

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, 2025

Prepared by the General Accounting Services Unit

Darin Taylor, Chief Financial Officer
Olivia Manaloto, Accounting Manager

Table of Contents

Introductory Section

Letter of Transmittal	1
GFOA Certificate of Achievement	14
Organizational Chart	15
Board of Directors	16

Financial Section

Independent Auditor's Report	17
Management's Discussion and Analysis	21

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements:	
Statement of Net Position	40
Statement of Activities	43
Fund Financial Statements:	
Balance Sheet - Governmental Funds	44
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	47
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	48
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	50
Statement of Net Position - Proprietary Funds	52
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	54
Statement of Cash Flows - Proprietary Funds	55
Statement of Fiduciary Net Position - Custodial Fund	58
Statement of Changes in Fiduciary Net Position - Custodial Fund	59

NOTES TO THE BASIC FINANCIAL STATEMENTS

(1) The Financial Reporting Entity	60
(2) Summary of Significant Accounting Policies	61
(3) Cash and Investments	72
(4) Reimbursement of Capital Costs	79
(5) Investment Income	79
(6) Capital Assets	80
(7) Short-Term and Long-Term Liabilities	84
(8) Property Taxes and Benefit Assessments	96
(9) Fund Balances	97
(10) Net Position	100
(11) Employees' Retirement Plan	101
(12) Other Post-Employment Benefits (OPEB)	107
(13) Risk Management	115
(14) Interfund Transfers	116
(15) Commitments	117
(16) Contingencies	120
(17) Certain Risk Disclosures (GASB 102)	130
(18) Change in Accounting Principle	130
(19) Subsequent Events	131

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Schedule of Changes in Net Pension Liability and Related Ratios - Last 10	134
Schedule of Employer Pension Contributions - Last 10 Years	136
Schedule of Changes in Net OPEB Liability and Related Ratios - Last 10 Years*	138
Schedule of Employer Other Post Employment Benefit Contributions - Last 10 Years*	139
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Budgeted Governmental Funds	140
Notes to Required Supplementary Information	142

SUPPLEMENTARY INFORMATION (UNAUDITED)

Selected Watershed Activities Within the Watershed and Stream Stewardship Funds:

Schedule of Revenues, Expenditures and Changes in Fund Balances 146

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and
Actual 148

Water Enterprise and State Water Project Funds:

Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual 152

Internal Service Funds:

Combining Statement of Net Position 155

Combining Statement of Revenues, Expenses and Changes in Fund Net Position .. 156

Combining Statement of Cash Flows 157

Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and
Actual 158

Capital Assets Used in the Operation of Governmental Activities:

Schedule by Source 162

Schedule By Function and Activity 163

Schedule of Changes by Function and Activity 164

Statistical Section (Unaudited)

Financial Trends

Net Position by Component 166

Change in Net Position 168

Fund Balances of Governmental Funds 170

Changes in Fund Balances of Governmental Funds 172

Revenue Capacity

Water Revenue by Category 174

Principal Water Revenue Customers 175

Water Enterprise Rates Summary 176

Assessed and Estimated Actual Value of Taxable Property 178

Property Tax Rates-Direct and Overlapping Governments 179

Principal Property Tax Payers 180

Debt Capacity

Computation of District Act Debt Margin 181

Ratio of Outstanding Debt by Type 182

Revenue Bond Coverage 184

Computation of Direct and Overlapping Debt 186

Demographic and Economic Information	
Demographic and Economic Statistics	188
Principal Employers	189
Operating Information	
Full-time Equivalent Employees by Function/Program	190
Operating Indicators by Function/Program	191
Capital Asset Statistics by Function/Program	192
Flood Control System Historical Operating Results	194

Letter of Transmittal

December 23, 2025

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, 2025. 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, 2025, 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, 2025. 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)

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 with 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 2025, Valley Water adopted a net operating and capital budget of \$963.6 million to provide these critical services^[1].

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.

^[1] Valley Water FY2024-25 Operating and Capital Budget, chapter 3, page 7

Letter of Transmittal (continued)

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 2025, total budgeted outlays for water supply management totaled \$681.0 million^[2].

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 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, 2025 is \$61.1 million.

^[2] Valley Water FY2024-25 Operating and Capital Budget, chapter 6, page 47

Letter of Transmittal (continued)

In June 2025, the city councils of the City of San Jose and the City of Santa Clara and Valley Water's Board approved the finalization and execution of the City of San Jose Option Agreement for First Amendment to Ground Lease and Property Use Agreement (the "Option Agreement"). The Option Agreement provides Valley Water with the option to amend the Ground Lease to expand the property leased thereunder in order to accommodate the construction of the San Jose Purified Water Project – Phase 1 direct potable reuse demonstration facility. Once the CEQA process for the project is complete, the other agreements that enabled SVAWPC will also be amended, including the Ground Lease, the Operations and Maintenance Agreement and the Integration Agreement. The proposed amendments would remove the automatic termination clause and extend the term from 2050 to 2065.

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 \$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 conditions 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 2025, total budgeted outlays for watershed management and flood protection totaled \$304.2 million^[3].

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^[4] 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 Nvidia, 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 \$159,674^[5]. Real estate values declined 2.0% year over year with the median home valued at \$1.59^[6] million compared to \$0.41 million for the whole United States^[7].

In 2025, Silicon Valley's economy remains globally dominant in innovation but is slowing in growth. Venture Capital investment is strong at \$69 billion, yet employment dipped slightly, housing costs remain extreme, and wealth divides continue to widen, coupled with persistent housing challenges for residents^[8]. While commercial office vacancy is high, it appears to be turning a corner. Large commercial office buildings selling for less than pre-pandemic values are being acquired by investors betting on recovery including venture-invested AI companies. Return-to-work mandates by large companies and the federal government are starting to draw workers back to offices.^[9]

June 2025 unemployment rate for San Jose-Sunnyvale-Santa Clara, California State and the whole United States were 4.7%, 5.4% and 4.1%, respectively. This is an increase from the June 2024 unemployment rate of 4.1%, 5.2% and 4.1%, respectively. The San Jose-Sunnyvale-Santa Clara unemployment rate increased but was better than the rest of California but higher than the whole United States in June 2025^[10]. Professional and business services continued to show weakness due to tech layoffs. Meanwhile, the region's population estimate (as of January 2025) of 1.9 million approximated that of the prior year^[4].

^[3] Valley Water FY2024-25 Operating and Capital Budget, chapter 6, page 3

^[4] California Department of Finance, Demographic Research Unit, Report E-4, Population Estimates, May 2025

^[5] Jordanjosh.com, 5 Richest Counties in the US, Sinenha Singh, July 12, 2025

^[6] Zillow Home Value Index, Santa Clara County, October 31, 2025

^[7] Federal Reserve Bank of St. Louis, Median Sales Price of Houses Sold for the US, Q2 2025

^[8] Joint Venture Silicon Valley, 2024 Silicon Valley Index, March 6, 2025

^[9] Bay Area Council Economic Institute, Silicon Valley's 2025 Outlook: Challenges persist amidst AI-driven Resurgence, Sean Randolph, January 6, 2025

^[10] Bureau of Labor Statistics, News Release, July 18, 2025 and Economy at a Glance

Letter of Transmittal (continued)

Santa Clara County's inflation rate is slightly below the state's average but close to the national rate. The consumer price index (CPI) for the San Francisco Bay Area, California and the nation as of June 2025 showed an increase of 1.5%, 3.0% and 2.70%, respectively when compared to the same month last year. This is a slight decrease in contrast to the prior year (June 2024) CPI increase of 3.2%, 3.3% and 3.0%, respectively^[11]. California housing and services remain primarily inflation driven while energy costs provided some relief. Food prices rose moderately.

California's drought conditions had eased in the north but persisted in the south. In early 2025, Northern California began to recover from drought after heavy winter storms. By March 2025 it was drought-free thanks to the wet winter and spring. Recovery was strongest in the Bay Area and Sacramento Valley^[12]. Nevertheless, Valley Water continues to implore residents, businesses and farms to make water conservation a way of life and encourage a voluntary reduction in water use. Valley Water has used a multi-faceted approach—combining incentives, education, enforcement, partnerships, and strategic planning. To address future 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.

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.

^[11]State of California, Department of Industrial Relations, Consumer Price Index - California, 10/24/2025 update

^[12]NOAA, Drought update - California, 2025

Letter of Transmittal (continued)

Valley Water supports activities that carry out its mission through the following three highest-level “End Policies”^[13].

- 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 2024-25 budget included over \$62.0 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 \$5.6 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 \$6.6 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^[14].

Valley Water’s Semitropic groundwater bank reserves were at 86% or 304,084 acre-feet and valued at \$130.8 million as of June 30, 2025. 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.

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 \$2.6 billion in its FY25-29 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^[15].

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

^[13] www.valleywater.org/how-we-operate/board-governance-policies

^[14] Valley Water FY2024-25 Operating and Capital Budget, chapter 4, page 5

^[15] Valley Water FY2025-28 Capital Improvement Program, chapter 2, page 7

Letter of Transmittal (continued)

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%^[16]. 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 76 projects totaling \$10.8 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 \$10.8 billion total funding needed, \$1.3 billion is expected from Valley Water's various partners, such as the U.S. Army Corps of Engineers (USACE), and the remaining \$9.5 billion from Valley Water.

These projects are grouped into five types of improvements^[17]:

- Water supply capital improvements – 43 projects contributing to “End Policy E-2”
- Flood protection capital improvements – 14 projects contributing to “End Policy E-3”
- Water resource stewardship capital improvement – 12 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 – 4 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 provide open space.
- Provide flood protection to homes, businesses, schools, streets, and highways.
- 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

^[16] Valley Water FY2025-29 Capital Improvement Program, chapter 2, page 2

^[17] Valley Water FY2026-30 Capital Improvement Program, chapter 1, pages 8 and 9

Letter of Transmittal (continued)

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 2025 was \$53.2 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 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. On December 9, 2024, Valley Water closed on a \$250.0 million direct issue commercial paper (CP) program that replaced the previous CP program, which expired on December 10, 2024. The new direct issue CP program will be supported by a letter of credit provided by Sumitomo Mitsui Banking Corporation and will provide for the issuance of CP certificates directly by Valley Water instead of through the Valley Water Public Facilities Financing Corporation. On April 29, 2025, Valley Water extended the Non-Syndicated Revolving Line of Credit with US Bank in the amount of \$150 million for three years beyond the April 29, 2025, expiration date, which superseded the \$170 million syndicated bank line of credit that Valley Water established in October 2020 to ensure ample liquidity for ongoing capital projects and to meet general financing needs despite the economic uncertainties related to the COVID-19 pandemic.

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 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.

Letter of Transmittal (continued)

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 [140](#) as part of required supplementary information and selected watershed activities starting on page [148](#) as part of supplemental information. For proprietary funds, this comparison is presented starting on page [152](#) 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 2024-25 Operating and Capital Budget.

Major Initiatives

Highlights of activities and accomplishments for the fiscal year ended June 30, 2025 include the following:

- In July, 2024, the Department of Water Resources (DWR) approved Valley Water's 2021 Groundwater Management Plan after DWR's first periodic evaluation of the groundwater sustainability plan alternative (Alternative) for the Santa Clara and Llagas subbasins. DWR's approval confirms that the Alternative satisfies the objectives of the Sustainable Groundwater Management Act (SGMA) and substantially complies with related regulations. SGMA requires periodic evaluations of alternatives at least every five years.
- On July 12, 2024, Valley Water released a Draft Environmental Impact Report (EIR) on the Coyote Creek Flood Protection Project (Project) for public review. Preparation of the Draft EIR fulfilled Valley Water's lead agency responsibility under the California Environmental Quality Act (CEQA). The Project objectives are to plan, design, and construct improvements along approximately nine (9) miles of Coyote Creek, between Montague Expressway and Tully Road in the City of San Jose. The primary objective of the Project is to provide protection from floods up to the level that occurred on February 21, 2017, equivalent to approximately a 5% flood (20-year event).

Letter of Transmittal (continued)

- On August 6, 2024, 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. 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.
- Golden mussel, an invasive mollusk native to China and Southeast Asia, was discovered in the Sacramento-San Joaquin Delta during FY 25. This discovery is the first known occurrence of golden mussels in North America. Like quagga and zebra mussels, golden mussels pose a significant ecological threat to California's native species, ecosystems, and water infrastructure due to their ability to colonize hard surfaces, clogging water intakes, screens, and pipes. Starting January 2025, boats leaving Calero Reservoir were offered a voluntary exit inspection to help prevent the potential spread of golden mussels. This collaborative effort between Santa Clara County Parks and Valley Water will complement the mandatory boat entrance inspection that was instituted in 2008.
- On May 15, 2024, the Coyote Creek Flood Management Measures Project received the 2025 Project of the Year Award from the American Public Works Association (APWA) Silicon Valley Chapter. APWA is an international educational and professional association of public agencies, private sector companies, and individuals dedicated to providing high quality public works goods and services. The APWA Silicon Valley Chapter recognized the Coyote Creek Flood Management Measures Project as a public works project that demonstrated excellence in its design and construction. It was noted for its use of the hydraulic press-in method for the installation of sheet piles to minimize construction noise and vibration to minimize impacts to local residents and businesses as well as stay on schedule despite several setbacks through collaborative efforts of the contractor, engineer of record, construction management consultant, and project team.

Completed capital projects in fiscal year 2025 include the following:

- Construction of Cross Valley Pipeline Extension
- Construction of Rinconada Water Treatment Plant Residual Remediation Project
- Implementation of the Capital Project Management Information System

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,

Letter of Transmittal (continued)

2024. This was the 28th 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 accompany each annual audit. The role of Vasquez and Company LLP is also acknowledged for their significant technical contribution and assistance.

Special thanks go to Oliva Manaloto, General Accounting Unit Manager; the following Accounting staff: Debbie Brown, Thao Thi Nguyen, Ofelia Hsieh, Gloria Chou, Elaine Lee, Nicole Truong, Godwin Adofo and Emma Pao; 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



Melanie Richardson
Interim Chief Executive Officer

This page intentionally left blank.

GFOA Certificate of Achievement



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Santa Clara Valley Water District
California**

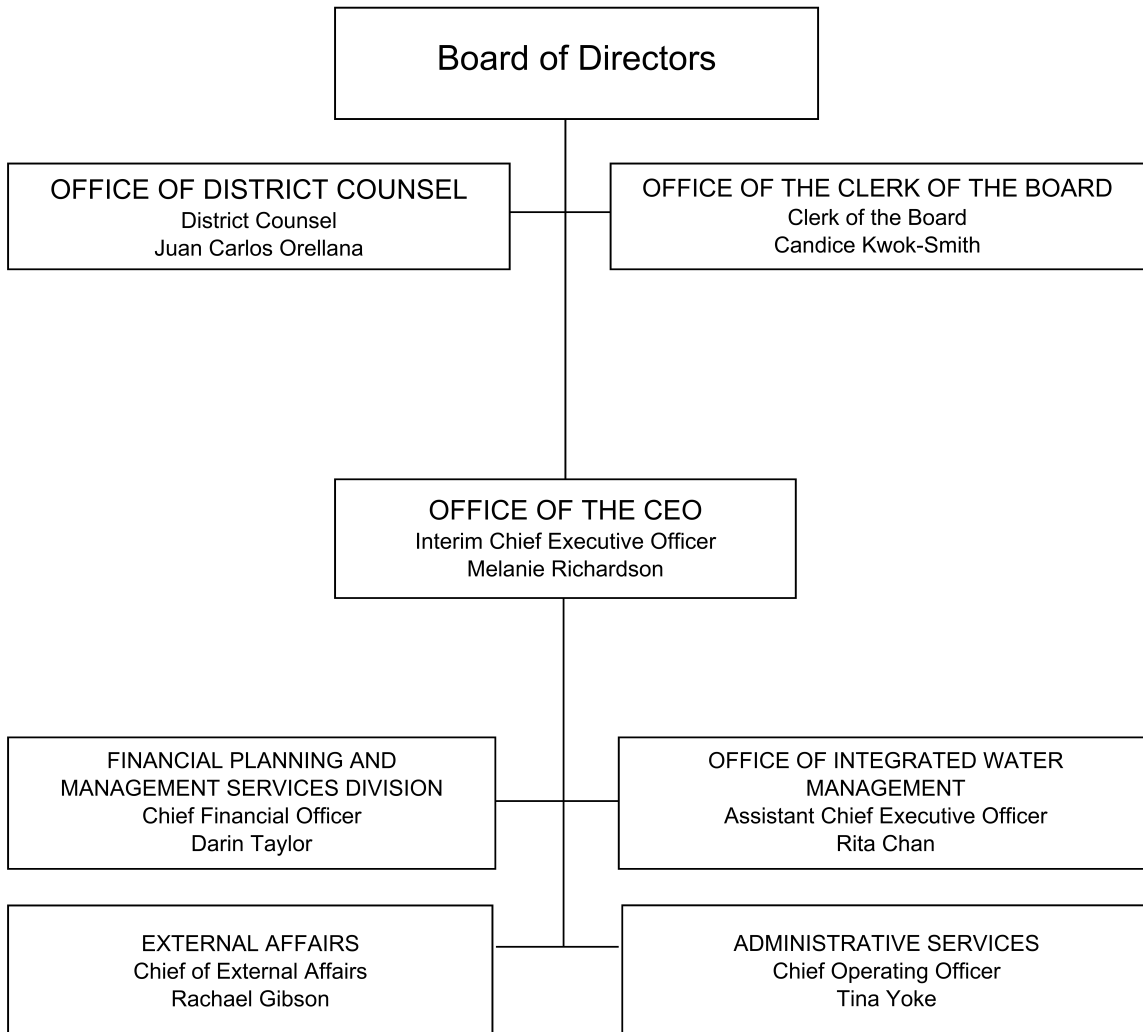
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morrell

Executive Director/CEO

Valley Water Organizational Chart



Valley Water

2024 – 2025 Board of Directors



John L. Varela
District 1



Shiloh Ballard
District 2



Richard P. Santos
District 3



Jim Beall
District 4



Nai Hsueh
District 5



Tony Estremera
District 6



Rebecca Eisenberg
District 7



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, 2025, 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, 2025, 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.

Emphasis of Matter

As discussed in Note 2(t) to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, effective for the fiscal year beginning July 1, 2024. This adoption required a change in accounting principle and resulted in the restatement of beginning net position for governmental activities and business-type activities to recognize compensated absence liabilities in accordance with the new standard. Our opinion is not modified with respect to this matter.



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 144 through 164 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 do not cover the other information, and we do not express an opinion or any form of assurance thereon.



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

Vasquez & Company LLP

Glendale, California
December 23, 2025

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, 2025. This information is presented in conjunction with the audited financial statements that follow this section.

Financial Highlights

- Valley Water's total net position was \$3.5 billion as of June 30, 2025. Of this amount, \$340.3 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 \$271.4 million during the current fiscal year. The net position for governmental activities increased by \$95.6 million. Net position for business-type activities increased by \$175.8 million.
- Cash and investments for governmental activities increased by \$82.2 million while that for business-type activities decreased by \$28.2 million.
- The fund balance for the General Fund was \$42.7 million, an increase of \$12.6 million from the prior fiscal year fund balance of \$30.1 million. Committed and assigned fund balances were \$42.7 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 \$373.9 million, an increase of \$2.3 million from the prior fiscal year balance of \$371.6 million.
- Net position for the Water Utility Funds increased by \$178.5 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 which 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

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 details 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 or 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 [40](#) of this report.

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 [44](#) to [50](#).

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 [52](#) to [56](#).

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 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 [58](#) to [59](#).

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 [60](#) 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 [134](#) of this report.

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 \$3.5 billion at the end of the current fiscal year.

Valley Water						
Condensed Statement of Net Position						
(in Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Cash and investments	\$ 532,861	\$ 450,662	\$ 533,577	\$ 505,388	\$1,066,438	\$ 956,050
Other assets	27,513	24,278	218,035	198,473	245,548	222,751
Capital assets	1,922,842	1,846,921	2,170,111	1,891,587	4,092,953	3,738,508
Total assets	<u>2,483,216</u>	<u>2,321,861</u>	<u>2,921,723</u>	<u>2,595,448</u>	<u>5,404,939</u>	<u>4,917,309</u>
Deferred amount on refunding	—	—	146	176	146	176
Pension and OPEB related	75,132	95,680	63,502	78,766	138,634	174,446
Total deferred outflow of resources	<u>75,132</u>	<u>95,680</u>	<u>63,648</u>	<u>78,942</u>	<u>138,780</u>	<u>174,622</u>
Current liabilities	94,432	21,986	380,239	271,801	474,671	293,787
Long-term liabilities	382,541	409,631	1,223,015	1,196,134	1,605,556	1,605,765
Total liabilities	<u>476,973</u>	<u>431,617</u>	<u>1,603,254</u>	<u>1,467,935</u>	<u>2,080,227</u>	<u>1,899,552</u>
Deferred amount on refunding	185	225	—	—	185	225
Pension and OPEB related	2,505	3,523	2,117	2,901	4,622	6,424
Leases	—	38	17	69	17	107
Total deferred inflow of resources	<u>2,690</u>	<u>3,786</u>	<u>2,134</u>	<u>2,970</u>	<u>4,824</u>	<u>6,756</u>
Net position						
Net investment in capital assets	1,789,493	1,718,899	960,500	822,531	2,749,993	2,541,430
Restricted	269,914	263,239	98,497	74,334	368,411	337,573
Unrestricted	19,278	—	320,986	306,620	340,264	306,620
Total net position	<u>\$2,078,685</u>	<u>\$1,982,138</u>	<u>\$1,379,983</u>	<u>\$1,203,485</u>	<u>\$3,458,668</u>	<u>\$3,185,623</u>

The largest portion of Valley Water's net position, at \$2.7 billion (79.5%), 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 increased by \$70.6 million from the prior fiscal year. Capital assets, net of depreciation, increased by \$75.9 million. Noncurrent liabilities, which include related debt outstanding, decreased by \$27.1 million due mainly to the debt service payments of the 2017A certificates of participation and 2022A/B revenue bonds and decreases 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 \$138.0 million from the previous fiscal year. Capital assets, net of depreciation, increased by \$278.5 million, reflecting the increase in work in progress for the following main projects: RWTP Reliability Improvement (\$80.6 million), Anderson Dam Tunnel (\$77.0 million), Anderson Dam Seismic Retrofit (\$37.1 million), 10-year Pipeline Inspection and Rehab (\$17.0 million), Coyote Creek Flood Management Measures (\$16.7 million), Pacheco Reservoir Expansion (\$15.1 million), Coyote Creek Chillers (\$14.0 million), and San Jose Purified Water Project - Phase 1 (\$6.0 million). Noncurrent liabilities, which include related debt outstanding, increased by \$26.9 million due mainly to WIFIA loan drawdowns of \$27.7 million.

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 \$340.3 million increased by \$33.6 million.

Valley Water Condensed Statement of Activities (in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Water charges	\$ —	\$ —	\$ 381,972	\$ 320,638	\$ 381,972	\$ 320,638
Operating grants and contributions	—	—	4,885	5,184	4,885	5,184
Capital grants and contributions	17,664	13,356	3,030	3,544	20,694	16,900
General revenues:						
Property taxes	195,988	187,245	41,236	39,058	237,224	226,303
Investment earnings	25,448	21,906	17,842	20,230	43,290	42,136
Miscellaneous	5,229	5,622	17,344	7,692	22,573	13,314
Total revenues	<u>244,329</u>	<u>228,129</u>	<u>466,309</u>	<u>396,346</u>	<u>710,638</u>	<u>624,475</u>
Expenses:						
General government	12,412	15,465	—	—	12,412	15,465
Watersheds	131,760	132,333	—	—	131,760	132,333
Interest on long-term debt	3,911	3,532	—	—	3,911	3,532
Water enterprise	—	—	291,123	378,494	291,123	378,494
Total expenses	<u>148,083</u>	<u>151,330</u>	<u>291,123</u>	<u>378,494</u>	<u>439,206</u>	<u>529,824</u>
Increase in net position before transfers	96,246	76,799	175,186	17,852	271,432	94,651
Transfers	(584)	2,833	584	(2,833)	—	—
Change in net position	<u>95,662</u>	<u>79,632</u>	<u>175,770</u>	<u>15,019</u>	<u>271,432</u>	<u>94,651</u>
Net position, beginning of year, as previously reported	1,982,138	1,902,506	1,203,485	1,188,466	3,185,623	3,090,972
GASB 101 adoption restatement	885	—	728	—	1,613	—
Net position, beginning of year, as restated	<u>1,983,023</u>	<u>1,902,506</u>	<u>1,204,213</u>	<u>1,188,466</u>	<u>3,187,236</u>	<u>3,090,972</u>
Net position, ending	<u>\$2,078,685</u>	<u>\$1,982,138</u>	<u>\$1,379,983</u>	<u>\$1,203,485</u>	<u>\$3,458,668</u>	<u>\$3,185,623</u>

Valley Water's net position for the current fiscal year was \$3.5 billion, an increase of \$271.4 million or 8.5% from the prior fiscal year.

Beginning net position for governmental activities and business-type activities was restated in fiscal year 2025 due to the implementation of GASB Statement No. 101. See Note 18, "Change in Accounting Principle", for additional information.

Prior year information in the above condensed financial statements has not been restated for the implementation of GASB Statement No. 101 and, therefore, is not directly comparable to the current year.

Governmental activities

Net position of governmental activities increased by \$95.6 million during the fiscal year. Total revenues and expenses were \$244.3 million and \$148.1 million, respectively. Net transfers out were at \$0.6 million.

Total revenues of \$244.3 million were \$16.2 million higher than the \$228.1 million earned in the prior fiscal year.

- Capital grants and contributions of \$17.7 million were higher than prior year by \$4.3 million mainly from the higher capital costs reimbursements of \$2.8 million received from the State of California, Department of Water Resources and \$2.5 million received from the City of Morgan Hill.
- Property taxes, the largest general revenue source at \$196.0 million, increased by \$8.7 million, and is an indication of the strong property values in the Santa Clara County and the surrounding bay area.
- Investment earnings of \$25.4 million went up by \$3.5 million when compared to the \$21.9 million earnings experienced in the prior fiscal year due to higher yields from investments. Investment earnings include an unrealized gain of \$7.7 million due to the increase in the portfolio's fair value. 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 \$5.2 million approximated what was earned in the prior fiscal year.

Total expenses were \$148.1 million or \$3.2 million lower than the prior fiscal year.

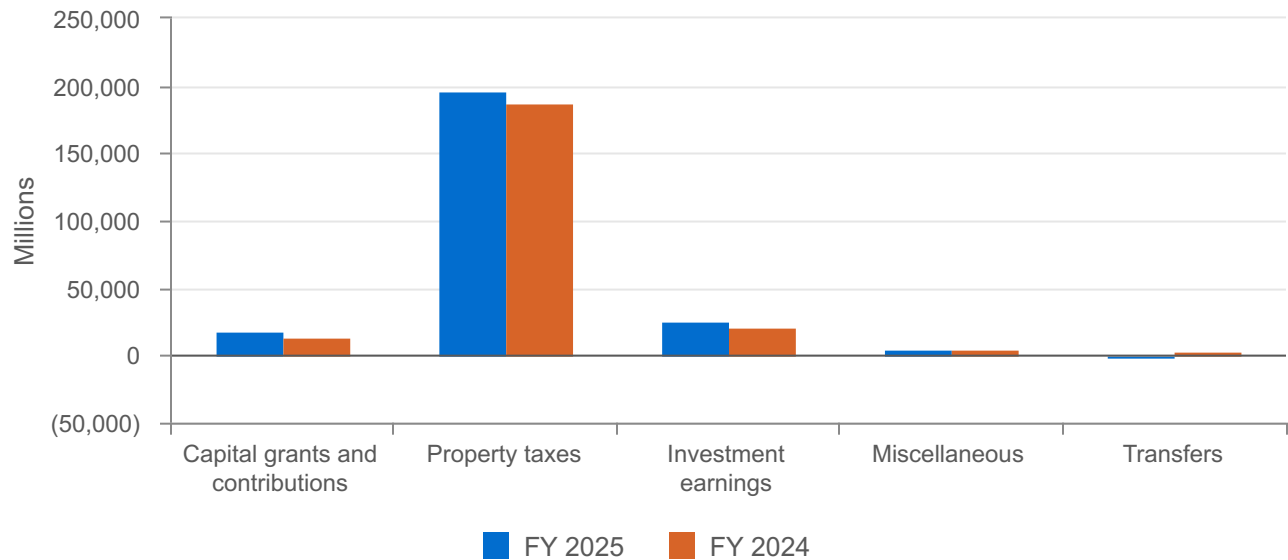
- General government expenses of \$12.4 million went down by \$3.1 million.
- Watershed operating cost of \$131.8 million went down by \$0.6 million.
- Interest on long-term debt of \$3.9 million went up by \$0.4 million due to the issuance of revenue bonds.

Management's Discussion and Analysis (continued)

Net transfers out of \$0.6 million were higher by \$3.4 million from the prior fiscal year. The current fiscal year included \$4 million transfer out to the Water Utility Fund to fund the Open Space Credit Program that supports the preservation of agricultural land and open space in Santa Clara County. See Note 14 of the basic financial statements for more information on the transfers made during the current fiscal year.

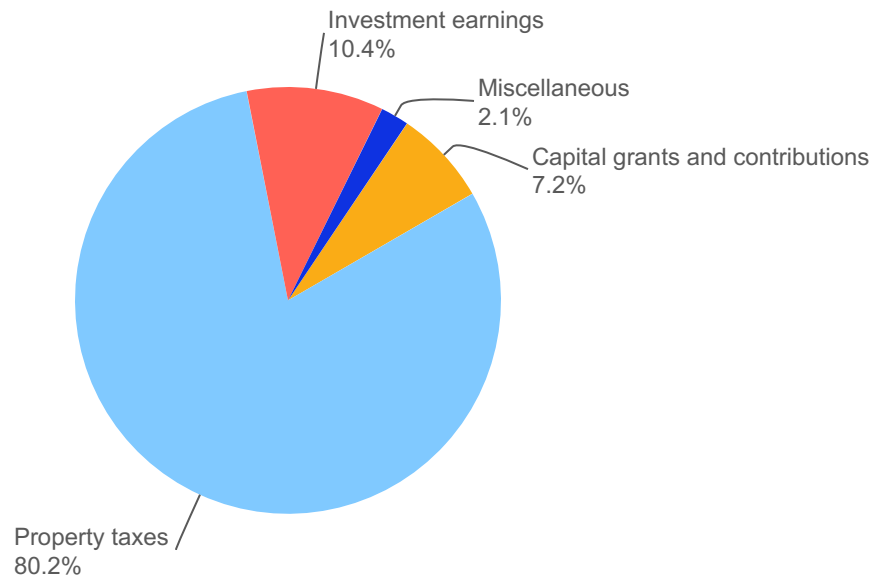
Revenue by Sources – Governmental Activities

(FY 2025 & FY 2024)

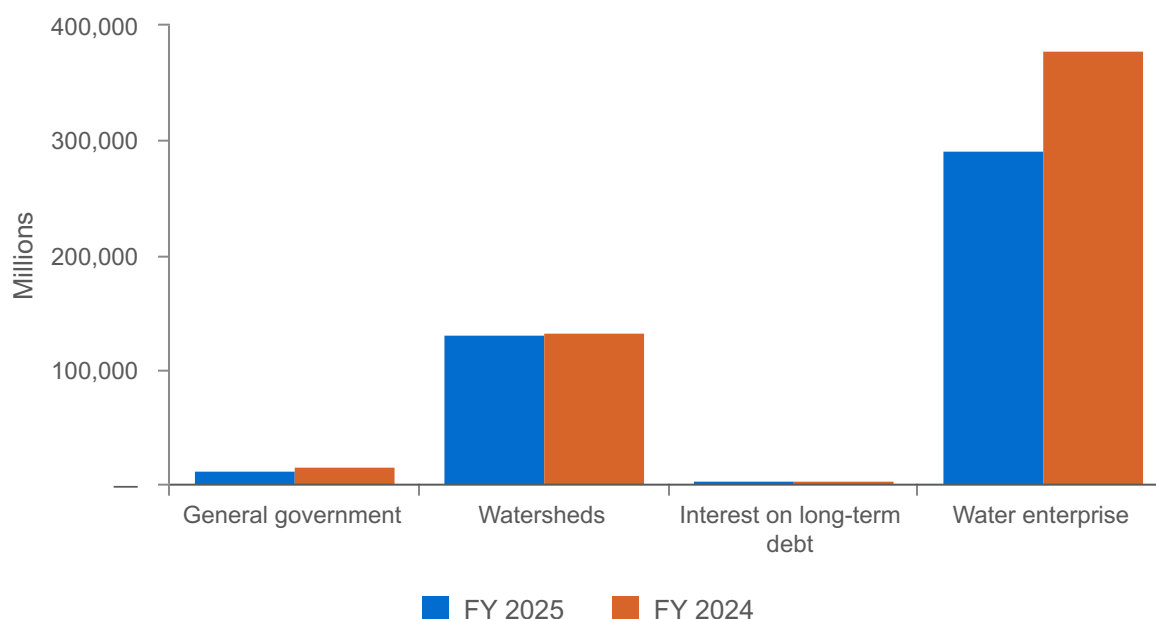


Revenues by Sources – Governmental Activities

(FY 2025)



Expenses by Program - Government-wide



Business-type activities

Net position in business-type activities of \$1.4 billion increased by \$175.8 million during the current fiscal year. Total revenues and expenses were \$466.3 million and \$291.1 million, respectively. Net revenues before transfers were \$176.5 million. Net transfers in during the current fiscal year were \$0.6 million.

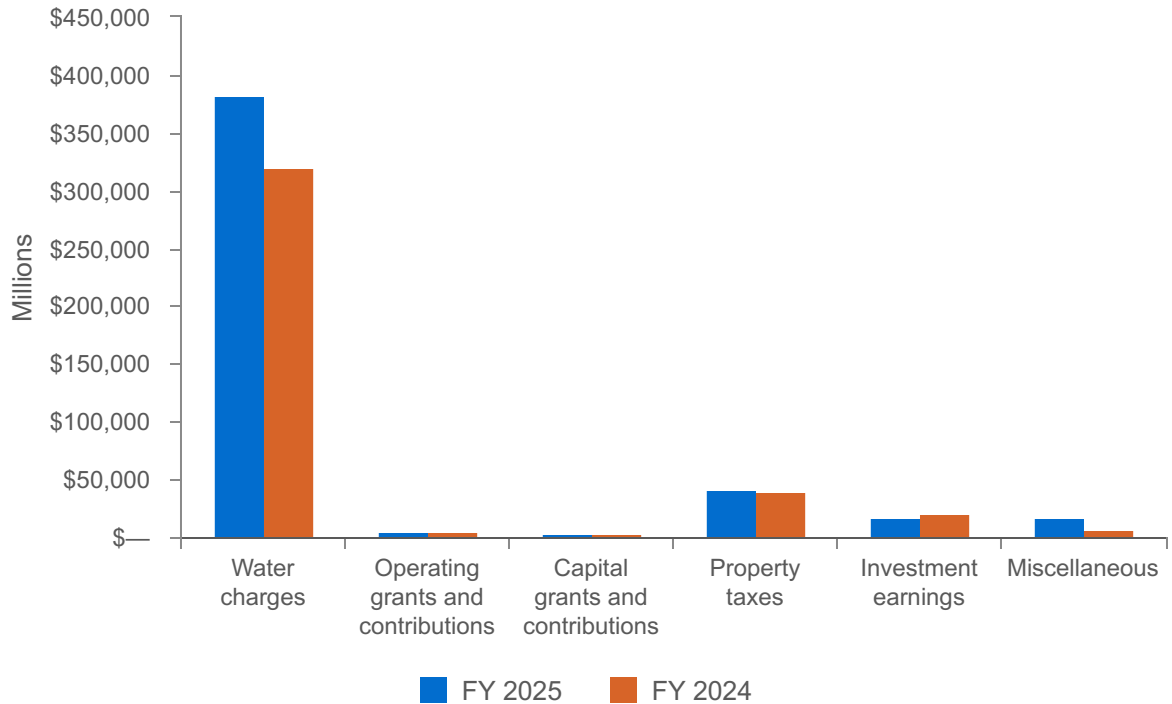
Compared to the prior fiscal year, total revenues increased by \$70.0 million. Key elements of the changes in revenues and expenses from prior year are as follows:

- Total water revenue of \$382.0 million was \$61.3 million (19.1%) higher than the prior fiscal year. The increase was mainly from groundwater and treated water revenues of \$27.4 million and \$33.2 million, respectively.
- Capital grants and contributions decreased by \$0.5 million compared to last fiscal year due mainly to lesser cost reimbursements received from the State of California, Department of Water Resources (\$0.3 million) for the Pacheco Reservoir Expansion Project under the Water Storage Investment Program, and the US Bureau of Reclamation (\$0.2 million) for the South Santa Clara County Recycled Water Project.
- Investment earnings for the current fiscal year was \$17.8 million or \$2.4 million lower than the \$20.2 million investment gain posted in the prior fiscal year due mainly to the decrease in unrealized gain in investment market value. Investment earnings include an unrealized gain of \$3.1 million due to the increase in the portfolio's fair value compared to the prior year. This unrealized gain is temporary and should

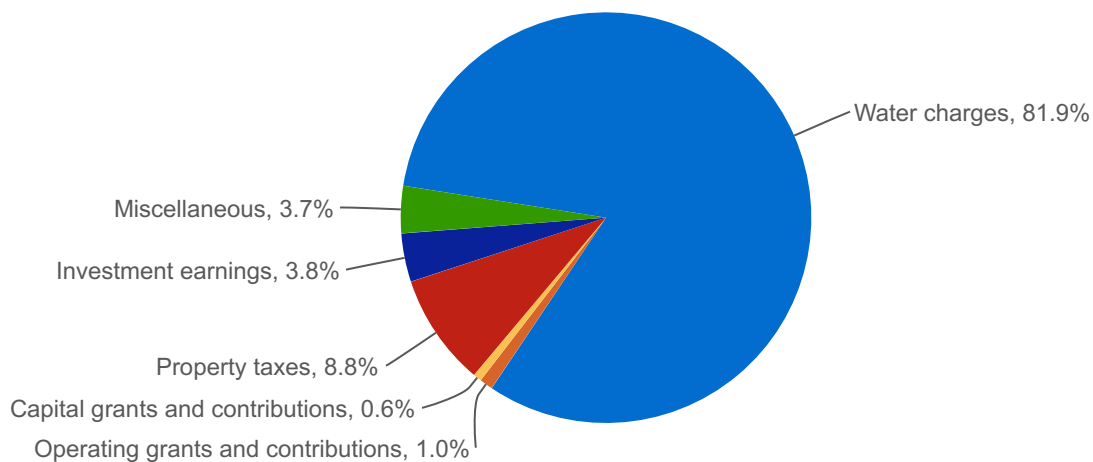
Management's Discussion and Analysis (continued)

not materialize due to Valley Water's investment policy of holding all securities to their maturity under normal operating conditions.

Revenues by Sources - Business-type Activities



Revenues by Source – Business-type Activities (FY 2025)



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 [44](#).

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, 2025, Valley Water's governmental funds reported combined ending fund balances of \$416.7 million, an increase of \$14.9 million for the fiscal year.

Total revenues of \$241.3 million increased by \$15.7 million when compared to the prior fiscal year. Total expenditures of \$226.7 million decreased by \$11.9 million.

- Revenues from property taxes of \$196.0 million increased by \$8.7 million, an indication of the strong property values in Santa Clara County and the surrounding bay area. Benefits assessments at \$6.8 million approximated the prior year amount. Capital reimbursements of \$10.8 million increased by \$4.3 million due to the higher receipts from the State of California, Department of Water Resources. Investment earnings of \$22.9 million increased by \$3.1 million due to higher yields from investments. Investment earnings include an unrealized gain of \$7.7 million due to the increase in the portfolio's fair value. 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.
- Spending from operations and operating projects of \$109.1 increased by \$2.1 million from the prior fiscal year.
- Expenditures from capital improvement projects amounted to \$105.9 million or \$14.8 million higher than the prior fiscal year.
- \$54.5 million or 13.1% of the total fund balance of \$416.7 million constitutes committed and assigned for specific purposes. The \$362.3 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 (\$172.1 million), 2) Watershed and Stream Stewardship projects (\$190.1 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 overhead reimbursements from other funds. At the end of the current fiscal year, total fund balance of \$42.7 million increased by \$12.6 million mainly from higher

benefits and overhead reimbursements received from other Valley Water funds. The excess of revenues over expenditures was \$7.4 million. Net transfers in were \$5.3 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 \$47.8 million. Revenues in excess of expenditures was \$60.9 million. Net transfers out were \$13.2 million.

Current fiscal year revenues for the Watershed and Stream Stewardship Fund increased by \$13.6 million. Higher revenues were realized from property taxes, investment income and capital reimbursements of \$7.0 million and \$2.4 million, and \$4.8 million, respectively. Total expenditures went down by \$19.9 million, with the \$25.2 million decrease in expenditures from capital related projects offset by the \$5.3 million increase in operating project costs.

-Safe, Clean Water and Natural Flood Protection Program Fund

Fund Balance for the Safe, Clean Water and Natural Flood Protection Program Fund decreased by \$45.4 million. Expenditures exceeded revenues by \$48.0 million, while net transfer in amounted to \$2.5 million.

Current fiscal year revenues for the Safe, Clean Water and Natural Flood Protection Program of \$68.4 million were \$0.2 million higher than the prior fiscal year. Property tax increases of \$1.1 million. Investment income and reimbursement of capital costs decreased by \$0.2 million and \$0.4 million, respectively. Other revenues decreased by \$0.2 million.

Current year expenditures of \$116.3 million were \$36.2 million higher than last fiscal year. Operating project cost decreased by \$2.4 million and debt service payments increased by \$0.7 million, respectively. Expenditures for capital-related projects went up by \$37.9 million.

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 \$1.4 billion, which is \$169.0 million higher than the prior year. Net operating income was \$166.5 million, with operating revenues and operating expenses of \$382.7 million and \$216.2 million, respectively. Nonoperating revenues (expenses) posted a net loss of \$1.8 million, with \$41.4 million of the nonoperating revenues being more than offset by the \$43.2 million of financing cost incurred for interest and fiscal agent fees. Income before capital contribution and transfers was \$164.7 million. Capital contributions for the fiscal year was \$3.0 million. Net transfers in were \$0.6 million. Please refer to Note 14 for more information on transfers in and out.

Operating revenues for the current fiscal year were \$61.6 million higher than last fiscal year, mainly the result of an increase in ground water production charges. Operating expenses went down by \$85.4 million as administration and general expenses decreased by \$48.1 million. Net nonoperating expenses increased by \$1.1 million, mainly from the \$5.9 million increase in other income less the \$2.4 million decrease in investment income and the \$4.9 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 in such a manner as to restrict the use of the resources exclusively for the State Water Project related costs.

Ending net position was \$44.0 million or \$10.2 million higher than the prior fiscal year. Net operating losses of \$21.8 million were \$6.0 million higher than the prior fiscal year. Net non-operating revenues of \$31.9 million were \$1.0 million higher than the prior fiscal year and mainly comprised of property taxes of \$29.6 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, workers' compensation, and self-insurance costs. Revenues required to properly reimburse the Risk Management Fund are determined during the budget process and vary 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 \$32.6 million, or \$4.3 million higher than the prior fiscal year. The increase in net position was the result of the decrease in administration and general expenses in the Risk Management Fund and decrease in equipment maintenance cost in the Information Technology Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The summary table below shows a final budget of \$111.3 million for operating and capital expenditures for fiscal year 2025. The adopted budget was \$97.4 million. The budget adjustments made during the fiscal year were \$13.9 million.

(A)	(B)	(C)	(A + B + C)
Adopted Budget (in millions)	Capital Projects Budget Remaining Carry-forward	Fiscal Year Budget Adjustments (in millions)	Final Budget (in millions)
\$97.4	\$0.00	\$13.9	\$111.3

Total expenditures on a budgetary basis (which recognizes encumbrances as expenditures) in the General Fund for fiscal year 2025 were \$85.1 million, which is \$4.6 million higher than the prior fiscal year.

Management's Discussion and Analysis (continued)

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 \$4.1 billion as of June 30, 2025. Capital asset components include intangible rights and software, land, buildings, structures and improvements (which include the flood control improvement), machinery and equipment. During fiscal year 2025, the net increase in Valley Water's capital assets was \$354.4 million or 9.5%. Governmental and business-type activities increased by \$75.9 million and \$278.5 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.

LONG-TERM OBLIGATIONS

At the end of the current fiscal year, Valley Water had total long-term obligations of \$1.8 billion. Valley Water's long-term obligations outstanding at the end of the fiscal year consisted of the following:

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Certificates of Participation	24,940	29,235	308,655	404,795	333,595	434,030
Revenue bonds	119,365	120,820	824,495	521,095	943,860	641,915
Premium on debt issuances	11,668	13,796	74,484	61,597	86,152	75,393
Notes Payable	7,931	—	27,747	—	35,678	—
Total long-term debt	163,904	163,851	1,235,381	987,487	1,399,285	1,151,338
Compensated absences	12,505	12,416	7,946	7,871	20,451	20,287
Semitropic water banking liability	—	—	14,158	13,859	14,158	13,859
Claims payable	11,476	10,745	—	—	11,476	10,745
Net pension liability	160,194	170,181	135,399	140,099	295,593	310,280
Other post-employment benefits liability	48,577	54,976	41,059	45,259	89,636	100,235
Lease liability	154	387	2,404	2,690	2,558	3,077
Subscription liability	1,932	2,054	—	—	1,932	2,054
Total	398,742	414,610	1,436,347	1,197,265	1,835,089	1,611,875

The credit ratings for Valley Water's 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.

Management's Discussion and Analysis (continued)

Please see the table below for current ratings.

	Water Utility Parity Debt	Watershed Debt	Safe Clean Water Debt	WIFIA Debt
Moody's	Aa1	Aa1	Aa1	N/A
Standard & Poor's	N/A	AAA	N/A	N/A
Fitch	AA+	AA+	AA+	AA+

Valley Water's total long-term obligations increased by \$223.2 million during fiscal year 2025. \$239.1 million of the increase was from the business-type activities and decrease of \$15.9 million from the governmental activities.

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

- Issuance of 2024 revenue bonds of \$301.9 million.
- Decrease in net pension liability of \$14.7 million as reflected in Valley Water's actuarial study under GASB 68.
- Decrease in other post-employment benefits liability of \$10.6 million as reflected in Valley Water's actuarial study under GASB 75.
- Increase in notes payable of \$35.7 million due to drawdown on WIFIA loans.

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 2026 is \$948.1 million¹. This budget was developed to meet the objective and challenges facing Valley Water which 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 the California Delta Conveyance

¹ Valley Water FY2025-26 Operating and Capital Budget, chapter 3, page 7

Management's Discussion and Analysis (continued)

- 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 on 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 - omanaloto@valleywater.org

This page intentionally left blank.

BASIC FINANCIAL STATEMENTS

VALLEY WATER

Statement of Net Position

June 30, 2025

(Dollars in Thousands)

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and investments (Note 3)	\$ 488,534	\$ 369,454	\$ 857,988
Restricted cash and investments (Note 3)	44,327	164,123	208,450
Receivables (net):			
Accounts	734	59,541	60,275
Interest	4,068	499	4,567
Taxes	379	111	490
Inventory - water	—	172,104	172,104
Deposits and other assets	3,047	5,065	8,112
Total current assets	<u>541,089</u>	<u>770,897</u>	<u>1,311,986</u>
Noncurrent assets			
Internal balances	19,285	(19,285)	—
Capital assets (Note 6):			
Contract water and storage rights, net	—	26,373	26,373
Depreciable, net	927,029	784,917	1,711,946
Lease assets, net	2,415	2,170	4,585
Nondepreciable	993,398	1,356,651	2,350,049
Total noncurrent assets	<u>1,942,127</u>	<u>2,150,826</u>	<u>4,092,953</u>
Total assets	<u>2,483,216</u>	<u>2,921,723</u>	<u>5,404,939</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	—	146	146
Deferred outflows of resources - pension activities (Note 11)	47,911	40,494	88,405
Deferred outflows of resources - OPEB (Note 12)	27,221	23,008	50,229
Total deferred outflows of resources	<u>75,132</u>	<u>63,648</u>	<u>138,780</u>
LIABILITIES			
Current liabilities:			
Accounts payable	5,830	26,685	32,515
Accrued liabilities	19,144	46,288	65,432
Commercial paper debt (Note 7)	50,000	90,000	140,000
Claims payable (Note 7)	3,118	—	3,118
Compensated absences (Note 7)	4,385	2,787	7,172
Deposits payable	828	3,934	4,762
Bonds payable (Note 7)	7,989	210,255	218,244
Lease liability (Note 7)	103	290	393
SBITA liability (Note 7)	606	—	606
Accrued interest payable	2,429	—	2,429
Total current liabilities	<u>94,432</u>	<u>380,239</u>	<u>474,671</u>

See accompanying notes to basic financial statements.

VALLEY WATER

Statement of Net Position (Continued)
June 30, 2025
(Dollars in Thousands)

	Governmental Activities	Business-type Activities	Total
LIABILITIES (continued)			
Noncurrent liabilities (Note 7):			
Claims payable (Note 13)	\$ 8,358	\$ —	\$ 8,358
Compensated absences	8,120	5,159	13,279
Bonds payable	147,983	997,379	1,145,362
Notes payable	7,931	27,747	35,678
Pension	160,194	135,399	295,593
Other post employment benefits	48,577	41,059	89,636
Lease liability	52	2,114	2,166
SBITA Liability	1,326	—	1,326
Other debts	—	14,158	14,158
Total noncurrent liabilities	<u>382,541</u>	<u>1,223,015</u>	<u>1,605,556</u>
Total liabilities	<u>476,973</u>	<u>1,603,254</u>	<u>2,080,227</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amount on refunding	185	—	185
Deferred inflows of resources - OPEB (Note 12)	2,505	2,117	4,622
Deferred inflows of resources - Leases	—	17	17
Total deferred inflows of resources	<u>2,690</u>	<u>2,134</u>	<u>4,824</u>
NET POSITION (Note 10)			
Net investment in capital assets	1,789,493	960,500	2,749,993
Restricted			
Debt service	72	31,937	32,009
Safe, Clean Water - Other Activities	269,842	—	269,842
Water Utility San Felipe Emergency	—	3,797	3,797
GP5 Reserve	—	2,810	2,810
Water Utility Rate Stabilization	—	20,572	20,572
State Water projects	—	33,574	33,574
Advanced water purification center	—	530	530
Supplemental water supply	—	5,277	5,277
Unrestricted	<u>19,278</u>	<u>320,986</u>	<u>340,264</u>
Total net position	<u>\$2,078,685</u>	<u>\$1,379,983</u>	<u>\$3,458,668</u>

See accompanying notes to basic financial statements.

This page intentionally left blank.

VALLEY WATER
Statement of Activities
For the Year Ended June 30, 2025
(Dollars in Thousands)

Description	Governmental Activities				Business-Type Activity	Total
	General Government	Watersheds	Interest on Long-term Debt	Total		
Expenses:						
Operations and operating projects	\$ 12,412	\$ 131,760	\$ 3,911	\$ 148,083	\$ —	\$ 148,083
Water cost of production	—	—	—	—	291,123	291,123
Program revenues:						
Water Revenues	—	—	—	—	381,972	381,972
Operating grants and contributions	—	—	—	—	4,885	4,885
Capital grants and contributions	—	17,664	—	17,664	3,030	20,694
Net program revenue (expense)	<u>\$ (12,412)</u>	<u>\$ (114,096)</u>	<u>\$ (3,911)</u>	<u>(130,419)</u>	<u>98,764</u>	<u>(31,655)</u>
General revenues:						
Property taxes (Note 8)				195,988	41,236	237,224
Unrestricted investment earnings, net				25,448	17,842	43,290
Lease revenue				—	51	51
Miscellaneous				5,229	17,293	22,522
Transfers				(584)	584	—
Total general revenues and transfers				<u>226,081</u>	<u>77,006</u>	<u>303,087</u>
Change in net position				<u>95,662</u>	<u>175,770</u>	<u>271,432</u>
Net position, beginning of year, as previously reported				1,982,138	1,203,485	3,185,623
GASB 101 adoption restatement				885	728	1,613
Net position, beginning of year, as restated				<u>1,983,023</u>	<u>1,204,213</u>	<u>3,187,236</u>
Net position, end of year				<u>\$ 2,078,685</u>	<u>\$ 1,379,983</u>	<u>\$3,458,668</u>

See accompanying notes to basic financial statements.

VALLEY WATER

Balance Sheet
Governmental Funds
June 30, 2025
(Dollars in Thousands)

		Special Revenue Fund
	General Fund	Watershed & Stream Stewardship
ASSETS		
Cash and investments (Note 3)	\$ 40,980	\$ 203,576
Restricted cash and investments (Note 3)	—	77
Receivables:		
Accounts	22	712
Interest	3,942	—
Taxes	34	345
Deposits and other assets	1,876	—
Total assets	<u>\$ 46,854</u>	<u>\$ 204,710</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 1,126	\$ 1,162
Accrued liabilities	2,963	1,142
Commercial paper debt (Note 7)	—	—
Deposits payable	25	542
Total liabilities	<u>4,114</u>	<u>2,846</u>
FUND BALANCES (Note 9)		
Restricted Fund Balance	—	190,147
Committed Fund Balance	33,353	4,755
Assigned Fund Balance	9,387	6,962
Total fund balances	<u>42,740</u>	<u>201,864</u>
Total liabilities and fund balances	<u>\$ 46,854</u>	<u>\$ 204,710</u>

See accompanying notes to basic financial statements.

Special Revenue Fund	Capital Project Fund	Debt Service Fund	
Safe, Clean Water & Natural Flood Protection Program	COP Construction Fund	COP Debt Service Fund	Total Governmental Funds
\$ 192,979	\$ —	\$ 72	\$ 437,607
44,250	—	—	44,327
—	—	—	734
126	—	—	4,068
—	—	—	379
262	—	—	2,138
<u>\$ 237,617</u>	<u>—</u>	<u>\$ 72</u>	<u>\$ 489,253</u>
\$ 1,768	\$ —	\$ —	\$ 4,056
13,530	—	—	17,635
50,000	—	—	50,000
258	—	—	825
<u>65,556</u>	<u>—</u>	<u>—</u>	<u>72,516</u>
172,061	—	72	362,280
—	—	—	38,108
—	—	—	16,349
<u>172,061</u>	<u>—</u>	<u>72</u>	<u>416,737</u>
<u>\$ 237,617</u>	<u>\$ —</u>	<u>\$ 72</u>	<u>\$ 489,253</u>

This page intentionally left blank.

VALLEY WATER
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
June 30, 2025
(Dollars in Thousands)

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

Fund balances of governmental funds	\$ 416,737
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the balance sheet of governmental funds.	1,909,541
Lease and subscription assets	1,625
Internal service funds are used by management to charge the costs of equipment 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	32,611
Transfer of internal service funds from business-type activities	19,285
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.	(2,429)
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	(144,305)
Notes Payable	(7,931)
Deferred amount on refunding	(185)
Net original issue premium	(11,667)
Compensated absences	(11,824)
Net pension liability and related deferrals	(99,819)
Net OPEB liability and related deferrals	(21,212)
Lease and subscription liabilities and related deferrals	(1,742)
Net position of governmental activities	<u><u>\$2,078,685</u></u>

VALLEY WATER
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025
(Dollars in Thousands)

		<u>Special Revenue Fund</u>
	<u>General Fund</u>	<u>Watershed & Stream Stewardship</u>
Revenues:		
Property taxes (Note 8)	\$ 12,921	\$ 129,840
Benefit assessments (Note 8)	—	6,849
Use of money and property:		
Investment income (Note 5)	1,909	9,178
Rental	—	2,220
Reimbursement of capital costs (Note 4)	—	7,856
Other	520	1,667
Total revenues	<u>15,350</u>	<u>157,610</u>
Expenditures:		
Current		
Operations and operating projects	2,416	81,418
Capital improvement projects	5,582	15,239
Debt service:		
Principal repayment	—	—
Interest and fiscal agent fees	—	6
Total expenditures	<u>7,998</u>	<u>96,663</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,352</u>	<u>60,947</u>
Other financing sources (uses):		
Proceeds from Borrowing	—	—
Transfers in (Note 14)	7,238	—
Transfers out (Note 14)	(1,987)	(13,174)
Total other financing sources (uses)	<u>5,251</u>	<u>(13,174)</u>
Net change in fund balances	12,603	47,773
Fund balances, beginning of year	30,137	154,091
Fund balances, end of year	<u>\$ 42,740</u>	<u>\$ 201,864</u>

Special Revenue Fund	Capital Project Fund	Debt Service Fund	
Safe, Clean Water & Natural Flood Protection Program	COP Construction Fund	COP Debt Service Fund	Total Governmental Funds
\$ 53,227	\$ —	\$ —	\$ 195,988
—	—	—	6,849
11,854	—	1	22,942
320	—	—	2,540
2,959	—	—	10,815
13	—	—	2,200
<u>68,373</u>	<u>—</u>	<u>1</u>	<u>241,334</u>
25,281	—	—	109,115
85,071	—	—	105,892
1,455	—	4,295	5,750
4,521	—	1,462	5,989
<u>116,328</u>	<u>—</u>	<u>5,757</u>	<u>226,746</u>
<u>(47,955)</u>	<u>—</u>	<u>(5,756)</u>	<u>14,588</u>
7,931	—	—	7,931
3,000	—	5,757	15,995
(8,419)	—	—	(23,580)
<u>2,512</u>	<u>—</u>	<u>5,757</u>	<u>346</u>
<u>(45,443)</u>	<u>—</u>	<u>1</u>	<u>14,934</u>
217,504	—	71	401,803
<u>\$ 172,061</u>	<u>\$ —</u>	<u>\$ 72</u>	<u>\$ 416,737</u>

VALLEY WATER

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the year ended June 30, 2025 (Dollars in Thousands)

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

Net change in fund balances - total governmental funds	\$ 14,934
--	-----------

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.

Capital Outlay	92,005
Depreciation	(15,531)

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.	(91)
--	------

Certain grant revenue receipts were recorded as revenues in the governmental funds but they reduce long-term receivables on the statement of net assets and do not affect the statement of activities.

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.

Notes Payable issuance	(7,931)
Certificates of participation repayment	5,750
Deferred amount on refunding	40
Net original issue premium	2,129

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.	6,966
---	-------

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:

Compensated absences	(78)
Change in net OPEB liability, deferred inflows and outflows	371
Change in net pension liability, deferred inflows and outflow	(2,922)
Capital lease and SBITA expenses	20

Change in net position of governmental activities	<u>\$ 95,662</u>
---	------------------

This page intentionally left blank.

VALLEY WATER

Statement of Net Position
Proprietary Funds
June 30, 2025
(Dollars in Thousands)

	Business-type Activity			Governmental Activities
	Water Enterprise Fund	State Water Project Fund	Total Enterprise Funds	Internal Service Funds
ASSETS				
Current assets:				
Cash and investments (Note 3)	\$ 335,362	\$ 34,092	\$ 369,454	\$ 50,927
Receivables:				
Accounts	59,541	—	59,541	—
Interest	499	—	499	—
Taxes	31	80	111	—
Lease	—	—	—	—
Inventory-Water	172,104	—	172,104	—
Deposits and other assets	5,065	—	5,065	909
Total current assets	572,602	34,172	606,774	51,836
Non current assets:				
Restricted cash and investments (Note 3)	164,123	—	164,123	—
Capital assets: (Note 6)				
Contract water rights, net	15,984	10,389	26,373	—
Depreciable, net	784,917	—	784,917	10,886
Lease assets, net	2,170	—	2,170	790
Nondepreciable	1,356,651	—	1,356,651	—
Total non current assets	2,323,845	10,389	2,334,234	11,676
Total assets	2,896,447	44,561	2,941,008	63,512
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	146	—	146	—
Deferred outflows of resources-pension activities (Note 11)	40,494	—	40,494	5,319
Deferred outflows of resources - OPEB (Note 12)	23,008	—	23,008	3,022
Total deferred outflow of resources	63,648	—	63,648	8,341
LIABILITIES				
Current liabilities:				
Accounts payable	26,353	332	26,685	1,774
Accrued liabilities	46,022	266	46,288	1,509
Commercial paper debt (Note 7)	90,000	—	90,000	3
Deposits payable	3,934	—	3,934	—
Claims payable (Note 13)	—	—	—	3,118
Bond payable - current (Note 7)	210,255	—	210,255	—
Compensated absence (Note 7)	2,787	—	2,787	238
Lease liability (Note 7)	290	—	290	111
Total current liabilities	379,641	598	380,239	6,753

VALLEY WATER

Statement of Net Position (continued)
Proprietary Funds
June 30, 2025
(Dollars in Thousands)

	Business-type Activity			Governmental Activities
	Water Enterprise Fund	State Water Project Fund	Total Enterprise Funds	Internal Service Funds
LIABILITIES (CONTINUED)				
Non current liabilities:				
Bonds payable - net of discounts and premiums (Note 7)	\$ 997,379	\$ —	\$ 997,379	\$ —
Notes payable (Note 7)	27,747		27,747	
Claims payable (Note 13)	—	—	—	8,358
Compensated absence (Note 7)	5,159	—	5,159	443
Net pension liability (Note 11)	135,399	—	135,399	17,783
Other post employment benefits liability (Note 12)	41,059	—	41,059	5,393
Lease liability (Note 7)	2,114	—	2,114	234
Other debts	14,158	—	14,158	—
Total non current liabilities	1,223,015	—	1,223,015	32,211
Total liabilities	1,602,656	598	1,603,254	38,964
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - OPEB (Note 12)	2,117	—	2,117	278
Deferred inflows of resources - leases (Note 2d)	17	—	17	—
Total deferred inflows of resources	2,134	—	2,134	278
NET POSITION (Note 10)				
Net investment in capital assets	950,111	10,389	960,500	11,331
Restricted				
Debt Service	31,937	—	31,937	—
San Felipe operations	3,797	—	3,797	—
GP5 Reserve	2,810	—	2,810	—
Rate stabilization	20,572	—	20,572	—
State Water Project	—	33,574	33,574	—
Advanced water purification center	530	—	530	—
Supplemental Water Supply	5,277	—	5,277	—
Unrestricted	340,271	—	340,271	21,280
Total net position	\$ 1,355,305	\$ 43,963	1,399,268	\$ 32,611
Adjustment to reflect the consolidation of internal funds.			(19,285)	
Net position of business-type activities			\$ 1,379,983	

VALLEY WATER

Statement of Revenues, Expenses and Changes in Net Position Proprietary Funds For the Year Ended June 30, 2025 (Dollars in Thousands)

	Business-type Activity			Governmental Activities
	Water Enterprise Fund	State Water Fund	Total Enterprise Funds	Internal Service Funds
Operating revenues:				
Ground water production charges	\$ 176,173	\$ —	\$ 176,173	\$ —
Treated water charges	202,844	—	202,844	—
Surface and recycled water revenue	2,955	—	2,955	—
Charges for services	—	—	—	46,854
Other	747	7,200	7,947	—
Total operating revenues	<u>382,719</u>	<u>7,200</u>	<u>389,919</u>	<u>46,854</u>
Operating expenses:				
Sources of supply	65,570	28,023	93,593	—
Water treatment	55,929	—	55,929	—
Transmission and distribution:				
Raw water	20,201	—	20,201	—
Treated water	1,854	—	1,854	—
Administration and general	49,718	—	49,718	9,541
Equipment maintenance	—	—	—	40,343
Depreciation and amortization	22,954	944	23,898	2,682
Total operating expenses	<u>216,226</u>	<u>28,967</u>	<u>245,193</u>	<u>52,566</u>
Operating income (loss)	<u>166,493</u>	<u>(21,767)</u>	<u>144,726</u>	<u>(5,712)</u>
Nonoperating revenues (expenses):				
Property taxes (Note 8)	11,679	29,557	41,236	—
Investment income (Note 5)	17,842	—	17,842	2,506
Operating grants	4,885	—	4,885	—
Rental income	102	—	102	—
Lease revenue	51	—	51	—
Other	6,855	2,389	9,244	451
Interest and fiscal agent fees	(43,210)	—	(43,210)	—
Net nonoperating revenues (expenses)	<u>(1,796)</u>	<u>31,946</u>	<u>30,150</u>	<u>2,957</u>
Income/(loss) before capital contributions and transfers	164,697	10,179	174,876	(2,755)
Capital contributions (Note 4)	3,030	—	3,030	—
Transfers in (Note 14)	11,428	—	11,428	7,001
Transfers out (Note 14)	(10,844)	—	(10,844)	—
Change in net position	<u>168,311</u>	<u>10,179</u>	<u>178,490</u>	<u>4,246</u>
Net position, beginning of year	1,186,266	33,784	1,220,050	28,268
GASB 101 adoption restatement	728	—	728	97
Net position, beginning of year, restated	<u>1,186,994</u>	<u>33,784</u>	<u>1,220,778</u>	<u>28,365</u>
Net position, end of year	<u>\$ 1,355,305</u>	<u>\$ 43,963</u>	<u>1,399,268</u>	<u>\$ 32,611</u>

Adjustment to reflect the consolidation of internal
service fund activities related to the enterprise
fund.

(19,285)

Net position of business-type activities

\$ 1,379,983

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 \$ 178,490

Adjustment to the net effect of the current year activity between the
internal service funds and the enterprise funds

(2,720)

Change in net position of business-type activities

\$ 175,770

VALLEY WATER
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025
(Dollars in Thousands)

	Business-type Activities			Governmental Activities
	Water Enterprise Fund	State Project Fund	Total Funds	Total Internal Funds
Cash flows from operating activities:				
Payment for interfund services provided	\$ —	\$ —	\$ —	\$ 46,854
Receipts from customers and users	360,263	7,217	367,480	—
Payment to suppliers	(22,185)	(27,976)	(50,161)	(32,472)
Payments to employees	(149,929)	—	(149,929)	(14,551)
Other receipts	6,961	2,389	9,350	407
Net cash provided by/(used for) operating activities	195,110	(18,370)	176,740	238
Cash flows from noncapital financing activities:				
Property taxes received	11,679	29,562	41,241	—
Operating grants	4,885	—	4,885	—
Transfers in from other funds	11,428	—	11,428	—
Net cash provided by noncapital financing activities	27,992	29,562	57,554	—
Cash flows from capital and related financing activities:				
COP/Revenue bonds issuance	337,398	—	337,398	—
COP/Revenue bonds payment	(117,219)	—	(117,219)	—
Notes payable issuance	27,747	—	27,747	—
Commercial paper issuance	90,000	—	90,000	—
Commercial paper payment	(208,600)	—	(208,600)	—
Capital grants	3,030	—	3,030	—
Interest and fiscal agent fees paid	(43,210)	—	(43,210)	—
Payment for contract water rights	—	—	—	—
Acquisition and construction of capital assets	(302,422)	—	(302,422)	(2,801)
Transfers in from other funds	—	—	—	7,001
Transfers out to other funds	(10,844)	—	(10,844)	—
Net cash provided by/(used for) capital & related financing activities	(224,120)	—	(224,120)	4,200
Cash flows from investing activities:				
Sale/(purchase) of investments	(11,187)	—	(11,187)	—
Rental income received	102	—	102	—
Interest received on cash & investments	17,913	—	17,913	2,506
Net cash provided by investing activities	6,828	—	6,828	2,506
Net increase/(decrease) in cash & cash equivalents	5,810	11,192	17,002	6,944
Cash & cash equivalents, beginning	329,552	22,900	352,452	43,983
Cash & cash equivalents, ending	<u>\$ 335,362</u>	<u>\$ 34,092</u>	<u>\$ 369,454</u>	<u>\$ 50,927</u>

Cash and cash equivalents are reported on the Statement of Net Position as follows:

Cash and investments	\$ 335,362	\$ 34,092	\$ 369,454	\$ 50,927
Restricted cash and investments	164,123	—	164,123	—
Less cash and investments not meeting the definition of cash equivalents	(164,123)	—	(164,123)	—
Cash & cash equivalents, ending	<u>\$ 335,362</u>	<u>\$ 34,092</u>	<u>\$ 369,454</u>	<u>\$ 50,927</u>

VALLEY WATER
Statement of Cash Flows (continued)
Proprietary Funds
For the Year Ended June 30, 2025
(Dollars in Thousands)

	Business-type Activities			Governmental Activities
	Water Enterprise Fund	State Project Fund	Total Funds	Total Internal Funds
Reconciliation of net operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 166,493	\$ (21,767)	\$ 144,726	\$ (5,712)
Adjustments to reconcile operating income (loss) to net cash provided by/(used for) operating activities:				
Other receipts/(payments)	6,961	2,389	9,350	407
Depreciation and amortization	22,954	944	23,898	2,682
Change in operating assets and liabilities:				
(Increase)/decrease in deposits and other assets	755	—	755	(822)
(Increase)/decrease in accounts receivable	(6,000)	17	(5,983)	—
(Increase)/decrease in water inventory	(16,456)	—	(16,456)	—
Increase/(decrease) in accounts payable	2,795	138	2,933	1,281
Increase/(decrease) in accrued liabilities	13,473	(91)	13,382	721
Increase/(decrease) in lease payable	(286)	—	(286)	346
Increase/(decrease) in compensated absences	(653)	—	(653)	8
Increase/(decrease) in claims payable	—	—	—	731
Increase/(decrease) in deposits payable	(753)	—	(753)	2
Increase/(decrease) in payable to Semitropic	299	—	299	—
Increase/(decrease) in pension liability payable	(4,701)	—	(4,701)	(796)
Increase/(decrease) in deferred inflows/outflows of resources	14,429	—	14,429	1,999
Net cash provided by (used for) operating activities	<u>\$ 195,110</u>	<u>\$ (18,370)</u>	<u>\$ 176,740</u>	<u>\$ 238</u>
Noncash investing, capital, and financing activity:				
(Acquisition)/disposition of capital assets	<u>\$ 58</u>	<u>\$ —</u>	<u>\$ 58</u>	<u>\$ 48</u>

This page intentionally left blank.

VALLEY WATER
Statement of Fiduciary Net Position
Custodial Fund
For the Year Ended June 30, 2025
(Dollars in Thousands)

ASSETS

Cash and investments (Note 3)	\$ 306.3
Total assets	<u>\$ 306.3</u>

LIABILITIES

Deposits payable	\$ 305.6
Total liabilities	<u>305.6</u>

NET POSITION

<u>\$ 0.7</u>

VALLEY WATER
Statement of Changes in Fiduciary Net Position
Custodial Fund
For the Year Ended June 30, 2025
(Dollars in Thousands)

Deposit Fund

Additions

Contributions	\$ 0.3
Total additions	<u>0.3</u>

Deductions

Withdrawals and Payments	<u>—</u>
Total deductions	<u>—</u>

Net increase (decrease) in fiduciary net position	<u>0.3</u>
Net position, beginning	<u>0.4</u>
Net position, ending	<u><u>\$ 0.7</u></u>

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

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.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

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.

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 are 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, 2025

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 Alamitos 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.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

- 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.

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 costs.
 - 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
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

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.

(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

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

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

(c) 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.

(d) 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 antennas 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%.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

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.

(e) 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.

Type	Acre Feet		Total (in thousands)
	Volume	Average Unit Cost	
Semitropic storage	304,084	\$ 430	\$ 130,756
Local Reservoir Storage	46,803	430	20,125
San Luis Reservoir Storage	49,355	430	\$ 21,223
Total inventory - water			<u>\$ 172,104</u>

(f) Lease or Right-to-Use Assets

Valley Water has recorded lease or right-to-use assets as a result of implementing Governmental Accounting Standards 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.

(g) Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets or donated works of art and similar items are reported at acquisition value on the date contributed. Capital assets received in a service concession arrangement are reported at acquisition value. Capital assets of governmental activities include pipelines, channel linings, floodwalls, levees, bridge flood proofing, box culverts and re-vegetation.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

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.

Capital assets that are fully depreciated are retained in the capital asset records at historical cost (or acquisition value) with related accumulated depreciation as long as the assets remain in service. No additional depreciation is recorded after an asset is fully depreciated. Fully depreciated assets are removed from the accounting records when disposed of, retired, or otherwise removed from service, along with the related accumulated depreciation. Any difference between proceeds (if any) and net book value is recognized as a gain or loss on disposal.

If an asset remains in service beyond its originally estimated useful life, management evaluates whether this indicates a need to revise useful life estimates prospectively (as a change in accounting estimate) or whether the asset has been impaired.

(h) 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 represents 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.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

(i) 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 with 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.

(j) 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, 2025, the bad debt allowance was \$1.0 million.

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

Valley Water recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, two types of leaves qualify for liability recognition for compensated absences - vacation and sick leave.

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.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

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

Compensated absences liability is measured at the employees' pay rates in effect at fiscal year-end, plus salary-related payments directly and incrementally associated with the payment or settlement of the leave.

The compensated absences liability is reported 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.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

(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.

(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. 105 - In December 2025, GASB issued Statement No. 105, Subsequent Events. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

better meeting the information needs of financial statement users. This Statement also requires the date through which subsequent events have been evaluated to be disclosed. Moreover, this Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. Valley Water has not yet determined the impact of this pronouncement on the financial statements.

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 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 implemented GASB 102 as of and for the year ended June 30, 2025. The implementation of this standard does not have an impact on Valley Water's financial statements. See Note 17.

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 implemented GASB 101 as of and for the year ended June 30, 2025. See Note 18 for the details of beginning net position restatement.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 3 - CASH AND INVESTMENTS

Valley Water's total cash and investments on June 30, 2025 are as follows (in thousands):

	Governmental Activities	Business-type Activities	Total Government Wide	Fiduciary Fund	Total
Cash and investments	\$ 488,534	\$ 369,454	\$ 857,988	\$ 306	\$ 858,294
Restricted cash and investments	44,327	164,123	208,450	—	208,450
Total cash and investments	<u>\$ 532,861</u>	<u>\$ 533,577</u>	<u>\$ 1,066,438</u>	<u>\$ 306</u>	<u>\$ 1,066,744</u>

Deposits and Investments

On June 30, 2025, Valley Water's cash and investments consisted of the following (in thousands):

U.S. Government Agencies	\$ 384,635
U.S. Treasury Obligations	94,102
Medium Term Notes	22,025
State of California Investment Pool - Local Agency Investment Fund (LAIF)	72,255
Mutual Funds	200,916
Supranational Obligations	9,971
Municipal Bonds	45,992
Time Certificates of Deposit	169,704
Money Market Funds	65,963
Total Investments	<u>1,065,563</u>
Deposits	<u>1,181</u>
Total Deposits and Investments	<u>\$ 1,066,744</u>

As of June 30, 2025, the fair value of Valley Water's investment in the State of California investment pool (LAIF) was \$72.3 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.

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

VALLEY WATER

Notes to Basic Financial Statements

For the Year Ended June 30, 2025

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.

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

^(A) 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.

^(B) 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.

^(C) 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, 2023B, 2024A-1, 2024A-2, 2024B-1, 2024B-2 and 2024C, a portion of the proceeds from these debt issuances is required to be held in custody accounts by a fiscal agent as trustee.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

As of June 30, 2025, the amount invested in assets held by fiscal agents amounted to \$43.4 million and was equal to or more than the amount required at that date.

Restricted Cash and Investments for Capital Projects

On June 30, 2025 Valley Water has \$165.0 million of cash 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. On June 30, 2025, 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:

VALLEY WATER

Notes to Basic Financial Statements

For the Year Ended June 30, 2025

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
U.S. Treasury Obligations ^(A)	N/A	N/A
U.S. Agency Securities ^(B)	N/A	N/A
State Obligations ^(C)	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 ^(D)	N/A	N/A
Money Market Funds	N/A	AAA
Collateralized Repurchase Agreements ^(E)	N/A	A-1
Investment Agreements ^(F)	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

(A) 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.

(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 are 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

VALLEY WATER

Notes to Basic Financial Statements

For the Year Ended June 30, 2025

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.

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	12 Months or less	13 to 24 Months	25 to 60 Months	More than 60 Months
U.S. Government Agencies	\$ 215,424	\$ —	\$ 146,586	\$ 68,838	\$ —
U.S. Government Agencies - Callable	169,211	—	24,565	134,637	10,009
U.S. Treasury Obligations	94,102	—	41,793	52,309	—
Medium Term Notes	22,025	—	6,968	15,057	—
LAIF	72,255	72,255	—	—	—
Mutual Funds	200,916	200,916	—	—	—
Supranational Obligations	9,971	—	6,897	3,074	—
Supranational Obligations - Callable	—	—	—	—	—
Municipal Bonds	45,992	—	17,341	24,104	4,547
Negotiable Certificates of Deposit	—	—	—	—	—
Time Certificates of Deposit	169,704	169,704	—	—	—
Money Market Funds	65,963	65,963	—	—	—
Total Investments	<u>\$ 1,065,563</u>	<u>\$ 508,838</u>	<u>\$ 244,150</u>	<u>\$ 298,019</u>	<u>\$ 14,556</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, 2025 for each investment type as provided by Standard and Poor's (in thousands).

VALLEY WATER

Notes to Basic Financial Statements

For the Year Ended June 30, 2025

	Total	Minimum	Exempt	Rating as of Year-end				
		Legal Rating	From Disclosure	AAA	AA+	AA	AA-	Not Rated
U.S. Government Agencies	\$ 384,635	AA-	\$ —	\$ —	\$ 264,881	\$ —	\$ —	\$ 119,754
U.S. Treasury Obligations	94,102	AA-	94,102	—	—	—	—	—
Medium Term Notes	22,025	AA-	—	4,978	7,719	9,328	—	—
LAIF	72,255	N/A	—	—	—	—	—	72,255
Mutual Funds	200,916	AAA	—	—	—	—	—	200,916
Supranational Obligations	9,971	AA	—	9,971	—	—	—	—
Municipal Bonds	45,992	AA-	—	15,430	10,441	12,770	2,902	4,449
Time Certificates of Deposit	169,704	N/A	—	—	—	—	—	169,704
Money Market Funds	65,963	N/A	—	—	—	—	—	65,963
Total Investments	<u>\$ 1,065,563</u>		<u>\$ 94,102</u>	<u>\$ 30,379</u>	<u>\$ 283,041</u>	<u>\$ 22,098</u>	<u>\$ 2,902</u>	<u>\$ 633,041</u>

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. As of June 30, 2025, such investments are as follows (in thousands):

Issuer	Investment Type	Fair Value
Federal Farm Credit Bank	U.S. Government Agency	\$ 73,505
Federal Home Loan Bank	U.S. Government Agency	110,210
Federal National Mortgage Association	U.S. Government Agency	68,335

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 Depositary Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions but not in Valley Water's name.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

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, 2025 (in thousands):

	June 30, 2025	Level 1	Level 2	Uncategorized
U.S. Government Agencies	\$ 384,635	\$ —	\$ 384,635	\$ —
U.S. Treasury Obligations	94,102	94,102	—	—
Medium Term Notes	22,025	—	22,025	—
Mutual Funds	200,916	—	200,916	—
Supranational Obligations	9,971	—	9,971	—
Municipal Bonds	45,992	—	45,992	—
Negotiable Certificates of Deposit	—	—	—	—
Time Certificates of Deposit	169,704	—	169,704	—
Subtotal - Leveled Investments	927,345	94,102	833,243	—
LAIF	72,255	—	—	72,255
Money Market Funds	65,963	—	—	65,963
Subtotal - Uncategorized	138,218	—	—	138,218
Total Investments	\$ 1,065,563	\$ 94,102	\$ 833,243	\$ 138,218

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

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

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 2025 (in thousands).

	Governmental Funds	Proprietary Funds
Local Agencies:		
City of Milpitas	\$ 429	\$ —
City of Morgan Hill	2,525	—
San Benito Water Agency	—	35
State Agencies:		
California State Coastal Conservancy	7,307	—
Department of Water Resources	26	2,995
Department of Fish & Wildlife	120	—
Federal Agencies:		
FEMA	408	—
Total reimbursement of capital costs	<u>\$ 10,815</u>	<u>\$ 3,030</u>

NOTE 5 - INVESTMENT INCOME

The following table represents the components of investment income for the year ended June 30, 2025 (in thousands).

Fund	Unrealized Gain (Loss)	Interest Income	Investment Earnings, Net
General Fund	\$ 605	\$ 1,304	\$ 1,909
Watershed and Streams Stewardship Fund	3,262	5,916	9,178
Safe, Clean Water and Natural Flood Protection Fund	3,823	8,031	11,854
COP Construction Fund	—	—	—
COP Debt Service Fund	1	—	1
Internal Service Funds	916	1,590	2,506
Total Governmental Activities	<u>8,607</u>	<u>16,841</u>	<u>25,448</u>
Water Enterprise Fund	3,142	14,700	17,842
State Water Project Fund	—	—	—
Total Business-type Activities	<u>3,142</u>	<u>14,700</u>	<u>17,842</u>
Total	<u>\$ 11,749</u>	<u>\$ 31,541</u>	<u>\$ 43,290</u>

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2025 is as follows (in thousands):

	Beginning Balance	Additions	Transfers	Deletions	Ending Balance
<u>Governmental Activities</u>					
Nondepreciable capital assets:					
Land	\$ 191,852	\$ 917	\$ —	\$ —	\$ 192,769
Intangible - easements	31,010	549	—	—	31,559
Construction in progress					
Governmental Funds	707,137	90,449	(28,516)	—	769,070
Total nondepreciable capital assets	929,999	91,915	(28,516)	—	993,398
Depreciable capital assets:					
Buildings	42,007	—	—	(22)	41,985
Structures and improvements	1,065,936	—	28,516	—	1,094,452
Equipment					
Governmental Funds	22,041	217	—	(106)	22,152
Internal Service Funds	39,457	2,030	—	(698)	40,789
Lease assets - Buildings	1,568	—	—	(1,035)	533
Subscription assets	2,962	819	—	—	3,781
Intangibles					
Governmental Funds	2,338	—	—	—	2,338
Internal Service Funds	1,925	—	—	—	1,925
Total depreciable capital assets	1,178,234	3,066	28,516	(1,861)	1,207,955
Less: accumulated depreciation and amortization					
Buildings	(19,561)	(861)	—	14	(20,408)
Structures & improvements	(186,104)	(14,658)	—	—	(200,762)
Equipment					
Governmental Funds	(21,251)	(132)	—	106	(21,277)
Internal Service Funds	(28,112)	(2,487)	—	697	(29,902)
Lease assets- Buildings	(1,200)	(224)	—	1,035	(389)
Subscription assets	(988)	(522)	—	—	(1,510)
Intangible - Software					
Governmental Funds	(2,338)	—	—	—	(2,338)
Internal Service Funds	(1,758)	(167)	—	—	(1,925)
Total accumulated depreciation	(261,312)	(19,051)	—	1,852	(278,511)
Total Governmental Activities - Capital Assets, net	\$ 1,846,921	\$ 75,930	\$ —	\$ (9)	\$ 1,922,842

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

	Beginning Balance	Additions	Transfers	Deletions	Ending Balance
<u>Business-type Activities</u>					
Nondepreciable capital assets:					
Land	\$ 20,001	\$ 1,573	\$ —	\$ —	\$ 21,574
Intangible - easements	32,777	672	—	(53)	33,396
Construction in progress	1,084,026	299,246	(81,591)	—	1,301,681
Total nondepreciable	1,136,804	301,491	(81,591)	(53)	1,356,651
Depreciable capital assets:					
Contracted water rights	270,408	11,916	—	—	282,324
Buildings	107,634	—	—	—	107,634
Structures and improvements	1,016,646	—	81,591	—	1,098,237
Equipment	30,759	988	—	(166)	31,581
Intangible-software	113	—	—	—	113
Lease assets	3,254	—	—	—	3,254
Total depreciable capital assets	1,428,814	12,904	81,591	(166)	1,523,143
Less: accumulated depreciation and amortization					
Contracted water rights	(241,612)	(14,339)	—	—	(255,951)
Buildings	(21,598)	(2,498)	—	—	(24,096)
Structures & improvements	(381,419)	(18,243)	—	—	(399,662)
Equipment	(28,476)	(462)	—	161	(28,777)
Intangible-software	(113)	—	—	—	(113)
Lease assets	(813)	(271)	—	—	(1,084)
Total accumulated depreciation	(674,031)	(35,813)	—	161	(709,683)
Total Business-type Activities - Capital Assets, net	\$ 1,891,587	\$ 278,582	\$ —	\$ (58)	\$ 2,170,111

During fiscal year 2025, additions to construction-in-progress were \$90.4 million for governmental activities. There were 26 in-progress and completed projects during the fiscal year with the major projects listed below (in millions):

- \$53.2 – Llagas Creek Phase 2B Construction
- \$11.1 – Coyote Ck, Montague to I-280
- \$7.5 – Upper Llagas Creek
- \$5.7 – Sunnyvale East & West Channel

During the fiscal year 2025, new construction-in-progress amounted to \$299.2 million for the business-type activities. There were 32 in-progress and completed projects during the fiscal year, with major projects listed below (in millions):

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

- \$77.0 – Anderson Dam Tunnel
- \$16.7– Coyote Creek Flood Management Measures
- \$80.6 – RWTP Reliability Improvement
- \$17.0 – 10-Yr PL Inspection and Rehab
- \$15.1– Pacheco Reservoir Expansion
- \$37.1 – Anderson Dam Seismic Retrofit
- \$14.0 – Coyote Creek Chillers
- \$6.0 – San Jose Purified Water Project - Phase 1

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
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

The lease assets included as part of the total capital assets for the year ended June 30, 2025 are as follows (in thousands):

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities</u>				
Lease assets:				
Buildings	\$ 1,568	\$ —	\$ (1,035)	\$ 533
Subscription asset	2,962	819	—	3,781
Total	4,530	819	(1,035)	4,314
Less: accumulated amortization				
Buildings	(1,200)	(224)	1,035	(389)
Subscription asset	(988)	(522)	—	(1,510)
Total accumulated amortization	(2,188)	(746)	1,035	(1,899)
Total Governmental Activities	\$ 2,342	\$ 73	\$ —	\$ 2,415
<u>Business-type Activities</u>				
Lease assets:				
Land	\$ 3,254	\$ —	\$ —	\$ 3,254
Total	3,254	—	—	3,254
Less: accumulated amortization				
Land	(813)	(271)	—	(1,084)
Total accumulated amortization	(813)	(271)	—	(1,084)
Total Business-type Activities	\$ 2,441	\$ (271)	\$ —	\$ 2,170

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

General government	\$ 1,216
Watershed and Stream Stewardship	10,087
Safe, clean water and natural flood protection	4,348
Capital assets held by Valley Water's internal service funds charged to the various functions based on asset usage	2,654
Lease assets	224
Subscription assets	522
Total depreciation expense – governmental activities	<u>\$ 19,051</u>
Total depreciation and amortization expense – business-type activity	
Water cost of production	\$ 35,542
Lease and subscription assets	271
Total depreciation expense – business-type activities	<u>\$ 35,813</u>

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 7 - SHORT-TERM AND LONG-TERM LIABILITIES

(a) Short-term debt

On April 28, 2020, the Board authorized a \$170.0 million Revolving Line of Credit program ("Revolver"), through the PFFC, to provide 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. Prior to the expiration date of the initial term on April 29, 2025, Valley Water executed an amendment with U.S. Bank N.A. to extend the Revolver for an additional three years to April 28, 2028, for an amount up to \$150 million, in accordance with the terms set forth in Resolution 20-11.

On October 22, 2024, the Board authorized a Direct Issue Commercial Paper Program (the "Commercial Paper Notes" and together with the Revolver, the "Short Term Debt Program") for an amount up to \$250 million, supported by a Letter of Credit (LOC) provided by the Sumitomo Mitsui Banking Corporation (SMBC) with an initial term of five (5) years and an option for extensions in accordance with the terms set forth in Resolution 24-49.

As of June 30, 2025, the combined authorized amount for Short Term Debt Program is \$400 million. As of June 30, 2025, Valley Water has \$140.0 million in total short-term debt outstanding comprised of \$50.0 million of Commercial Paper Notes issued to finance certain Safe, Clean Water capital projects and \$90.0 million of Revolver Certificates for certain Water Utility capital projects.

Valley Water's short-term liabilities as of June 30, 2025 consisted of the following (in thousands):

Type of indebtedness	Maturity Date	Interest Rate	June 30, 2025
Governmental activities:			
Commercial paper:			
Tax Exempt	10/02/25	2.70%	\$ 25,000
Tax Exempt	10/07/25	2.67%	25,000
Total governmental activities			<u><u>\$ 50,000</u></u>
Business-type activities:			
Taxable revolving certificate*	09/10/25	4.81%	\$ 90,000
Total business-type activities			<u><u>\$ 90,000</u></u>

*Taxable revolving certificate interest rate:

The interest rate resets monthly based on 1-month Term SOFR plus 0.50% (the interest rate on 6/30/25 was 4.81176%)

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

The following is a summary of changes in short-term liabilities as of and for the year ended June 30, 2025 (in thousands):

	Beginning			Ending
Governmental activities:	Balance	Additions	Reductions	Balance
Commercial paper	\$ —	\$ 50,000	\$ —	\$ 50,000
Total Governmental Activities	<u>\$ —</u>	<u>\$ 50,000</u>	<u>\$ —</u>	<u>\$ 50,000</u>
 Business-type activities:				
Commercial paper	\$ 150,000	\$ —	\$ (150,000)	\$ —
Taxable revolving certificate	—	90,000	—	90,000
Revolving line of credit	58,600	—	(58,600)	—
Total Business-type Activities	<u>\$ 208,600</u>	<u>\$ 90,000</u>	<u>\$ (208,600)</u>	<u>\$ 90,000</u>

(b) Long-term liabilities

Valley Water's long-term liabilities as of June 30, 2025 consisted of the following (in thousands):

Type of indebtedness	Maturity	Interest Rate*	Authorized and Issued	June 30, 2025	Due Within One Year
Governmental activities:					
2017A Certificates of participation	2030	2.56%	\$ 59,390	\$ 24,940	\$ 4,515
2022A Revenue bond	2049	4.13%	75,295	72,920	1,530
2022B Revenue bond	2026	3.01%	46,445	46,445	—
WIFIA Loan N21116CA	2061	3.77%	7,931	7,931	—
Bond premium				11,667	1,944
Total long-term debt				163,903	7,989
Compensated absences				12,505	4,385
Claims payable (Note 13)				11,476	3,118
Net pension liability (Note 11)				160,194	—
Other post employment benefits liability (Note 12)				48,577	—
Lease liability				155	103
Subscription liability				1,932	606
Total governmental activities				<u>\$ 398,742</u>	<u>\$ 16,201</u>

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

Type of indebtedness	Maturity	Interest Rate*	Authorized and Issued	June 30, 2025	Due Within One Year
Business-type activities:					
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	17,060	4,035
2016D Water revenue COP	2029	3.14%	54,970	21,385	5,060
2017A Water revenue bond	2037	3.13%	54,710	39,255	2,440
2019A Water revenue bond	2049	3.75%	15,225	13,665	305
2019B Water revenue bond	2049	3.81%	80,030	69,635	1,895
2019C Water revenue bond	2036	2.76%	38,280	26,345	2,245
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	34,820	1,830
2020D Water revenue COP	2041	2.20%	81,560	68,215	3,510
2023A Water revenue bond	2052	4.19%	52,090	52,090	—
2023B Water revenue bond	2052	5.11%	69,045	66,640	1,280
2023C-1 Water revenue COP	2026	2.35%	117,365	64,185	64,185
2023C-2 Water revenue COP	2041	3.22%	42,285	39,150	1,655
2023D Water revenue COP	2026	4.33%	62,615	37,495	37,495
2024A-1 Water revenue bond	2054	4.10%	104,765	104,765	—
2023A-2 Water revenue notes	2026	2.49%	50,590	50,590	50,590
2024B-1 Water revenue bond	2054	4.80%	90,500	87,385	—
2024B-2 Water revenue notes	2026	4.25%	25,025	25,025	25,025
2024C Water revenue bond	2038	2.73%	43,155	41,265	2,330
WIFIA Loan N22115CA	2059	3.77%	27,747	27,747	—
Bond discount				(792)	(29)
Bond premium				75,276	6,404
Total long-term debt				1,235,381	210,255
Compensated absences				7,946	2,787
Net pension liability (Note 11)				135,399	—
Other post employment benefits liability (Note 12)				41,059	—
Semitropic water banking liability	2035		46,900	14,158	—
Lease liability				2,404	290
Total business-type activities				\$ 1,436,347	\$ 213,332

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

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

The following is a summary of changes in long-term liabilities as of and for the year ended June 30, 2025 (in thousands):

	Beginning			Ending	Due	
	Balance	Additions	Reductions	Balance	Within	Long term
					One Year	
Governmental activities:						
2017A COP	\$ 29,235	\$ —	\$ (4,295)	\$ 24,940	\$ 4,515	\$ 20,425
2022A Revenue bond	74,375	—	(1,455)	72,920	1,530	71,390
2022B Revenue bond	46,445	—	—	46,445	—	46,445
WIFIA Loan N21116CA	—	7,931	—	7,931	—	7,931
Premium on debt issuances	13,796	—	(2,129)	11,667	1,944	9,723
Total long-term debt	163,851	7,931	(7,879)	163,903	7,989	155,914
Compensated absences**	12,416	89	—	12,505	4,385	8,120
Claims payable (Note 13)	10,745	731	—	11,476	3,118	8,358
Net pension liability (Note 11)	170,181	—	(9,987)	160,194	—	160,194
Other post employment benefits liability (Note 12)	54,976	—	(6,399)	48,577	—	48,577
Lease liability	387	—	(232)	155	103	52
Subscription liability	2,054	471	(593)	1,932	606	1,326
Total Governmental Activities	<u>\$ 414,610</u>	<u>\$ 9,222</u>	<u>\$ (25,090)</u>	<u>\$ 398,742</u>	<u>\$ 16,201</u>	<u>\$ 382,541</u>

**The District implemented GASB 101 in fiscal year 2024-25 which resulted in a restatement of fiscal year 2023-24 balances as described in Note 2.f. and Note 18. The change in compensated absences above is the net change for the year.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

	Beginning			Ending	Due	
	Balance	Additions	Reductions	Balance	Within	Long-term
Business-type activities:					One Year	
2016A revenue bonds	\$ 106,315	\$ —	\$ —	\$ 106,315	\$ —	\$ 106,315
2016B revenue bonds	75,215	—	—	75,215	—	75,215
2016C COPS	20,940	—	(3,880)	17,060	4,035	13,025
2016D COPS	26,255	—	(4,870)	21,385	5,060	16,325
2017A revenue bonds	41,530	—	(2,275)	39,255	2,440	36,815
2019A revenue bonds	13,955	—	(290)	13,665	305	13,360
2019B revenue bonds	71,475	—	(1,840)	69,635	1,895	67,740
2019C Water revenue bond	28,600	—	(2,255)	26,345	2,245	24,100
2020A revenue bonds	24,120	—	—	24,120	—	24,120
2020B revenue bonds	68,530	—	—	68,530	—	68,530
2020C COPS	36,610	—	(1,790)	34,820	1,830	32,990
2020D COPS	71,650	—	(3,435)	68,215	3,510	64,705
2023A revenue bonds	52,090	—	—	52,090	—	52,090
2023B revenue bonds	67,865	—	(1,225)	66,640	1,280	65,360
2023C-1 COPS	117,365	—	(53,180)	64,185	64,185	—
2023C-2 COPS	40,760	—	(1,610)	39,150	1,655	37,495
2023D COPS	62,615	—	(25,120)	37,495	37,495	—
2024A-1 revenue bonds		104,765		104,765		104,765
2024A-2 revenue notes		50,590		50,590	50,590	—
2024B-1 revenue bonds		90,500	(3,115)	87,385	—	87,385
2024B-2 revenue notes		25,025		25,025	25,025	—
2024C revenue bonds		43,155	(1,890)	41,265	2,330	38,935
WIFIA Loan N22115CA		27,747		27,747	—	27,747
Bond discount	(821)	—	29	(792)	(29)	(763)
Premium on debt issuances	62,418	23,362	(10,504)	75,276	6,404	68,872
Total long-term debt	987,487	365,144	(117,250)	1,235,381	210,255	1,025,126
Compensated Absences**	7,871	75		7,946	2,787	5,159
Net pension liability (Note 11)	140,099	—	(4,700)	135,399	—	135,399
Other post employment benefits liability (Note 12)	45,259	—	(4,200)	41,059	—	41,059
Semitropic water banking liability	13,859	299		14,158	—	14,158
Lease liability	2,690	—	(286)	2,404	290	2,114
Total Business-type Activities	\$1,197,265	\$ 365,518	\$ (126,436)	\$1,436,347	\$213,332	\$1,223,015

**The District implemented GASB 101 in fiscal year 2024-25 which resulted in a restatement of fiscal year 2023-24 balances as described in Note 2.t. and Note 18. The change in compensated absences above is the net change for the year.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

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

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 6,045	\$ 7,177	\$ 203,880	\$ 49,354
2027	52,790	5,712	29,220	40,705
2028	6,660	4,395	30,320	39,598
2029	6,995	4,224	31,490	38,424
2030	7,340	3,872	32,725	38,397
2031-2035	10,775	16,462	169,890	170,765
2036-2040	13,755	13,411	173,650	133,571
2041-2045	17,545	9,517	203,095	93,408
2046-2050	22,400	4,547	189,401	47,915
Thereafter	7,931	2,110	97,226	13,803
Total bonds payable requirements	<u>\$ 152,236</u>	<u>\$ 71,427</u>	<u>\$ 1,160,897</u>	<u>\$ 665,940</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 \$2.3 million at June 30, 2025. The right-to-use assets are included in Capital Assets (Note 6).

The future minimum lease payments as of June 30, 2025 are as follows (in thousands):

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 103	\$ 1	\$ 290	\$ 25
2027	52	—	1,494	81
2028	—	—	620	10
2029	—	—	—	—
2030	—	—	—	—
	<u>\$ 155</u>	<u>\$ 1</u>	<u>\$ 2,404</u>	<u>\$ 116</u>

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

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 subscriptions liability had been recorded at the present value of the future minimum subscription payments. As of June 30, 2025, Valley Water had 2 active subscriptions. The subscriptions have payments that range from \$125,000 to \$498,175 and interest rates that range from 1.46% to 4.16%. There are no variable payment components pertaining to the subscriptions. The combined value of the SBITA-related asset, as of June 30, 2025 of \$3.8 million with accumulated amortization of \$1.5 million is included and further discussed in Note 6 - Capital Assets.

The future minimum subscription payments as of June 30, 2025 are as follows (in thousands):

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2026	606	37	—	—
2027	643	26	—	—
2028	683	13	—	—
2029	—	—	—	—
2030	—	—	—	—
	<u>\$ 1,932</u>	<u>\$ 76</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) 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 with an expedient and significant funding source for supporting the renovation and construction costs for these major projects.

As of June 30, 2025, no amounts have been drawn from or is outstanding under the Pacheco WIFIA agreement. Valley has drawn a total of \$7.9 million under the Safe Clean Water and \$27.7 million under the Anderson WIFIA loan agreements, respectively.

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, 2025:

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

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 Refunding Revenue Bonds

In December 2022, Valley Water issued \$75.3 million of Refunding 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 COPs 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.

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, 2025:

2016A/B Water System Refunding Revenue Bonds

In March 2016, Valley Water issued \$181.5 million of Water System Refunding 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 Refunding Revenue Bonds, along with

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

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 Refunding 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 System Refunding Revenue Bonds is secured by a pledge of and lien on Valley Water's Water Utility System revenues and is 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 Certificates of Participation, comprised of Series 2016C for \$43.4 million and Taxable Series 2016D for \$55.0 million. 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 Refunding Revenue Bonds

In May 2017, Valley Water issued \$54.7 million of Water System Refunding 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 System Refunding Revenue Bonds

In April 2019, Valley Water issued \$95.2 million of Water System Refunding Revenue Bonds consisting of Series 2019A for \$15.2 million and Series 2019B 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 to pay 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 is payable from the Net Water Utility System Revenues pursuant to the Water Utility Parity System Master Resolution (16-10).

2019C Water Utility System Refunding Revenue Bonds

In November 2019, Valley Water issued \$38.3 million of Water Utility System Refunding Revenue Bonds Series 2019C to refinance all the outstanding Water Utility Revenue Certificates 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

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

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 System Refunding 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 Refunding 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 Refunding 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 System Refunding Revenue Bonds is secured by a pledge of and lien on Valley Water's Water Utility System Revenues and is 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. Proceeds of the 2020C and 2020D COPs, along with the original issue premium, were 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 System Refunding Revenue Bonds

In January 2023, Valley Water issued \$121.1 million of Water System Refunding Revenue Bonds comprised of Series 2023A for \$52.1 million and Taxable Series 2023B for \$69.0 million. Proceeds of the 2023A Refunding Revenue Bonds, along with the original issue premium, were used to repay \$58.6 million of outstanding tax-exempt commercial paper notes and revolving certificates and to pay costs of issuance. Proceeds of the 2023B Revenue Bonds were used to repay \$67.7 million of outstanding taxable commercial paper notes and to pay costs of issuance. The obligation of Valley Water to pay principal and interest of the 2023A/B Water System Refunding Revenue Bonds is secured by a pledge of and lien on Valley Water's Water Utility System Revenues and is 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. Proceeds of the 2023C/D COPs, along with the

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

original issue premium, are being used to finance capital construction projects in the Water Utility Enterprise, fund capitalized interest and to pay costs of issuance. The 2023C/D COPs are payable from 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). A portion of the 2023C-1 and 2023D Certificates have been refunded by the Water Utility Refunding Revenue Notes, Series 2024A-2 and 2024B-2.

2024A-1/A-2/B-1/B-2 Water System Refunding Revenue Bonds/Notes

In September 2024, Valley Water issued \$270.9 million of Water System Refunding Revenue Bonds and Notes, comprised of Series 2024A-1 for \$104.8 million, Series 2024A-2 for \$50.6 million, Taxable Series 2024B-1 for \$90.5 million, and Taxable Series 2024B-2 for \$25.0 million.

Proceeds of the 2024 Refunding Revenue Bonds, Series A-1 and B-1, along with the original issue premium, were used to repay \$150 million of outstanding commercial paper notes and \$58.6 million taxable revolving certificates. Proceeds of the 2024 Refunding Revenue Notes, Series A-2, along with the original issue premium, were used to repay \$53.2 million of 2023C-1 Certificates maturing on December 1, 2024. Proceeds of the 2024 Refunding Revenue Notes, Series B-2 were used to repay \$25.1 million of 2023D Certificates maturing on December 1, 2024. Proceeds of the foregoing obligations were also used to pay costs of issuance. The obligation of Valley Water to pay principal and interest of the 2024 Water System Refunding Revenue Bonds/Notes 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).

2024C Water System Revenue Bonds

In September 2024, Valley Water issued \$43.2 million of Water System Revenue Bonds, Series 2024C. Proceeds of the Revenue Bonds, Series 2024C, along with the original issue premium, were used to provide \$50 million of project funds and to pay costs of issuance. The obligation of Valley Water to pay principal and interest of the Revenue Bonds, Series 2024C is secured by a pledge of and lien on Valley Water's Water Utility System Revenues and is 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, 2025, Valley Water has an outstanding liability of

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

\$14.2 million related to water storage and banking rights. See Note 15c for further information on Valley Water's Semitropic water banking program.

(a) Other Debt Related Information

Valley Water has adopted master resolutions with respect to its water utility, safe clean water and watershed enterprises 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 agreements 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 agreements and other financial contracts contain acceleration provisions that allow 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 and the revolving lines of credit, issued through the PFFC and Valley Water, currently include the obligations to reimburse the banks issuing direct pay letters of credit supporting the commercial paper program and 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 banks may exercise one or more rights and remedies. In addition to rights and remedies provided for under the law, the banks can declare all financial obligations with respect to such letters 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 letters of credit or revolving line of credit which would cause the issuance of commercial paper or revolving line of credit to be permanently ceased. Commercial Paper Notes are not subject to acceleration.

Valley Water has pledged water utility system revenues to repay \$1.2 billion in debt outstanding as of June 30, 2025, that was issued to finance and refinance the cost of capital construction projects for the Water Utility Enterprise Fund. The secured debt includes revenue bonds, COPs, and WIFIA loans. The revenue bonds are payable from net water utility system revenues; the revenue COPs, and the WIFIA loans are payable from

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

installments that are secured by net water utility system revenues. The WIFIA loans are secured by net water utility system revenues on a subordinate basis; however, the WIFIA loans will be secured on a parity basis upon the occurrence of certain bankruptcy-related events. The long-term debt is payable through fiscal year 2059. The total principal outstanding and interest costs remaining to be paid on the combined debt are \$1.8 billion.

Valley Water has pledged Safe Clean Water Revenues (consisting primarily of certain voter-approved parcel taxes) to repay \$127.3 million of debt outstanding as of June 30, 2025, that was issued to finance and refinance certain Safe, Clean Water projects. The secured debt includes revenue bonds, COPs and a WIFIA loan. The revenue bonds are payable from Safe Clean Water revenues; the revenue COPs, and the WIFIA loan are payable from installments that are secured by Safe Clean Water revenues. The WIFIA loan is secured by Safe Clean Water Revenues on a subordinate basis; however, the WIFIA loan will be secured on a parity basis upon the occurrence of certain bankruptcy-related events. The long-term debt is payable through fiscal year 2061. The total principal outstanding and interest costs remaining to be paid on the combined Safe Clean Water debt are \$195.6 billion. An additional \$28.8 million of principal and interest remain to be paid with respect to the Series 2017A COPs, which are secured by a pledge of and lien on, the Valley Water Flood Control System Revenues. The total principal outstanding and interest costs remaining to be paid for the Governmental Fund is \$224.4 million.

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, on 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

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

voters on November 3, 2000. The renewed Safe, Clean Water program, as approved by voters, took effect beginning fiscal year 2022. \$53.2 million of special parcel tax was collected for this program during fiscal year 2025.

Property tax and benefit assessment revenues recorded for the year ended June 30, 2025 are as follows (in thousands).

	General Fund	Special Revenue Funds	Total Governmental Activities	Business-type Activities
Property taxes:				
1% tax allocation	\$ 12,921	\$ 129,840	\$ 142,761	\$ 11,679
Special parcel tax	—	53,227	53,227	—
Voter approved indebtedness:				
State water project	—	—	—	29,557
Total taxes	12,921	183,067	195,988	41,236
Benefits assessment	—	6,849	6,849	—
Total taxes and benefits assessment	<u>\$ 12,921</u>	<u>\$ 189,916</u>	<u>\$ 202,837</u>	<u>\$ 41,236</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

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

changes in the same manner to previously commit those resources. These Board actions must occur prior to June 30th 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 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, 2025 for the governmental funds is shown in the ensuing table (in thousands).

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

	Special Revenue Funds			Debt Service Funds	
			Safe, Clean Water and Natural Flood Protection Program	COP Debt Service	Total Governmental Funds
	General Fund	Watershed & Stream Stewardship			
Restricted Fund Balance					
Debt service	\$ —	\$ —	\$ 11,424	\$ 72	\$ 11,496
Reserves for:					
Watershed & Stream Stewardship	—	190,147	—	—	190,147
Safe Clean Water	—	—	160,637	—	160,637
Total restricted fund balance	—	190,147	172,061	72	362,280
Committed Fund Balance					
Excess ERAF Contingency	566	4,755			5,321
Operating and capital	25,740	—	—	—	25,740
Current authorized capital projects	7,047	—	—	—	7,047
Total committed fund balance	33,353	4,755	—	—	38,108
Assigned Fund Balance					
Encumbrances	9,387	6,962	—	—	16,349
Total assigned fund balance	9,387	6,962	—	—	16,349
Total fund balances	<u>\$ 42,740</u>	<u>\$ 201,864</u>	<u>\$ 172,061</u>	<u>\$ 72</u>	<u>\$ 416,737</u>

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

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

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, 2025 (in thousands).

	Water Enterprise Fund	State Water Project Fund	Internal Service Funds	Total Proprietary Funds
Restricted net position:				
Debt Service	\$ 31,937	\$ —	\$ —	\$ 31,937
San Felipe emergency reserve	3,797	—	—	3,797
GP5 reserve	2,810	—	—	2,810
Rate stabilization	20,572	—	—	20,572
Advance water purification center	530	—	—	530
Supplemental water supply	5,277	—	—	5,277
State water project	—	33,574	—	33,574
Total restricted net position	64,923	33,574	—	98,497
Unrestricted net position:				
Operating and capital	48,329	—	5,305	53,634
Water inventory	172,104	—	—	172,104
Current authorized projects	—	—	108	108
Property self-insurance/catastrophic	—	—	10,809	10,809
Purchase commitments	227,777	—	12,206	239,983
Net pension liability	(76,513)	—	(5,141)	(81,654)
Net other post-employment benefits	(32,154)	—	(2,104)	(34,258)
Compensated absence liability	728	—	97	825
Total unrestricted net position	340,271	—	21,280	361,551
Net investment in capital assets	950,111	10,389	11,331	971,831
Total net position	<u>\$ 1,355,305</u>	<u>\$ 43,963</u>	<u>\$ 32,611</u>	<u>\$ 1,431,879</u>

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

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 2025 are summarized as follows:

	Prior to 3/19/2012	3/19/2012 to 12/31/2012	On or after 1/1/2013
Hire date	3/19/2012	12/31/2012	1/1/2013
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		

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

Employees Covered – As of the most recent CalPERS 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	1,257
Active employees	849

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, 2025 contribution to the plan was \$44.6 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.

Actuarial Assumptions – The total pension liabilities in the June 30, 2023 actuarial valuations were determined using the following actuarial assumptions:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Reporting date	June 30, 2025
Actuarial cost method	Entry-age actuarial cost method

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

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.
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

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.

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:

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

Asset Class ¹	Assumed Asset Allocation	Real Return ^{1,2}
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 2.3% used for this period

(2) Figures are based on 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.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Beginning balance	\$ 1,088,084	\$ 777,804	\$ 310,280
Changes recognized for the measurement period:			
Service cost	22,517	—	22,517
Interest on total pension liability	74,838	—	74,838
Changes of Benefits	—	—	—
Changes of Assumptions	—	—	—
Difference between expected and actual experience	14,170	—	14,170
Contributions - employer	—	41,468	(41,468)
Contributions - employees	—	9,967	(9,967)
Net investment income	—	75,410	(75,410)
Benefits payment, including refunds of employee contributions	(57,804)	(57,804)	—
Administrative expense	—	(633)	633
Net changes	53,721	68,408	(14,687)
Ending balance	\$ 1,141,805	\$ 846,212	\$ 295,593

Net pension liability decreased versus the prior fiscal year primarily due to a 9.3% return on investments reported by CalPERS for the reporting period ending June 30, 2025, which was higher than the investment return assumption of 6.8%.

As of June 30, 2025, the net pension liability is recorded in the government-wide statement of net position as follows (in thousands):

Government activities	\$ 160,194
Business-type activities	135,399
Total net pension liability	<u>\$ 295,593</u>

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

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	\$ 443,498	\$ 295,593	\$ 173,029

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, 2025, 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):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contribution subsequent to measurement date	\$44,648	\$ —
Changes of assumptions	9,479	—
Differences between expected and actual experience	23,283	—
Net difference between projected and actual earnings on pension plan investments	10,995	—
Total	<u>\$ 88,405</u>	<u>\$ —</u>

\$44.6 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.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

Fiscal years ending June 30	Deferred Outflows / (Inflows) of Resources
2026	\$ 13,978
2027	30,405
2028	1,928
2029	(2,554)
2030	—
Thereafter	—
Total	<u>\$ 43,757</u>

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.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

Benefits Provided

Employee Type	Hire/Retirement Date	Eligibility Rule (Years of Continuous Service)	Valley Water's Required Contribution
Classified Employee Association (AFSCME –Local 101) Engineers Society (IFPTE-Local 21) Professional Managers Association (IFPTE – Local 21)	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	100% medical premium for retiree.
		15 years	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	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.
		15 years	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	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.
		20 years	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.

Benefits Provided (continued)

Attachment 1
Page 115 of 202

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

Benefits Provided (continued)

Employee Type	Hire/Retirement Date	Eligibility Rule (Years of Continuous Service)	Valley Water's Required Contribution
Unclassified 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.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

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 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, 2025, Valley Water's total contribution to the plan amounted to \$16.9 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, 2025

Actuarial Assumptions – The total net OPEB liability for Valley Water for fiscal year ended June 30, 2025 was derived from the CalPERS actuarial valuation using the following actuarial assumptions:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Reporting date	June 30, 2025
Discount rate ⁽¹⁾	6.00%
Investment rate of return ⁽¹⁾	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 ⁽²⁾	Derived from the CalPERS study of Miscellaneous Public Agency experience
Healthcare trend rate ⁽³⁾	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%

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

⁽²⁾Net of OPEB plan investment expenses, including inflation

⁽³⁾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% 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, 2025

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	\$ 238,813	\$ 138,578	\$ 100,235
Changes recognized for the measurement period:			
Service cost	4,257	—	4,257
Interest cost	14,066	—	14,066
Change in actuarial assumptions	—	—	—
Other liability experience loss/(gain)	(633)	—	(633)
Contributions	—	13,144	(13,144)
Benefits payment	(13,144)	(13,144)	—
Administrative expenses	—	(70)	70
Expected investment return	—	8,312	(8,312)
Investment experience (loss)/gain	—	6,903	(6,903)
Net changes	4,546	15,145	(10,599)
Ending balance	\$ 243,359	\$ 153,723	\$ 89,636

The Net OPEB Liability decreased versus the prior year primarily due to a 11.0% return on investments reported by CERBT for the reporting date ending June 30, 2025, which was higher than the investment return assumption of 6.0%.

As of June 30, 2025, the net OPEB liability is recorded in the government-wide statement of net position as follows (in thousands):

Government activities	\$ 48,577
Business-type activities	41,059
Total OPEB liability	<u>\$ 89,636</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, 2024 (in thousands):

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

	Discount Rate		
	-1%	Current	+1%
Plan Net OPEB Liability	<u>\$ 119,633</u>	<u>\$ 89,636</u>	<u>\$ 64,616</u>

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, 2024 (in thousands):

	Discount Rate		
	-1%	Current	+1%
Plan Net OPEB Liability	<u>\$ 62,582</u>	<u>\$ 89,636</u>	<u>\$ 122,634</u>

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, 2025, 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 Inflows of Resources
OPEB contribution subsequent to measurement date	\$ 16,875	\$ —
Changes in assumption	26,296	2,416
Other liability experience loss / (gain)	3,748	2,206
Investment experience loss / (gain)	3,309	—
Total	<u>\$ 50,228</u>	<u>\$ 4,622</u>

\$16.9 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):

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

Fiscal years ending June 30:	Deferred Outflows / (Inflows) of Resources
2026	\$ 6,009
2027	10,918
2028	5,160
2029	5,444
2030	1,243
Thereafter	(43)
Total	<u>\$ 28,731</u>

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):

Coverage Descriptions	Commercial Insurance SIR	Coverage
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

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

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, 2025 and 2024 are as follows (in thousands):

	General Liability	Workers' Compensation	Total
Claims payable, June 30, 2023	\$ 5,739	\$ 2,598	\$ 8,337
Incurred claims and changes in estimates	4,925	(13)	4,912
Claims payments	(2,230)	(274)	(2,504)
Claims payable, June 30, 2024	8,434	2,311	10,745
			—
Incurred claims and changes in estimates	1,076	687	1,763
Claims payments	(681)	(351)	(1,032)
Claims payable, June 30, 2025	\$ 8,829	\$ 2,647	\$ 11,476

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.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

Transfers made during fiscal year 2025 are shown below (in thousands):

Fund Receiving Transfer	Fund Making Transfer	Amount	Description
General Fund	Watershed and Stream Stewardship	\$ 30	Security upgrade
General Fund	Safe, Clean Water & Nat. Flood Prot'n	90	Security upgrade
General Fund	Water Enterprise Fund	180	Security upgrade
General Fund	Watershed and Stream Stewardship	149	HQ Building Project
General Fund	Safe, Clean Water & Nat. Flood Prot'n	445	HQ Building Project
General Fund	Water Enterprise Fund	891	HQ Building Project
General Fund	Watershed and Stream Stewardship	1,286	Budget Adjustments
General Fund	Safe, Clean Water & Nat. Flood Prot'n	429	Budget Adjustments
General Fund	Water Enterprise Fund	2,572	Budget Adjustments
General Fund	Watershed and Stream Stewardship	1,166	Drought induced tree removal
Safe, Clean Water & Nat. Flood Prot'n	Water Enterprise Fund	3,000	Infrastructure Reliability Plan, Phase 2
COP Debt Service	Lower Peninsula Watershed	2,272	Debt Service Transfer
COP Debt Service	West Valley Watershed	682	Debt Service Transfer
COP Debt Service	Guadalupe Watershed	758	Debt Service Transfer
COP Debt Service	Coyote Watershed	2,045	Debt Service Transfer
Water Enterprise Fund	Safe, Clean Water & Nat. Flood Prot'n	6,330	Anderson Dam Seismic Retrofit
Water Enterprise Fund	Safe, Clean Water & Nat. Flood Prot'n	1,126	Water Conservation Program
Water Enterprise Fund	General Fund	1,987	Open Space Credit
Water Enterprise Fund	Watershed and Stream Stewardship	1,986	Open Space Credit
Information Technology Fund	Watershed and Stream Stewardship	2,800	IT capital project
Information Technology Fund	Water Enterprise Fund	4,201	IT capital project
		<u>\$ 34,425</u>	

NOTE 15 - COMMITMENTS

(a) Contract and Purchase Commitments

As of June 30, 2025, governmental funds had encumbrances of approximately \$39.3 million, while proprietary funds had open purchase commitments of approximately \$248.2

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

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 is 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, 2025 was \$146.0 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 \$34.6 million has been recorded through fiscal year 2025. 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. The 2025 rate to retrieve Tier 1 water is \$95.18 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

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

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, 2025, Valley Water has approximately 304,084 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 will impact banking operations. Impacts could potentially include higher pumping, recovery, and treatment costs and possibly impaired recovery of banked water supplies. Semitropic is currently in litigation against manufacturers of these chemicals. 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. The Board will review this decision in February 2026 during the annual Capital Improvement Plan development process.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

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 claims and 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 the discovery phase and a jury trial is scheduled for May 26, 2026. 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 XIIID to the California Constitution), Great Oaks then filed additional annual claims and additional annual lawsuits challenging Valley Water's groundwater production charges for

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

each year after 2005, continuing through 2022. Great Oaks' subsequent lawsuits were stayed pending resolution of its 2005 case.

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. Valley Water appealed the judgment in 2015, and the Court of Appeal reversed the trial court finding that Valley Water's groundwater production charges did not violate Proposition 218 or other 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 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 Proposition 26 and Article XIII C of the California Constitution apply instead. This case was remanded to the trial court for further proceedings in February 2019.

After remand, Great Oaks alleged that Valley Water's groundwater production charges violated Proposition 26, and that Valley Water's use of ad valorem tax revenue to subsidize a lower agricultural groundwater rate violated Valley Water's District.

The second trial took place in June 2022. On February 8, 2023, the trial court issued a statement of decision in Valley Water's favor on all causes of action. In March 2023, Great Oaks filed a notice of appeal of the judgment.

In early 2025, the Court of Appeal upheld the trial court's decision in full, ruling in Valley Water's favor. The California Supreme Court denied Great Oaks' petition for review, and this litigation is now concluded and will not materially impact Valley Water's financial condition.

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 an 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 Court is expected to issue an award of damages in the damages phase of trial in the next couple of months. A final judgment will likely be entered in late 2025 or early 2026, and Coachella will likely appeal.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

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, was settled for \$600,000 in 2024. Valley Water was dismissed on August 12, 2024, and the matter will not materially affect Valley Water's financial condition.

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. There is one remaining action in the Santa Clara County Superior Court arising from the same flood event (San José Unified School District v. SCVWD, Case No. 18CV330233). A mediation took place in July 2025, and the case was settled for \$1,000,000 (to be paid by and through Valley Water's insurer). A final settlement and mutual release agreement was signed on August 5, 2025.

Valley Water settled a separate case with Pacific Gas & Electric Co., PG&E v. SCVWD, Case No. 20CV371349) for a payment of \$450,000 from Valley Water's insurer. Following settlement, the case was dismissed on September 20, 2024.

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

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

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 Valley Water's water right licenses in the Guadalupe River and Stevens Creek Watersheds, because there is already a pending contested water rights proceeding before the SWRCB involving all of Valley Water's licenses in these two watersheds. A further case management conference has been scheduled for March 19, 2026.

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 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. This action was removed and transferred, pursuant to a Multi-District Litigation Order applicable to all PFAS cases involving aqueous film-forming foam, to the U.S. District Court for the District of South Carolina for all pre-trial proceedings. Valley Water's Board has chosen not to participate in several PFAS manufacturer class action settlements, and Valley Water's lawsuit will likely remain in a holding status for a lengthy period of time.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

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 the defendants collectively paying Valley Water \$4,550,000. Following settlement, the case was dismissed on October 11, 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 subsequently presented additional claims to Valley Water for a refund of all groundwater charges imposed on it from fiscal year 2020-2021 through June 30, 2025. Valley Water denied all of these claims, but entered into a tolling agreement with Stanford.

Stanford argued that Valley Water's groundwater charges, as applied to it, violated Proposition 26 (California Constitution, Article XIII C), the District Act, and unlawfully interfered with Stanford's water rights and constituted a taking. Stanford asserted that imposition of the groundwater charges on it was unlawful because Stanford does not benefit from Valley Water's groundwater management activities or does not benefit proportionally to other pumpers in Zone W-2.

In late September 2025, Valley Water and Stanford signed a settlement agreement, under which Valley Water will give Stanford a financial incentive credit, to be applied against groundwater charges, for a certain amount of water (at least 60 acre-feet but no more than 300 acre-feet) that it recharges into the basin through collection of stormwater and diversions into Lake Lagunita, an ephemeral lake on Stanford property, each fiscal year after accounting for applicable regulatory requirements.

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. Decedent was struck by a train and died while walking her dog with a friend on a railroad bridge crossing the Guadalupe River near Alviso, 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.

After Valley Water agreed to a \$75,000 settlement with plaintiff and his counsel, which settlement was approved by the court, plaintiff unexpectedly passed away. Plaintiff's counsel is now seeking to substitute plaintiff's children, as well as the decedent's recently located mother as new plaintiffs. Valley Water expects its \$75,000 settlement will apply to the proposed new plaintiffs and still limit its obligations to the other defendants.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

In the unlikely event the settlement falls through, Valley water believes it has strong defenses to plaintiffs' allegations, and Valley Water has already filed a summary judgment motion that was taken off calendar pending settlement. Valley Water cannot predict what effects this lawsuit may have if it goes forward or if such effects would be material.

Holiday Lake Estates Maintenance Assn. v. SCVWD

This matter is filed under the California Environmental Quality Act (CEQA) asserting several claims that the Environmental Impact Report (EIR) for the Anderson Dam Seismic Retrofit Project (ADSRP) is deficient. HEMA alleges that the EIR is deficient because it analyzed environmental impacts with an incorrect baseline, did not adequately analyze and mitigate impacts related to feral pigs and wildfire and evacuation routes, failed to conduct evacuation modeling, and unlawfully deferred mitigation for wildfire impacts to future traffic management and evacuation plans. 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. However, if HEMA were to prevail, CEQA allows for the potential recovery of attorneys' fees pursuant to the private attorney general statute.

Bowman v. Santa Clara Valley Water District

This is a routine employment matter recently filed by a former employee who was terminated in 2023. The plaintiff alleges breach of contract and related claims and seeks an unspecified award of damages. As with any litigation, there is uncertainty as to the result. However, Valley Water believes it has reasonable defenses to plaintiff's allegations, which it intends to assert. Valley Water cannot predict what effects this lawsuit may have or if such effects would be material.

(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. But recent actions taken by the current federal administration could impact federal funding to Valley Water. Future federal appropriations, rulemaking, executive orders, and related litigation could change eligibility, timing, or terms of awards and could reduce, delay, or rescind committed funding.

No assurances can be made that actions by the federal administration will not adversely affect current or future federal commitments to the federal loans and grants for Valley Water's projects or for projects in which Valley Water participates. For example, Upper Llagas Creek Protection Project, Phase 2B ("ULCPP Project") is substantially funded by a \$80,000,000 federal award under the Watershed Protection and Flood Prevention Operations ("WFPO") Program administered by the Natural Resources Conservation Service. In August 2025, Valley Water submitted a \$5,800,000 drawdown request under

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

the WFPO award, which has not been funded as of the date of this report. Funding delays or the rescindment of the WFFO award could materially affect Valley Water's implementation of the ULCPP Project.

Factors Affecting Water Supply

2019 Revised Federal Biological Opinions Litigation

In October of 2019 the National Marine Fisheries Service (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. However, in late 2024, NMFS and FWS issued revised BiOps for the long-term coordinated operations of the CVP and the SWP, replacing the 2019 BiOps and effectively mooted most or all of this litigation.

The Department of Justice has filed a motion to dismiss all complaints in this litigation. A few plaintiffs have opposed this motion, claiming that some of the issues are not moot. A hearing on the motion is set for December 17, 2025. No new lawsuit has been filed yet challenging the 2024 BiOps.

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.

In March 2024, the trial court issued a decision in favor of the SWRCB, upholding the Plan's Phase 1 Amendments against all causes of action. Several parties appealed the decision. Appellate briefing has not yet begun and those appeals are pending. The trial court's decision supports the State Board's authority to issue proposed Phase 2 Bay-Delta Plan amendments that could require an adaptive 45-65% unimpaired flow requirement on all major tributaries to the Sacramento River.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

That requirement, if implemented, could significantly reduce exports of CVP and SWP water from the Delta. State Board staff has recently proposed an alternative regulatory pathway for the Sacramento/Delta amendments - referred to as the Healthy Rivers and Landscapes – that, if adopted, will lessen the water supply impact on parties subject to that proposal by combining flow, habitat improvement, and other commitments.

2020 California Incidental Take Permit Litigation (CDWR Water Operations Cases)

Under the California Endangered Species Act (“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. In March 2020, DWR issued a final EIR for the long-term operation of the SWP, and California Department of Fish and Wildlife (“CDFW”) issued an ITP for the long-term operation of the SWP.

The ITP and final EIR significantly limited exports in wetter years as compared to what was allowed under federal 2019 revised BiOps, with potential reductions of up to 400,000 acre-feet in April and May. Several lawsuits were filed. SWP contractors alleged, 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, and unnecessarily restricting water exports.

Environmental groups alleged that the final EIR and ITP violated the Delta Reform Act and CEQA, as it did not go far enough in protecting threatened fish species. DWR sought and obtained a new ITP from CDFW for long-term SWP operations in late 2024. In light of this new permit, this litigation is now moot and most plaintiffs have agreed to dismiss their complaints. A dismissal hearing is scheduled on October 24, 2025.

2024 California Incidental Take Permit Litigation.

Four lawsuits have been filed challenging the new 2024 ITP, including claims under the Delta Reform Act, CEQA, and the Public Trust Doctrine. These cases have only recently been filed and the litigation is at an early stage.

Center for Biological Diversity et al. v. USBR et al. (WIIN Act Conversion Litigation)

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, through the federal Administrative Procedures Act. APA. 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.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

The parties filed cross-motions for summary judgment. On June 30, 2025, the U.S. District Court issued a lengthy decision denying plaintiffs' motion for summary judgment and granting defendants' motion for summary judgment, finding that USBR did not violate the APA/ESA or NEPA in converting defendant CVP contractors' water service contracts into permanent repayment contracts without performing NEPA or ESA review. Plaintiffs recently filed a notice of appeal.

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 to provide to the Exchange Contractors. SLDMWA and Valley Water intervened in this action. If this argument prevailed, it could negatively impact future CVP water allocations to Valley Water and other non-Friant Division CVP contractors.

The trial court granted summary judgment in favor of defendant United States and intervenors. The Court of Appeal issued a decision in 2025 upholding the trial court decision in its entirety. Plaintiffs have filed a petition to review this case to the U.S. Supreme Court that is pending.

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. In 2022, the court granted DWR's motions to dismiss or for summary judgment as to all CEQA, Delta Reform Act, and Public Trust Doctrine causes of action and affirmative defenses.

In 2022, the court granted DWR's motions to dismiss or for summary judgment as to all CEQA, Delta Reform Act, and Public Trust Doctrine causes of action and affirmative defenses. 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/or Burns-Porter Act but suggested that a more narrow, or specific, bond resolution might be so authorized. DWR and several intervening parties appealed this decision. This appeal has been fully briefed and the Court of Appeal will hear oral argument on November 19, 2025.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

DWR DCF Bond Validation (DWR v. All Persons Interested)

(Sacr. Sup. Ct. Case No. 2025CV000704) In response to the trial court's decision in the first DCP bond validation action, in January 2025, DWR issued a new, more narrowly-tailored DCP master bond resolution and then filed a second action to validate its authority to issue revenue bonds pursuant to this new resolution. Several SWP contractors, including Valley Water, have filed answers in support of DWR, but several parties filed opposing answers, demurrers, and affirmative defenses. In June 2025, the trial court overruled, or denied, demurrers to this validation complaint on the ground that it was barred as a matter of law by the prior bond validation action. The court has now set forth a briefing schedule in this action, with a trial scheduled for March 16, 2026.

DCP EIR Litigation

(Sacr. Sup. Ct. Case Nos. 24WM00006 et al.) Several Plaintiffs filed suit against DWR alleging that it violated CEQA, the Delta Reform Act, Watershed Area of Origin Protection Act, Fish & Game Code, the Public Trust Doctrine and other laws in approving the Final EIR for the Delta Conveyance Project (DCP).

In 2024, the trial court issued a preliminary injunction halting geotechnical work on the DCP on the grounds that DWR was required but failed to file a consistency determination with the Delta Stewardship Council (DSC) under the Delta Reform Act before proceeding with geotechnical work. DWR appealed the trial court's decision and the Court of Appeal issued a decision in October 2025 reversing the trial court's order and issuance of a preliminary injunction and remanding the case. Additionally, DWR subsequently submitted a consistency determination to the DSC for the geotechnical work and the DSC issued a decision finding that it was not subject to a consistency determination. The trial court has not yet addressed the merits of plaintiffs' other claims, including CEQA claims.

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 supply certainty. The Bay-Delta Accord laid the groundwork for the establishment of the CALFED Bay-Delta Program, which has been succeeded by a

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

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 - CERTAIN RISK DISCLOSURES (GASB 102)

Valley Water is subject to risks arising from concentrations and constraints that could affect its ability to provide services or meet obligations. Significant concentrations include reliance on property tax revenues and imported water supplies from the State Water Project. Management has determined these risks are reasonably possible of having a substantial impact and continues to monitor and mitigate them through diversified funding, long-term planning, and debt management policies.

NOTE 18 - CHANGE IN ACCOUNTING PRINCIPLE

Valley Water's beginning net position as of July 1, 2024, has been restated to reflect the implementation of GASB Statement No. 101, *Compensated Absences*, which is reported as a change in accounting principle in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*.

The impact of this change on the beginning net position as of July 1, 2024 (in thousands), is summarized below:

Government-wide – Governmental Activities

Description	Amount
Net position – beginning of year, as previously reported	\$1,982,138
Decrease in compensated absences liability due to implementation of GASB 101	885
Net position – beginning of year, as restated	<u>\$1,983,023</u>

Business-Type Activities

Description	Amount
Net position – beginning of year, as previously reported	\$1,203,485
Decrease in compensated absences liability due to implementation of GASB 101	728
Net position – beginning of year, as restated	<u>\$1,204,213</u>

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 19 - SUBSEQUENT EVENTS

Events have been evaluated subsequent to the balance sheet date through December 23, 2025, 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 26, 2025, the Valley Water Board of Directors voted to suspend development of the proposed Pacheco Reservoir Expansion Project. The Board also directed Interim CEO Melanie Richardson to prepare a plan to close out the project, withdraw the agency's application for state funding through the Water Storage Investment Program (WSIP), and terminate the associated \$1.4 billion Water Infrastructure Finance and Innovation Act (WIFIA) loan. The decision followed a staff update that identified several challenges, including rising costs, longer timelines for environmental reviews, uncertainty in regulations, and complex permitting processes.

On November 14, 2025, Valley Water, the PFFC and the United States EPA executed an agreement to terminate the WIFIA loan and related documents for the Pacheco Reservoir Expansion Project.

- On September 10, 2025, Valley Water closed on \$200.1 million of bond issuances, comprised of \$109.4 million of tax-exempt bonds and \$90.7 million of taxable bonds for the Water Utility capital program. The bond proceeds were primarily used to refund outstanding short-term debt issued for Water Utility capital projects and refund the Series 2016A and 2016C bonds for debt service savings. The obligation of Valley Water to pay principal and interest of the bonds is secured by a pledge of and lien on Valley Water's Water Utility System Revenues and is payable from the Net Water Utility System Revenues pursuant to the Water Utility Parity System Master Resolution (16-10).
- On October 1, 2025, the Federal Government shut down as funding expired and no new appropriations had been passed. As such, Valley Water expects reimbursement claims associated with Federal grants to be delayed. The most significant Federal grant is an \$80 million grant from the Natural Resources Conservation Service (NRCS) to pay for the phase 2b portion of the Upper Llagas Creek Flood Protection Project. Outstanding reimbursement claims to date total \$5.9 million.
- Morris, et al. v. Betty Anne Gardens, et al.

This matter involves a flooding event that occurred along Upper Penitencia Creek on February 13, 2025, that lasted several hours and inundated numerous residential units and common areas in the Betty Anne Gardens affordable housing community. On October 15, 2025, Plaintiffs consisting of nine Betty Anne Gardens tenants affected by the flooding filed a complaint for damages in the Santa Clara County Superior Court,

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

listing Valley Water as one of seven named defendants, and alleging three causes of action against Valley Water: dangerous condition of public property, public nuisance, and inverse condemnation. In addition, First Community Housing and Betty Anne Gardens, L.P., owners and managers of the affected building, submitted a claim to Valley Water pursuant to the Government Claims Act on August 11, 2025, seeking reimbursement for damages from the flooding. Their claim was subsequently denied by the Board on November 25, 2025. Valley Water believes it has reasonable defenses to Plaintiffs' and claimants' allegations, which it intends to assert. Valley Water cannot predict what effects this lawsuit or claim may have or if such effects would be material.

**Required
Supplementary
Information**

VALLEY WATER

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

June 30, 2025

(Dollars in Thousands)

	2016	2017	2018	2019
Total pension liability				
Service cost	\$ 13,736	\$ 13,764	\$ 15,752	\$ 16,023
Interest on total pension liability	48,842	51,160	53,110	54,940
Differences between expected and actual experience	(184)	(3,174)	(4,717)	(1,354)
Changes in assumptions	(12,080)	—	44,289	(8,126)
Changes in benefits	—	—	—	—
Benefit payments, including refunds of employee contributions	(27,800)	(30,428)	(32,499)	(35,347)
Net change in pension liability	22,514	31,322	75,935	26,136
Total pension liability, beginning	657,757	680,271	711,593	787,528
Total pension liability, ending (a)	680,271	711,593	787,528	813,664
Plan fiduciary net position				
Contributions - employer	15,158	17,044	19,055	20,101
Contributions - employee	6,242	6,568	6,625	7,030
Net investment income	11,478	2,753	56,514	47,227
Benefits payment	(27,800)	(30,428)	(32,499)	(35,347)
Administrative expenses	(567)	(312)	(751)	(868)
Other miscellaneous income / (expenses)	—	—	—	(1,649)
Net change in fiduciary net position	4,511	(4,375)	48,944	36,494
Plan fiduciary net position, beginning	508,241	512,752	508,377	557,321
Plan fiduciary net position, ending (b)	512,752	508,377	557,321	593,815
Net pension liability, ending (a - b)	\$ 167,519	\$ 203,216	\$ 230,207	\$ 219,849
Plan fiduciary net position as a percentage of total pension liability	75.37 %	71.44%	70.77%	72.98%
Covered payroll	\$ 78,010	\$ 79,664	\$ 84,111	\$ 88,533
Net pension liability as a percentage of covered payroll	214.74 %	255.09%	273.69%	248.32%
Discount rate	7.65 %	7.65%	7.15%	7.15%

2020	2021	2022	2023	2024	2025
\$ 16,483	\$ 16,988	\$ 18,122	\$ 20,886	\$ 22,018	\$ 22,517
58,350	61,604	64,728	67,371	71,253	74,838
13,358	10,680	8,045	5,063	17,909	14,170
—	—	—	28,437	—	—
—	—	—	—	573	—
(38,352)	(42,163)	(44,848)	(48,423)	(53,662)	(57,804)
49,839	47,109	46,047	73,334	58,091	53,721
813,664	863,503	910,612	956,659	1,029,993	1,088,084
863,503	910,612	956,659	1,029,993	1,088,084	1,141,805
26,623	29,743	33,640	37,448	39,835	41,468
7,631	7,624	8,368	8,898	9,319	9,967
39,280	31,577	149,286	(60,895)	46,063	75,410
(38,352)	(42,163)	(44,847)	(48,423)	(53,662)	(57,804)
(424)	(886)	(654)	(499)	(542)	(633)
1	—	—	—	—	—
34,759	25,895	145,793	(63,471)	41,013	68,408
593,815	628,574	654,469	800,262	736,791	777,804
628,574	654,469	800,262	736,791	777,804	846,212
\$ 234,929	\$ 256,143	\$ 156,397	\$ 293,202	\$ 310,280	\$ 295,593
72.79 %	71.87%	83.65%	71.53%	71.48%	74.11%
\$ 92,134	\$ 97,299	\$ 106,472	\$ 115,455	\$ 124,538	\$ 128,372
254.99 %	263.25%	146.89%	253.95%	249.14%	230.26%
7.15 %	7.15%	7.15%	6.90%	6.90%	6.90%

VALLEY WATER

Schedule of Employer Pension Contributions - Last 10 Years

June 30, 2025

(Dollars in Thousands)

	2016	2017	2018	2019
Actuarially determined contribution	\$ 16,532	\$ 18,569	\$ 19,746	\$ 22,409
Contributions in relation to the actuarially determined contribution	(16,532)	(18,569)	(19,746)	(25,409)
Contribution Deficiency/(Excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (3,000)</u>
Covered payroll(1)	\$ 79,664	\$ 84,111	\$ 88,533	\$ 92,134
Contribution as a percentage of covered payroll	20.75%	22.08%	22.30%	27.58%

(1) 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 2.80% increase.

Fiscal Year					
2020	2021	2022	2023	2024	2025
\$ 25,273	\$ 28,610	\$ 32,021	\$ 37,411	\$ 38,970	\$ 41,648
(28,273)	(31,610)	(35,021)	(40,411)	(41,970)	(44,648)
<u>\$ (3,000)</u>	<u>\$ (3,000)</u>	<u>\$ (3,000)</u>	<u>\$ (3,000)</u>	<u>\$ (3,000)</u>	<u>\$ (3,000)</u>
\$ 97,299	\$ 106,472	\$ 115,455	\$ 124,538	\$ 128,372	\$ 131,966
29.06 %	29.69%	30.33%	32.45%	32.69%	33.83%

VALLEY WATER

Schedule of Changes in Net OPEB Liability and Related Ratios - Last 10 Years* June 30, 2025 (Dollars in Thousands)

	Fiscal Year							
	2018	2019	2020	2021	2022	2023	2024	2025
Total OPEB liability								
Service cost	\$2,913	\$2,914	\$2,644	\$2,501	\$2,287	\$2,570	\$2,404	\$4,257
Interest on total OPEB liability	12,018	12,473	12,899	12,818	13,195	13,201	13,086	14,066
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)	(13,144)
Other liability experience loss / (gain)	—	54	(8,018)	211	(5,605)	196	5,349	(633)
Net change in OPEB liability	6,460	6,564	(8,099)	5,192	411	(283)	60,763	4,546
Total OPEB liability, beginning	167,805	174,265	180,829	172,730	177,922	178,333	178,050	238,813
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>	<u>\$243,359</u>
Plan fiduciary net position								
Contributions	\$11,471	\$11,877	\$10,068	\$10,338	\$10,581	\$11,562	\$13,884	\$13,144
Benefits payment	(8,471)	(8,877)	(10,068)	(10,338)	(10,581)	(11,562)	(13,884)	(13,144)
Expected investment income	6,259	7,143	7,825	8,659	23,496	11,419	9,885	8,312
Investment experience (loss)/gain - differences between expected and actual experience	2,925	787	(1,180)	(4,622)	8,960	(31,551)	(1,517)	6,903
Administrative expense	(45)	(52)	(53)	(57)	(66)	(73)	(65)	(70)
Net change in fiduciary net position	12,139	10,878	6,592	3,980	32,390	(20,205)	8,303	15,145
Plan fiduciary net position, beginning	84,501	96,640	107,518	114,110	118,090	150,480	130,275	138,578
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>	<u>\$153,723</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>	<u>\$89,636</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%	63.17%
Covered payroll	88,533	92,134	97,299	106,472	115,455	124,538	128,372	133,026
Net OPEB liability as a percentage of covered payroll	92.29%	82.81%	63.62%	61.49%	26.16%	41.38%	78.08%	67.38%
Discount rate	7.28%	7.28%	7.59%	7.59%	7.59%	7.59%	7.59%	6.00%

*Fiscal year 2018 was the first year of GASB 75 implementation, therefore only 8 years are shown.

VALLEY WATER

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

June 30, 2025

(Dollars in Thousands)

	Fiscal Year							
	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially determined contribution	\$ 8,780	\$ 8,559	\$ 8,162	\$ 7,356	\$ 7,431	\$ 5,063	\$ 6,861	\$ 6,861
Contributions in relation to the actuarially determined contribution	(12,546)	(10,227)	(10,757)	(10,972)	(12,078)	(13,910)	(13,445)	(13,186)
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>	<u>\$ (6,325)</u>
Covered payroll(1)	\$88,533	\$92,134	\$97,299	\$106,471	\$115,451	\$124,538	\$128,372	\$131,966
Contribution as a percentage of covered payroll	14.17	11.10	11.13	10.31	10.46	11.17	10.47	9.99

(1) 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 2.80% increase.

*Fiscal year 2018 was the first year of GASB 75 implementation, therefore only 8 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, 2025 (Dollars in Thousands)

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Budgetary Basis Actual	
Revenues:				
Property taxes	\$12,199	\$12,199	\$ 12,921	\$722
Use of money and property:				
Investment income	146	146	1,909	1,763
Rental	—	—	—	—
Reimbursement of capital costs	—	—	—	—
Other	30	30	520	490
Total revenues	<u>12,375</u>	<u>12,375</u>	<u>15,350</u>	<u>2,975</u>
Expenditures:				
Operating budget:				
Operations and operating projects	90,182	90,394	77,337	13,057
Debt service:				
Principal repayment	—	—	—	—
Interest payments	—	—	—	—
Total operating budget	<u>90,182</u>	<u>90,394</u>	<u>77,337</u>	<u>13,057</u>
Capital budget:				
Capital improvement projects	7,262	20,943	9,829	30,985
Total expenditures	<u>97,444</u>	<u>111,337</u>	<u>87,166</u>	<u>44,042</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(85,069)</u>	<u>(98,962)</u>	<u>(71,816)</u>	<u>27,146</u>
Other financing sources (uses):				
Intra-district overhead reimbursement	82,260	82,260	74,451	(7,809)
Certificate of Participation proceeds	—	—	—	—
Transfers in	3,821	8,108	7,238	(870)
Transfers out	(1,987)	(1,987)	(1,987)	—
Total other financing sources	<u>84,094</u>	<u>88,381</u>	<u>79,702</u>	<u>(8,679)</u>
financing sources				
Net change in fund balances	<u>\$(975)</u>	<u>\$(10,581)</u>	7,886	<u>\$18,467</u>
Reconciliation of GAAP and budgetary basis:				
Interest payments not budgeted			—	
Expenditures of prior year encumbrances recognized on the GAAP basis:				
Operations and operating projects			(1,537)	
Capital improvement projects			(1,088)	
Debt service				
Current year encumbrances recognized on the budgetary basis:				
Operations and operating projects			2,007	
Capital improvement projects			5,335	
Debt service			—	
Fund Balances, beginning of year			30,137	
Fund Balances, end of year			<u>\$42,740</u>	

Watershed & Stream Stewardship Fund				Safe, Clean Water & Natural Flood Protection Fund			
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)
\$124,993	\$124,993	\$ 129,840	\$ 4,847	\$ 53,532	\$ 53,532	\$ 53,227	\$ (305)
2,264	2,264	9,178	6,914	2,639	2,639	11,854	9,215
1,554	1,554	2,220	666	—	—	320	320
11,900	11,900	7,856	(4,044)	30,000	30,000	2,959	(27,041)
310	310	1,667	1,357	—	—	13	13
<u>141,021</u>	<u>141,021</u>	<u>150,761</u>	<u>9,740</u>	<u>86,171</u>	<u>86,171</u>	<u>68,373</u>	<u>(17,798)</u>
93,832	92,881	82,332	10,549	24,549	26,042	22,982	3,060
—	—	—	—	1,455	1,455	1,455	—
—	—	—	—	8,812	8,812	4,483	4,329
<u>93,832</u>	<u>92,881</u>	<u>82,332</u>	<u>10,549</u>	<u>34,816</u>	<u>36,309</u>	<u>28,920</u>	<u>7,389</u>
24,109	39,253	15,043	24,210	139,008	156,898	84,238	72,660
<u>117,941</u>	<u>132,134</u>	<u>97,375</u>	<u>34,759</u>	<u>173,824</u>	<u>193,207</u>	<u>113,158</u>	<u>80,049</u>
23,080	8,887	53,386	44,499	(87,653)	(107,036)	(44,785)	62,251
—	—	—	—	—	—	—	—
—	—	—	—	109,609	109,609	7,931	(101,678)
1,251	1,251	1,087	(164)	3,000	3,000	3,000	—
(7,001)	(8,288)	(7,418)	870	(7,991)	(8,419)	(8,419)	—
<u>(5,750)</u>	<u>(7,037)</u>	<u>(6,331)</u>	<u>706</u>	<u>104,618</u>	<u>104,190</u>	<u>2,512</u>	<u>(101,678)</u>
<u>\$ 17,330</u>	<u>\$ 1,850</u>	47,055	<u>\$ 45,205</u>	<u>\$ 16,965</u>	<u>\$ (2,846)</u>	(42,273)	<u>\$ (39,427)</u>
		—				(2,322)	
		(1,850)				(1,780)	
		(1,759)				(8,971)	
						(37)	
		2,764				1,803	
		1,563				8,137	
		—				—	
		154,091				217,504	
		<u>\$ 201,864</u>				<u>\$ 172,061</u>	

VALLEY WATER
Notes to Required Supplementary Information
For the Year Ended June 30, 2025

Valley Water annually adopts a 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 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.

This page intentionally left blank

Supplemental Information

Selected Watershed Activities Contained Within the Watershed and Stream Stewardship Funds

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

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, 2025
(Dollars in Thousands)

	Lower Peninsula Watershed	West Valley Watershed
Revenues:		
Benefit assessments	\$ 2,704	\$ 811
Total revenues	2,704	811
Expenditures:		
Debt Service:		
Principal payment	1,695	509
Interest payments	579	174
Total Debt Service	2,274	683
Total expenditures	2,274	683
Excess (deficiency) of revenues over (under) expenditures	430	128
Other financing sources (uses):		
Transfers in (Note 14)	—	(128)
Transfers out (Note 14)	(430)	
Total other financing sources (uses)	(430)	(128)
Net change in fund balances	—	—
Fund balances, beginning of year	—	—
Fund balances, end of year	\$ —	\$ —

<u>Guadalupe Watershed</u>	<u>Coyote Watershed</u>	<u>Total</u>
\$ 902	\$ 2,432	\$ 6,849
902	2,432	6,849
565	1,526	4,295
193	521	1,467
758	2,047	5,762
758	2,047	5,762
144	385	1,087
(144)	(385)	(657)
		(430)
(144)	(385)	(1,087)
—	—	—
—	—	—
\$ —	\$ —	\$ —

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, 2025 (Dollars in Thousands)

	Lower Peninsula Watershed			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Budgetary Basis Actual	
Revenues:				
Benefit assessments	\$ 2,768	\$ 2,768	\$ 2,704	\$ (64)
Total revenues	2,768	2,768	2,704	(64)
Expenditures:				
Debt service:				
Principal repayment	1,695	1,695	1,695	—
Interest and fiscal charges	595	595	579	16
Total expenditures	2,290	2,290	2,274	16
Excess (deficiency) of revenues over (under) expenditures	478	478	430	(48)
Other financing sources (uses):				
Transfers in	—	—	—	—
Transfers out	(494)	(494)	(430)	64
Total other financing sources (uses)	(494)	(494)	(430)	64
Excess (deficiency) of revenues and other financing sources				
Net change in fund balances	\$ (16)	\$ (16)	\$ —	\$ 16

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)
\$ 830	\$ 830	\$ 811	\$ (19)	\$ 963	\$ 963	\$ 902	\$ (61)
830	830	811	(19)	963	963	902	(61)
509	509	509	—	565	565	565	—
178	178	174	4	198	198	193	5
687	687	683	4	763	763	758	5
143	143	128	(15)	200	200	144	(56)
—	—	(128)	(128)	—	—	(144)	(144)
(148)	(148)	—	148	(165)	(165)	—	165
(148)	(148)	(128)	20	(165)	(165)	(144)	21
\$ (5)	\$ (5)	\$ —	\$ 5	\$ 35	\$ 35	\$ —	\$ (35)

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, 2025 (Dollars in Thousands)

	Coyote Watershed			Variance with
	Original Budget	Final Budget	Budgetary Basis Actual	Final Budget Positive (Negative)
Revenues:				
Benefit Assessments	\$ 2,492	\$ 2,492	\$ 2,432	\$ (60)
Total revenues	2,492	2,492	2,432	(60)
Expenditures:				
Debt service:				
Principal repayment	1,526	1,526	1,526	—
Interest and fiscal charges	535	535	521	14
Total expenditures	2,061	2,061	2,047	14
Excess (deficiency) of revenues over (under) expenditures	431	431	385	(46)
Other financing sources (uses):				
Transfers in	—	—	(385)	(385)
Transfers out	(445)	(445)	—	445
Total other financing sources (uses)	(445)	(445)	(385)	60
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financial uses	\$ (14)	\$ (14)	\$ —	\$ 14

Water Enterprise and State Water Project Funds

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

VALLEY WATER

Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual Water Enterprise and State Water Project Funds For the Year Ended June 30, 2025 (Dollars in Thousands)

	Water Enterprise Fund			Variance with
	Original Budget	Final Budget	Budgetary Basis Actual	Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 11,163	\$ 11,163	\$ 11,679	\$ 516
Intergovernmental services	1,688	1,688	4,885	3,197
Ground water production charges	184,722	184,722	176,173	(8,549)
Treated water charges	211,703	211,703	202,844	(8,859)
Surface and recycled water revenue	4,040	4,040	2,955	(1,085)
Investment income	4,340	4,340	17,842	13,502
Capital reimbursements	456	456	3,030	2,574
Other	811	811	7,755	6,944
Total revenues	418,923	418,923	427,163	8,240
Expenses:				
Current:				
Operations and operating projects	236,791	251,207	231,594	19,613
Debt Service:				
Principal repayment	28,575	28,575	28,475	100
Interest and fiscal agent fees	59,030	59,030	43,166	15,864
Capital outlay:				
Capital improvement projects	325,072	357,986	268,627	89,359
Total expenses	649,468	696,798	571,862	124,936
Excess (deficiency) of revenues over (under) expenses before transfers	(230,545)	(277,875)	(144,699)	133,176
Transfers in	11,428	11,428	11,428	—
Transfers out	(8,272)	(10,844)	(10,844)	—
Excess (deficiency) of revenues and other financing sources over (under) expenses	\$ (227,389)	\$ (277,291)	(144,115)	\$ 133,176
Reconciliation of GAAP and budgetary basis:				
Depreciation and amortization expense not budgeted			(22,951)	
Inventory adjustment not budgeted			17,184	
Capitalized expenditures			302,479	
Capitalized leases			315	
Debt principal and GAAP basis accruals for interest payable			28,430	
GAAP basis expenses and other liabilities			(527)	
Expenses of prior year encumbrances recognized on the GAAP basis:				
Operations and operating projects			(6,269)	
Capital improvement projects			(138,912)	
Current year encumbrances recognized on the budgetary basis:				
Operations and operating projects			42,601	
Capital improvement projects			90,076	
Net position, beginning of year			1,186,994	
Net position, end of year			\$ 1,355,305	

State Water Project Fund				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)
\$ 28,000	\$ 28,000	\$ 29,557	\$ 1,557	\$ 39,163	\$ 39,163	\$ 41,236	\$ 2,073
—	—	—	—	1,688	1,688	4,885	3,197
—	—	—	—	184,722	184,722	176,173	(8,549)
—	—	—	—	211,703	211,703	202,844	(8,859)
—	—	—	—	4,040	4,040	2,955	(1,085)
—	—	—	—	4,340	4,340	17,842	13,502
—	—	—	—	456	456	3,030	2,574
1,000	1,000	9,589	8,589	1,811	1,811	17,344	15,533
29,000	29,000	39,146	10,146	447,923	447,923	466,309	18,386
31,562	31,562	31,562	—	268,353	282,769	263,156	19,613
—	—	—	—	28,575	28,575	28,475	100
—	—	—	—	59,030	59,030	43,166	15,864
—	—	—	—	325,072	357,986	268,627	89,359
31,562	31,562	31,562	—	681,030	728,360	603,424	124,936
(2,562)	(2,562)	7,584	10,146	(233,107)	(280,437)	(137,115)	143,322
—	—	—	—	11,428	11,428	11,428	—
—	—	—	—	(8,272)	(10,844)	(10,844)	—
<u>\$ (2,562)</u>	<u>\$ (2,562)</u>	7,584	<u>\$ 10,146</u>	<u>\$ (229,951)</u>	<u>\$ (279,853)</u>	(136,531)	<u>\$ 143,322</u>
		(944)				(23,895)	
		—				17,184	
		—				302,479	
		—				315	
		—				28,430	
		—				(527)	
		—				(6,269)	
		—				(138,912)	
		3,539				46,140	
		—				90,076	
		33,784				1,220,778	
		<u>\$ 43,963</u>				<u>\$ 1,399,268</u>	

Internal Service Funds

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.

VALLEY WATER

Combining Statement of Net Position
Internal Service Funds
June 30, 2025
(Dollars in Thousands)

	Equipment	Risk Management	Information Technology	Total
ASSETS				
Current assets:				
Cash and investments	\$ 8,671	\$ 22,877	\$ 19,379	\$ 50,927
Prepaid assets	—	—	830	830
Deposits and other assets	79	—	—	79
Total current assets	8,750	22,877	20,209	51,836
Noncurrent assets:				
Capital assets				
Depreciable assets	28,125	18	14,570	42,713
Lease assets	—	—	819	819
Accumulated depreciation	(19,416)	(18)	(12,422)	(31,856)
Total noncurrent assets	8,709	—	2,967	11,676
Total assets	17,459	22,877	23,176	63,512
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflows of resources - pension activities	709	935	3,675	5,319
Deferred outflows of resources - OPEB	403	531	2,088	3,022
Total deferred outflows of resources	1,112	1,466	5,763	8,341
LIABILITIES				
Current liabilities:				
Accounts payable	271	8	1,495	1,774
Accrued liabilities	605	34	870	1,509
Deposits payable	2	—	1	3
Claims payable	—	3,118	—	3,118
Compensated absence	104	74	60	238
Lease Liability	—	—	111	111
Total current liabilities	982	3,234	2,537	6,753
Non current liabilities:				
Claims payable	—	8,358	—	8,358
Net Pension liability	2,369	3,126	12,288	17,783
Other post employment benefits liability	719	948	3,726	5,393
Compensated absence	193	137	113	443
Lease Liability	—	—	234	234
Total non current liabilities	3,281	12,569	16,361	32,211
Total liabilities	4,263	15,803	18,898	38,964
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - OPEB	37	49	192	278
Total deferred inflows of resources	37	49	192	278
NET POSITION				
Net Investment in capital assets	8,709	—	2,622	11,331
Unrestricted	5,562	8,491	7,227	21,280
Total net position	\$ 14,271	\$ 8,491	\$ 9,849	\$ 32,611

VALLEY WATER

Combining Statement of Revenues, Expenses and
Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2025
(Dollars in Thousands)

	Equipment	Risk Management	Information Technology	Total
Operating revenues:				
Vehicle service charges	\$ 6,554	\$ —	\$ —	\$ 6,554
Computer equipment use charges	—	—	27,795	27,795
Self-insurance service charges	—	12,505	—	12,505
Total operating revenues	6,554	12,505	27,795	46,854
Operating expenses:				
Administration and general	—	9,541	—	9,541
Equipment maintenance	5,421	—	34,922	40,343
Depreciation and amortization	1,761	—	921	2,682
Total operating expenses	7,182	9,541	35,843	52,566
Operating Income (loss)	(628)	2,964	(8,048)	(5,712)
Nonoperating revenues:				
Investment income	469	1,095	942	2,506
Gain on sale of capital assets	42	—	2	44
Other	—	407	—	407
Total nonoperating revenues	511	1,502	944	2,957
Income (loss) before transfers	(117)	4,466	(7,104)	(2,755)
Transfer in	—	—	7,001	7,001
Change in net position	(117)	4,466	(103)	4,246
Net position, beginning of year, as previously reported	14,375	4,007	9,886	28,268
GASB 101 adoption restatement	13	18	66	97
Net position, beginning of year, as restated	14,388	4,025	9,952	28,365
Net position, end of year	\$ 14,271	\$8,491	\$9,849	\$32,611

VALLEY WATER

Combining Statement of Cash Flows Internal Service Funds For the Year Ended June 30, 2025 (Dollars in Thousands)

	Equipment	Risk Management	Information Technology	Total
Cash flows from operating activities:				
Payment for interfund services provided	\$ 6,554	\$ 12,505	\$ 27,795	\$ 46,854
Payments to suppliers	(2,676)	(6,588)	(23,208)	(32,472)
Payments to employees	(1,932)	(2,411)	(10,208)	(14,551)
Other receipts	—	407	—	407
Net cash provided by (used for) operating activities	1,946	3,913	(5,621)	238
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(1,905)	—	(899)	(2,804)
Transfers in from other funds	—	—	7,001	7,001
Net cash provided by (used for) capital and related financing activities	(1,905)	—	6,102	4,197
Cash flows from investing activities:				
Interest received on cash & investments	469	1,095	942	2,506
Net cash provided by (used for) investing activities	469	1,095	942	2,506
Net increase/(decrease) in cash & cash equivalents	510	5,008	1,423	6,941
Cash & cash equivalents, beginning	8,158	17,869	17,956	43,983
Cash & cash equivalents, ending	\$ 8,668	\$ 22,877	\$ 19,379	\$ 50,924
Cash and cash equivalents are reported on the Statement of Net Position as follows:				
Cash and investments	8,671	22,877	19,379	50,927
Cash & cash equivalents, ending	\$ 8,671	\$ 22,877	\$ 19,379	\$ 50,927
Reconciliation of net operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (628)	\$ 2,964	\$ (8,048)	\$ (5,712)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	1,761	—	921	2,682
Other receipts/(payments)	—	407	—	407
Change in operating assets and liabilities:				
(Increase)/decrease in deposits and other assets	8	—	(830)	(822)
Increase/(decrease) in accounts payable	213	5	1,063	1,281
Increase/(decrease) in accrued liabilities	543	(232)	410	721
Increase/(decrease) in compensated absences	—	1	7	8
Increase/(decrease) in claims payable	—	731	—	731
Increase (decrease) in deposits payable	1	—	1	2
Increase/(decrease) in pension liability	(146)	(227)	(423)	(796)
Increase/(decrease) in other post employment benefits payable	(94)	(135)	(380)	(609)
Increase/(decrease) in deferred inflow/outflow of resources	288	399	1,312	1,999
Increase/(decrease) in lease payable	—	—	346	346
Net cash provided by (used for) operating activities	\$ 1,946	\$ 3,913	\$ (5,621)	\$ 238
Noncash investing, capital and financing activity:				
(Acquisition)/disposition of capital assets	\$ 45			\$ 45

VALLEY WATER

Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual Internal Service Funds For the Year Ended June 30, 2025 (Dollars in Thousands)

	Equipment			Variance with
	Original Budget	Final Budget	Budgetary Basis Actual	Final Budget Positive (Negative)
Revenues:				
Investment income	\$ 83	\$ 83	\$ 469	\$ 386
Vehicle service charge	6,554	6,554	6,554	—
Computer equipment use charge	—	—	—	—
Self-insurance service charge	—	—	—	—
Gain on sale of fixed assets	21	21	42	21
Other	—	—	—	—
Total revenues	6,658	6,658	7,065	407
Expenses:				
Current:				
Operations and operating projects	4,957	5,488	5,380	108
Capital equipment acquisition	2,006	3,144	3,176	(32)
Total expenses	6,963	8,632	8,556	76
Excess (deficiency) of revenues over (under) expenditures before transfers	(305)	(1,974)	(1,491)	483
Transfers in	—	—	—	—
Excess (deficiency) of revenues and other financing resources over (under) expenditures and other financial uses	<u>\$ (305)</u>	<u>\$ (1,974)</u>	(1,491)	<u>\$ 483</u>
Reconciliation of GAAP and budgetary basis:				
Depreciation and amortization expense not budgeted			(1,761)	
Capitalized expenditures			1,947	
GAAP basis:				
Operations and operating projects			(6)	
Capital improvement projects			(1,329)	
Current year encumbrances recognized on the budgetary basis:				
Operations and operating projects			51	
Capital improvement projects			2,472	
Net position, beginning of year			14,375	
Prior period adjustment-GASB 101 adoption			13	
Net position, beginning of year, as restated			14,388	
Net position, end of year			<u>\$ 14,271</u>	

Risk Management				Information Technology			
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)
\$ 222	\$ 222	\$ 1,095	\$ 873	\$ 306	\$ 306	\$ 942	\$ 636
—	—	—	—	—	—	—	—
12,505	12,505	12,505	—	27,795	27,795	27,795	—
—	—	—	—	—	—	2	2
—	—	407	407	—	—	—	—
<u>12,727</u>	<u>12,727</u>	<u>14,007</u>	<u>1,280</u>	<u>28,101</u>	<u>28,101</u>	<u>28,739</u>	<u>638</u>
11,555	12,755	9,846	2,909	30,279	30,629	31,073	(444)
—	—	—	—	7,082	6,927	6,329	598
<u>11,555</u>	<u>12,755</u>	<u>9,846</u>	<u>2,909</u>	<u>37,361</u>	<u>37,556</u>	<u>37,402</u>	<u>154</u>
1,172	(28)	4,161	4,189	(9,260)	(9,455)	(8,663)	792
—	—	—	—	7,001	7,001	7,001	—
<u>\$ 1,172</u>	<u>\$ (28)</u>	4,161	<u>\$ 4,189</u>	<u>\$ (2,259)</u>	<u>\$ (2,454)</u>	(1,662)	<u>\$ 792</u>
		—				(921)	
		—				1,385	
		(50)				(2,899)	
		—				(1,177)	
		355				2,702	
		—				2,469	
		<u>4,007</u>				<u>9,886</u>	
		18				66	
		<u>4,025</u>				<u>9,952</u>	
		<u>\$ 8,491</u>				<u>\$ 9,849</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, 2025
(Dollars in Thousands)

	Total			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Budgetary Basis Actual	
Revenues:				
Investment income	\$ 611	\$ 611	\$ 2,506	\$ 1,895
Vehicle service charges	6,554	6,554	6,554	—
Computer equipment use charges	27,795	27,795	27,795	—
Self-insurance service charges	12,505	12,505	12,505	—
Gain on sale of fixed assets	21	21	44	23
Other	—	—	407	407
Total revenues	<u>47,486</u>	<u>47,486</u>	<u>49,811</u>	<u>2,325</u>
Expenditures:				
Current:				
Operations and operating projects	47,322	48,872	46,299	2,573
Capital equipment acquisition	9,132	10,071	9,505	566
Total expenditures	<u>56,454</u>	<u>58,943</u>	<u>55,804</u>	<u>3,139</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	(8,968)	(11,457)	(5,993)	5,464
Transfer in	7,001	7,001	7,001	—
Excess (deficiency) of revenues and other financing resources over (under) expenditures and other financial uses	<u>\$ (1,967)</u>	<u>\$ (4,456)</u>	1,008	<u>\$ 5,464</u>
Reconciliation of GAAP and budgetary basis:				
Depreciation and amortization expense not budgeted			(2,682)	
Capitalized expenditures			3,332	
Expenditures of prior year encumbrances recognized on the GAAP basis:				
Operations and operating projects			(2,955)	
Capital improvement projects			(2,506)	
Current year encumbrances recognized on the budgetary basis:				
Operations and operating projects			3,108	
Capital improvement projects			4,941	
Net position, beginning of year			<u>28,268</u>	
Prior period adjustment			97	
Net position, beginning of year, as restated			<u>28,365</u>	
Net position, end of year			<u>\$ 32,611</u>	

Capital Assets Used in the Operation of Governmental Activities

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.

VALLEY WATER

Capital Assets Used in the Operation of Governmental Activities
Schedule by Source
June 30, 2025
(Dollars in Thousands)

Governmental activities capital assets:

Land	\$ 192,769
Buildings	41,986
Structures and improvements	1,094,452
Equipment	62,940
Lease assets	3,495
Construction in process	769,069
Intangibles:	
Easements	31,559
Computer Software	4,263
Total governmental funds capital assets	<u><u>\$ 2,200,533</u></u>

Investments in governmental activities capital assets by source:

General fund	\$ 93,896
Special revenue funds:	
Watershed & Stream Stewardship	1,291,116
Safe, Clean Water & Natural Flood Protection	772,807
Internal service funds	42,714
Total governmental funds capital assets	<u><u>\$ 2,200,533</u></u>

VALLEY WATER

Capital Assets Used in the Operation of Governmental Activities Schedule By Function and Activity June 30, 2025 (Dollars in Thousands)

Dept	Function and Activity	Land	Buildings	Structures and Improvements	Equipment	Lease Assets	Construction -in-Progress	Intangibles		Total
								Easements	Software	
100	CEO Support Operations									
102	Chief Executive Office	\$ —	\$ —	\$ —	\$ 360	\$ —	\$ —	\$ —	\$ —	\$ 360
200	Watershed Operations									
210	Chief Operating Office	—	—	—	2,798	—	—	—	—	2,798
210	Watershed Management Division									
215	Watershed Business Management	—	—	—	84	—	—	—	—	84
250	Lower Peninsula/West Valley Mgmt.	—	—	—	167	—	—	—	—	167
270	Guadalupe Watershed Mgmt.	—	—	—	318	—	—	—	—	318
310	Capital Program Services Division									
340	Capital Program Services Departments	—	—	—	415	—	—	—	—	415
410	Water Utility Enterprise Operations									
410	Chief Operating Office	—	—	—	3	—	—	—	—	3
420	Water Utility Enterprise	—	—	—	125	—	—	—	—	125
600	Administration									
602	Chief Administrative Office	—	—	—	195	—	—	—	—	195
670	Financial Services Division									
610	Office of Administrative Services	—	—	—	68	—	—	—	—	68
670	Business And Finance Program	—	—	—	1,318	—	—	—	—	1,318
710	Information Management Division									
715	Information Management Division	—	—	—	249	—	—	—	—	249
720	Information Mgmt. Support Department	—	—	—	12,132	—	—	—	—	12,132
810	General Services Division									
815	Technical Services Division	—	—	—	—	—	—	—	—	—
820	Technical Services Support Division	—	—	—	2,666	—	—	—	—	2,666
765	Records and Library	—	—	—	168	—	—	—	—	168
820	Warehouse Services	—	—	—	311	—	—	—	—	311
885	Equipment Management	—	—	—	26,781	—	—	—	—	26,781
910	Human Resources Program									
660	Human Resources Program	—	—	—	53	—	—	—	—	53
Other:										
	District-wide property	192,769	41,986	1,094,452	14,729	3,495	769,069	31,559	4,263	2,152,322
	Total capital assets	\$192,769	\$ 41,986	\$ 1,094,452	\$ 62,940	\$ 3,495	\$ 769,069	\$ 31,559	\$ 4,263	\$2,200,533

VALLEY WATER

Capital Assets Used in the Operation of Governmental Activities
Schedule of Changes by Function and Activity
For the Year Ended June 30, 2025
(Dollars in Thousands)

Dept	Function and Activity	Governmental Capital Assets			Governmental Capital Assets		
		June 30, 2024	Additions	Deductions	June 30, 2025		
100	CEO Support Operations						
102	Chief Executive Office	\$ 360	\$ —	\$ —	\$ 360		
200	Watershed Operations						
202	Chief Operating Office	2,779	19	—	2,798		
210	Watershed Management Division						
215	Watershed Business Management	84	—	—	84		
250	Lower Peninsula/West Valley Mgmt.	167	—	—	167		
270	Guadalupe Watershed Mgmt.	318	—	—	318		
310	Capital Program Services Division						
340	Capital Program Services Departments	415	—	—	415		
410	Water Utility Enterprise Operations						
410	Chief Operating Office	3	—	—	3		
420	Water Utility Enterprise	125	—	—	125		
600	Administration						
602	Chief Administrative Office	214	—	(19)	195		
670	Financial Services Division						
610	Office of Administrative Services	68	—	—	68		
670	Business And Finance Program	1,405	—	(87)	1,318		
710	Information Management Division						
715	Information Management Division	249	—	—	249		
720	Information Mgmt. Support Departments	12,407	83	(358)	12,132		
810	General Services Division						
820	Technical Services Support Division	2,742	—	(76)	2,666		
765	Records and Library	168	—	—	168		
820	Warehouse Services	311	—	—	311		
885	Equipment Management	24,901	2,145	(265)	26,781		
910	Human Resources Program						
660	Human Resources Program	53	—	—	53		
Other:							
	District-wide property	2,061,464	90,878	(20)	2,152,322		
		<u>\$ 2,108,233</u>	<u>\$ 93,125</u>	<u>\$ (825)</u>	<u>\$ 2,200,533</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.

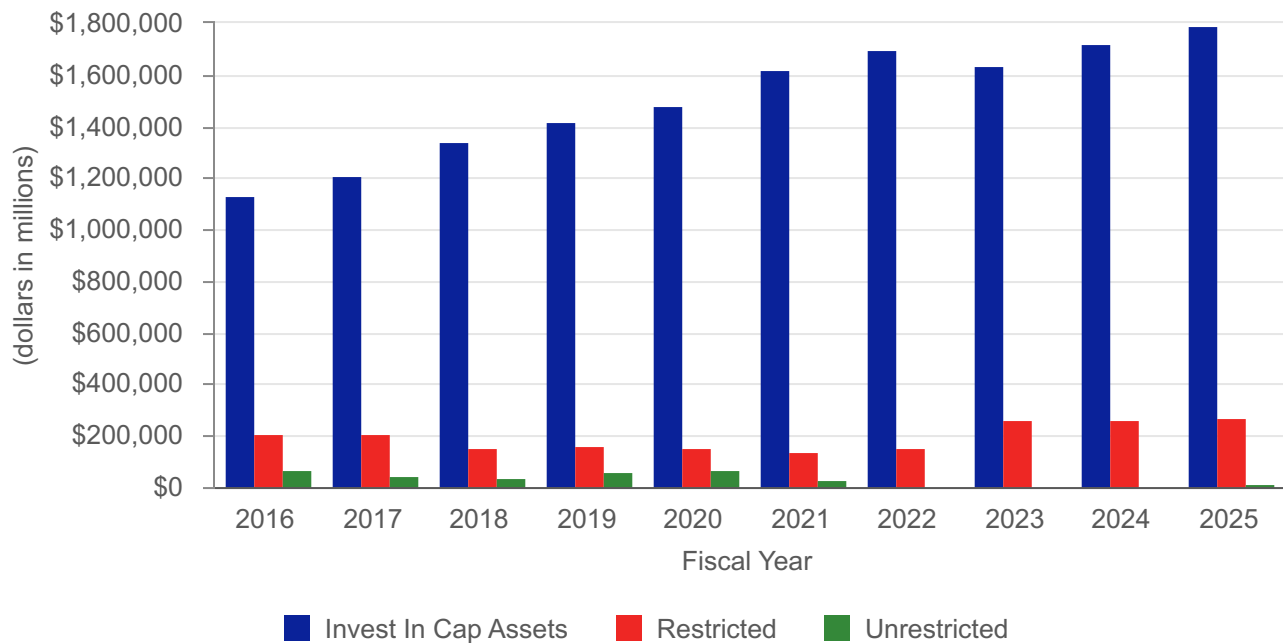
<u>Contents</u>	Page
Financial Trends	166
These schedules contain trend information to help the reader understand how Valley Water's financial performance and well-being have changed over time.	
Revenue Capacity	174
These schedules contain information to help the reader assess Valley Water's most significant local revenue source - water sales.	
Debt Capacity	181
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.	
Demographic and Economic Information	188
These schedules offer demographic and economic indicators to help the reader understand the environment within which Valley Water's financial activities take place.	
Operating Information	190
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.	

VALLEY WATER

Net Position by Component
Government-wide
Last Ten Fiscal Years
(Dollars in Thousands)

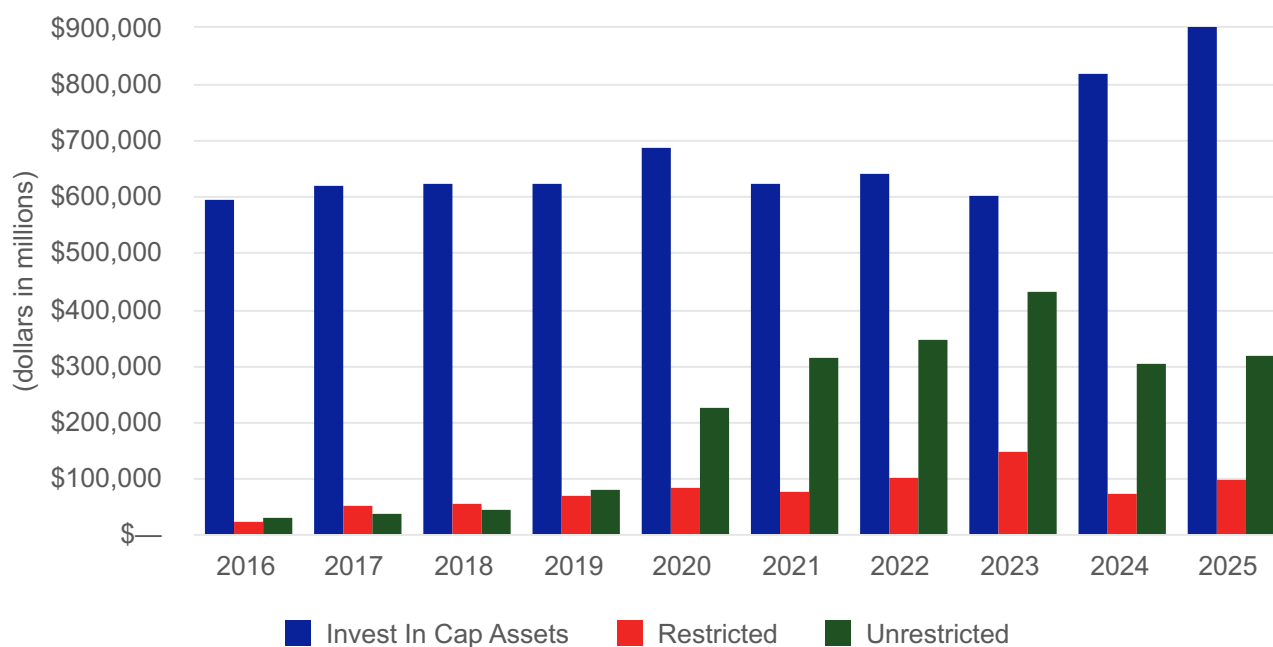
	2016	2017	2018	2019
Governmental activities				
Net Investment in capital assets	\$ 1,135,593	\$ 1,213,840	\$ 1,344,142	\$ 1,421,616
Restricted	210,198	209,873	158,062	160,594
Unrestricted	66,407	48,978	40,479	59,460
Total governmental activities net position	<u>\$ 1,412,198</u>	<u>\$ 1,472,691</u>	<u>\$ 1,542,683</u>	<u>\$ 1,641,670</u>
Business-type activities				
Net Investment in capital assets	\$ 598,075	\$ 623,828	\$ 626,514	\$ 625,256
Restricted	24,552	52,118	58,679	71,527
Unrestricted	32,191	39,895	46,102	81,811
Total business-type activities net position	<u>\$ 654,818</u>	<u>\$ 715,841</u>	<u>\$ 731,295</u>	<u>\$ 778,594</u>
Primary government				
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
Total primary government net position	<u>\$ 2,067,016</u>	<u>\$ 2,188,532</u>	<u>\$ 2,273,978</u>	<u>\$ 2,420,264</u>

Net Position - Governmental Activities



2020	2021	2022	2023	2024	2025
\$1,478,400	\$1,624,900	\$1,701,199	\$1,639,659	\$1,718,899	\$1,789,493
153,700	136,500	154,141	262,847	263,239	269,914
71,800	33,200	—	—	—	19,278
<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>	<u>\$2,078,685</u>
\$689,200	\$624,500	\$642,319	\$603,803	\$822,531	\$960,500
84,700	78,500	104,048	149,595	74,334	98,497
226,100	318,200	348,911	435,068	306,620	320,986
<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>	<u>\$1,379,983</u>
\$2,167,600	\$2,249,400	\$2,343,518	\$2,243,462	\$2,541,430	\$2,749,993
238,400	215,000	258,189	412,442	337,573	368,411
297,900	351,400	348,911	435,068	306,620	340,264
<u>\$2,703,900</u>	<u>\$2,815,800</u>	<u>\$2,950,618</u>	<u>\$3,090,972</u>	<u>\$3,185,623</u>	<u>\$3,458,668</u>

Net Position - Business-type Activities



VALLEY WATER

Change in Net Position
Government-wide
Last Ten Fiscal Years
(Dollars in Thousands)

	2016	2017	2018	2019
Expenses				
Governmental activities:				
General government:	\$ 5,940	\$ 9,339	\$ 8,407	\$ 3,246
Watersheds	57,745	69,166	85,780	99,415
Interest on long-term debt	5,977	4,271	3,091	3,048
Total governmental activities expenses	69,662	82,776	97,278	105,709
Business-type activities:				
Water enterprise	207,282	199,631	229,373	222,050
Total primary government expenses	<u>\$ 276,944</u>	<u>\$ 282,407</u>	<u>\$ 326,651</u>	<u>\$ 327,759</u>
Program Revenues				
Governmental activities:				
Capital grants and contributions	\$ 19,426	\$ 16,608	\$ 61,190	\$ 40,271
Business-type activities:				
Charges for services	151,235	190,896	231,001	227,679
Operating grants and contributions	2,074	2,037	4,396	2,754
Capital grants and contributions	3,177	17,527	4,350	1,149
Total business-type activities program revenues	156,486	210,460	239,747	231,582
Total primary government program revenues	<u>\$ 175,912</u>	<u>\$ 227,068</u>	<u>\$ 300,937</u>	<u>\$ 271,853</u>
Net (expense)/revenue				
Governmental activities	\$ (50,236)	\$ (66,168)	\$ (36,088)	\$ (65,438)
Business-type activities	(50,796)	10,829	10,374	9,532
Total primary government net expense	<u>\$ (101,032)</u>	<u>\$ (55,339)</u>	<u>\$ (25,714)</u>	<u>\$ (55,906)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	\$ 114,418	\$ 123,325	\$ 129,891	\$ 143,848
Unrestricted investment earnings	5,004	1,186	2,477	13,634
Miscellaneous	3,592	4,052	6,685	4,263
Transfers	(19,873)	(1,902)	8,225	2,680
Total governmental activities	<u>\$ 103,141</u>	<u>\$ 126,661</u>	<u>\$ 147,278</u>	<u>\$ 164,425</u>
Business-type activities:				
Property taxes	30,535	44,786	37,417	30,468
Unrestricted investment earnings	2,925	979	1,267	8,074
Lease revenues	—	—	—	—
Miscellaneous	4,892	2,527	6,428	1,905
Transfers	19,873	1,902	(8,225)	(2,680)
Total business-type activities	<u>\$ 58,225</u>	<u>\$ 50,194</u>	<u>\$ 36,887</u>	<u>\$ 37,767</u>
Changes in Net Position				
Governmental activities	\$ 52,905	\$ 60,493	\$ 111,190	\$ 98,987
Business-type activities	7,429	61,023	47,261	47,299
Total primary government	<u>\$ 60,334</u>	<u>\$ 121,516</u>	<u>\$ 158,451</u>	<u>\$ 146,286</u>

Source: Santa Clara Valley Water District, General Accounting Unit

2020	2021	2022	2023	2024	2025
\$ 10,900	\$ 18,600	\$ 27,200	\$ 11,757	\$ 15,465	\$ 12,412
134,100	145,300	34,800	134,027	132,333	131,760
2,500	2,500	1,900	4,834	3,532	3,911
147,500	166,400	63,900	150,618	151,330	148,083
226,900	239,300	310,000	265,150	378,494	291,123
<u>\$ 374,400</u>	<u>\$ 405,700</u>	<u>\$ 373,900</u>	<u>\$ 415,768</u>	<u>\$ 529,824</u>	<u>\$ 439,206</u>
\$ 42,900	\$ 25,900	\$ 29,300	\$ 34,781	\$ 13,355	\$ 17,664
266,900	289,700	272,400	268,101	320,638	381,972
3,700	4,000	5,300	5,376	5,184	4,885
4,300	6,400	5,600	13,624	3,544	3,030
274,900	300,100	283,300	287,101	329,366	389,887
<u>\$ 317,800</u>	<u>\$ 326,000</u>	<u>\$ 312,600</u>	<u>\$ 321,882</u>	<u>\$ 342,721</u>	<u>\$ 407,551</u>
\$ (104,600)	\$ (140,500)	\$ (34,600)	\$ (115,837)	\$ (137,975)	\$ (130,419)
48,000	60,800	(26,700)	21,951	(49,128)	98,764
<u>\$ (56,600)</u>	<u>\$ (79,700)</u>	<u>\$ (61,300)</u>	<u>\$ (93,886)</u>	<u>\$ (187,103)</u>	<u>\$ (31,655)</u>
\$ 148,400	\$ 154,500	\$ 164,700	\$ 177,788	\$ 187,245	\$ 195,988
12,900	—	(10,000)	1,827	21,906	25,448
3,900	2,600	5,400	5,600	5,623	5,229
1,600	74,100	(65,900)	(22,212)	2,833	(584)
<u>\$ 166,800</u>	<u>\$ 231,200</u>	<u>\$ 94,200</u>	<u>\$ 163,003</u>	<u>\$ 217,607</u>	<u>\$ 226,081</u>
30,200	30,200	39,800	39,394	39,058	41,236
8,800	1,600	(8,300)	7,582	20,230	17,842
—	—	—	94	83	51
2,800	2,700	3,300	1,955	7,609	17,293
(1,600)	(74,100)	65,900	22,212	(2,833)	584
<u>\$ 40,200</u>	<u>\$ (39,600)</u>	<u>\$ 100,700</u>	<u>\$ 71,237</u>	<u>\$ 64,147</u>	<u>\$ 77,006</u>
\$ 62,200	\$ 90,700	\$ 59,600	\$ 47,166	\$ 79,632	\$ 95,662
88,200	21,200	74,000	93,188	15,019	175,770
<u>\$ 150,400</u>	<u>\$ 111,900</u>	<u>\$ 133,600</u>	<u>\$ 140,354</u>	<u>\$ 94,651</u>	<u>\$ 271,432</u>

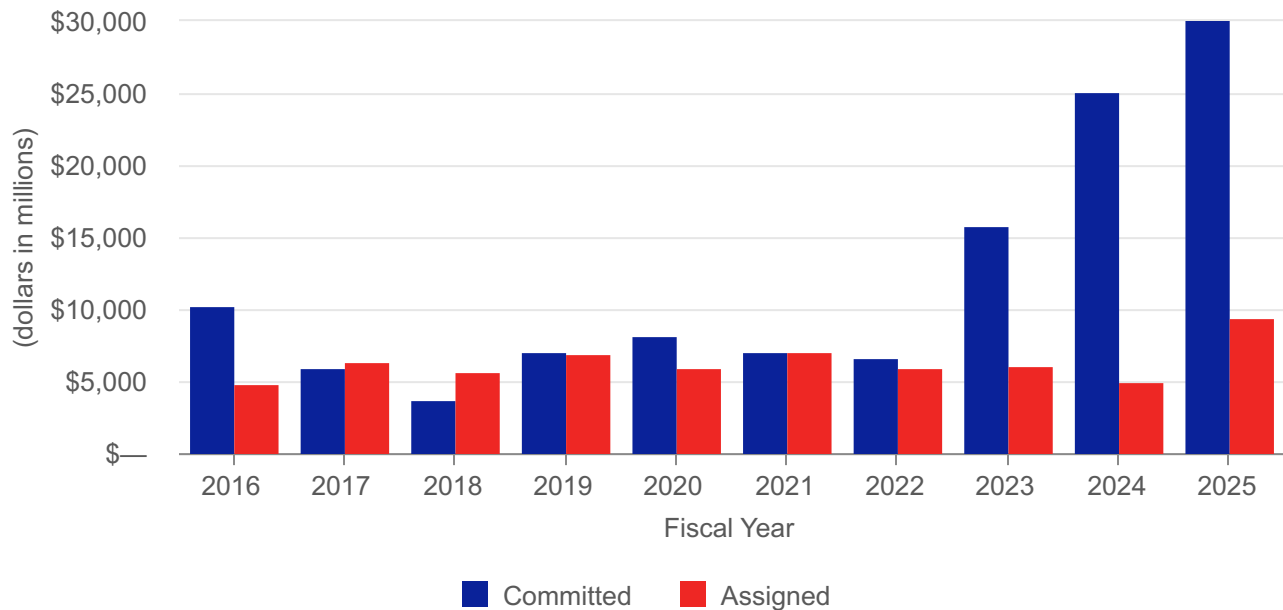
VALLEY WATER

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Dollar in Thousands)

Data incorporating GASB 54 implementation

	2016	2017	2018	2019
General Fund				
Committed	\$ 10,274	\$ 5,962	\$ 3,733	\$ 7,125
Assigned	4,924	6,385	5,747	7,012
Total general fund	<u>\$ 15,198</u>	<u>\$ 12,347</u>	<u>\$ 9,480</u>	<u>\$ 14,137</u>
All other governmental funds				
Restricted	\$ 214,078	\$ 220,115	\$ 182,319	\$ 175,894
Committed	64,851	64,898	113,673	132,208
Assigned	67,969	54,175	26,909	21,093
Total all other governmental funds	<u>\$ 346,898</u>	<u>\$ 339,188</u>	<u>\$ 322,901</u>	<u>\$ 329,195</u>

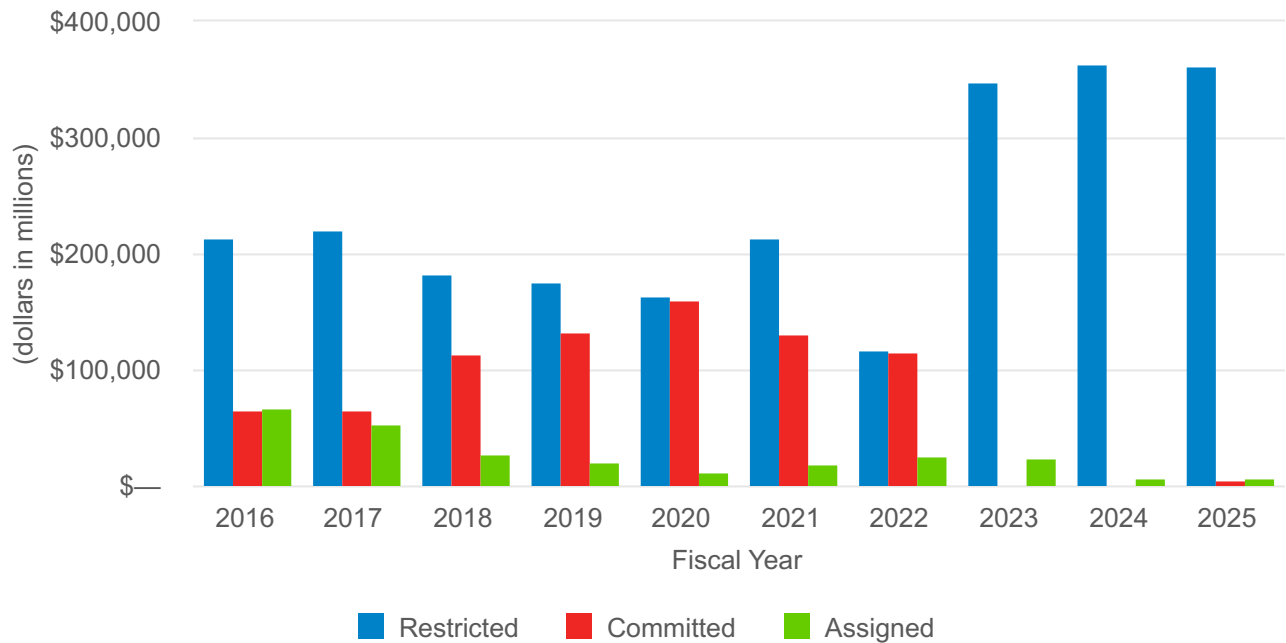
General Fund Fund Balances



Source: Santa Clara Valley Water District, General Accounting Unit

2020	2021	2022	2023	2024	2025
\$ 8,200	\$ 7,100	\$ 6,700	\$ 15,848	\$ 25,202	\$ 33,353
6,000	7,100	6,000	6,045	4,935	9,387
<u>\$ 14,200</u>	<u>\$ 14,200</u>	<u>\$ 12,700</u>	<u>\$ 21,893</u>	<u>\$ 30,137</u>	<u>\$ 42,740</u>
\$ 163,900	\$ 214,100	\$ 117,500	\$ 347,769	\$ 364,651	\$ 362,280
160,500	131,500	115,100	—	—	4,755
11,500	19,300	25,700	24,787	7,015	6,962
<u>\$ 335,900</u>	<u>\$ 364,900</u>	<u>\$ 258,300</u>	<u>\$ 372,556</u>	<u>\$ 371,666</u>	<u>\$ 373,997</u>

Other Governmental Funds - Fund Balances

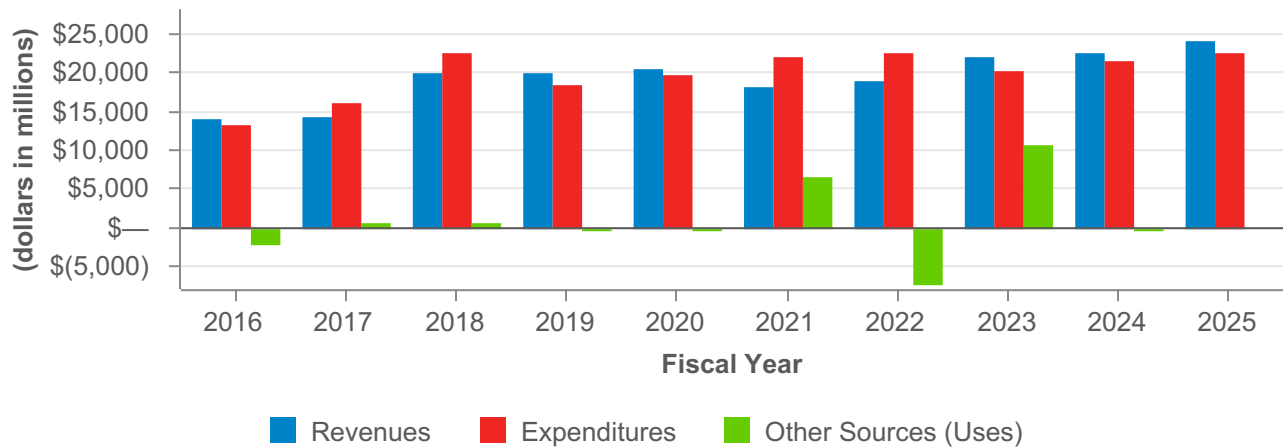


VALLEY WATER

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

	2016	2017	2018	2019
Revenues				
Property taxes	\$ 114,418	\$ 123,325	\$ 129,891	\$ 143,848
Benefits assessments	14,683	14,790	14,774	14,746
Use of money & property:				
Investment income	3,747	956	2,305	12,390
Rental	1,759	1,817	1,931	2,005
Reimbursement of capital costs	4,743	1,818	46,416	25,525
Other	1,782	1,971	4,361	2,085
Total Revenues	141,132	144,677	199,678	200,599
Expenditures				
Operations & operating projects	57,725	67,511	70,912	68,164
Capital improvement projects	61,876	81,597	142,710	104,335
Debt Service:				
Principal repayment	7,630	8,020	8,660	8,715
Interest and fiscal charges	5,084	4,743	4,418	4,711
Total expenditures	132,315	161,871	226,700	185,925
Excess of revenues over (under) expenditures	8,817	(17,194)	(27,022)	14,674
Other financing sources (uses)				
Transfers in	26,528	17,436	31,007	17,290
Transfers out	(46,403)	(19,338)	(22,939)	(21,123)
Proceeds from issuance of debt	—	68,932	—	—
Payment to refunded bond escrow agent	—	(60,397)	—	—
Total other financing sources (uses)	(19,875)	6,633	8,068	(3,833)
Net change in fund balances	\$ (11,058)	\$ (10,561)	\$ (18,954)	\$ 10,841
Debt service as a percentage of non-capital expenditures	13.4%	15.0%	13.7%	13.8%

Changes in Fund Balances



2020	2021	2022	2023	2024	2025
\$ 148,400	\$ 154,500	\$ 164,700	\$ 177,788	\$ 187,245	\$ 195,988
13,400	12,400	13,500	13,229	6,889	6,849
11,600	—	(9,100)	1,964	19,864	22,942
2,100	1,800	2,300	2,077	2,034	2,540
29,500	13,500	15,800	21,552	6,466	10,815
1,700	700	2,800	3,338	3,117	2,200
206,700	182,900	190,000	219,948	225,615	241,334
80,200	86,600	90,900	94,568	106,973	109,115
104,900	121,700	122,100	94,086	91,084	105,892
8,100	8,500	8,900	9,250	10,585	5,750
4,200	3,900	3,700	5,266	6,221	5,989
197,400	220,700	225,600	203,170	214,863	226,746
9,300	(37,800)	(35,600)	16,778	10,752	14,588
34,400	164,400	17,400	2,378	21,229	15,995
(36,900)	(97,600)	(89,900)	(28,651)	(24,627)	(23,580)
—	—	—	132,952	—	7,931
—	—	—	—	—	—
(2,500)	66,800	(72,500)	106,679	(3,398)	346
\$ 6,800	\$ 29,000	\$ (108,100)	\$ 123,457	\$ 7,354	\$ 14,934
9.0%	8.6%	15.3%	11.1%	9.7%	8.7%

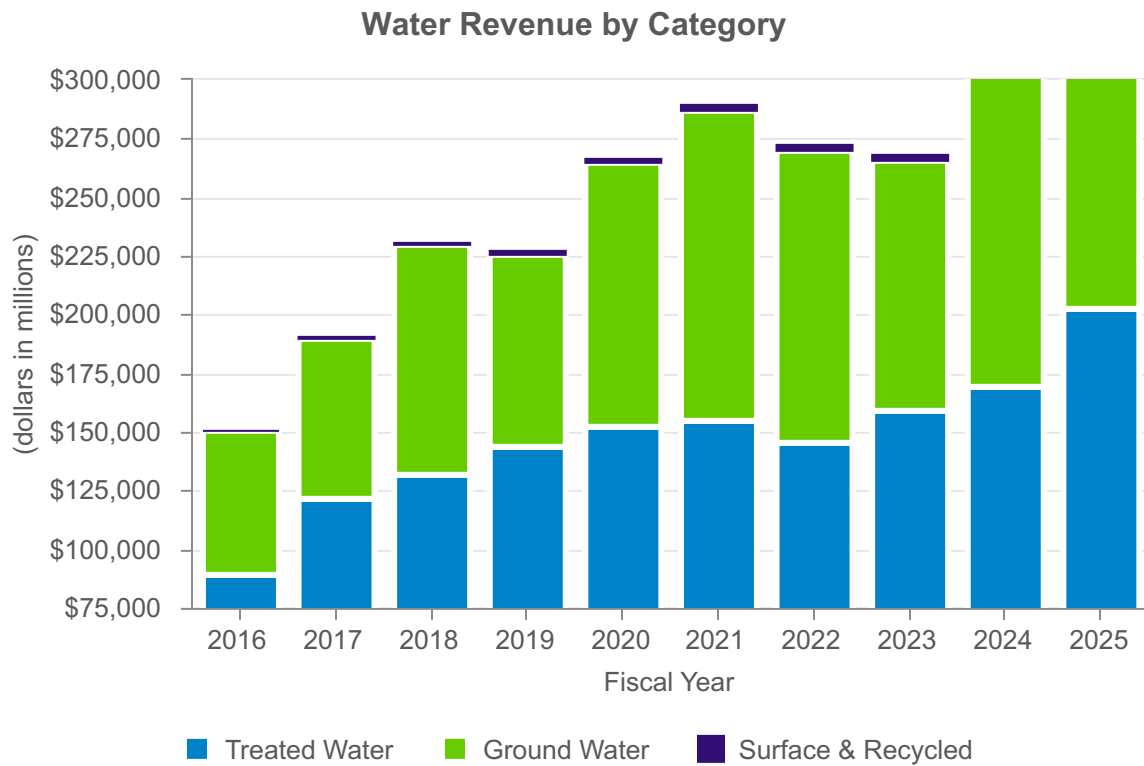
VALLEY WATER

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
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
2025	176,173	202,844	2,955	381,972



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 2025			Fiscal Year 2016		
	Water Revenue	Rank	Percent of Total Water Revenue	Water Revenue	Rank	Percent of Total Water Revenue
Company	\$ 228,450	1	59.81%	\$ 87,016	1	57.54%
City of Santa Clara	32,331	2	8.46%	13,162	2	8.70%
Water	26,362	3	6.90%	10,540	3	6.97%
City of Sunnyvale	18,679	4	4.89%	6,657	5	4.40%
Service Company	15,893	5	4.16%	9,249	4	6.12%
Company	10,675	6	2.79%	5,540	6	3.66%
City of Milpitas	7,550	7	1.98%	3,454	7	2.28%
City of Cupertino	4,962	8	1.30%	1,995	10	1.32%
Department	4,755	9	1.24%	2,370	8	1.57%
Morgan Hill City Water	4,632	10	1.21%	2,059	9	1.36%
Total	<u>\$ 354,288</u>		<u>92.74%</u>	<u>\$ 142,042</u>		<u>93.92%</u>
Sales	<u>\$ 381,973</u>			<u>\$ 151,235</u>		

Source: Santa Clara Valley Water District, Revenue Management Unit

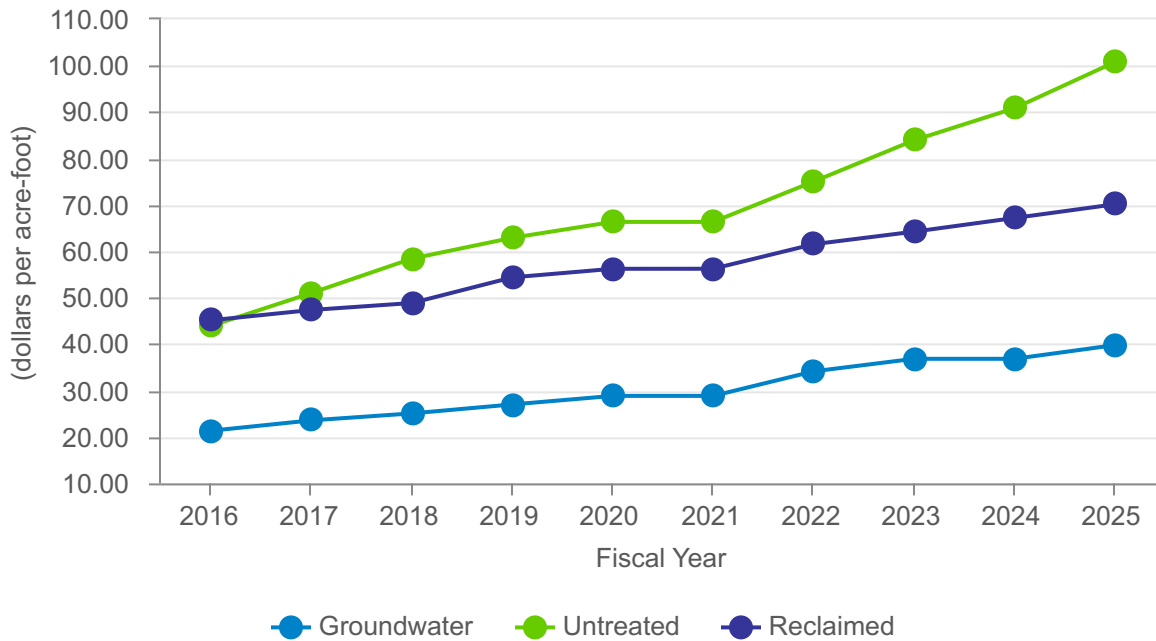
VALLEY WATER

Water Enterprise Rates Summary

Last Ten Fiscal Years
(Rates in Dollars per Acre-foot)

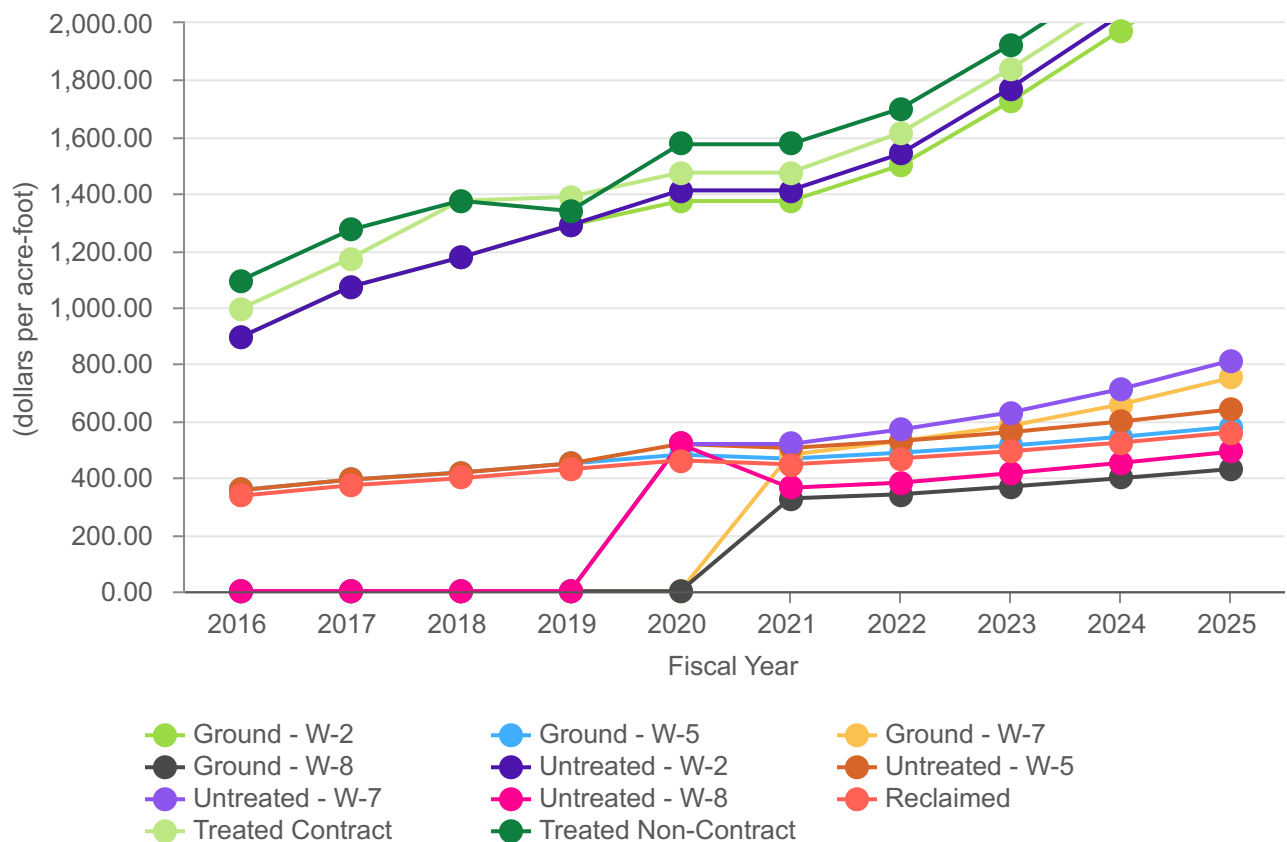
Fiscal Year	Groundwater Rates					Treated Water Rates	
	Non-AG				AG	Contract	Non Contract
	Zone W-2	Zone W-5	Zone W-7	Zone W-8	All Zones		
2016	894.00	356.00	—	—	21.36	994.00	1,094.00
2017	1,072.00	393.00	—	—	23.59	1,172.00	1,272.00
2018	1,175.00	418.00	—	—	25.09	1,375.00	1,375.00
2019	1,289.00	450.00	—	—	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
2025	2,229.00	579.00	750.50	430.00	39.80	2,344.00	2,429.00

Agricultural Water Rates



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		
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
100.80	2,290.00	640.00	811.50	491.00	70.15	559.00

Non Agricultural and Treated Water Rates

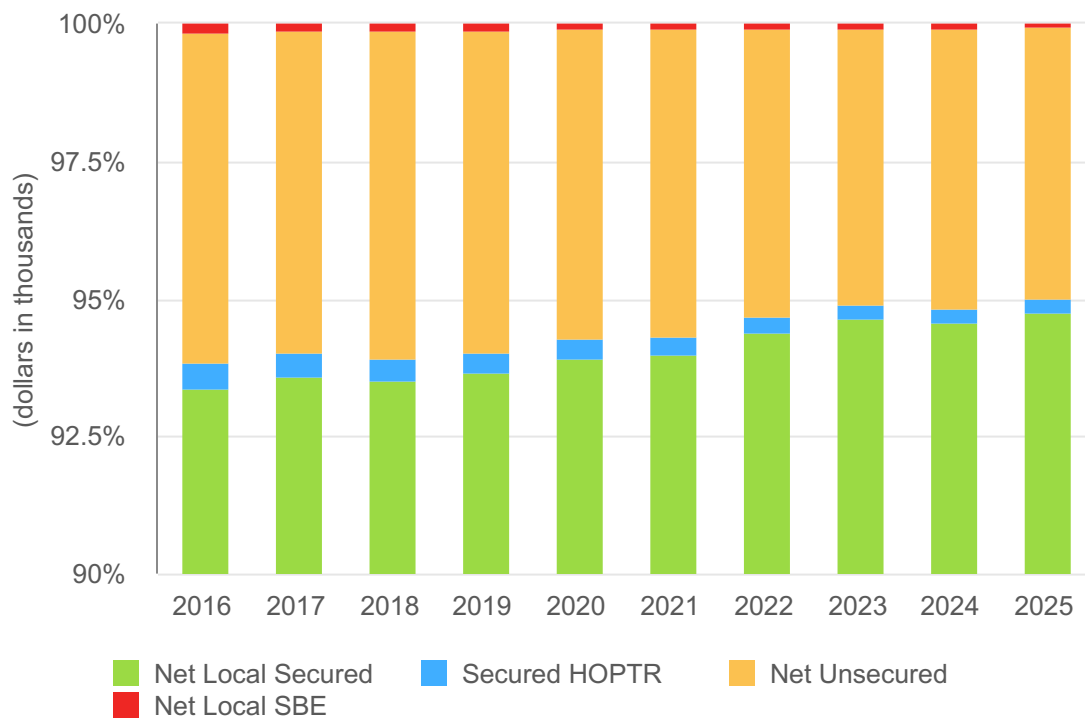


VALLEY WATER

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)	Secured HOPTR (b)	Total (c)=(a + b)	Direct Rate (d)	District Direct Tax (c x d)
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
2025	659,093,407	359,038	659,452,445	34,344,144	693,796,589	1,691,137	695,487,726	0.0041%	28,515.00

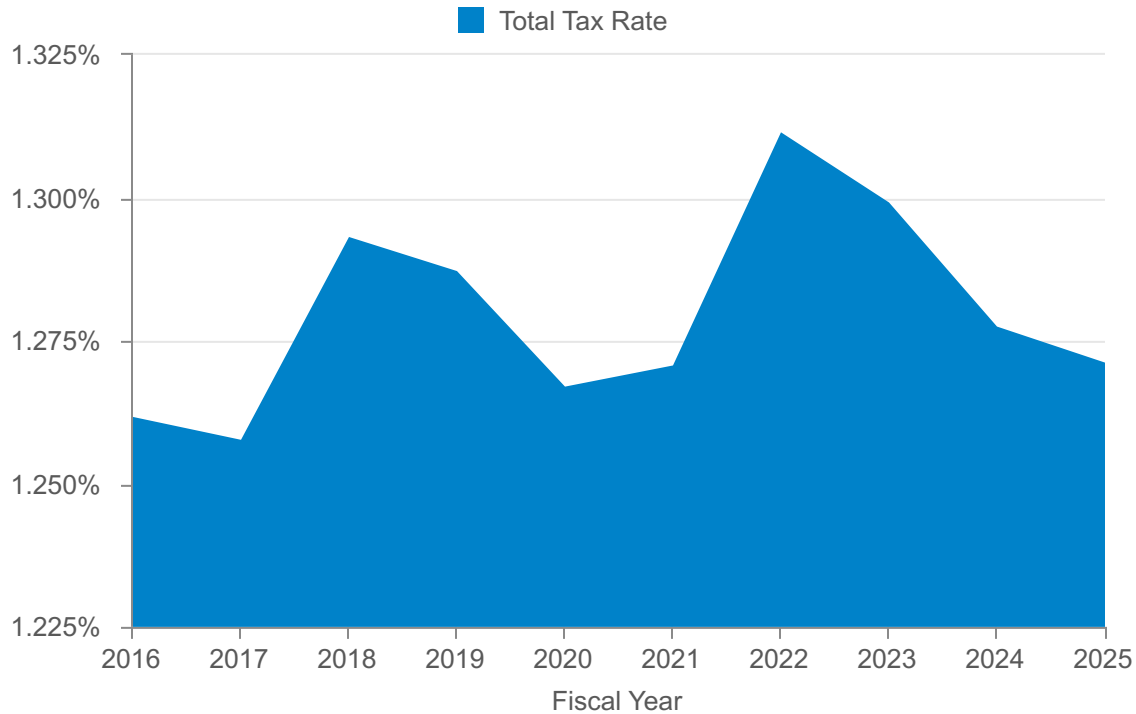


VALLEY WATER

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
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%
2025	1.0000%	0.0486%	0.0157%	0.0041%	0.2028%	1.2712%



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 2025 ⁽²⁾			Fiscal Year 2016 ⁽²⁾		
	Taxable Assessed Value ⁽¹⁾	Rank	Percentage of Taxable Assessed Value	Taxable Assessed Value ⁽¹⁾	Rank	Percentage of Taxable Assessed Value
Google Inc.	\$ 11,711,388	1	1.68%	\$ 2,245,588	2	0.58%
Leland Stanford Jr, University	8,869,834	2	1.28%	5,616,189	1	1.45%
Campus Holdings Inc.	4,658,386	3	0.67%	1,511,150	4	0.39%
Apple Computer Inc.	3,368,349	4	0.48%			
Sobrato Interests	2,804,512	5	0.40%	1,462,786	6	0.38%
Planetary Ventures LLC	1,733,770	6	0.25%			
Cisco Technology	1,697,097	7	0.24%	1,508,154	5	0.39%
Intel Corporation	1,641,970	8	0.24%	798,776	10	0.21%
Applied Materials Inc,	1,608,677	9	0.23%			
Intuitive Surgical Inc.	1,505,806	10	0.22%			
San Jose Water Works	1,371,915	11	0.20%			
Nvidia Corporation	1,268,917	12	0.18%			
Adobe Inc.	1,201,882	13	0.17%			
Vantage Data Centers	1,153,403	14	0.17%			
Pathline Park I LLC	1,143,286	15	0.16%			
VF Mall LLC	1,122,396	16	0.16%			
Lockheed Missels and Space Co. Inc.	1,016,898	17	0.15%	1,254,108	7	0.32%
LinkedIn Corporation	1,011,146	18	0.15%			
FRIT San Jose Town & Country Village LLC	865,013	19	0.12%			
CW SPE LLC	827,308	20	0.12%			
Essex Portfolio LP				1,564,052	3	0.40%
The Irvine Company LLC				1,141,822	8	0.29%
Forty Niners SC Stadium Company LLC				1,110,428	9	0.29%
Total	<u>\$ 50,581,953</u>		<u>7.27%</u>	<u>\$ 18,213,053</u>		<u>4.70%</u>
Net Assessed Value of Taxable Property	<u>\$695,487,726</u>			<u>\$388,027,334</u>		

⁽¹⁾ Includes taxable properties only.

⁽²⁾ Source: California Municipal Statistics, Inc.

VALLEY WATER
Computation of District Act Debt Margin
June 30, 2025
(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, 2025	—
District Act Section 25.6 debt margin on short-term debt	<u>\$ 8.0</u>

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). The District Act sets the limit on short term debt obligations (maturity of less than five years) at \$8,000,000.

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 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 elected to issue notes under the tax and revenue anticipation note statute to support the commercial paper program because it allows 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	Bonds /Certificate of Participation	Note Payable	Subscription Liability	Lease Liability	General Obligation Bonds	Revenue Bonds /Certificate of Participation	Note Payable	Lease Liability
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		2,496	797	—	1,014,758		2,974
2024	—	163,851		2,054	387	—	987,487		2,690
2025	—	155,973	7,931	1,932	155	—	1,207,634	27,747	2,404

Total Primary Government	Debt as a Percentage of Personal Income	Debt Per Capita
\$ 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
1,403,776	0.5043%	730

VALLEY WATER
Revenue Bond Coverage
Last Ten Fiscal Years
(Dollars in Thousands)

	2016	2017	2018
Adjusted revenues	\$ 182,404	\$ 207,899	\$ 254,177
Adjusted operating expenses	141,367	130,278	172,427
Net revenue available for debt service (A)	\$ 41,037	\$ 77,621	\$ 81,750
Rate stabilization fund transfer (B)	—	—	—
Special purpose fund transfer (C)	—	—	—
Debt obligation			
Principal	3,948	3,830	2,070
Interest	6,066	4,827	1,793
Adjusted net revenue available for debt service (D)	\$ 51,051	\$ 86,278	\$ 85,613
Senior obligation debt service requirement (E)	\$ 10,014	\$ 8,657	\$ 3,863
<u>Parity obligations</u>			
Net revenue available for debt service (F = D - E)	\$ 51,051	\$ 86,278	\$ 85,613
Debt obligation			
Principal	—	—	6,250
Interest	2,072	12,447	14,963
Debt service requirement (G)	\$ 2,072	\$ 12,447	\$ 21,213
Coverage factor (1.25 required) (F / G) ⁽²⁾	14.97	5.54	3.67
<u>Senior/parity/subordinate obligations</u>			
Net revenue available for debt service (D)	\$ 41,037	\$ 77,621	\$ 81,750
Debt obligation - senior and parity			
Senior	10,014	8,657	3,863
Parity	2,072	12,447	21,213
subordinate	185	—	358
Debt service requirement (H)	\$ 12,271	\$ 21,104	\$ 25,434
Coverage factor (1.10 required) (A / H) ⁽³⁾	3.34	3.68	3.21

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.

2019	2020	2021	2022	2023	2024	2025
\$ 242,271	\$ 284,600	\$ 302,000	\$ 292,600	\$ 314,083	\$ 350,072	\$ 421,510
148,101	146,600	170,400	224,300	200,078	228,072	189,444
\$ 94,170	\$ 138,000	\$ 131,600	\$ 68,300	\$ 114,005	\$ 122,000	\$ 232,066
—	—	—	10,000	13,003	35,000	1,412
—	—	—	8,000	—	—	—
2,165	800	900	—	—	—	—
2,127	1,500	900	400	—	—	—
\$ 98,462	\$ 140,300	\$ 133,400	\$ 86,700	\$ 127,008	\$ 157,000	\$ 233,478
\$ 4,292	\$ 2,300	\$ 1,800	\$ 400	\$ —	\$ —	\$ —
\$ 98,462	\$ 140,300	\$ 133,400	\$ 86,700	\$ 127,008	\$ 157,000	\$ 233,478
8,625	12,300	13,300	18,800	19,415	22,705	28,475
15,125	18,600	22,800	25,000	27,411	31,917	41,504
\$ 23,750	\$ 30,900	\$ 36,100	\$ 43,800	\$ 46,826	\$ 54,622	\$ 69,979
3.78	4.39	3.60	1.96	2.71	2.87	3.34
\$ 94,170	\$ 138,000	\$ 131,600	\$ 86,300	\$ 127,008	\$ 157,000	\$ 233,478
4,292	2,300	1,800	400	—	—	—
23,750	30,900	36,100	43,800	46,826	54,622	69,979
1,699	300	100	—	2,249	2,597	2,502
\$ 29,741	\$ 33,500	\$ 38,000	\$ 44,200	\$ 49,075	\$ 57,219	\$ 72,481
3.17	4.12	3.46	1.95	2.59	2.74	3.22

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

(3) 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, 2025

2024-25 Assessed Valuation

\$695,487,725,579

Direct and Overlapping Tax and Assessment Debt	Total Debt 06/30/2025	% Applicable	District's Share of Debt-06/30/2025
Santa Clara County	\$ 1,217,905,000	100%	\$ 1,217,905,000
Foothill-DeAnza Community College District	592,800,578	100%	592,800,578
San Jose-Evergreen Community College District	940,704,604	100%	940,704,604
West Valley-Mission Community College District	631,255,000	99.133%	625,782,019
	458,715,111	0.048-73.09	167,803,674
Other Community College Districts		3%	
Gilroy Unified School District	331,587,495	100%	331,587,495
Palo Alto Unified School District	384,840,483	100%	384,840,483
San Jose Unified School District	412,539,025	100%	412,539,025
Santa Clara Unified School District	958,135,000	100%	958,135,000
Other Unified School Districts	512,508,238	1.020-100%	455,363,879
Campbell Union High School District	318,105,000	100%	318,105,000
East Side Union High School District	740,598,774	100%	740,598,774
Fremont Union High School District	717,450,088	100%	717,450,088
Other High School Districts	413,533,756	0.506-100%	314,536,236
Campbell School District	240,714,324	100%	240,714,324
Cupertino Union School District	294,953,303	100%	294,953,303
Evergreen School District	115,500,973	100%	115,500,973
Franklin McKinley School District	186,810,017	100%	186,810,017
Los Altos School District	128,450,000	100%	128,450,000
Los Gatos Union School District	116,965,000	100%	116,965,000
Moreland School District	134,544,320	100%	134,544,320
Oak Grove School District	263,089,595	100%	263,089,595
Sunnyvale School District	363,305,820	100%	363,305,820
Other School Districts	1,126,385,685	4.192-100%	1,116,802,259
City of Campbell	40,355,000	100%	40,355,000
City of Gilroy	21,347,138	100%	21,347,138
City of Palo Alto	44,715,000	100%	44,715,000
City of San Jose	497,265,000	100%	497,265,000
City of Saratoga	5,145,000	100%	5,145,000
Saratoga Fire Protection District	1,440,330	100%	1,440,330
El Camino Hospital District	98,789,066	100%	98,789,066
City Community Facilities Districts	25,192,700	100%	25,192,700
City 1915 Act Bonds (Estimated)	13,543,000	100%	13,543,000
Midpeninsula Regional Open Space District	114,920,000	67.721%	77,824,973
Santa Clara Valley Water District Benefit Assessment District	155,973,000	100%	155,973,000
Total Direct and Overlapping Tax and Assessment Debt			\$ 12,120,877,673

Ratios to the 2024-25 Assessed Valuation

Direct Debt 0.022%

Total Direct and Overlapping Tax and Assessment Debt 1.74%

Source: California Municipal Statistics, Inc.

VALLEY WATER

Computation of Direct and Overlapping Debt (Continued)

June 30, 2025

Overlapping General Fund Debt	Total Debt 06/30/2025	% Applicable	District's Share of Debt-06/30/2025
Santa Clara County General Fund Obligations	\$ 1,002,458,930	100%	1,002,458,930
Santa Clara County Pension Obligation Bonds	317,654,990	100%	317,654,990
Santa Clara County Office of Education Certificates of Participation	12,072,417	100%	12,072,417
San Jose-Evergreen Community College District OPEB Obligation	46,575,000	100%	46,575,000
West Valley-Mission Community College District General Fund Obligations	2,520,000	99.133%	2,498,152
Gilroy Unified School District Certificates of Participation	19,470,000	100%	19,470,000
Other Unified School District School General Fund Obligations	42,804,790	1.020-100%	33,302,710
East Side Union High School District Benefit Obligations	22,465,000	100%	22,465,000
Other Union High School District General Fund Obligations	20,475,936	0.506-100%	13,619,868
Other School District General Fund Obligations	54,566,767	100%	54,566,767
City of Cupertino Certificates of Participation	11,915,000	100%	11,915,000
City of Gilroy General Fund Obligations	22,228,928	100%	22,228,928
City of San Jose General Fund Obligations	607,010,000	100%	607,010,000
City of Santa Clara General Fund Obligations	7,970,000	100%	7,970,000
City of Sunnyvale General Fund Obligations	126,165,000	100%	126,165,000
Other City General Fund Obligations	172,953,509	100%	172,953,509
Midpeninsula Regional Park District General Fund Obligations	74,065,600	67.721%	50,157,965
Santa Clara County Central Fire Protection District General Fund Obligations	26,475,000	100%	26,475,000
Total Gross Overlapping General Fund Debt			2,549,559,236
Less: Santa Clara County supported general fund obligations			2,420,000
Total Net Overlapping General Fund Debt			2,547,139,236
Overlapping Tax Increment Debt	\$ 1,188,760,000	100%	1,188,760,000
Total Direct Debt			155,973,000
Total Gross Combined Overlapping Debt			15,703,223,909
Total Net Combined Overlapping Debt			15,700,803,909
Gross Combined Overlapping Debt			15,859,196,909 (1)
Total Net Combined Overlapping Debt			15,856,776,909

(1) 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.

(2) 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 2024-25 Assessed Valuation	Ratio
Total Direct Debt	0.022%
Gross Combined Total Debt	2.28%
Net Combined Total Debt	2.28%
Ratio to Redevelopment Incremental Valuation (\$79,313,740,351)	
Total Overlapping Tax Increment Debt	1.50%

Source: California Municipal Statistics, Inc.

VALLEY WATER
Demographic and Economic Statistics
For Santa Clara County
Last Ten Fiscal Years

Fiscal		Total	Per Capita	Change In	School	Total	Unemployment
Year	Population	Personal	Personal	Consumer	Enrollment	Employment	Rate
	(1)	(in \$000) (2)	(in \$000)	Price Index ⁽³⁾	(4)	(5)	(5)
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%
2025	1,922,259	278,348,382	144.803	1.5%	231,385	990,700	4.6%

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

⁽²⁾ U.S. Department of Commerce - Bureau of Economic Analysis;
actual data available up to 2023; personal income data for 2024 & 2025 are preliminary
and assumes a 1% increase from prior year.

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

⁽⁴⁾ State of California - Department of Education and Santa Clara County Office of Education

⁽⁵⁾ State of California - Employment Development Department

VALLEY WATER
Principal Employers
Current Year and Nine Years Ago
(unaudited)

Company or Organization	Fiscal Year 2025			Fiscal Year 2016		
	Employees ⁽¹⁾	Rank	Percentage of Total County Employment	Employees ⁽²⁾	Rank	Percentage of Total County Employment
County of Santa Clara	22,109	1	2.24%	16,837	3	1.69%
Apple	10,936	2	1.10%	19,000	2	1.91%
University of California Santa Cruz	9,554	3	0.96%	8,182	8	0.82%
Safeway, Inc.	7,261	4	0.74%			
City of San Jose	7,000	5	0.71%			
Applied Materials Inc.	6,100	6	0.62%			
San Jose State University	4,026	7	0.41%			
Meta Platforms Inc.	3,966	8	0.41%	6,799	9	0.68%
Deloitte	3,425	9	0.35%			
Super Micro Computer Inc. DBA SuperMicro	3,073	10	0.31%			
CBRE	1,797	11	0.18%			
Marvell	1,630	12	0.16%			
Bank of America	1,613	13	0.16%			
Agilent Technologies Inc.	1,600	14	0.17%			
Fortinet Inc.	1,397	15	0.14%			
Maxar Space Systems	1,000	16	0.10%			
The Harker School	994	17	0.10%			
Joseph J. Albanese Inc.	927	18	0.09%			
Redwood Electric Group Inc.	850	19	0.09%			
Proofpoint Inc.	700	20	0.07%			
Google Inc.				20,000	1	2.01%
Stanford University				13,500	4	1.35%
Kaiser Permanente				12,500	5	1.25%
Intel Corp				10,801	6	1.08%
Stanford Hospitals & Clinics				10,034	7	1.01%
Oracle Corp.				6,750	10	0.68%
Total	<u>89,958</u>		<u>9.11%</u>	<u>124,403</u>		<u>12.48%</u>
Total County Employment ⁽³⁾	<u>990,700</u>		<u>9.08%</u>	<u>996,800</u>		<u>12.48%</u>

Source: ⁽¹⁾ Silicon Valley Business Journal, December 2024
⁽²⁾ County of Santa Clara Adopted Budget FY 2024-25

VALLEY WATER
Full-time Equivalent Employees by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Office of the CEO	10	11	11	17	20	16	18	19	18	17
Office of the District Counsel	9	10	10	11	11	13	13	14	12	13
Community & Government Relations	18	23	27	28	32	41	47	42	41	42
County-Wide Watershed Management	112	109	109	133	133	145	161	154	161	162
Capital Programs	118	112	112	108	111	122	137	143	138	137
Water Utility Operations	43	43	43	41	41	39	39	37	35	34
Water Supply	11	11	11	8	8	13	13	13	13	11
Water Conservation	10	11	11	12	12	10	10	10	10	9
Surface & Groundwater Management	36	33	33	35	35	39	38	39	37	36
Water Quality	22	28	28	24	24	25	24	26	26	28
Control Systems	11	14	14	14	14	15	14	15	14	14
Water Utility Maintenance	23	28	28	28	28	28	27	27	27	26
Treated Water Operations	38	44	44	43	43	48	46	45	47	46
Raw Water Operations	28	37	37	37	40	38	38	39	37	37
Administrative & Business Management	8	11	11	3	5	14	12	16	15	21
Clerk of the Board	12	14	14	10	10	10	9	13	16	15
Business Support Services	16	16	16	20	25	12	12	11	10	9
Library & Records	6	5	5	6	6	5	5	5	4	4
Budget Office	8	7	7	7	10	8	8	8	6	6
Accounting	18	17	17	16	16	17	18	18	18	17
Information & Systems Management	39	36	36	32	32	32	33	34	33	38
Technical Services	3	3	3	3	3	3	3	4	2	3
Wells & Water Production	18	18	18	15	15	20	21	19	20	19
Real Estate & Right-of-Way	9	10	10	8	10	8	9	7	11	11
Equipment Management	12	12	12	10	10	9	11	11	11	10
Warehouse & Inventory Control	6	5	5	5	5	5	5	5	5	5
Facilities Maintenance	15	15	15	14	16	16	13	15	14	13
Purchasing	10	10	10	9	12	15	15	13	14	13
Permits	16	14	14	16	16	16	17	18	18	17
Contracts Administration	5	5	5	5	10	6	6	8	6	5
Human Resources, Training, Benefits	27	22	22	26	30	28	23	22	27	26
Health & Safety	6	10	10	9	9	9	6	8	8	9
Total	<u>723</u>	<u>744</u>	<u>748</u>	<u>753</u>	<u>792</u>	<u>825</u>	<u>851</u>	<u>858</u>	<u>854</u>	<u>853</u>

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									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
District Well Ordinance Program										
New Wells	424	321	410	325	298	367	344	351	322	320
Destroyed Wells	1,167	945	463	494	387	481	500	336	413	346
Well Permits	1,799	1,546	1,272	1,078	1,123	882	1,217	901	982	1,027
Well Inspections	1,848	1,687	1,093	1,030	1,163	1,254	1,288	1,019	1,129	1,160
Watershed Management										
Miles of Vegetation Removed/Managed	164	116	168	163	161	134	206	174	164	217
Cubic Yards of Sediment Removed	3,929	83,792	34,881	19,279	49,641	55,878	28,034	14,832	55,713	14,545
Miles of Bank Erosion Protection	1.2	0.5	0.5	0.2	0.3	0.3	0.9	0.8	1.4	0.4
Laboratory Services Unit										
Water Samples Tested (approx.)	178,934	179,252	156,347	151,118	151,500	142,328	130,994	132,510	130,810	128,831
Water Quality Violations	—	—	—	—	—	—	—	—	—	—
Water Measurement Program										
Meter Reads/Site Visits	5,934	5,489	6,264	5,384	6,740	6,126	6,326	6,041	6,008	6,023
Meter Repairs/Preventative Maintenance	323	301	307	381	183	115	255	169	192	206
Backflow Device Tests	153	149	227	188	217	205	197	203	201	194
Community Projects Review										
Permits Issued	289	228	177	160	137	175	149	150	127	146
Land Development Review Requests	45	124	749	938	809	1,023	1,165	1,143	1,358	1,595
Underground Service Alerts	12,118	8,042	8,529	9,859	8,560	8,607	2,959	2,407	2,377	2,842
Requests for Flood Zone Information	92	26	18	18	11	20	13	14	15	28
Environmental Impact Reports Reviewed	32	56	53	83	82	145	242	237	93	91
Water Resource Protec. Ordinance Violation	220	163	186	208	240	243	157	169	224	207
Human Resources										
Permanent Positions Hired	150	112	133	79	162	182	197	152	150	110
Temporary Workers Employed	276	259	122	108	110	115	276	117	120	111
Employment Applications Processed	5,621	5,847	5,668	5,370	7,860	7,382	5,913	5,979	7,219	7,547
Health & Safety										
Ergonomic Assessments	46	44	47	37	12	36	40	30	36	36
Confined Space Assessments	204	120	223	192	205	164	114	—	139	161
Employee Safety Committee Meetings	12	12	11	8	6	8	12	—	—	4
Projects Managed by Type:										
Capital Projects	165	121	130	121	114	122	93	136	142	190
Operating Projects	39	23	29	17	16	15	13	14	14	28
Operations Projects	409	358	351	335	328	317	216	307	309	374

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									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Water Utility Enterprise										
Acres of groundwater recharge ponds	393	393	393	393	393	277	285	285	285	285
Miles of canals	17	17	17	17	17	17	47	47	48	48
Miles of pipeline	144	144	144	144	144	144	142	145	150	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	4	4
Advanced water purification center	1	1	1	1	1	1	1	1	1	1
Number of pumping stations	3	3	3	3	3	3	3	3	3	3
Local reservoirs and dams	10	10	10	10	10	10	10	10	10	10
Number of treated water reservoirs	1	1	1	1	1	1	1	1	1	1
Water Utility Operations										
Process Control Instrumentation	1,493	1,548	1,534	1,542	1,710	1,748	1,772	1,931	1,821	1,819
Mechanical Drives	73	58	61	61	61	52	51	57	57	56
Chemical Mixers	95	92	88	88	126	124	126	135	134	128
Electrical Motors	455	468	464	468	531	529	531	553	557	556
Power Distribution Equipment	1,155	1,089	859	870	890	1,383	1,335	1,458	1,474	1,489
Pumps	518	517	518	517	584	582	591	601	591	603
Utility Vaults & Structures	1,340	1,156	1,122	1,166	1,195	1,205	1,236	1,266	1,288	1,279
Chemical & Water Storage Tanks	203	168	173	196	202	207	209	208	207	207
Valves	1,676	1,695	1,710	1,758	1,987	1,866	1,881	2,185	2,159	2,389
Valve Operators	782	781	782	789	841	824	825	839	851	875
Generators	29	29	27	30	33	33	33	33	37	33
Flow Meters	377	399	360	361	395	392	399	1,012	1,073	1,065
Electric Drives	162	172	183	191	196	201	196	208	209	244
Blowers & Compressors	185	184	181	187	188	187	188	187	186	193
Miscellaneous Equipment	1,350	1,356	1,322	1,327	1,345	1,362	1,360	1,591	1,494	1,564
Watersheds										
Miles of creeks and rivers managed for flood control	700	700	—	—	—	—	—	183	185	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	166,266	166,140	166,140	166,140	166,140
Acres of Wildlife Habitat Restored	326	310	364	364	364	493	496	521	521	531
Fleet Equipment										
Class I Passenger Vehicles	184	179	178	178	175	168	199	201	223	232
Class II Heavy Duty Trucks	82	90	94	94	97	64	99	106	107	108
Class III Tractors, Const. Equip., Generators, Forklifts	26	21	26	26	26	22	26	25	25	28
Class IV Misc. Small Tools & Engines	506	534	478	415	521	519	581	607	496	522

* There are more than 800 miles of creeks in Santa Clara County (SC Co.). SCVWD owns 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.

Source: Santa Clara Valley Water District, various government departments

This page intentionally left blank.

Flood Control System Historical Operating Results
Combined Statement of Revenues and Debt Service Coverage

Last Ten Fiscal Years
(Dollar in Thousands)

	2016	2017	2018	2019
Flood Control System Revenues:				
Benefit assessment, gross ¹	\$ 14,832	\$ 14,939	\$ 14,922	\$ 14,895
Property tax	68,005	74,806	79,538	90,727
Investment income	1,303	317	729	4,916
Rental income	1,474	1,527	1,609	1,650
Other	1,210	1,870	3,999	1,746
Total Flood Control System Revenue	<u>\$ 86,824</u>	<u>\$ 93,459</u>	<u>\$ 100,797</u>	<u>\$ 113,934</u>
Debt Service:				
2004A Certificates of participation ^{2/3}	1,109	1,111	—	—
2007A Certificates of participation ²	5,757	5,760	—	—
2012A Certificates of participation	5,294	5,297	5,295	5,295
2017A Certificates of participation ³	—	—	6,866	6,868
Total Debt Service	<u>\$ 12,160</u>	<u>\$ 12,168</u>	<u>\$ 12,161</u>	<u>\$ 12,163</u>
Coverage	<u>7.14</u>	<u>7.68</u>	<u>8.29</u>	<u>9.37</u>

¹The 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):

FY2025 - \$69
FY2024 - \$70
FY2023 - \$134
FY2022 - \$136
FY2021 - \$125
FY2020 - \$135
FY2019 - \$149
FY2018 - \$148
FY2017 - \$149
FY2016 - \$149

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

Source: Santa Clara Valley Water District, General Accounting Unit

2020	2021	2022	2023	2024	2025
\$ 13,500	\$ 12,500	\$ 13,600	\$ 13,363	\$ 6,960	\$ 6,918
93,100	98,600	107,000	116,706	122,830	129,840
5,200	—	1,400	2,330	4,198	5,916
1,700	1,500	1,900	1,744	1,690	2,220
1,600	600	1,000	1,176	2,724	1,667
<u>\$ 115,100</u>	<u>\$ 113,200</u>	<u>\$ 124,900</u>	<u>\$ 135,319</u>	<u>\$ 138,402</u>	<u>\$ 146,561</u>
—	—	—	—	—	—
—	—	—	—	—	—
5,300	5,300	5,300	5,300	—	—
5,800	5,800	5,800	5,786	5,793	5,757
<u>\$ 11,100</u>	<u>\$ 11,100</u>	<u>\$ 11,100</u>	<u>\$ 11,086</u>	<u>\$ 5,793</u>	<u>\$ 5,757</u>
<u>10.37</u>	<u>10.20</u>	<u>11.25</u>	<u>12.21</u>	<u>23.89</u>	<u>25.46</u>

² The 2004A and 2007A Certificates were refunded by the 2017A Certificates.

³ 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).

This page intentionally left blank.