,295</b>
<b>Primary government</b>				
Net investment in capital assets	\$ 1,733,668	\$ 1,837,668	\$ 1,970,656	\$ 2,046,872
Restricted	234,750	261,991	216,741	232,121
Unrestricted	98,598	88,873	86,581	141,271
<b>Total primary government net position</b>	<b>\$ 2,067,016</b>	<b>\$ 2,188,532</b>	<b>\$ 2,273,978</b>	<b>\$ 2,420,264</b>



Source: Santa Clara Valley Water District, General Accounting Unit



2019	2020	2021	2022	2023	2024
\$ 1,421,616	\$ 1,478,400	\$ 1,624,900	\$ 1,701,199	\$ 1,639,659	\$ 1,718,899
160,594	153,700	136,500	154,141	262,847	263,239
59,460	71,800	33,200	-	-	-
<u>\$ 1,641,670</u>	<u>\$ 1,703,900</u>	<u>\$ 1,794,600</u>	<u>\$ 1,855,340</u>	<u>\$ 1,902,506</u>	<u>\$ 1,982,138</u>
625,256	689,200	624,500	642,319	603,803	\$ 822,531
71,527	84,700	78,500	104,048	149,595	74,334
81,811	226,100	318,200	348,911	435,068	306,620
<u>\$ 778,594</u>	<u>\$ 1,000,000</u>	<u>\$ 1,021,200</u>	<u>\$ 1,095,278</u>	<u>\$ 1,188,466</u>	<u>\$ 1,203,485</u>
\$ 2,167,600	\$ 2,249,400	\$ 2,343,518	\$ 2,343,518	\$ 2,243,462	\$ 2,541,430
238,400	215,000	258,189	258,189	412,442	337,573
297,900	351,400	348,911	348,911	435,068	306,620
<u>\$ 2,703,900</u>	<u>\$ 2,815,800</u>	<u>\$ 2,950,618</u>	<u>\$ 2,950,618</u>	<u>\$ 3,090,972</u>	<u>\$ 3,185,623</u>



VALLEY WATER  
Changes in Net Position  
Government-wide  
Last Ten Fiscal Years  
(Dollars in Thousands)

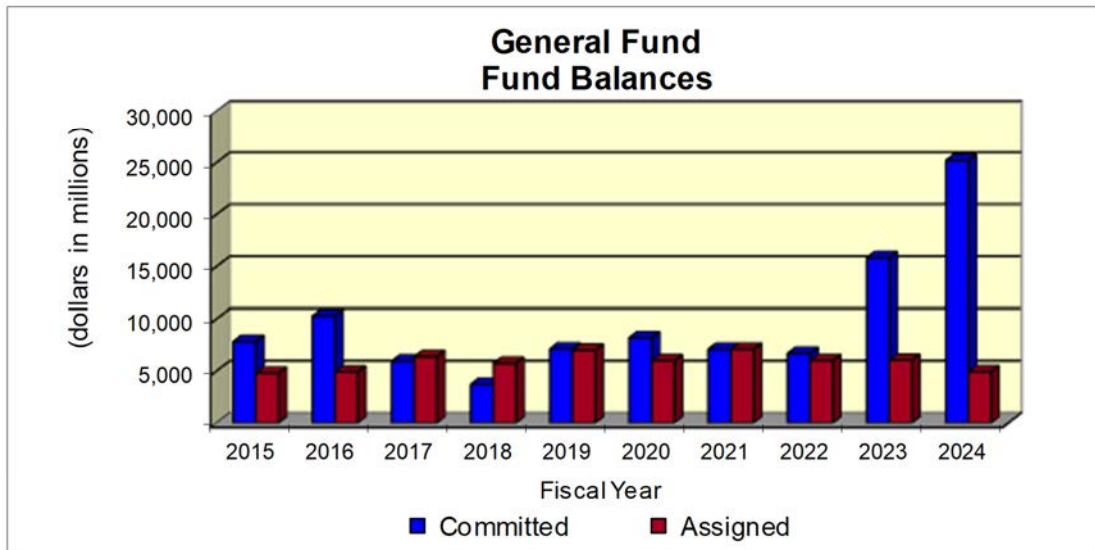
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Expenses</b>				
Governmental activities:				
General government:	\$ 20,399	\$ 5,940	\$ 9,339	\$ 8,407
Watersheds	56,758	57,745	69,166	85,780
Interest on long-term debt	5,753	5,977	4,271	3,091
Total governmental activities expenses	<u>82,910</u>	<u>69,662</u>	<u>82,776</u>	<u>97,278</u>
Business-type activities:				
Water enterprise	186,281	207,282	199,631	229,373
Total primary government expenses	<u>\$269,191</u>	<u>\$ 276,944</u>	<u>\$ 282,407</u>	<u>\$326,651</u>
<b>Program revenues</b>				
Governmental activities:				
Capital grants and contributions	\$ 17,822	\$ 19,426	\$ 16,608	\$ 61,190
Business-type activities:				
Charges for services	154,819	151,235	190,896	231,001
Operating grants and contributions	2,149	2,074	2,037	4,396
Capital grants and contributions	847	3,177	17,527	4,350
Total business-type activities program revenues	<u>157,815</u>	<u>156,486</u>	<u>210,460</u>	<u>239,747</u>
Total primary government program revenues	<u>\$175,637</u>	<u>\$ 175,912</u>	<u>\$ 227,068</u>	<u>\$300,937</u>
<b>Net (expense)/revenue</b>				
Governmental activities	\$ (65,088)	\$ (50,236)	\$ (66,168)	\$ (36,088)
Business-type activities	(28,466)	(50,796)	10,829	10,374
Total primary government net (expense)/revenue	<u>\$ (93,554)</u>	<u>\$ (101,032)</u>	<u>\$ (55,339)</u>	<u>\$ (25,714)</u>
<b>General revenues and other changes in net position</b>				
Governmental activities:				
Property taxes	\$107,643	\$ 114,418	\$ 123,325	\$129,891
Unrestricted investment earnings	3,728	5,004	1,186	2,477
Miscellaneous	3,013	3,592	4,052	6,685
Transfers	11,406	(19,873)	(1,902)	8,225
Total governmental activities	<u>\$125,790</u>	<u>\$ 103,141</u>	<u>\$ 126,661</u>	<u>\$147,278</u>
Business-type activities:				
Property taxes	\$ 27,701	\$ 30,535	\$ 44,786	\$ 37,417
Unrestricted investment earnings	1,621	2,925	979	1,267
Lease revenues	-	-	-	-
Miscellaneous	3,113	4,892	2,527	6,428
Transfers	(11,406)	19,873	1,902	(8,225)
Total business-type activities	<u>\$ 21,029</u>	<u>\$ 58,225</u>	<u>\$ 50,194</u>	<u>\$ 36,887</u>
<b>Changes in net position</b>				
Governmental activities	\$ 60,702	\$ 52,905	\$ 60,493	\$111,190
Business-type activities	(7,437)	7,429	61,023	47,261
Total primary government	<u>\$ 53,265</u>	<u>\$ 60,334</u>	<u>\$ 121,516</u>	<u>\$158,451</u>

Source: Santa Clara Valley Water District, General Accounting Unit

2019	2020	2021	2022	2023	2024
\$ 3,246	\$ 10,900	\$ 18,600	\$ 27,200	\$ 11,757	\$ 15,465
99,415	134,100	145,300	34,800	134,027	132,333
3,048	2,500	2,500	1,900	4,834	3,532
<u>105,709</u>	<u>147,500</u>	<u>166,400</u>	<u>63,900</u>	<u>150,618</u>	<u>151,330</u>
<u>222,050</u>	<u>226,900</u>	<u>239,300</u>	<u>310,000</u>	<u>265,150</u>	<u>378,494</u>
<u>\$327,759</u>	<u>\$ 374,400</u>	<u>\$ 405,700</u>	<u>\$ 373,900</u>	<u>\$ 415,768</u>	<u>\$ 529,824</u>
\$ 40,271	\$ 42,900	\$ 25,900	\$ 29,300	\$ 34,781	\$ 13,355
227,679	266,900	289,700	272,400	268,101	320,638
2,754	3,700	4,000	5,300	5,376	5,184
1,149	4,300	6,400	5,600	13,624	3,544
<u>231,582</u>	<u>274,900</u>	<u>300,100</u>	<u>283,300</u>	<u>287,101</u>	<u>329,366</u>
<u>\$271,853</u>	<u>\$ 317,800</u>	<u>\$ 326,000</u>	<u>\$ 312,600</u>	<u>\$ 321,882</u>	<u>\$ 342,721</u>
\$ (65,438)	\$ (104,600)	\$ (140,500)	\$ (34,600)	\$ (115,837)	\$ (137,975)
9,532	48,000	60,800	(26,700)	21,951	(49,128)
<u>\$ (55,906)</u>	<u>\$ (56,600)</u>	<u>\$ (79,700)</u>	<u>\$ (61,300)</u>	<u>\$ (93,886)</u>	<u>\$ (187,103)</u>
\$ 143,848	\$ 148,400	\$ 154,500	\$ 164,700	\$ 177,788	\$ 187,245
13,634	12,900	-	(10,000)	1,827	21,906
4,263	3,900	2,600	5,400	5,600	5,623
2,680	1,600	74,100	(65,900)	(22,212)	2,833
<u>\$164,425</u>	<u>\$ 166,800</u>	<u>\$ 231,200</u>	<u>\$ 94,200</u>	<u>\$ 163,003</u>	<u>\$ 217,607</u>
\$ 30,468	\$ 30,200	\$ 30,200	\$ 39,800	\$ 39,394	\$ 39,058
8,074	8,800	1,600	(8,300)	7,582	20,230
-	-	-	-	94	83
1,905	2,800	2,700	3,300	1,955	7,609
(2,680)	(1,600)	(74,100)	65,900	22,212	(2,833)
<u>\$ 37,767</u>	<u>\$ 40,200</u>	<u>\$ (39,600)</u>	<u>\$ 100,700</u>	<u>\$ 71,237</u>	<u>\$ 64,147</u>
\$ 98,987	\$ 62,200	\$ 90,700	\$ 59,600	\$ 47,166	\$ 79,632
47,299	88,200	21,200	74,000	93,188	15,019
<u>\$146,286</u>	<u>\$ 150,400</u>	<u>\$ 111,900</u>	<u>\$ 133,600</u>	<u>\$ 140,354</u>	<u>\$ 94,651</u>

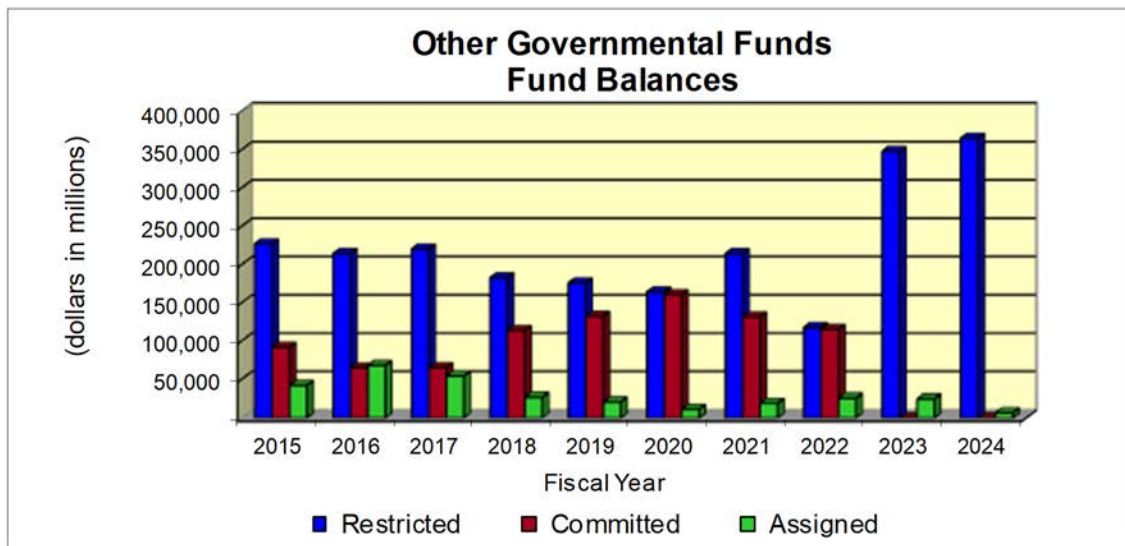
**VALLEY WATER**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(Dollars in Thousands)

	2015	2016	2017
<b>General Fund</b>			
Committed	\$ 7,842	\$ 10,274	\$ 5,962
Assigned	4,809	4,924	6,385
<b>Total general fund</b>	<u>\$ 12,651</u>	<u>\$ 15,198</u>	<u>\$ 12,347</u>
<b>All other governmental funds</b>			
Restricted	\$226,770	\$214,078	\$220,115
Committed	91,817	64,851	64,898
Assigned	41,916	67,969	54,175
<b>Total all other governmental funds</b>	<u>\$360,503</u>	<u>\$346,898</u>	<u>\$339,188</u>



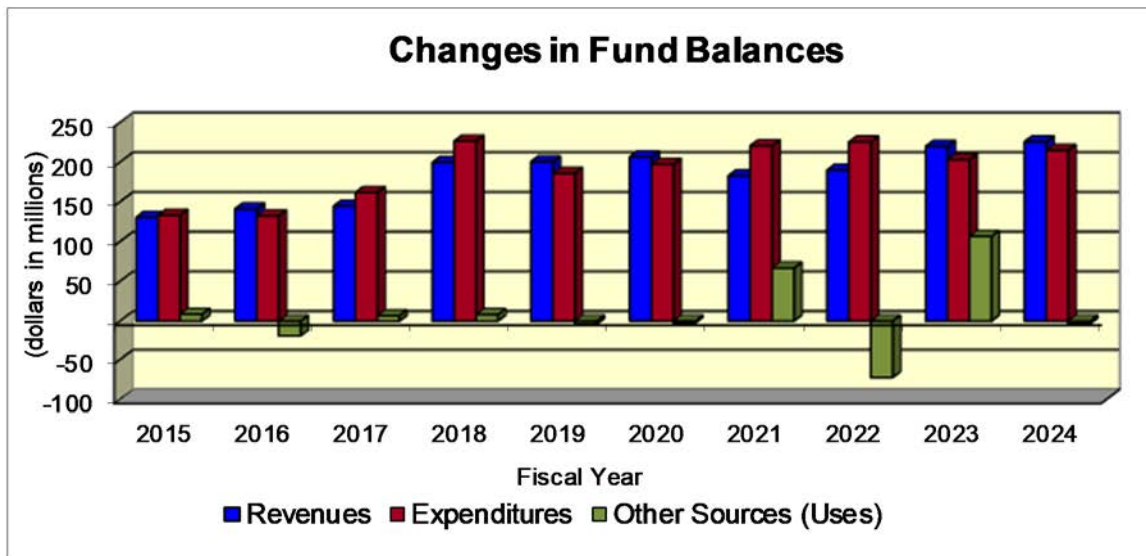
Source: Santa Clara Valley Water District, General Accounting Unit

2018	2019	2020	2021	2022	2023	2024
\$ 3,733	\$ 7,125	\$ 8,200	\$ 7,100	\$ 6,700	\$ 15,848	\$ 25,202
5,747	7,012	6,000	7,100	6,000	6,045	4,935
<u>\$ 9,480</u>	<u>\$ 14,137</u>	<u>\$ 14,200</u>	<u>\$ 14,200</u>	<u>\$ 12,700</u>	<u>\$ 21,893</u>	<u>\$ 30,137</u>
\$ 182,319	\$ 175,894	\$ 163,900	\$ 214,100	\$ 117,500	\$ 347,769	\$ 364,651
113,673	132,208	160,500	131,500	115,100	-	-
26,909	21,093	11,500	19,300	25,700	24,787	7,015
<u>\$ 322,901</u>	<u>\$ 329,195</u>	<u>\$ 335,900</u>	<u>\$ 364,900</u>	<u>\$ 258,300</u>	<u>\$ 372,556</u>	<u>\$ 371,666</u>



**VALLEY WATER**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(Dollars in Thousands)

	2015	2016	2017	2018
<b>Revenues</b>				
Property taxes	\$ 107,643	\$ 114,418	\$ 123,325	\$ 129,891
Benefits assessments	16,074	14,683	14,790	14,774
Use of monies & property				
Investment income	2,505	3,747	956	2,305
Rental income	1,684	1,759	1,817	1,931
Reimbursement of capital cost	1,748	4,743	1,818	46,416
Others	911	1,782	1,971	4,361
<b>Total revenues</b>	<b>130,565</b>	<b>141,132</b>	<b>144,677</b>	<b>199,678</b>
<b>Expenditures</b>				
Operations & operating projects	65,425	57,725	67,511	70,912
Capital improvement projects	53,984	61,876	81,597	142,710
Debt service:				
Principal repayment	8,355	7,630	8,020	8,660
Interest and fiscal charges	5,497	5,084	4,743	4,418
<b>Total expenditures</b>	<b>133,261</b>	<b>132,315</b>	<b>161,871</b>	<b>226,700</b>
Excess of revenues over (under) expenditures	(2,696)	8,817	(17,194)	(27,022)
<b>Other financing sources (uses)</b>				
Transfers in	30,054	26,528	17,436	31,007
Transfers out	(21,548)	(46,403)	(19,338)	(22,939)
Proceeds from issuance of debt	-	-	68,932	-
Payment to refunded bond escrow agent	-	-	(60,397)	-
<b>Total other financing sources (uses)</b>	<b>8,506</b>	<b>(19,875)</b>	<b>6,633</b>	<b>8,068</b>
<b>Net change in fund balance</b>	<b>\$ 5,810</b>	<b>\$ (11,058)</b>	<b>\$ (10,561)</b>	<b>\$ (18,954)</b>
Debt service as a percentage of non-capital expenditures	13.0%	13.4%	15.0%	13.7%

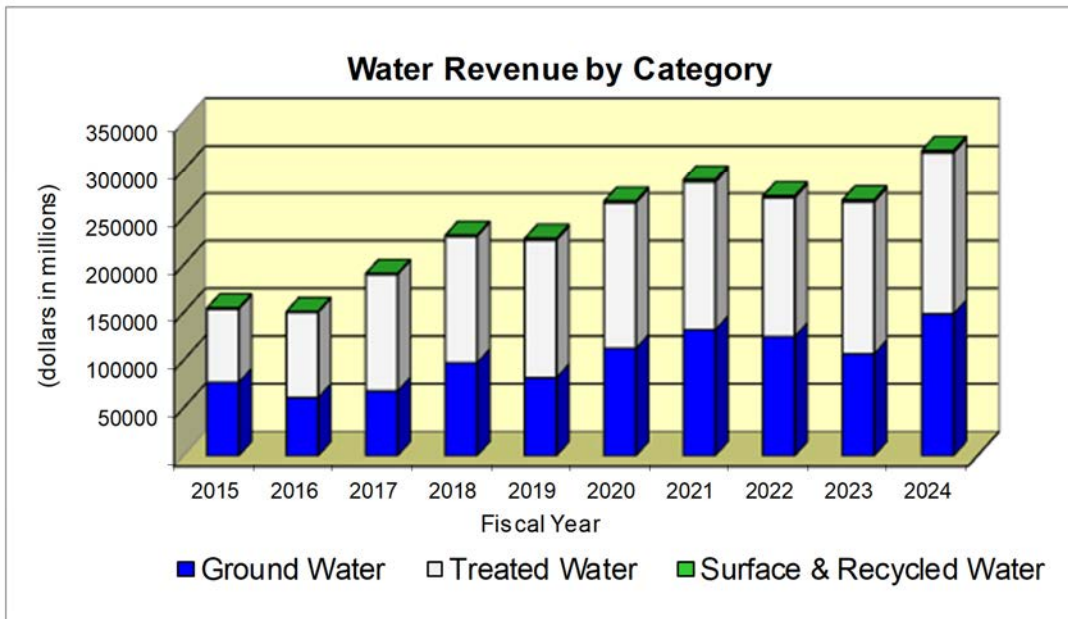


Source: Santa Clara Valley Water District, General Accounting Unit

2019	2020	2021	2022	2023	2024
\$ 143,848	\$ 148,400	\$ 154,500	\$ 164,700	\$ 177,788	\$ 187,245
14,746	13,400	12,400	13,500	13,229	6,889
12,390	11,600	-	(9,100)	1,964	19,864
2,005	2,100	1,800	2,300	2,077	2,034
25,525	29,500	13,500	15,800	21,552	6,466
2,085	1,700	700	2,800	3,338	3,117
<u>200,599</u>	<u>206,700</u>	<u>182,900</u>	<u>190,000</u>	<u>219,948</u>	<u>225,615</u>
68,164	80,200	86,600	90,900	94,568	106,973
104,335	104,900	121,700	122,100	94,086	91,084
8,715	8,100	8,500	8,900	9,250	10,585
4,711	4,200	3,900	3,700	5,266	6,221
<u>185,925</u>	<u>197,400</u>	<u>220,700</u>	<u>225,600</u>	<u>203,170</u>	<u>214,863</u>
<u>14,674</u>	<u>9,300</u>	<u>(37,800)</u>	<u>(35,600)</u>	<u>16,778</u>	<u>10,752</u>
17,290	34,400	164,400	17,400	15,599	21,229
(21,123)	(36,900)	(97,600)	(89,900)	(41,872)	(24,627)
-	-	-	-	132,952	-
-	-	-	-	-	-
<u>(3,833)</u>	<u>(2,500)</u>	<u>66,800</u>	<u>(72,500)</u>	<u>106,679</u>	<u>(3,398)</u>
<u>\$ 10,841</u>	<u>\$ 6,800</u>	<u>\$ 29,000</u>	<u>\$ (108,100)</u>	<u>\$ 123,457</u>	<u>\$ 7,354</u>
13.8%	9.0%	8.6%	15.3%	11.1%	9.7%

**VALLEY WATER**  
**Water Revenue by Category**  
**Last Ten Fiscal Years**  
**(Dollars in Thousands)**

Fiscal Year	Ground Water Revenue	Treated Water Revenue	Surface & Recycled Water Revenue	Total Water Revenue
2015	\$ 77,095	\$ 76,799	\$ 925	\$ 154,819
2016	61,128	89,375	732	151,235
2017	67,937	122,212	747	190,896
2018	97,483	132,477	1,041	231,001
2019	81,923	143,998	1,758	227,679
2020	112,600	152,600	1,700	266,900
2021	132,100	154,900	2,700	289,700
2022	125,000	145,400	2,000	272,400
2023	106,936	159,215	1,950	268,101
2024	148,744	169,633	2,261	320,638



Source: Santa Clara Valley Water District, Wells & Water Production Unit



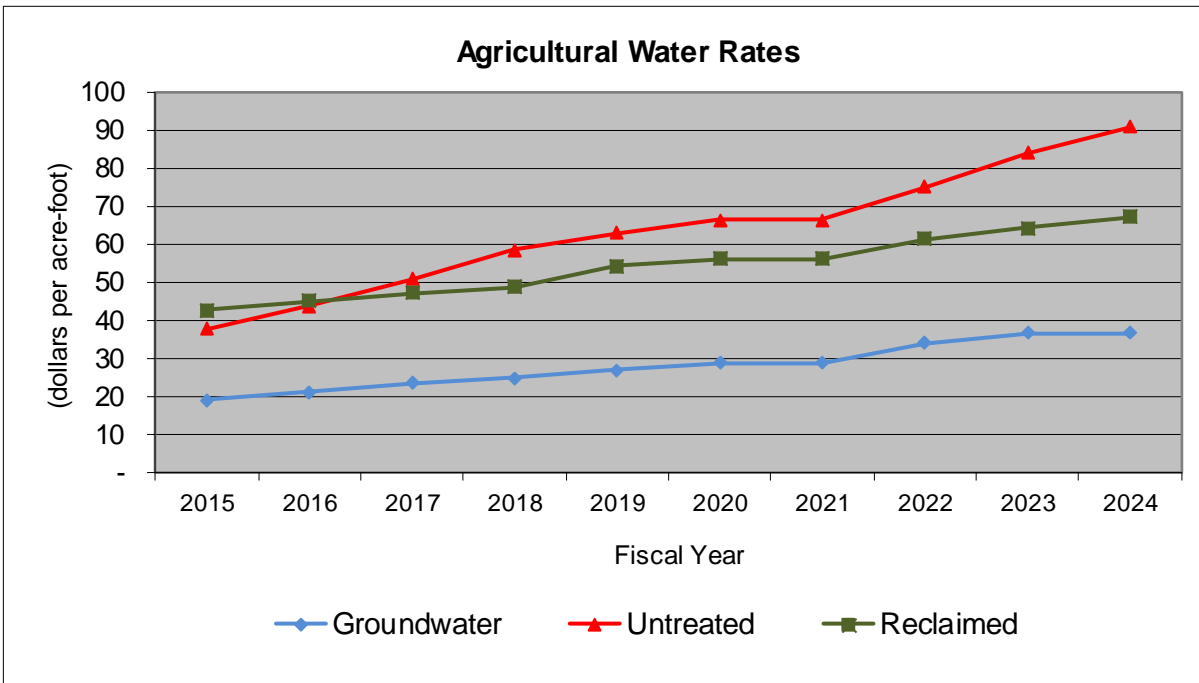
Valley Water  
Principal Water Revenue Customers  
Current year and Nine years ago  
(Dollars in Thousands)

Water Customer	Fiscal Year 2024			Fiscal Year 2015		
	Water Revenue	Rank	Percent of Total Water Revenue	Water Revenue	Rank	Percent of Total Water Revenue
San Jose Water Company	\$ 186,911	1	58.29%	\$ 88,812	1	57.37%
City of Santa Clara	28,187	2	8.79%	12,843	2	8.30%
San Jose Municipal Water	22,220	3	6.93%	10,712	3	6.92%
City of Sunnyvale	17,008	4	5.30%	7,241	5	4.68%
California Water Service Company	13,766	5	4.29%	9,456	4	6.11%
Great Oaks Water Company	8,326	6	2.60%	5,753	6	3.72%
City of Milpitas	5,234	7	1.63%	3,012	7	1.95%
Gilroy City Water Department	4,243	8	1.32%	2,427	8	1.57%
City of Cupertino	4,173	9	1.30%	2,388	9	1.54%
Morgan Hill City Water	4,024	10	1.25%	2,171	10	1.40%
<b>Total</b>	<b>\$ 294,092</b>		<b>91.70%</b>	<b>\$ 144,815</b>		<b>93.56%</b>
<b>Total Water Sales</b>	<b>\$ 320,638</b>			<b>\$ 154,819</b>		

Source: Santa Clara Valley Water District, Revenue Management Unit

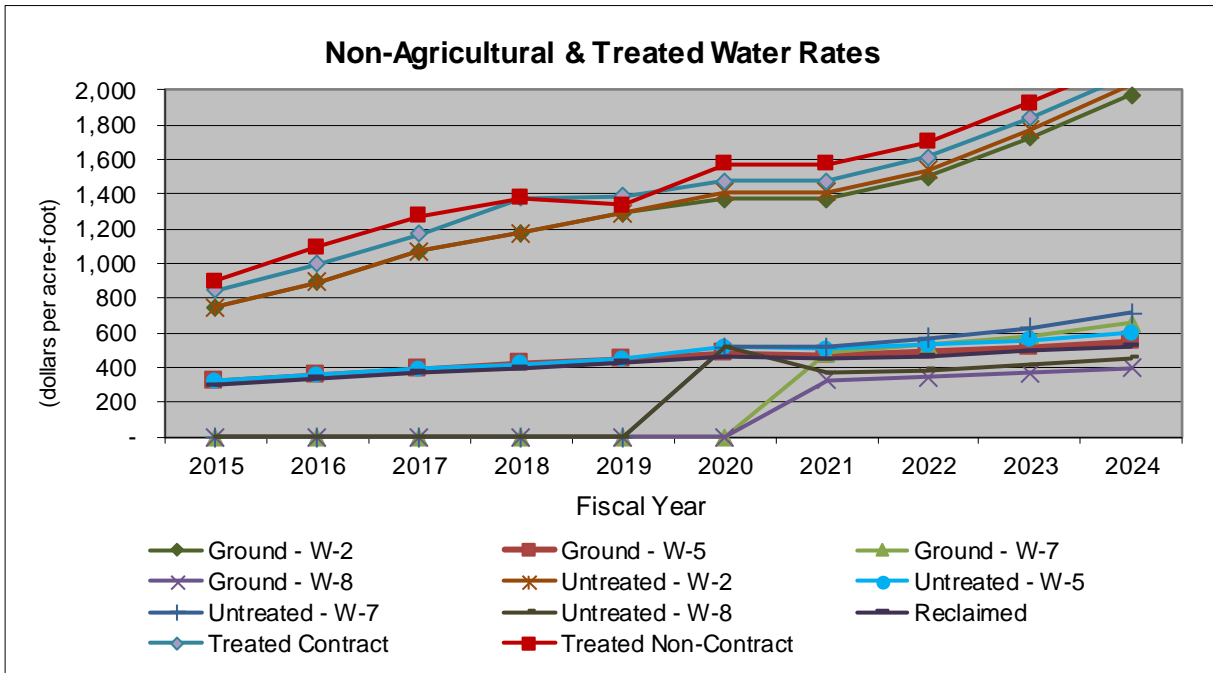
Valley Water  
Water Enterprise Rates Summary  
Last Ten Fiscal Years  
(Rates in Dollars per Acre-foot)

Fiscal Year	Groundwater Rates					Treated Water Rates	
	Non-AG				AG	Contract	Non Contract
	Zone W-2	Zone W-5	Zone W-7	Zone W-8	All Zones		
2015	747.00	319.00	-	-	19.14	847.00	897.00
2016	894.00	356.00	-	-	21.36	994.00	1,094.00
2017	1,072.00	393.00	-	-	23.59	1,172.00	1,272.00
2018	1,175.00	418.00	-	-	25.09	1,375.00	1,375.00
2019	1,289.00	450.00	-	-	27.02	1,389.00	1,339.00
2020	1,374.00	481.00	-	-	28.86	1,474.00	1,574.00
2021	1,374.00	467.00	481.00	327.00	28.86	1,474.00	1,574.00
2022	1,499.00	488.00	528.50	341.50	34.15	1,614.00	1,699.00
2023	1,724.00	513.00	582.50	368.50	36.85	1,839.00	1,924.00
2024	1,974.00	543.50	657.50	398.00	36.85	2,089.00	2,174.00



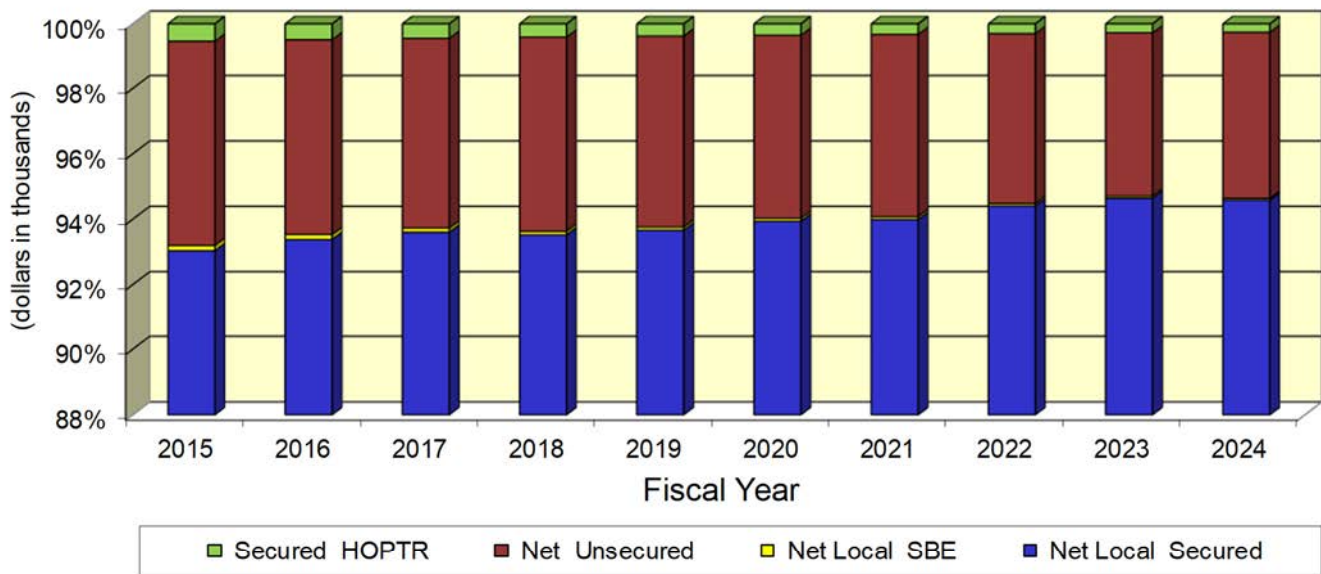
Source: Santa Clara Valley Water District, Wells & Water Production Unit

Untreated Water Rates					Reclaimed Water Rates	
AG	Non-AG				AG	Non-AG
All Zones	Zone W-2	Zone W-5	Zone W-7	Zone W-8		
37.74	747.00	319.00	-	-	42.94	299.00
43.96	894.00	356.00	-	-	45.16	336.00
51.05	1,072.00	393.00	-	-	47.38	373.00
58.45	1,175.00	418.00	-	-	48.88	398.00
62.94	1,289.00	450.00	-	-	54.41	430.00
66.36	1,411.50	518.50	518.50	518.50	56.25	461.00
66.36	1,411.50	504.50	518.50	364.50	56.26	447.00
75.05	1,539.90	528.90	569.40	382.40	61.55	468.00
83.95	1,771.10	560.10	629.60	415.60	64.25	493.00
90.85	2,028.00	597.50	711.50	452.00	67.20	523.50



Valley Water  
Assessed and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years  
(Dollars in Thousands)

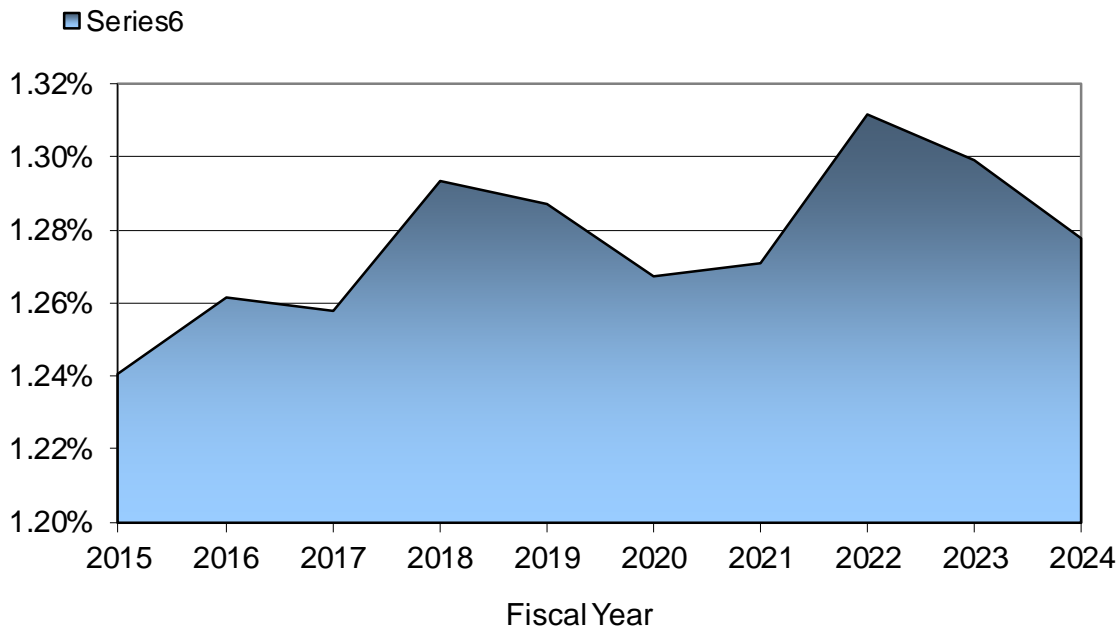
Fiscal Year	Net Local Secured	SBE	Total Secured	Net Unsecured	Total (a)	Exempt Valuation Secured HOPTR (b)	Total (c) = (a+b)	District Direct Rate (d)	Total District Direct Tax (c x d)
2015	332,220,200	577,096	332,797,296	22,417,252	355,214,548	1,891,373	357,105,921	0.0065%	23,211.88
2016	362,318,558	594,415	362,912,973	23,239,529	386,152,502	1,874,832	388,027,334	0.0057%	22,117.56
2017	392,058,176	524,128	392,582,304	24,439,939	417,022,243	1,850,004	418,872,247	0.0086%	36,023.01
2018	420,616,061	476,901	421,092,962	26,855,499	447,948,461	1,824,379	449,772,840	0.0062%	27,885.92
2019	452,259,125	451,125	452,710,250	28,342,158	481,052,408	1,808,872	482,861,280	0.0042%	20,280.17
2020	484,249,401	442,613	484,692,014	29,026,589	513,718,603	1,791,435	515,510,038	0.0041%	21,135.91
2021	517,837,409	462,813	518,300,222	30,879,670	549,179,892	1,770,130	550,950,022	0.0037%	20,385.15
2022	544,089,744	413,735	544,503,479	30,094,207	574,597,686	1,721,856	576,319,542	0.0051%	29,392.30
2023	585,844,983	390,407	586,235,390	31,113,862	617,349,252	1,685,399	619,034,651	0.0044%	27,237.52
2024	624,298,257	376,408	624,674,665	33,700,065	658,374,730	1,705,711	660,080,441	0.0041%	27,063.30



Source: County of Santa Clara Compilation of Tax Rates & Information

Valley Water  
Property Tax Rates-Direct and Overlapping Governments  
Last Ten Fiscal Years

Fiscal Year	Basic County Wide Levy	County	Cities	Santa Clara Valley Water District	Schools and Other Districts	Total Tax Rate
2015	1.0000%	0.0388%	0.0253%	0.0065%	0.1702%	1.2408%
2016	1.0000%	0.0388%	0.0223%	0.0057%	0.1949%	1.2617%
2017	1.0000%	0.0388%	0.0207%	0.0086%	0.1896%	1.2577%
2018	1.0000%	0.0597%	0.0186%	0.0062%	0.2087%	1.2932%
2019	1.0000%	0.0565%	0.0170%	0.0042%	0.2095%	1.2872%
2020	1.0000%	0.0557%	0.0226%	0.0041%	0.1846%	1.2670%
2021	1.0000%	0.0457%	0.0175%	0.0037%	0.2038%	1.2707%
2022	1.0000%	0.0576%	0.0207%	0.0051%	0.2281%	1.3115%
2023	1.0000%	0.0559%	0.0191%	0.0044%	0.2198%	1.2992%
2024	1.0000%	0.0538%	0.0167%	0.0041%	0.2029%	1.2775%



Source: County of Santa Clara, Department of Finance (tax rate area 17-026)

Valley Water  
Principal Property Tax Payers  
Current year and Nine years ago  
(Dollars in Thousands)

Taxpayer	Fiscal Year 2024 <sup>(2)</sup>			Fiscal Year 2015 <sup>(2)</sup>		
	Taxable Assessed Value <sup>(1)</sup>	Rank	Percentage of Taxable Assessed Value	Taxable Assessed Value <sup>(1)</sup>	Rank	Percentage of Taxable Assessed Value
Google Inc.	\$ 11,025,330	1	1.67%	\$ 1,666,032	2	0.47%
Leland Stanford Jr, University	8,511,675	2	1.29%			
Campus Holdings Inc.	4,488,998	3	0.68%			
Apple Computer Inc.	3,172,544	4	0.48%	919,903	4	0.26%
Sobrato Interests	2,574,601	5	0.39%			
Essex Portfolio LP	1,948,196	6	0.30%			
Cisco Technology	1,665,192	7	0.25%	1,375,263	3	0.39%
Planetary Ventures LLC	1,610,300	8	0.24%			
Intel Corporation	1,397,734	9	0.21%	888,854	5	0.25%
Applied Materials Inc,	1,381,843	10	0.21%			
Adobe Inc.	1,209,625	11	0.18%			
Intuitive Surgical Inc.	1,126,316	12	0.17%			
Pathline Park I LLC	1,120,897	13	0.17%			
Vantage Data Centers	1,107,127	14	0.17%			
VF Mall LLC	1,100,388	15	0.17%	848,647	6	0.24%
Lockheed Missels and Space Co. Inc.	1,075,455	16	0.16%			
Nvidia Corporation	1,072,864	17	0.16%			
FRIT San Jose Town & Country Village LLC	1,009,444	18	0.15%			
San Jose Water Works	993,784	19	0.15%			
LinkedIn Corporation	991,319	20	0.15%			
Pacific Gas & Electric Company				1,896,861	1	0.53%
The Irvine Company LLC				836,723	7	0.23%
Menlo & Juniper Networks LLC				814,973	8	0.23%
Network Appliance Inc.				698,685	9	0.20%
Pacific Bell Telephone Co, DBA AT& T Calif.				447,527	10	0.13%
<b>Total</b>	<b>\$ 48,583,632</b>		<b>7.35%</b>	<b>\$ 10,393,468</b>		<b>2.93%</b>
<b>Net Assessed Value of Taxable Property</b>	<b>\$ 660,080,441</b>			<b>\$ 357,105,921</b>		

(1) Includes taxable properties only.

(2) Source: California Municipal Statistics, Inc.

Valley Water  
 Computation of District Act Debt Margin  
 June 30, 2024  
 (Dollars in Thousands)

Authorized short-term debt under authority of District Act Section 25.6	\$	8.0
Outstanding short-term debt under Section 25.6, June 30, 2024		-
District Act Section 25.6 debt margin on short-term debt	\$	8.0

Note:

The Santa Clara Valley Water District's debt issuance practices are governed by the provisions of California law and Section 25.6 of the special legislation which formed the Santa Clara Valley Water District (the District Act).

Prior to January 1, 2024, the District Act set the limit on short term debt obligations (maturities of less than five years) at \$8,000,000. Effective January 1, 2024, pursuant to amendments to Section 25.6 of the District Act, Valley Water may issue short term notes, provided that the principal payable in any fiscal year, when added to the interest thereon, does not exceed 85% of the estimated amount of the revenues, charges, taxes, and assessments of or allocable to Valley Water that will be available in that fiscal year for payment of the short-term notes and the interest thereon (and subject to certain other limitations including a maturity not in excess of five years).

Valley Water may also issue short term notes under the tax and revenue anticipation note statute included in the California Government Code (sections 53850-53858). Under the tax and revenue anticipation note statute, Valley Water may issue notes, provided the principal and interest are not to exceed 85% of the estimated amount of the then uncollected revenues of Valley Water on the date such notes are issued (and subject to certain other limitations including a 15-month maturity provision). Section 53851 provides that the tax and revenue anticipation note statute is separate authority for Valley Water to issue notes and any amount borrowed under the tax and revenue anticipation note statute is not limited by any other provision of law.

Valley Water has heretofore elected to issue notes under the tax and revenue anticipation note statute to support the short term financing program because it has allowed a larger amount of notes to be issued even though there is a shorter limitation on maturities.

Valley Water is in compliance with its District Act and the debt issuance provisions of California law.

Valley Water  
Ratio of Outstanding Debt by Type  
Last Ten Fiscal Years  
(Dollars in Thousands, Except Per Capita)

Fiscal Year	Governmental Activities			Business-type Activities		
	General Obligation Bonds	Revenue Bonds /Certificate of Participation	Leases	General Obligation Bonds	Revenue Bonds /Certificate of Participation	Leases
2015	-	117,117		-	191,490	
2016	-	108,393		-	440,089	
2017	-	105,529		-	443,602	
2018	-	95,322		-	423,775	
2019	-	85,059		-	509,241	
2020	-	75,400		-	495,000	
2021	-	65,400		-	714,000	
2022	-	55,100	1,189	-	676,200	3,632
2023	-	176,797	3,293	-	1,014,758	2,974
2024	-	163,851	2,441	-	987,487	2,690

Source: Santa Clara Valley Water District, General Accounting Unit



<u>Total Primary Government</u>	<u>Debt as a Percentage of Personal Income</u>	<u>Debt Per Capita</u>
308,607	0.2154%	163
548,482	0.3163%	284
549,131	0.2890%	283
519,097	0.2483%	267
594,300	0.2622%	304
570,400	0.2419%	291
779,400	0.2980%	403
736,121	0.2725%	386
1,197,822	0.4390%	630
1,156,469	0.4196%	608

Valley Water  
Revenue Bond Coverage  
Last Ten Fiscal Years  
(Dollars in Thousands)

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Adjusted revenues	\$ 154,696	\$ 182,404	\$ 207,899
Adjusted operating expenses	130,915	141,367	130,278
Net revenue available for debt service (A)	<u>\$ 23,781</u>	<u>\$ 41,037</u>	<u>\$ 77,621</u>
Rate stabilization fund transfer (B)	-	-	-
Special purpose fund transfer (C)	-	-	-
Debt obligation			
Principal	7,456	3,948	3,830
Interest	<u>7,501</u>	<u>6,066</u>	<u>4,827</u>
Adjusted net revenue available for debt service (D)	<u>\$ 38,738</u>	<u>\$ 51,051</u>	<u>\$ 86,278</u>
Senior obligation debt service requirement (E)	<u>\$ 14,957</u>	<u>\$ 10,014</u>	<u>\$ 8,657</u>
 <u>Parity obligations</u>			
Net revenue available for debt service (F = D - E)		<u>\$ 51,051</u>	<u>\$ 86,278</u>
Debt obligation			
Principal		-	-
Interest		<u>2,072</u>	<u>12,447</u>
Debt service requirement (G)		<u>\$ 2,072</u>	<u>\$ 12,447</u>
 Coverage factor (1.25 required) (F / G) <sup>(2)</sup>		<u>14.97</u>	<u>5.54</u>
 <u>Senior/parity/subordinate obligations</u>			
Net revenue available for debt service (D)		<u>\$ 41,037</u>	<u>\$ 77,621</u>
Debt obligation - senior and parity			
Senior		10,014	8,657
Parity		2,072	12,447
subordinate		185	-
Debt service requirement (H)		<u>\$ 12,271</u>	<u>\$ 21,104</u>
 Coverage factor (1.10 required) (A / H) <sup>(3)</sup>		<u>3.34</u>	<u>3.68</u>

Source: Santa Clara Valley Water District General Accounting Unit

In July 1994, the District refunded its outstanding water revenue bonds and restructured its debt covenants under a Senior Master Resolution (94-58, as amended by 06-80) governing the issuance of all Water Utility System Senior debt obligations, including the method of calculating Senior Debt Service coverage ratio.

In February 2016, the District Board adopted the Water Utility Parity System Master Resolution (16-10) governing issuance of all Water Utility System Parity debt obligations, calculating the method of calculating Parity Debt Service coverage ratio.

Prescribed by the aforementioned Master Resolutions, operating revenues and expenses include adjustments which relate primarily to intergovernmental revenues, depreciation and amortization, other post employment benefits, and compensated absences and claims.

2018	2019	2020	2021	2022	2023	2024
\$ 254,177	\$ 242,271	\$ 284,600	\$ 302,000	\$ 292,600	\$ 314,083	\$ 350,072
172,427	148,101	146,600	170,400	224,300	200,078	228,072
\$ 81,750	\$ 94,170	\$ 138,000	\$ 131,600	\$ 68,300	\$ 114,005	\$ 122,000
-	-	-	-	10,000	13,003	35,000
-	-	-	-	8,000	-	-
2,070	2,165	800	900	-	-	-
1,793	2,127	1,500	900	400	-	-
\$ 85,613	\$ 98,462	\$ 140,300	\$ 133,400	\$ 86,700	\$ 127,008	\$ 157,000
\$ 3,863	\$ 4,292	\$ 2,300	\$ 1,800	\$ 400	\$ -	\$ -
\$ 85,613	\$ 98,462	\$ 140,300	\$ 133,400	\$ 86,700	\$ 127,008	\$ 157,000
6,250	8,625	12,300	13,300	18,800	19,415	22,705
14,963	15,125	18,600	22,800	25,000	27,411	31,917
\$ 21,213	\$ 23,750	\$ 30,900	\$ 36,100	\$ 43,800	\$ 46,826	\$ 54,622
3.67	3.78	4.39	3.60	1.96	2.71	2.87
\$ 81,750	\$ 94,170	\$ 138,000	\$ 131,600	\$ 86,300	\$ 127,008	\$ 157,000
3,863	4,292	2,300	1,800	400	-	-
21,213	23,750	30,900	36,100	43,800	46,826	54,622
358	1,699	300	100	-	2,249	2,597
\$ 25,434	\$ 29,741	\$ 33,500	\$ 38,000	\$ 44,200	\$ 49,075	\$ 57,219
3.21	3.17	4.12	3.46	1.95	2.59	2.74

<sup>(2)</sup> The parity obligation minimum debt service coverage requirement is 1.25, per the Parity Master Resolution (16-10).

<sup>(3)</sup> The senior/parity/subordinate obligation minimum debt service coverage requirement is 1.10, per the Water Utility Senior Master Resolution (94-58, as amended by 06-80).

As of 6/1/2022, the Water Utility Senior Master Resolution was terminated upon the full redemption of the Water Utility System Refunding Revenue Bonds, Taxable Series 2006B.

Valley Water  
 Computation of Direct and Overlapping Debt  
 June 30, 2024

2023-24 Assessed Valuation	\$ 660,080,440,806		
<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>	<b><u>Total Debt-06/30/2024</u></b>	<b><u>% Applicable<sup>(1)</sup></u></b>	<b><u>District's Share of Debt-06/30/2024</u></b>
Santa Clara County	\$ 956,770,000	100%	\$ 956,770,000
Foothill-DeAnza Community College District	640,179,446	100%	640,179,446
San Jose-Evergreen Community College District	982,134,604	100%	982,134,604
West Valley-Mission Community College District	663,040,000	99.108%	657,125,683
Other Community College Districts	486,232,298	0.049-73.361%	179,662,042
Gilroy Unified School District	339,292,495	100%	339,292,495
Palo Alto Unified School District	415,553,859	100%	415,553,859
San Jose Unified School District	445,699,025	100%	445,699,025
Santa Clara Unified School District	1,003,615,000	100%	1,003,615,000
Other Unified School Districts	537,465,352	1.042-100%	476,521,719
Campbell Union High School District	336,185,000	100%	336,185,000
East Side Union High School District	932,616,437	100%	932,616,437
Fremont Union High School District	737,130,088	100%	737,130,088
Other High School Districts	436,111,229	0.484-100%	335,793,688
Campbell School District	250,309,324	100%	250,309,324
Cupertino Union School District	235,883,303	100%	235,883,303
Evergreen School District	129,625,597	100%	129,625,597
Franklin McKinley School District	170,254,017	100%	170,254,017
Los Altos School District	132,000,000	100%	132,000,000
Los Gatos Union School District	57,080,000	100%	57,080,000
Moreland School District	100,974,243	100%	100,974,243
Oak Grove School District	273,292,189	100%	273,292,189
Sunnyvale School District	251,455,820	100%	251,455,820
Other School Districts	1,007,683,038	4.065-100%	999,939,308
City of Campbell	41,710,000	100%	41,710,000
City of Gilroy	22,471,772	100%	22,471,772
City of Palo Alto	46,620,000	100%	46,620,000
City of San Jose	522,815,000	100%	522,815,000
City of Saratoga	5,775,000	100%	5,775,000
Saratoga Fire Protection District	1,665,669	100%	1,665,669
El Camino Hospital District	102,186,937	100%	102,186,937
City Community Facilities Districts	16,924,898	100%	16,924,898
Other City 1915 Act Bonds (Estimated)	15,945,000	100%	15,945,000
Midpeninsula Regional Open Space District	80,700,000	67.538%	54,503,166
Santa Clara Valley Water District Benefit Assessment District	166,292,000	100%	166,292,000
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b><u>\$ 12,036,002,329</u></b>

Ratios to the 2023-24 Assessed Valuation

Direct Debt	(\$ 166,292,000)	0.025%
Total Direct and Overlapping Tax and Assessment Debt		1.82%

<b><u>OVERLAPPING GENERAL FUND DEBT:</u></b>	<b><u>Total Debt-06/30/2024</u></b>	<b><u>% Applicable<sup>(1)</sup></u></b>	<b><u>District's Share of Debt-06/30/2024</u></b>
Santa Clara County General Fund Obligations	\$ 1,057,709,440	100%	\$ 1,057,709,440
Santa Clara County Pension Obligation Bonds	323,733,582	100%	323,733,582
Santa Clara County Office of Education Certificates of Participation	12,073,098	100%	12,073,098
San Jose-Evergreen Community College District OPEB Obligation	46,975,000	100%	46,975,000
West Valley-Mission Community College District General Fund Obligations	2,520,000	99.108%	2,497,522
Gilroy Unified School District Certificates of Participation	20,505,000	100%	20,505,000
Other Unified School District School General Fund Obligations	46,232,175	1.042-100%	36,375,958
East Side Union High School District Benefit Obligations	23,670,000	100%	23,670,000
Other Union High School District General Fund Obligations	22,315,274	0.484-100%	14,988,042
Other School District General Fund Obligations	56,908,399	21.163-100%	56,862,674
City of Cupertino Certificates of Participation	14,030,000	100%	14,030,000
City of Gilroy General Fund Obligations	24,209,685	100%	24,209,685
City of San Jose General Fund Obligations	633,015,000	100%	633,015,000
City of Santa Clara General Fund Obligations	9,055,000	100%	9,055,000
City of Sunnyvale General Fund Obligations	128,745,000	100%	128,745,000
Other City General Fund Obligations	178,361,543	100%	178,361,543
Midpeninsula Regional Park District General Fund Obligations	79,795,600	67.538%	53,892,352
Santa Clara County Central Fire Protection District General Fund Obligations	27,130,000	100%	27,130,000
<b>TOTAL GROSS OVERLAPPING GENERAL FUND DEBT</b>			<b><u>\$ 2,663,828,896</u></b>
Less: Santa Clara County supported general fund obligations			<u>2,660,000</u>
<b>TOTAL NET OVERLAPPING GENERAL FUND DEBT</b>			<b><u>\$ 2,661,168,896</u></b>

OVERLAPPING TAX INCREMENT DEBT:	\$ 1,313,135,000	100%	<u>\$ 1,313,135,000</u>
<b>TOTAL DIRECT DEBT</b>			<b><u>\$ 166,292,000</u></b>
TOTAL GROSS COMBINED OVERLAPPING DEBT			\$ 15,846,674,225
TOTAL NET COMBINED OVERLAPPING DEBT			\$ 15,844,014,225
GROSS COMBINED TOTAL DEBT			\$ 16,012,966,225 <sup>(2)</sup>
NET COMBINED TOTAL DEBT			\$ 16,010,306,225

<sup>(1)</sup> The percent of overlapping debt applicable to the Water District is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the Water District divided by the district's total taxable assessed value.

<sup>(2)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to the 2023-24 Assessed Valuation

Total Direct Debt	0.025%
Gross Combined Total Debt	2.43%
Net Combined Total Debt	2.43%
<u>Ratio to Redevelopment Incremental Valuation (\$75,713,023,152)</u>	
Total Overlapping Tax Increment Debt	1.73%

Source: California Municipal Statistics, Inc.

Valley Water  
Demographic and Economic Statistics  
For Santa Clara County  
Last Ten Fiscal Years

Fiscal Year	Population <sup>(1)</sup>	Total Personal Income (in \$000) <sup>(2)</sup>	Per Capita Personal Income (in \$000)	Change In Consumer Price Index <sup>(3)</sup>	School Enrollment <sup>(4)</sup>	Total Employment <sup>(5)</sup>	Unemployment Rate <sup>(5)</sup>
2015	1,889,638	143,292,442	75.831	2.3%	276,689	993,400	3.7%
2016	1,927,888	173,428,896	89.958	2.7%	274,948	996,800	4.0%
2017	1,938,180	190,001,690	98.031	3.5%	273,264	992,900	3.8%
2018	1,947,798	209,019,944	107.311	3.9%	272,132	1,035,600	2.7%
2019	1,954,286	226,697,176	116.000	2.7%	267,224	1,026,700	2.6%
2020	1,961,969	235,835,442	120.203	1.6%	263,449	926,700	10.7%
2021	1,934,171	261,564,583	135.233	3.7%	253,625	961,700	5.2%
2022	1,907,693	270,162,197	141.617	6.8%	241,326	1,034,900	2.1%
2023	1,902,799	272,863,819	143.401	2.9%	236,428	1,007,700	3.6%
2024	1,903,198	275,592,457	144.805	3.2%	234,027	983,300	4.1%

Source: <sup>(1)</sup> State of California - Department of Finance, Demographics & Research Unit.

<sup>(2)</sup> U.S. Department of Commerce - Bureau of Economic Analysis; actual data available up to 2022; personal income data for 2023 & 2024 are preliminary and assumes a 1% increase from prior year.

<sup>(3)</sup> U.S. Department of Labor - Bureau of Labor Statistics - San Francisco Bay Region

<sup>(4)</sup> State of California - Department of Education and Santa Clara County Office of Education

<sup>(5)</sup> State of California - Employment Development Department

Valley Water  
Principal Employers  
Current Year and Nine Years ago  
(unaudited)

Company or Organization	Fiscal Year 2024			Fiscal Year 2015		
	Employees <sup>(1)</sup>	Rank	Percentage of Total County Employment	Employees <sup>(2)</sup>	Rank	Percentage of Total County Employment
Apple Inc.	25,000	1	2.55%	19,000	2	1.91%
County of Santa Clara	22,300	2	2.27%	17,879	3	1.80%
Tesla Motors Inc.	20,000	3	2.03%			
Cisco Systems	14,492	4	1.48%	14,488	4	1.46%
Intel Corp.	7,352	5	0.75%			
Oracle Corp.	6,900	6	0.70%	7,315	9	0.74%
Applied Materials Inc.	5,816	7	0.59%			
LinkedIn Corp.	5,347	8	0.55%			
Intuitive Surgical Inc.	4,162	9	0.42%			
Amazon.com Services	3,748	10	0.38%			
Lockheed Martin	3,576	11	0.36%			
A2Z development Center Inc DBA Amazon Music	3,250	12	0.33%			
Servicenow Inc.	3,142	13	0.32%			
PayPal Holdings	2,801	14	0.29%			
Super Micro Computer Inc. DBA SuperMicro	2,291	15	0.23%			
Ebay Inc.	2,000	16	0.20%			
Marvell	1,630	17	0.17%			
Agilent Technologies	1,600	18	0.16%			
Fortinet Inc.	1,397	19	0.14%			
Netapp Inc.	1,013	20	0.10%			
Google Inc.				20,000	1	2.01%
Stanford University				13,387	5	1.35%
Kaiser Permanente				12,500	6	1.26%
Stanford Hospitals & Clinics				9,981	7	1.00%
University of California Santa Cruz				8,258	8	0.83%
Safeway, Inc.				6,843	10	0.69%
<b>Total</b>	<b>137,817</b>		<b>14.02%</b>	<b>129,651</b>		<b>13.05%</b>
<b>Total County Employment<sup>(3)</sup></b>	<b>983,300</b>		<b>14.02%</b>	<b>993,400</b>		<b>13.05%</b>

Source: <sup>(1)</sup> Silicon Valley Business Journal, August 2024

<sup>(2)</sup> Silicon Valley Business Journal, July 24, 2015

<sup>(3)</sup> State of California - Employment Development Department

Valley Water  
Full-time Equivalent Employees by Function/Program  
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Office of the CEO	10	10	11	11	17	20	16	18	19	18
Office of the District Counsel	9	9	10	10	11	11	13	13	14	12
Community & Government Relations	8	18	23	27	28	32	41	47	42	41
County-Wide Watershed Management	98	112	109	109	133	133	145	161	154	161
Capital Programs	115	118	112	112	108	111	122	137	143	138
Water Utility Operations	43	43	43	43	41	41	39	39	37	35
Water Supply	11	11	11	11	8	8	13	13	13	13
Water Conservation	10	10	11	11	12	12	10	10	10	10
Surface & Groundwater Management	34	36	33	33	35	35	39	38	39	37
Water Quality	22	22	28	28	24	24	25	24	26	26
Control Systems	11	11	14	14	14	14	15	14	15	14
Water Utility Maintenance	23	23	28	28	28	28	28	27	27	27
Treated Water Operations	36	38	44	44	43	43	48	46	45	47
Raw Water Operations	25	28	37	37	37	40	38	38	39	37
Administrative & Business Management	8	8	11	11	3	5	14	12	16	15
Clerk of the Board	12	12	14	14	10	10	10	9	13	16
Business Support Services	16	16	16	16	20	25	12	12	11	10
Library & Records	6	6	5	5	6	6	5	5	5	4
Budget Office	8	8	7	7	7	10	8	8	8	6
Accounting	18	18	17	17	16	16	17	18	18	18
Information & Systems Management	39	39	36	36	32	32	32	33	34	33
Technical Services	3	3	3	3	3	3	3	3	4	2
Wells & Water Production	18	18	18	18	15	15	20	21	19	20
Real Estate & Right-of-Way	8	9	10	10	8	10	8	9	7	11
Equipment Management	12	12	12	12	10	10	9	11	11	11
Warehouse & Inventory Control	6	6	5	5	5	5	5	5	5	5
Facilities Maintenance	15	15	15	15	14	16	16	13	15	14
Purchasing	9	10	10	10	9	12	15	15	13	14
Permits	16	16	14	14	16	16	16	17	18	18
Contracts Administration	4	5	5	5	5	10	6	6	8	6
Human Resources, Training, Benefits	27	27	22	22	26	30	28	23	22	27
Health & Safety	6	6	10	10	9	9	9	6	8	8
<b>Total</b>	<b>686</b>	<b>723</b>	<b>744</b>	<b>748</b>	<b>753</b>	<b>792</b>	<b>825</b>	<b>851</b>	<b>858</b>	<b>854</b>

Source: Santa Clara Valley Water District, Human Resources & Benefits Unit

Valley Water  
Operating Indicators by Function/Program  
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>District Well Ordinance Program</b>										
New Wells	407	424	321	410	325	298	367	344	351	322
Destroyed Wells	1,504	1,167	945	463	494	387	481	500	336	413
Well Permits	2,285	1,799	1,546	1,272	1,078	1,123	882	1,217	901	982
Well Inspections	2,092	1,848	1,687	1,093	1,030	1,163	1,254	1,288	1,019	1,129
<b>Watershed Management</b>										
Miles of Vegetation Removed/Managed	177	164	116	168	163	161	134	206	174	164
Cubic Yards of Sediment Removed	4,129	3,929	83,792	34,881	19,279	49,641	55,878	28,034	14,832	55,713
Miles of Bank Erosion Protection	0.2	1.2	0.5	0.5	0.2	0.3	0.3	0.9	0.8	1.4
<b>Laboratory Services Unit</b>										
Water Samples Tested (approx.)	169,182	178,934	179,252	156,347	151,118	151,500	142,328	130,994	132,510	130,810
Water Quality Violations	-	-	-	-	-	-	-	-	-	-
<b>Water Measurement Program</b>										
Meter Reads/Site Visits	5,908	5,934	5,489	6,264	5,384	6,740	6,126	6,326	6,041	6,008
Meter Repairs/Preventative Maintenance	201	323	301	307	381	183	115	255	169	192
Backflow Device Tests	203	153	149	227	188	217	205	197	203	201
<b>Community Projects Review</b>										
Permits Issued	220	289	228	177	160	137	175	149	150	127
Land Development Review Requests	843	45	124	749	938	809	1,023	1,165	1,143	1,358
Underground Service Alerts	58,871	12,118	8,042	8,529	9,859	8,560	8,607	2,959	2,407	2,377
Requests for Flood Zone Information	24	92	26	18	18	11	20	13	14	8
Environmental Impact Reports Reviewed	68	32	56	53	83	82	145	242	237	25
Water Resource Protec. Ordinance Violation	130	220	163	186	208	240	243	157	169	224
<b>Human Resources</b>										
Permanent Positions Hired	54	150	112	133	79	162	182	197	152	150
Temporary Workers Employed	134	276	259	122	108	110	115	276	117	120
Employment Applications Processed	5,746	5,621	5,847	5,668	5,370	7,860	7,382	5,913	5,979	7,219
<b>Health &amp; Safety</b>										
Ergonomic Assessments	42	46	44	47	37	12	36	40	30	36
Confined Space Assessments	147	204	120	223	192	205	164	114	N/A	139
Employee Safety Committee Meetings	12	12	12	11	8	6	8	12	N/A	-
<b>Projects Managed by Type:</b>										
Capital Projects	160	165	121	130	121	114	122	93	136	142
Operating Projects	35	39	23	29	17	16	15	13	14	14
Operations Projects	415	409	358	351	335	328	317	216	307	309

Source: Santa Clara Valley Water District, various government departments



Valley Water  
Capital Asset Statistics by Function/Program  
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Water Utility Enterprise</b>										
Acres of groundwater recharge ponds	393	393	393	393	393	393	277	285	285	285
Miles of canals	17	17	17	17	17	17	17	47	47	48
Miles of pipeline	144	144	144	144	144	144	144	142	145	150
Miles of tunnels	8	8	8	8	8	8	8	8	8	8
Number of treatment plants	3	3	3	3	3	3	3	3	3	4
Number of pumping stations	3	3	3	3	3	3	3	3	3	3
Number of treated water reservoirs	1	1	1	1	1	1	1	1	1	1
<b>Water Utility Operations</b>										
Process Control Instrumentation	1,443	1,493	1,548	1,534	1,542	1,710	1,748	1,772	1,931	1,821
Mechanical Drives	56	73	58	61	61	61	52	51	57	57
Chemical Mixers	95	95	92	88	88	126	124	126	135	134
Electrical Motors	439	455	468	464	468	531	529	531	553	844
Power Distribution Equipment	1,140	1,155	1,089	859	870	890	1,383	1,335	1,458	1,474
Pumps	515	518	517	518	517	584	582	591	601	591
Utility Vaults & Structures	1,114	1,340	1,156	1,122	1,166	1,195	1,205	1,236	1,266	1,288
Chemical & Water Storage Tanks	174	203	168	173	196	202	207	209	208	207
Valves	1,600	1,676	1,695	1,710	1,758	1,987	1,866	1,881	2,185	2,159
Valve Operators	783	782	781	782	789	841	824	825	839	851
Generators	25	29	29	27	30	33	33	33	33	37
Flow Meters	347	377	399	360	361	395	392	399	1,012	1,073
Electric Drives	165	162	172	183	191	196	201	196	208	209
Blowers & Compressors	188	185	184	181	187	188	187	188	187	186
Miscellaneous Equipment	1,441	1,350	1,356	1,322	1,327	1,345	1,362	1,360	1,591	1,494
<b>Watersheds</b>										
Miles of creeks and rivers managed for flood protection	700	700	700	800 +*	800 +*	800 +*	<275*	<275*	183	185
Number of reservoirs	10	10	10	10	10	10	10	10	10	10
Total District reservoir capacity (acre-feet)	169,415	169,415	169,415	169,415	169,415	169,415	166,266	166,140	166,140	166,140
Acres of Wildlife Habitat Restored	326	326	310	364	364	364	493	496	521	521
<b>Fleet Equipment</b>										
Class I Passenger Vehicles	182	184	179	178	178	175	168	199	201	223
Class II Heavy Duty Trucks	87	82	90	94	94	97	64	99	106	107
Class III Tractors, Const. Equip., Generators, Forklifts	26	26	21	26	26	26	22	26	25	25
Class IV Misc. Small Tools & Engines	506	506	534	478	415	521	519	581	607	496

Source: Santa Clara Valley Water District, various government departments

\* There are more than 800 miles of creeks in Santa Clara County (SC Co.). SCVWD has land rights to 333 miles of streams in SC Co. Only a portion of these have been modified with flood protection projects. Those are the streams that are maintained by SCVWD.

Valley Water  
Flood Control System  
Historical Operating Results  
Combined Statement of Revenues and Debt Service Coverage  
Last Ten Fiscal Years  
(Dollars in Thousands)

	2015	2016	2017	2018
Flood Control System Revenues:				
Benefit assessment, gross <sup>1</sup>	\$ 16,236	\$ 14,832	\$ 14,939	\$ 14,922
Property tax	62,887	68,005	74,806	79,538
Investment income	889	1,303	317	729
Rental income	1,403	1,474	1,527	1,609
Other	596	1,210	1,870	3,999
<b>Total Flood Control System Revenue</b>	<b>\$ 82,011</b>	<b>\$ 86,824</b>	<b>\$ 93,459</b>	<b>\$ 100,797</b>
Debt Service:				
2004A Certificates of participation <sup>2/3</sup>	1,349	1,109	1,111	-
2007A Certificates of participation <sup>2</sup>	5,762	5,757	5,760	-
2012A Certificates of participation	6,101	5,294	5,297	5,295
2017A Certificates of participation <sup>3</sup>	-	-	-	6,866
<b>Total Debt Service</b>	<b>\$ 13,212</b>	<b>\$ 12,160</b>	<b>\$ 12,168</b>	<b>\$ 12,161</b>
<b>Coverage</b>	<b>6.21</b>	<b>7.14</b>	<b>7.68</b>	<b>8.29</b>

1 The benefit assessment presented on the Statement of Revenues, Expenditures and Changes in Fund Balances are net of collection fees. For the purpose of the Flood Control System Debt Service Coverage, collection fees are excluded. Therefore, the benefit assessments presented above have been increased as follows (in thousands):

FY2024 - \$ 70  
FY2023 - \$ 134  
FY2022 - \$ 136  
FY2021 - \$ 125  
FY2020 - \$ 135  
FY2019 - \$ 149  
FY2018 - \$ 148  
FY2017 - \$ 149  
FY2016 - \$ 149  
FY2015 - \$ 162

In accordance with voter authorizations, benefit assessments are set at 1.25 of gross debt service allocable to flood control projects starting during Fiscal Year 2001.

Source: Santa Clara Valley Water District, General Accounting Unit

2019	2020	2021	2022	2023	2024
\$ 14,895	\$ 13,500	\$ 12,500	\$ 13,600	\$ 13,363	\$ 6,960
90,727	93,100	98,600	107,000	116,706	122,830
4,916	5,200	-	1,400	2,330	4,198
1,650	1,700	1,500	1,900	1,744	1,690
1,746	1,600	600	1,000	1,176	2,724
<u>\$ 113,934</u>	<u>\$ 115,100</u>	<u>\$ 113,200</u>	<u>\$ 124,900</u>	<u>\$ 135,319</u>	<u>\$ 138,402</u>
-	-	-	-	-	-
-	-	-	-	-	-
5,295	5,300	5,300	5,300	5,300	-
6,868	5,800	5,800	5,800	5,786	5,793
<u>\$ 12,163</u>	<u>\$ 11,100</u>	<u>\$ 11,100</u>	<u>\$ 11,100</u>	<u>\$ 11,086</u>	<u>\$ 5,793</u>
<u>9.37</u>	<u>10.37</u>	<u>10.20</u>	<u>11.25</u>	<u>12.21</u>	<u>23.89</u>

The 2004A and 2007A Certificates were refunded by the 2017A Certificates.

The 2004A and 2017A debt service payments exclude the portion paid by the District General Fund as this portion of debt service was not payable from benefit assessments (see Flood Control Master Resolution 94-60).

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