



**Water Utility Enterprise Funds of the
Santa Clara Valley Water District
Annual Financial Report
*Fiscal Year Ended June 30, 2024***

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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 accompanying financial statements of the Water Utility Enterprise Funds (the Funds) of the Santa Clara Valley Water District (District or Valley Water), which comprise the statement of net position as of June 30, 2024, the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Funds' 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 Funds as of June 30, 2024, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 the District 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, the financial statements present only the Funds and do not purport to, and do not, present fairly the financial position of the Santa Clara Valley Water District as of June 30, 2024, and the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified concerning 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 the District'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 the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District'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 discussion and analysis 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 management discussion and analysis 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 management discussion and analysis 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 the Funds' basic financial statements. The supplementary schedules on pages 50 through 53 as listed in the accompanying table contents 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 supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Glendale, California
August 5, 2025

Our discussion and analysis of the financial performance of Santa Clara Valley Water District's (Valley Water) Water Utility Enterprise Funds (the "Funds") provide an overview of the Funds' financial activities for the fiscal year ended June 30, 2024. This information is presented in conjunction with the audited financial statements that follow this section.

The Funds account for the management and supply of wholesale treated water, groundwater, recycled water, and surface water for the residents of Santa Clara County. The Funds are comprised of two separate enterprise funds that were established to account for the water utility transactions of Valley Water. The Funds are comprised of two funds – Water Enterprise Fund and State Water Project Fund. The Water Enterprise Fund is used to record ongoing water utility operations, with revenues comprised primarily of charges to Valley Water's groundwater and treated water customers. The State Water Project Fund is used to account for state water project tax revenue and state water project contractual costs.

Because service needs are different in the northern and southern portions of the county, operations and expenditures are tracked separately based on the relative benefits to the North County and South County zones. Likewise, the Funds' water charges between the zones are set independently.

In fiscal year 2021, the Valley Water Board modified the 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 modified and new 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. The "North County zone" consists of benefit zone W-2, while the "South County zone" is comprised of benefit zones W-5, W-7 and W-8.

Overview of the Financial Statements

The accounting policies of the Funds of Valley Water conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The financial statements of the Funds, as presented here, are for Valley Water's Water Utility Enterprise Funds activities only and do not reflect the financial position of Valley Water as a whole. Because the Funds are business-type activities of Valley Water, the Funds are accounted for as proprietary-type funds, where the cost of providing goods and services to the general public are financed and recovered primarily through user charges. The Funds record the financial transactions in a manner similar to a private business enterprise. Operations are recorded on the accrual basis of accounting. The Funds are intended to be entirely or predominantly self-supported by user charges.

The Funds' financial statements are comprised of the following:

- The Statement of Net Position presents information on the Funds' assets, deferred outflow of resources, deferred inflow of resources and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Funds is improving or deteriorating.
- The Statement of Revenues, Expenses and Changes in Net Position provides information about the Funds' revenues and expenses on an accrual basis.

Santa Clara Valley Water District
Water Utility Enterprise Funds
Management's Discussion and Analysis
June 30, 2024

- The Statement of Cash Flows provides relevant information on the Funds' cash receipts and cash payments during the period. This statement presents changes in the Funds' cash and cash equivalents resulting from operating, noncapital financing, capital and related financing, and investing activities.
- The Notes to Basic Financial Statements provide additional information that is essential to a better understanding of the data provided in the Funds' financial statements.

Financial Highlights

	June 30		Change	
	2024	2023	Dollar	Percent
Cash and investments	\$ 505,388	\$ 532,995	(27,607)	-5.2%
Other assets	215,038	177,538	37,500	21.1%
Capital assets	1,891,587	1,667,984	223,603	13.4%
Total assets	2,612,013	2,378,517	233,496	9.8%
Deferred outflow of resources				
Deferred amount on refunding	176	207	(31)	-15.0%
Pension and OPEB related	78,766	98,858	(20,092)	-20.3%
Total deferred outflows of resources	78,942	99,065	(20,123)	-20.3%
Current liabilities	378,423	115,443	262,980	227.8%
Long- term liabilities	1,089,512	1,159,774	(70,262)	-6.1%
Total liabilities	1,467,935	1,275,217	192,718	15.1%
Deferred inflow of resources				
Pension and OPEB related	2,901	4,763	(1,862)	-39.1%
Capital leases	69	152	(83)	-54.6%
Total deferred inflows of resources	2,970	4,915	(1,945)	-39.6%
Net position:				
Net investment in capital assets	822,531	603,803	218,728	36.2%
Restricted	74,334	149,595	(75,261)	-50.3%
Unrestricted	323,185	444,052	(120,867)	-27.2%
Total net position	\$ 1,220,050	\$ 1,197,450	22,600	1.9%

Net investment in capital assets increased by \$218.7 million from the previous fiscal year. Capital assets, net of depreciation, increased by \$223.6 million, reflecting the increase in work in progress for the following main projects: Anderson Dam Tunnel (\$60.6 million), Coyote Creek Flood Management Measures (\$43.0 million), RWTP Reliability Improvement (\$37.0 million), 10-year Pipeline Inspection and Rehab (\$32.4 million), Pacheco Reservoir Expansion Project (\$20.2 million), Anderson Dam Seismic Retrofit (\$19.3 million), Coyote Percolation Dam Replacement (\$11.3 million), Coyote Creek Chillers (\$8.4 million), Indirect Potable Reuse – Plan C (\$6.0 million) and South County Recycled Water Pipeline 1B (\$5.2 million). Noncurrent liabilities, which include related debt outstanding, increased by \$7.0 million due mainly to increases in net pension and other post-employment benefit liabilities. Whereas, Valley Water's total restricted net position decreased by \$75.3 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 \$323.2 million decreased by \$120.9 million.

Santa Clara Valley Water District
Water Utility Enterprise Funds
Management's Discussion and Analysis
June 30, 2024

	June 30		Change	
	2024	2023	Dollar	Percent
Revenues:				
Program revenues:				
Water charges	\$ 320,638	\$ 268,101	52,537	19.6%
Operating grants and contributions	5,184	5,376	(192)	-3.6%
Capital grants and contributions	3,544	13,624	(10,080)	-74.0%
General revenues:				
Property Taxes	39,058	39,394	(336)	-0.9%
Investment earnings	20,230	7,582	12,648	166.8%
Miscellaneous	7,692	2,049	5,643	275.4%
Total Operating revenues	<u>396,346</u>	<u>336,126</u>	<u>60,220</u>	<u>17.9%</u>
Expenses:				
Water enterprise	370,913	264,709	106,204	40.1%
Total Expenses	<u>370,913</u>	<u>264,709</u>	<u>106,204</u>	<u>40.1%</u>
Change in net position before transfers	25,433	71,417	(45,984)	-64.4%
Transfers	(2,833)	22,212	(25,045)	-112.8%
Change in net position	22,600	93,629	(71,029)	-75.9%
Net position, beginning	1,197,450	1,103,821	93,629	8.5%
Net Position, ending	<u>\$ 1,220,050</u>	<u>\$ 1,197,450</u>	<u>22,600</u>	<u>1.9%</u>

Net position of \$1.2 billion increased by \$22.6 million during the current fiscal year. Total revenues and expenses were \$396.3 million and \$370.9 million, respectively. Net revenues before transfers were \$25.4 million. Net transfers out during the current fiscal year were \$2.8 million.

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

- Total water revenue of \$320.6 million was \$52.5 million (19.6%) higher from the prior fiscal year. The increase was mainly from groundwater and treated water revenues of \$41.8 million and \$10.4 million, respectively.
- Capital grants and contributions decreased by \$10.1 million compared to last fiscal year due mainly to lesser cost reimbursements received from the State of California, Department of Water Resources (\$6.1 million) for the Pacheco Reservoir Expansion Project under the Water Storage Investment Program, and the US Bureau of Reclamation (\$3.1 million) for the South Santa Clara County Recycled Water Project.
- Investment earnings for the current fiscal year was \$20.2 million or \$12.7 million higher than the \$7.6 million investment gain posted in the prior fiscal year. Investment earnings include an unrealized gain of \$5.9 million due to the increase in the portfolio's fair value compared to the prior year. This unrealized gain is temporary and should not materialize due to Valley Water's investment policy of holding all securities to their maturity under normal operating conditions.

Santa Clara Valley Water District
Water Utility Enterprise Funds
Management's Discussion and Analysis
June 30, 2024

Capital Assets

Valley Water's capital assets, net of accumulated depreciation, amounted to \$1.9 billion as of June 30, 2024. Capital asset components include intangible rights and software, land, buildings, structures and improvements (which include the flood control improvement), and equipment. During fiscal year 2024, the net increase in Valley Water's capital assets was \$223.6 million or 13.4%.

The Funds' capital assets are comprised of the following as of June 30, 2024 and 2023:

Water Utility Enterprise Funds Capital Assets
(Net of Accumulated Depreciation)
(Dollars in Thousands)

	June 30		Change	
	2024	2023	Dollar	Percent
Land	\$ 20,001	\$ 19,989	12	0.1%
Easements	32,777	24,238	8,539	35.2%
Contracted water rights	28,796	31,218	(2,422)	-7.8%
Buildings	86,036	78,552	7,484	9.5%
Structures and improvements	635,227	615,274	19,953	3.2%
Equipment	2,283	2,559	(276)	-10.8%
Lease assets	2,441	2,712	(271)	-10.0%
Intangible - software	-	11	(11)	-100.0%
Construction in progress	1,084,026	893,431	190,595	21.3%
Total	\$ 1,891,587	\$ 1,667,984	223,603	13.4%

Additional information on the Funds' capital assets activity for the current fiscal year is shown in Note 6 of this report.

Debt Administration

The Funds' total long-term liabilities at June 30, 2024 amounted to \$1.2 billion. A comparative breakdown of long-term obligations is shown below:

	June 30		Change	
	2024	2023	Dollar	Percent
Certificates of Participation	\$ 404,795	\$ 422,055	(17,260)	-4.1%
Revenue bonds	521,095	526,540	(5,445)	-1.0%
Premium on debt issuances	61,597	66,163	(4,566)	-6.9%
Total long-term debt	987,487	1,014,758	(27,271)	-2.7%
Compensated absences	8,599	8,605	(6)	-0.1%
Semitropic water banking liability	13,859	11,919	1,940	16.3%
Net pension liability	140,099	129,765	10,334	8.0%
Other post-employment benefits liability	45,259	21,144	24,115	114.1%
Lease liability	2,690	2,974	(284)	-9.5%
Total	\$ 1,197,993	\$ 1,189,165	8,828	0.7%

Total long-term liabilities increased by \$8.8 million during the current fiscal year primarily due to the following:

- Increase in net pension liability of \$10.3 million as reflected in Valley Water's actuarial study under GASB 68.
- Increase in other post-employment benefits liability of \$24.1 million as reflected in Valley Water's actuarial study under GASB 75.

Additional information on the Funds' long-term liabilities can be found in Note 7(b) of this report.

Next Year's Budgets

Valley Water's net operating and capital budget for the fiscal year 2025 is at \$963.6 million¹. This budget was developed to meet the objectives and challenges facing Valley Water that include the following:

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

Requests for Information

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

Mail - 5750 Almaden Expressway, San Jose, CA 95118
Phone - (408) 265-2600
Email - omanaloto@valleywater.org

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

BASIC FINANCIAL STATEMENTS

Santa Clara Valley Water District
Water Utility Enterprise Funds
Statement of Net Position
June 30, 2024
(Dollars in Thousands)

	Water Enterprise Fund	State Water Project Fund	Total Water Utility Enterprise Funds
Assets			
Current assets:			
Cash and investments (Note 3)	\$ 329,552	\$ 22,900	\$ 352,452
Receivables:			
Accounts	53,541	17	53,558
Interest	570	-	570
Taxes	31	84	115
Leases	55	-	55
Inventory - water (Note 2e)	154,920	-	154,920
Deposits and other assets	5,820	-	5,820
Total current assets	<u>544,489</u>	<u>23,001</u>	<u>567,490</u>
Non current assets:			
Restricted cash and investments (Note 3)	152,936	-	152,936
Capital assets: (Note 6)			
Contract water rights, net	17,463	11,333	28,796
Depreciable, net	723,546	-	723,546
Lease assets, net	2,441	-	2,441
Nondepreciable	1,136,804	-	1,136,804
Total non current assets	<u>2,033,190</u>	<u>11,333</u>	<u>2,044,523</u>
Total assets	<u>2,577,679</u>	<u>34,334</u>	<u>2,612,013</u>
Deferred outflows of resources			
Deferred amount on refunding	176	-	176
Deferred outflows of resources - pension activities (Note 10)	50,553	-	50,553
Deferred outflows of resources - OPEB (Note 11)	28,213	-	28,213
Total deferred outflows of resources	<u>78,942</u>	<u>-</u>	<u>78,942</u>
Liabilities			
Current liabilities:			
Accounts payable	23,558	194	23,752
Accrued liabilities	32,547	356	32,903
Commercial paper debt (Note 7)	208,600	-	208,600
Deposits payable	4,687	-	4,687
Bonds payable - current (Note 7)	106,336	-	106,336
Compensated absence (Note 7)	1,859	-	1,859
Lease liability (Note 7)	286	-	286
Total current liabilities	<u>377,873</u>	<u>550</u>	<u>378,423</u>
Non current liabilities:			
Bonds payable - net of discounts and premiums (Note 7)	881,151	-	881,151
Compensated absence (Note 7)	6,740	-	6,740
Net pension liability (Note 10)	140,099	-	140,099
Other post employment benefits liability (Note 11)	45,259	-	45,259
Lease liability (Note 7)	2,404	-	2,404
Other debt	13,859	-	13,859
Total non current liabilities	<u>1,089,512</u>	<u>-</u>	<u>1,089,512</u>
Total liabilities	<u>1,467,385</u>	<u>550</u>	<u>1,467,935</u>

(Continued)

See accompanying notes to basic financial statements.

Santa Clara Valley Water District
Water Utility Enterprise Funds
Statement of Net Position (Continued)
June 30, 2024
(Dollars in Thousands)

	Water Enterprise Fund	State Water Project Fund	Total Water Utility Enterprise Funds
Deferred inflows of resources			
Deferred inflows of resources - OPEB (Note 11)	2,901	-	2,901
Deferred inflows of resources - leases (Note 2d)	69	-	69
Total deferred inflows of resources	<u>2,970</u>	<u>-</u>	<u>2,970</u>
Net position (Note 9)			
Net investment in capital assets	811,198	11,333	822,531
Restricted			
Debt service	9,782	-	9,782
San Felipe operations	3,651	-	3,651
GP5 reserve	25,813	-	25,813
Rate stabilization	6,067	-	6,067
State water project	-	22,451	22,451
Advanced water purification center	1,293	-	1,293
Supplemental water supply	5,277	-	5,277
Unrestricted	<u>323,185</u>	<u>-</u>	<u>323,185</u>
Total net position	<u>\$ 1,186,266</u>	<u>\$ 33,784</u>	<u>\$ 1,220,050</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds			<u>(16,565)</u>
Net position of business-type activities			<u><u>1,203,485</u></u>

See accompanying notes to basic financial statements.

Santa Clara Valley Water District
Water Utility Enterprise Funds
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2024
(Dollars in Thousands)

	Water Enterprise Fund	State Water Fund	Total Enterprise Funds
Operating revenues:			
Ground water production charges	\$ 148,744	\$ -	\$ 148,744
Treated water charges	169,633	-	169,633
Surface and recycled water revenue	2,261	-	2,261
Charges for services	-	-	-
Other	444	3,250	3,694
Total operating revenues	<u>321,082</u>	<u>3,250</u>	<u>324,332</u>
Operating expenses:			
Sources of supply	104,626	30,070	134,696
Water treatment	53,858	-	53,858
Transmission and distribution:			
Raw water	20,988	-	20,988
Treated water	2,792	-	2,792
Administration and general	97,775	-	97,775
Equipment maintenance	-	-	-
Depreciation and amortization	21,572	944	22,516
Total operating expenses	<u>301,611</u>	<u>31,014</u>	<u>332,625</u>
Operating income (loss)	<u>19,471</u>	<u>(27,764)</u>	<u>(8,293)</u>
Nonoperating revenues (expenses):			
Property taxes (Note 8)	11,045	28,013	39,058
Investment income (Note 5)	20,230	-	20,230
Operating grants	5,184	-	5,184
Rental income	90	-	90
Lease revenue	83	-	83
Other	930	2,895	3,825
Interest and fiscal agent fees	(38,288)	-	(38,288)
Net nonoperating revenues (expenses)	<u>(726)</u>	<u>30,908</u>	<u>30,182</u>
Income/(loss) before capital contributions and transfers	18,745	3,144	21,889
Capital contributions (Note 4)	3,544	-	3,544
Transfers in (Note 13)	1,093	-	1,093
Transfers out (Note 13)	(3,926)	-	(3,926)
Change in net position	19,456	3,144	22,600
Net position, beginning of year	1,166,810	30,640	1,197,450
Net position, end of year	<u>\$ 1,186,266</u>	<u>\$ 33,784</u>	<u>1,220,050</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund.			(16,565)
Net position of business-type activities			<u>\$ 1,203,485</u>

Reconciliation of the Statement of Revenues, Expenses and Change in Net Position to the Statement of Activities:

Amounts reported as business-type activities in the statement of activities are different because:

Net change in net position - enterprise funds	\$ 22,600
Adjustment to the net effect of the current year activity between the internal service funds and the enterprise funds	(7,581)
Change in net position of business-type activities	<u>\$ 15,019</u>

See accompanying notes to basic financial statements.

Santa Clara Valley Water District
Water Utility Enterprise Funds
Statement of Cash Flows
For the Year Ended June 30, 2024
(Dollars in Thousands)

	Water		Total Water
	Enterprise	State	Utility
	Fund	Water	Enterprise
	Fund	Project Fund	Funds
Cash flows from operating activities:			
Receipts from customers and users	\$ 287,166	\$ 3,233	\$ 290,399
Payments to suppliers	(75,526)	(29,557)	(105,083)
Payments to employees	(132,066)	-	(132,066)
Other receipts	1,065	2,895	3,960
Net cash provided by (used for) operating activities	<u>80,639</u>	<u>(23,429)</u>	<u>57,210</u>
Cash flows from noncapital financing activities:			
Property taxes received	11,052	28,042	39,094
Operating grant	5,184	-	5,184
Transfers in from other funds	1,093	-	1,093
Net cash provided by noncapital financing activities	<u>17,329</u>	<u>28,042</u>	<u>45,371</u>
Cash flows from capital and related financing activities:			
COP/ revenue bonds issuance/(payment)	(27,240)	-	(27,240)
Commercial paper issuance/(payment)	173,600	-	173,600
Capital grants	3,544	-	3,544
Interest and fiscal agent fees paid	(38,288)	-	(38,288)
Payments for contract water rights	(11,511)	-	(11,511)
Acquisition and construction of capital assets	(246,117)	-	(246,117)
Transfers out to other funds	(3,926)	-	(3,926)
Net cash used for capital and related financing activities	<u>(149,938)</u>	<u>-</u>	<u>(149,938)</u>
Cash flows from investing activities:			
Sale of investments	59,930	-	59,930
Rental income received	90	-	90
Interest received on cash and investments	19,660	-	19,660
Cash provided by investing activities	<u>79,680</u>	<u>-</u>	<u>79,680</u>
Net increase in cash and cash equivalents	<u>27,710</u>	<u>4,613</u>	<u>32,323</u>
	<u>301,842</u>	<u>18,287</u>	<u>320,129</u>
Cash and cash equivalents, end of year	<u>\$ 329,552</u>	<u>\$ 22,900</u>	<u>\$ 352,452</u>
Cash and cash equivalents are reported on the			
Statement of Net Position:			
Cash and investments	\$ 329,552	\$ 22,900	\$ 352,452
Cash and cash equivalents, end of year	<u>\$ 329,552</u>	<u>\$ 22,900</u>	<u>\$ 352,452</u>

(Continued)

See accompanying notes to basic financial statements.

Santa Clara Valley Water District
Water Utility Enterprise Funds
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2024
(Dollars in Thousands)

	Water		Total Water Utility
	Enterprise	State	Enterprise
	Fund	Water Project Fund	Funds
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 19,471	\$ (27,764)	\$ (8,293)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Other receipts/(payments)	1,065	2,895	3,960
Depreciation and amortization	33,082	944	34,026
(Increase) decrease in:			
Increase (decrease) in: Deposits and other assets	(3,085)	-	(3,085)
Increase (decrease) in: Accounts receivable	(12,627)	(17)	(12,644)
Increase (decrease) in: Water inventory	(21,289)	-	(21,289)
Increase (decrease) in: Accounts payable	728	194	922
Increase (decrease) in: Accrued liabilities	6,313	319	6,632
Increase (decrease) in: Lease payable	(283)	-	(283)
Increase (decrease) in: Compensated absences	(6)	-	(6)
Increase (decrease) in: Deposits payable	2,736	-	2,736
Increase (decrease) in: Payable to Semitropic	1,940	-	1,940
Increase (decrease) in: Pension liability	10,334	-	10,334
Increase (decrease) in: Other post employment benefits liability	24,114	-	24,114
Increase (decrease) in: Deferred inflows/ outflows of resources	18,146	-	18,146
Net cash provided by (used) for operating activities	<u>\$ 80,639</u>	<u>\$ (23,429)</u>	<u>\$ 57,210</u>

See accompanying notes to basic financial statements.

NOTE 1 THE FINANCIAL REPORTING ENTITY

The Water Utility Enterprise Funds (the “Funds”) of the Santa Clara Valley Water District (Valley Water or the District) were established to account for the water utility related transactions of Valley Water. The Funds supply wholesale treated water, ground water, recycled water, and surface water for the residents of Santa Clara County. The Funds are comprised of two separate enterprise funds – the Water Enterprise Fund and the State Water Project Fund. The Water Enterprise Fund accounts for ongoing water utility operations, with revenues comprised primarily of charges to Valley Water’s groundwater and treated water customers. The State Water Project Fund accounts for the state water project tax revenue and state water project contractual costs.

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 is elected from 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 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.

The Funds have two groundwater charge zones as follows:

- North County Zone, which is comprised of benefit zone W-2; and
- South County Zone, which is comprised of benefit zones W-5, W-7, and W-8.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

Funds' Financial Statements

The Funds’ financial statements are prepared in conformity with the generally accepted accounting principles (GAAP) in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America. The financial statements of the Funds do not purport to represent the financial position and changes in the financial position of Valley Water as a whole.

The Funds account 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of Accounting

The Funds' 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 the Funds give (or receive) 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 are recognized in the fiscal year for which the taxes 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.

The Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Funds' principal ongoing operations. The principal operating revenue of the Funds is the sale of water to outside customers. Operating expenses for the 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. Operating revenues, such as charges for services, result from the exchange transactions associated with the principal activity of the Funds. 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.

(c) Cash and Investments

While maintaining safety and liquidity, Valley Water maximizes its investment return by pooling its available cash from all funds 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 records 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.

Investment income, which includes changes in fair value, is allocated to all funds on the basis of average monthly cash and investment balances. The Funds' cash and investments pooled with Valley Water are carried at fair value based on the value of each participating dollar.

For purposes of the Statement of Cash Flows, the Funds consider all highly liquid investments with a maturity of three months or less when purchased, 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 antennae and pipeline sites for a term of 5 years and 10 years, respectively. The discount rate used is equivalent to Valley Water's average annual investment earnings rate of 1.1%.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Lease Receivable (Continued)

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

Inventory consists of materials and supplies held for consumption and stored water inventory. The cost of all inventory acquired is recorded as an expense at the time of purchase. At the end of the accounting period, the inventory values of materials and supplies on hand are determined using a current cost method which approximates market value. 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 June 30, 2024 are shown below.

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

(f) Lease or Right to Use Assets

The Funds have recorded lease or right to use leased assets as a result of implementing GASB 87, Leases, and GASB 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 straight-line basis over the term of the related leases or the 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. Contributed capital assets are valued at their estimated acquisition value on the date contributed. The Funds define 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Capital Assets (Continued)

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
Intangible - software	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.

(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 Fund capitalize the capital cost component and amortize such component, using the straight-line method, over the remaining entitlement period.

(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 a 35% allocation for storage rights at the Semitropic Water Storage District facility, totaling 350,000 acre-feet. The Funds have capitalized the cost of the program and amortized the cost over the 40-year entitlement period using the straight-line method. See Note 14c for more information on Valley Water's participation in the Semitropic water banking and exchange program.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 in the San Felipe Division facilities. The San Felipe Division transports water from San Luis Reservoir to the Santa Clara – San Benito service area through the Pacheco Tunnel and other project features, which include 48.5 miles of closed conduits, two pumping plants and one small reservoir. The Funds capitalize the capital cost component and amortize 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 greater than 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. At June 30, 2024, the bad debt allowance was \$0.9 million.

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

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

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

(m) Bond Premiums, Discounts and Issuance Costs

The Funds' 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 payable is reported net of the applicable bond premiums or discounts. Prepaid insurance associated with the issuance of debts is reported as prepaid expenses.

(n) Net Position

The Funds' net position is classified based primarily on 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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.

(p) 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.

(q) 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.

(r) 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 position 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 position that applies to future period(s) and so will not be recognized as an inflow or resources (revenues) until such time.

(s) New Pronouncements

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) New Pronouncements (Continued)

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 not yet determined the impact of this pronouncement on the financial statements.

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) New Pronouncements (Continued)

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

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.
- for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

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

NOTE 3 CASH AND INVESTMENTS

Valley Water maintains a cash and investments pool, which includes the cash balances of all Valley Water funds, and are invested by the Treasurer to enhance interest earnings. The pooled interest earned, net of administrative fees, is allocated to each fund based on their respective average daily balances.

The Funds' cash and investments at June 30, 2024 are as follows:

Cash and investments	\$ 352,452
Restricted cash and investments	152,936
Total cash and investments pool	<u>\$ 505,388</u>

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits and Investments

At June 30, 2024, Valley Water's cash and investments pool consists of the following (in thousands):

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

As of June 30, 2024, the fair value of Valley Water's investment in the State of California investment pool (LAIF) was \$72.5 million. The Local Investment Advisory Board (LIA Board) has oversight responsibility for LAIF. The LIA Board consists of five members as designated by State Statute. Valley Water is a voluntary participant in the pool. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of Valley Water's position in LAIF. The pool is not registered with the Securities 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 the California Government Code that address interest rate risk, credit risk, and concentration of credit risk. This list does not address Valley Water's investments of debt proceeds held by fiscal agents that are governed by the provisions of debt agreements of Valley Water, rather than the general provisions of the California Government Code or Valley Water's investment policy, when more restrictive.

**Santa Clara Valley Water District
Water Utility Enterprise Funds
Notes to Basic Financial Statements
For the Year Ended June 30, 2024**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Authorized Investments by Valley Water (Continued)

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 (A)	5 years	(Exempt from disclosure)	None	None
Bankers Acceptances	180 days	AA-	40%	4.8%
Commercial Paper	90 days	AA-	15%	1.8%
Negotiable Certificates of Deposit	5 years	AA-	30%	3.6%
Time Certificates of Deposit (B)	5 years	Satisfactory CRA	5%	\$250,000 and FDIC Membership
Collateralized Repurchase Agreements	30 days	AA-	None	None
Medium Term Notes	5 years	AA-	15%	1.8%
Municipal Obligations	5 years	AA-	15%	1.8%
LAIF (C)	N/A	N/A	(C)	(C)
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.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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 and 2020B, 2022A, 2023A and 2023B, a portion of the proceeds from these debt issuances is required to be held in custody accounts by a fiscal agent as trustee.

As of June 30, 2024, the Funds' cash and investments held by fiscal agents within Valley Water's cash and investment pool was \$15.3 million and was equal to or in excess of the amount required at that date.

Restricted Cash and Investments for Capital Projects

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

Authorized Investments by Debt Agreements

Valley Water must maintain the 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 table identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
U. S. Treasury Obligations(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.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Authorized Investments by Debt Agreements (Continued)

- (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 ("FNMAs"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMAs"); 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, GNMAs, FNMAs or FHLMCs with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "P-1" or "A3" or better by Moody's and "A-1" or "A-" or better by S&P, provided: (1) a master repurchase agreement or specific written repurchase agreement governs the transaction; and (2) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent ("Agent") for the Trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50.0 million or (iii) a bank approved in writing for such purpose by the Certificate Insurer, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee; and (3) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. if such securities is created for the benefit of the Trustee; and (4) the repurchase agreement has a term of 180 days or less, and the Trustee or the agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and (5) the fair value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Authorized Investments by Debt Agreements (Continued)

(F) Investment agreements, guaranteed investment contracts, funding agreements, or any other form of corporate note representing the unconditional obligations of entities or agencies with 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 its own interest rate risk by holding investments to maturity.

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

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

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.

Santa Clara Valley Water District
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NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Credit Risk (Continued)

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

	Total	Minimum Legal Rating	Exempt from Disclosure	Rating as of Year-end				Not Rated
				AAA	AA+	AA	AA-	
U. S. Government Agencies	\$ 237,905	AA-	\$ -	\$ -	\$ 180,303	\$ -	\$ -	\$ 57,602
U. S. Treasury Obligations	145,269	AA-	145,269	-	-	-	-	-
Medium Term Notes	12,550	AA-	-	-	12,550	-	-	-
Local Agency Investment Fund	72,518	N/A	-	-	-	-	-	72,518
Mutual Funds	181,758	AAA	-	-	-	-	-	181,758
Supranational Obligations	11,454	AA	-	9,569	-	-	-	1,885
Municipal Bonds	42,083	AA-	-	13,661	12,470	11,033	3,335	1,584
Negotiable Certificates of Deposit	233	AA-	-	-	-	-	-	233
Time Certificates of Deposit	204,802	N/A	-	-	-	-	-	204,802
Money Market Funds	45,608	N/A	-	-	-	-	-	45,608
Total Investments	<u>\$ 954,180</u>		<u>\$ 145,269</u>	<u>\$ 23,230</u>	<u>\$ 205,323</u>	<u>\$ 11,033</u>	<u>\$ 3,335</u>	<u>\$ 565,990</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, held by individual Valley Water Funds in the securities of issuers other than U.S. Treasury securities, mutual funds and external investments pools. At June 30, 2024, such investments are as follows (in thousands):

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, Valley Water will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

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.

Fair Value Measurement and Application

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

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

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

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

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurement and Application (Continued)

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

NOTE 4 CAPITAL CONTRIBUTIONS

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

Local Agencies:	Amount
San Benito County Water Agency	\$ 57
State Agencies:	
Department of Water Resources	3,287
Federal Agencies:	
U.S. Bureau of Reclamation	200
Total reimbursement of capital costs	\$ 3,544

NOTE 5 INVESTMENT INCOME (LOSS)

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

Unrealized Gain	Interest Income	Investment Earnings, Net
\$ 5,140	\$ 15,090	\$ 20,230

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NOTE 6 CAPITAL ASSETS

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

	Beginning Balance	Additions	Transfers	Deletions	Ending Balance
Nondepreciable capital assets:					
Land	\$ 19,989	\$ 12	\$ -	\$ -	\$ 20,001
Intangible - Easement	24,238	8,539	-	-	32,777
Construction in progress	893,431	237,185	(46,590)	-	1,084,026
Total nondepreciable capital assets	937,658	245,736	(46,590)	-	1,136,804
Depreciable capital assets:					
Contracted water and storage rights	258,896	11,512	-	-	270,408
Buildings	97,751	-	9,883	-	107,634
Structures and improvements	979,939	-	36,707	-	1,016,646
Equipment	30,378	381	-	-	30,759
Intangible - software	113	-	-	-	113
Lease assets	3,254	-	-	-	3,254
Total depreciable capital assets	1,370,331	11,893	46,590	-	1,428,814
Less: accumulated depreciation and amortization					
Contracted water rights	(227,678)	(13,934)	-	-	(241,612)
Buildings	(19,199)	(2,399)	-	-	(21,598)
Structures and improvements	(364,665)	(16,754)	-	-	(381,419)
Equipment	(27,819)	(657)	-	-	(28,476)
Intangible - software	(102)	(11)	-	-	(113)
Lease assets	(542)	(271)	-	-	(813)
Total accumulated depreciation and amortization	(640,005)	(34,026)	-	-	(674,031)
Net depreciable capital assets	730,326	(22,133)	46,590	-	754,783
Total capital assets, net	\$ 1,667,984	\$ 223,603	\$ -	\$ -	\$ 1,891,587

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

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

NOTE 6 CAPITAL ASSETS (CONTINUED)

Right to Use Assets

The Funds have recorded right to use assets for leased land and equipment. The related lease liabilities are discussed in Note 7. The right to use assets are amortized on a straight-line basis over the term of the related leases or the useful life of the underlying assets, whichever is shorter.

Right to use leased asset activity included in capital assets for the year ended June 30, 2024 are as follows (in thousands):

	Balance as of June 30, 2023	Additions	Deletions	Balance as of June 30, 2024
Lease assets:				
Land	\$ 3,254	\$ -	\$ -	\$ 3,254
Total	<u>3,254</u>	<u>-</u>	<u>-</u>	<u>3,254</u>
Less: accumulated amortization				
Land	(542)	(271)	-	(813)
Total accumulated amortization	<u>(542)</u>	<u>(271)</u>	<u>-</u>	<u>(813)</u>
Total lease assets, net \$	<u><u>2,712</u></u>	<u><u>(271)</u></u>	<u><u>-</u></u>	<u><u>2,441</u></u>

NOTE 7 SHORT-TERM AND LONG-TERM LIABILITIES

(a) Short-term debt

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

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

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

**Santa Clara Valley Water District
Water Utility Enterprise Funds
Notes to Basic Financial Statements
For the Year Ended June 30, 2024**

NOTE 7 SHORT-TERM AND LONG-TERM LIABILITIES (CONTINUED)

(a) Short-term debt (Continued)

The Funds' short-term debt as of June 30, 2024 consisted of the following (in thousands):

Type of indebtedness	Maturity Date	Interest Rate	June 30, 2024
Commercial paper:			
Tax exempt	9/5/2024	3.65%	\$ 118,640
Taxable	9/3/2024	5.51%	<u>31,360</u>
Total commercial paper			150,000
Revolving line of credit	9/24/2024	5.70%	<u>58,600</u>
Total short-term liabilities			<u>\$ 208,600</u>

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

	Beginning Balance	Additions	Reductions	Ending Balance
Commercial paper	\$ 35,000	\$ 147,975	\$ (32,975)	\$ 150,000
Revolving line of credit	-	58,600	-	58,600
Total short-term liabilities	<u>\$ 35,000</u>	<u>\$ 206,575</u>	<u>\$ (32,975)</u>	<u>\$ 208,600</u>

Santa Clara Valley Water District
Water Utility Enterprise Funds
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For the Year Ended June 30, 2024

NOTE 7 SHORT-TERM AND LONG-TERM LIABILITIES (CONTINUED)

(b) Long-term liabilities

The Funds' long-term liabilities as of June 30, 2024 consisted of the following (in thousands):

Type of indebtedness	Maturity	Interest Rate*	Authorized and Issued	June 30, 2024	Due Within One Year
2016A Water revenue bond	2046	3.25%	\$ 106,315	\$ 106,315	\$ -
2016B Water revenue bond	2046	4.32%	75,215	75,215	-
2016C Water revenue COP	2029	2.13%	43,075	20,940	3,880
2016D Water revenue COP	2029	3.14%	54,970	26,255	4,870
2017A Water revenue bond	2037	3.13%	54,710	41,530	2,275
2019A Water revenue bond	2049	3.75%	15,225	13,955	290
2019B Water revenue bond	2049	3.81%	80,030	71,475	1,840
2019C Water revenue COP	2036	2.76%	38,280	28,600	2,255
2020A Water revenue bond	2050	3.33%	24,120	24,120	-
2020B Water revenue bond	2050	2.98%	68,530	68,530	-
2020C Water revenue COP	2041	2.07%	41,765	36,610	1,790
2020D Water revenue COP	2041	2.20%	81,560	71,650	3,435
2023A Water revenue bond	2052	4.19%	52,090	52,090	-
2023B Water revenue bond	2052	5.11%	69,045	67,865	1,225
2023C-1 Water revenue COP	2026	2.35%	117,365	117,365	53,180
2023C-2 Water revenue COP	2041	3.22%	42,285	40,760	1,610
2023D Water revenue COP	2026	4.33%	62,615	62,615	25,120
Bond discount				(821)	(29)
Bond premium				62,418	4,595
Total long-term debt				987,487	106,336
Compensated absences				8,599	1,859
Net pension liability (See Note 10)				140,099	-
Other post employment benefits liability (See Note 11)				45,259	-
Semitropic water banking liability	2035		46,900	13,859	-
Lease liability				2,690	286
Total enterprise funds debt				\$ 1,197,993	\$ 108,481

*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.

Santa Clara Valley Water District
Water Utility Enterprise Funds
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 7 SHORT-TERM AND LONG-TERM LIABILITIES (CONTINUED)

(b) Long-term liabilities (Continued)

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

	Balance 7/1/2023	Additions	Reductions	Balance 6/30/2024	Due Within One Year	Long-term
2016A revenue bonds	\$ 106,315	\$ -	\$ -	\$ 106,315	\$ -	\$ 106,315
2016B revenue bonds	75,215	-	-	75,215	-	75,215
2016C COPS	24,625	-	(3,685)	20,940	3,880	17,060
2016D COPS	30,995	-	(4,740)	26,255	4,870	21,385
2017A revenue bonds	43,720	-	(2,190)	41,530	2,275	39,255
2019A revenue bonds	14,235	-	(280)	13,955	290	13,665
2019B revenue bonds	73,270	-	(1,795)	71,475	1,840	69,635
2019C COPS	30,790	-	(2,190)	28,600	2,255	26,345
2020A revenue bonds	24,120	-	-	24,120	-	24,120
2020B revenue bonds	68,530	-	-	68,530	-	68,530
2020C COPS	38,360	-	(1,750)	36,610	1,790	34,820
2020D COPS	75,020	-	(3,370)	71,650	3,435	68,215
2023A revenue bonds	52,090	-	-	52,090	-	52,090
2023B revenue bonds	69,045	-	(1,180)	67,865	1,225	66,640
2023C-1 COPS	117,365	-	-	117,365	53,180	64,185
2023C-2 COPS	42,285	-	(1,525)	40,760	1,610	39,150
2023D COPS	62,615	-	-	62,615	25,120	37,495
Bond discount	(851)	-	30	(821)	(29)	(792)
Bond premium	67,014	-	(4,596)	62,418	4,595	57,823
Total long-term debt	1,014,758	-	(27,271)	987,487	106,336	881,151
Compensated absences	8,605	6,247	(6,253)	8,599	1,859	6,740
Net pension liability (See Note 10)	129,765	10,334	-	140,099	-	140,099
Other post employment benefits liability (See Note 11)	21,144	24,115	-	45,259	-	45,259
Semitropic water banking liability	11,919	1,940	-	13,859	-	13,859
Lease and subscription liability	2,974	-	(284)	2,690	286	2,404
Total business- type activity long- term liabilities	\$ 1,189,165	\$ 42,636	\$ (33,808)	\$ 1,197,993	\$ 108,481	\$ 1,089,512

**Santa Clara Valley Water District
Water Utility Enterprise Funds
Notes to Basic Financial Statements
For the Year Ended June 30, 2024**

NOTE 7 SHORT-TERM AND LONG-TERM LIABILITIES (CONTINUED)

(b) Long-term liabilities (Continued)

The aggregate maturities of bonds payable are as follows (in thousands):

	Year Ending June 30	Principal	Interest
Bonds payable	2025	\$ 101,770	\$ 36,880
	2026	125,935	34,459
	2027	25,110	29,426
	2028	26,025	28,503
	2029	27,000	27,522
	2030-2034	114,125	106,444
	2035-2039	143,765	94,518
	2040-2044	147,505	64,464
	2045-2049	152,485	29,894
	Thereafter	62,170	4,439
Total bonds payable requirements		<u>\$ 925,890</u>	<u>\$ 456,549</u>

Leases

Valley Water has entered into agreements to lease certain land, building office spaces and equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of July 1, 2021, the 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 a net book value of \$2.8 million at June 30, 2024. The right to use assets are included in Note 6.

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

Year Ending June 30	Principal	Interest
2025	\$ 286	\$ 29
2026	290	25
2027	1,494	81
2028	620	10
	<u>\$ 2,690</u>	<u>\$ 145</u>

NOTE 7 SHORT-TERM AND LONG-TERM LIABILITIES (CONTINUED)

(b) Long-term liabilities (Continued)

Leases (Continued)

The following provides a brief description of the Funds' long-term debt outstanding as of June 30, 2024:

2016A/B Water Systems Refunding Revenue Bonds

In March 2016, Valley Water issued \$181.5 million of Water Systems Refunding Revenue Bonds comprised of Series 2016A for \$106.3 million and Taxable Series B for \$75.2 million, pursuant to the Water Utility Parity System Master Resolution (16-10) approved by the Board in February 2016. Proceeds of the 2016A Revenue Bonds, along with the original issue premium, were used to refinance all the currently outstanding Water Utility System Refunding Revenue Bonds Series 2006A and repay \$73.0 million of outstanding tax-exempt commercial paper notes and costs of issuance. Proceeds of the 2016B Revenue Bonds were used to repay \$75.0 million of the balance of the outstanding taxable commercial paper notes and costs of issuance. The obligation of Valley Water to pay the principal and interest of the 2016A/B Water Systems 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 Certification of Participation, comprised of Series 2016C for \$43.4 million and Taxable Series 2016D for \$55.0 million, which were executed and delivered through the PFFC. Proceeds of the 2016C and 2016D COPs, along with the original issue premium were used to finance capital construction projects in the Water Utility Enterprise and costs of issuance. The 2016C and 2016D COPs are payable from 2016 Installment Payments which are payable by Valley Water from and secured by a pledge and lien on water utility revenues and are payable from the Net Water Utility System revenues pursuant to the Water Utility System Parity Master Resolution (16-10).

2017A Water System Refunding Revenue Bonds

In May 2017, Valley Water issued \$54.7 million of Water Systems 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 System Parity Master Resolution (16-10).

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

NOTE 7 SHORT-TERM AND LONG-TERM LIABILITIES (CONTINUED)

(b) Long-term liabilities (Continued)

Leases (Continued)

2019C Water Utility Refunding Revenue Bonds

In November 2019, Valley Water issued \$38.3 million of Water Utility Revenue Certificates of Participation Series 2019C to refinance all the outstanding Water Utility Revenue Certifications of Participation Taxable Series 2007B and fund costs of issuance. The obligation of Valley Water to pay the principal and interest on the 2019C 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).

2020A/B Water Systems Refunding Revenue Bonds

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

2020C/D Water Utility Revenue Certificates of Participation

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

2023A/B Water Systems Revenue Bonds

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

NOTE 7 SHORT-TERM AND LONG-TERM LIABILITIES (CONTINUED)

(b) Long-term liabilities (Continued)

Leases (Continued)

2023C/D Water Utility Revenue Certificates of Participation

In January 2023, Valley Water issued \$222.3 million of Water Utility Revenue Certificates of Participation, comprised of Series 2023C-1 for \$117.4 million, 2023C-2 for \$42.3 million, and Taxable series 2023D for \$62.6 million, executed and delivered through the PFFC. Proceeds of the COPs, along with the original issue premium, are being used to finance capital construction projects in the Water Utility Enterprise and costs of issuance. The COPs are payable from 2022 Installment Payments which are payable by Valley Water from and secured by a pledge and lien on water utility revenues and are payable from the Net Water Utility System Revenues pursuant to the Water Utility Parity System Master Resolution (16-10).

Semitropic Water Banking Liability

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

(c) Other Debt Related Information

Valley Water has adopted master resolutions with respect to its water utility and watershed utility 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.

NOTE 7 SHORT-TERM AND LONG-TERM LIABILITIES (CONTINUED)

(c) Other Debt Related Information (Continued)

Financial obligations incurred under the commercial paper program, issued through the PFFC, currently include the obligations to reimburse the bank issuing direct pay letter of credit supporting the commercial paper program and to pay letter of credit fees to the bank. Valley Water's failure to comply with certain such obligations could result in an event of default. If an event of default occurs, the bank may exercise one or more rights and remedies. In addition to rights and remedies provided for under the law, the bank can declare all financial obligations with respect to such letter of credit to be immediately due and payable, cause the issuance of commercial paper to be temporarily ceased, or terminate the letter of credit which would cause the issuance of commercial paper to be permanently ceased. Commercial paper certificates are not subject to acceleration.

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

NOTE 8 PROPERTY TAXES AND BENEFIT ASSESSMENTS

The Funds derive certain revenues from the assessment of property tax parcel levies. The property tax levy is composed of two categories: (1) an allocation of the County of Santa Clara's 1 percent tax; and (2) voter-approved levy to repay capital and operating costs related to imported water from the State Water Project.

Property tax revenues for the year ended June 30, 2024, are as follows (in thousands):

	<u>Amount</u>
Property taxes:	
1% tax allocation	\$ 11,045
Voter approved indebtedness:	
State Water Project Fund	<u>28,013</u>
Total property tax revenues	<u>\$ 39,058</u>

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

Santa Clara Valley Water District
Water Utility Enterprise Funds
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 9 NET POSITION

The 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 following table shows the detailed schedule of the Funds' net position at June 30, 2024 (in thousands):

	Total Water Utility Enterprise Funds
Net investment in capital assets	\$ 822,531
Restricted Net Position	
Debt Service	9,782
San Felipe Emergency Reserve	3,651
GP5 reserve	25,813
Rate Stabilization	6,067
Advance Water Purification Center	1,293
Supplemental Water Supply Reserve	5,277
State Water Project	22,451
Total restricted net position	74,334
Unrestricted Net Position	
Operating & Capital Contingencies	32,026
Water inventory	154,920
Purchase Commitments	244,906
Net Pension Liability	(76,513)
Net Other Post Employment Benefit Liability	(32,154)
Total unrestricted net position	323,185
Net Position	1,220,050
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds	(16,565)
Net Position of Business-type Activies	\$ 1,203,485

NOTE 10 EMPLOYEES' RETIREMENT PLAN

Plan Description

All qualified permanent and probationary employees of Valley Water are eligible to participate in the agent multiple-employer defined benefit pension plan (the 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 is applied as specified by the California Public Employees' Retirement Law. The 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 June 30, 2024, are summarized as follows:

Hire date	Prior to 3/19/2012	3/19/2012 to 12/31/2012	On or after 1/1/2013
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefiting 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	8.00%	7.07%	6.75%
Required employer contribution rates	10.17% plus \$3.0 million prepayment for prior unfunded service cost		

* Member's additional contribution towards Valley Water's CalPERS cost per negotiated agreement with the bargaining units.

NOTE 10 EMPLOYEES RETIREMENT PLAN (CONTINUED)

Benefits Provided (Continued)

Valley Water allocated approximately 44.3% of the District's net pension liability, deferred outflows and inflows of resources and pension expense to the Funds based on the Funds' share of the District's total average salaries for the fiscal year ended June 30, 2024. As a result, the Funds recorded a net pension liability of \$140.1 million and deferred outflows of resources of \$50.6 million as of June 30, 2024. The Funds recorded pension expense of \$46.2 million for the year ended June 30, 2024.

Refer to the Santa Clara Valley Water District Annual Comprehensive Financial Report (ACFR) as of and for the year ended June 30, 2024 for additional information about the District's pension plan and required note disclosures in accordance with GASB Statement No. 68.

NOTE 11 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 of Directors, 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 a monthly CalPERS retirement pay.

**Santa Clara Valley Water District
Water Utility Enterprise Funds
Notes to Basic Financial Statements
For the Year Ended June 30, 2024**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Benefits Provided

	Hire/Retirement Date	Eligibility Rule (Years of Continuous Service)	District's Required Contribution
<p style="text-align: center;"><u>Classified</u></p> <p>Employee Association (AFSCME Local 101)</p> <p>Engineers Society (IFPTE Local 21)</p> <p>Professional Managers Association (IFPTE - Local 21)</p>	Retired prior to July 1, 1988	-	Fixed amount of \$165 per month
	Retired from July 1, 1988 through June 30, 1990	10 years	100% medical premium for retiree
	Retired from July 1, 1990 or later and hired prior to December 31, 2006	10 years 15 years	100% medical premium for retiree 100% medical premium for retiree plus one eligible dependent
	Retired from July 1, 1990 or later and hired between December 31, 2006 and March 1, 2017	10 years 15 years	Retiree is covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less. Retiree plus one eligible dependent are covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less.
	Hired on or after March 1, 2007	15 years 20 years	Retiree is covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less. Retiree plus one eligible dependent are covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less.

(Continued)

**Santa Clara Valley Water District
Water Utility Enterprise Funds
Notes to Basic Financial Statements
For the Year Ended June 30, 2024**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Benefits Provided (Continued)

	Hire/Retirement Date	Eligibility Rule (Years of Continuous Service)	District's Required Contribution
<u>Unclassified</u> At Will	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 through June 18, 1995	10 years	100% medical premium for retiree
		15 years	100% medical premium for retiree plus one eligible dependent
	Retired from June 19, 1995 through October 21, 1996	10 years	100 % medical premium for retirees
		15 years	100% medical premium for retiree plus one eligible dependent
		25 years	100% medical, dental, and vision coverages for the retiree plus two or more eligible dependents
	Retired from October 22, 1996 or later and hired prior to December 30, 2006	10 years	100 % medical premium for retirees
		15 years	100% medical, dental, and vision coverages for the retiree plus one eligible dependent
		25 years	100% medical, dental, and vision coverages for the retiree plus two or more eligible dependents
	Hired on or after December 30, 2006 and prior to March 1, 2007	10 years	Medical coverage is provided for retiree. 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.
		15 years	Medical, dental, and vision coverages are provided for retiree and one eligible dependent. 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.
		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.

(Continued)

**Santa Clara Valley Water District
Water Utility Enterprise Funds
Notes to Basic Financial Statements
For the Year Ended June 30, 2024**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Benefits Provided (Continued)

	Hire/Retirement Date	Eligibility Rule (Years of Continuous Service)	District's Required Contribution
<u>Unclassified</u> At Will	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.

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

After an evaluation of the cost savings realized in implementing the Medicare enrollment plan since August 2007, Valley Water decided to expand the Medicare enrollment requirement to all retirees and their eligible dependents who 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 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.

Valley Water allocated approximately 44.3% of the District's net OPEB liability, deferred outflows and inflows of resources and OPEB expense to the Funds based on the Funds' share of the District's total average salaries for the fiscal year ended June 30, 2024. As a result, the Funds recorded a net OPEB liability of \$45.3 million, deferred outflows of resources of \$28.2 million and deferred inflows of resources of \$2.9 million as of June 30, 2024. The Funds recorded OPEB expense of \$6.5 million for the year ended June 30, 2024.

Refer to the Santa Clara Valley Water District Annual Comprehensive Financial Report (ACFR) as of and for the year ended June 30, 2024 for more information about the District's OPEB plan and required note disclosures in accordance with GASB Statement No. 75.

**Santa Clara Valley Water District
Water Utility Enterprise Funds
Notes to Basic Financial Statements
For the Year Ended June 30, 2024**

NOTE 12 RISK MANAGEMENT

The Funds are 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 management activities in its Risk Management Internal Service Fund.

Valley Water is self-insured for various types of coverage. The 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

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 expenses. 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.

Refer to the Santa Clara Valley Water District Annual Comprehensive Financial Report (ACFR) as of and for the year ended June 30, 2024, for more information about Valley Water's claims payable.

NOTE 13 TRANSFERS IN FROM (OUT TO) DISTRICT

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

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount</u>	<u>Description</u>
Water Enterprise Fund	Safe, Clean Water & Natural Flood Protection		
		\$ 1,093	Water Conservation Program
Transfers in from District		\$ 1,093	
General Fund	Water Enterprise Fund	\$ (187)	Security upgrade & enhancement
Information Technology Fund	Water Enterprise Fund	(3,739)	IT capital project
Transfers out to District		\$ (3,926)	

NOTE 14 COMMITMENTS

(a) Contract and Purchase Commitments

As of June 30, 2024, the Funds have open purchase commitments of approximately \$262.9 million related to new or existing contracts and agreements. These encumbrances represent commitments of the Funds and do not represent actual expenses or liabilities.

(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 the District to operate Reach 1, Reach 2, and Reach 3 of the 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 Division facilities are repaid through semi-annual payments according to a payment schedule. To become fully enforceable, the repayment contract requires that Valley Water secure a final judgment from a court of competent jurisdiction that the contract is valid. This court proceeding has been initiated and is awaiting judgment.

The conversion of Valley Water's contract, as well as the contracts for all CVP contractors that elected to convert their contract pursuant to the WIIN Act, is subject to legal challenge by several environmental groups, which alleged violations of the National Environmental Policy Act and the federal Endangered Species Act.

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

(c) Participation Rights in Storage Facilities

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

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

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

NOTE 14 COMMITMENTS (CONTINUED)

(c) Participation Rights in Storage Facilities (Continued)

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

On December 10, 2019, the Board approved an agreement between Valley Water and its local partners, the City 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, owned and operated by 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. All three payments will escalate annually based on the factors outlined in the partnership agreement and will be paid for water charge related revenues. The timing of such payments is still to be determined. In February 2024, the Valley Water Board of Directors placed the project to build a regional purification facility on hold due to affordability issues. This decision will be reviewed in two years.

NOTE 15 CONTINGENCIES

(a) Litigation

It is normal for a public entity like Valley Water, with its size and activities, to be a defendant, codefendant, 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 Funds' financial statements, will not materially affect the financial position of the Funds.

NOTE 15 CONTINGENCIES (CONTINUED)

(a) Litigation (Continued)

For a discussion of all pending litigations that Valley Water is aware of which are significant and may have a potential impact on Valley Water's financial statements, refer to Note 16 of the Santa Clara Valley Water Districts Annual Comprehensive Financial Reports (ACFR) as of and for the year ended June 30, 2024.

NOTE 16 SUBSEQUENT EVENTS

Events have been evaluated subsequent to the balance sheet date through August 5, 2025, the date the financial statements were available to be issued. Based upon this evaluation, no events have occurred that require adjustment to or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

Santa Clara Water District
Water Utility Enterprises Funds
Schedule of Revenues, Expenses and Changes in Net Position by Zone -
Budgetary Basis Reconciliation to GAAP Basis
Year ended June 30, 2024 (Dollars in Thousands)

	<u>North County</u>	<u>South County</u>	<u>Total</u>
Operating Revenues:			
Ground Water Charges	\$ 130,765	\$ 17,982	\$ 148,747
Treated Water Charges	169,633	-	169,633
Surface and recycled water charges	1,500	761	2,261
Operating Grants	5,139	45	5,184
Other	3,694	-	3,694
Total Operating revenues	<u>310,731</u>	<u>18,788</u>	<u>329,519</u>
Operating Expenses			
Sources of Supply	92,438	11,241	103,679
Water Treatment	51,415	623	52,038
Transmission and distribution:			-
Raw Water	16,238	4,598	20,836
Treated Water	2,920	-	2,920
Administration and general	25,511	8,489	34,000
Capital Cost Recovery	(6,116)	6,116	-
Total Operating Expenses	<u>182,406</u>	<u>31,067</u>	<u>213,473</u>
Operating income (loss)	<u>128,325</u>	<u>(12,279)</u>	<u>116,046</u>
Nonoperating revenues (expenses):			
Property Taxes	35,010	4,048	39,058
Investment Income	20,230	-	20,230
Rental Income	119	54	173
Other	3,602	223	3,825
Interest and fiscal agent fees	(38,288)	-	(38,288)
Open Space Credit Transfer	(7,595)	7,595	-
Interest earned credit	(125)	125	-
Net Operating revenues	<u>12,953</u>	<u>12,045</u>	<u>24,998</u>
Change in Net Position	\$ <u>141,278</u>	\$ <u>(234)</u>	\$ <u>141,044</u>

Reconciliation to Statement of Revenues, Expenses and Changes in Net Position:

Income (Loss)	141,044
Depreciation and amortization expenses not budgeted	(22,516)
Capital contributions	3,544
Interfund transfers	(2,834)
Reconcile GAAP to budgetary basis for operating expenses	(96,638)
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds	<u>(16,565)</u>
Change in net position per Statement of Revenues, Expenses and Change in Net Position	\$ <u>6,035</u>

Santa Clara Water District
Water Utility Enterprises Funds
Schedule of Revenues, Expenses and Changes in Net Position by Zone -
Budgetary Basis Discussion
Year ended June 30, 2024 and 2023 (Dollars in Thousands)

	North County		South County		Total	
	2024	2023	2024	2023	2024	2023
Operating revenues:						
Ground water charges	\$ 130,765	\$ 91,281	\$ 17,982	\$ 15,655	\$ 148,747	\$ 106,936
Treated water charges	169,633	159,215	-	-	169,633	159,215
Surfaced and recycled water charges	1,500	1,310	761	640	2,261	1,950
Total water charges	301,898	251,806	18,743	16,295	320,641	268,101
Other	3,694	5,409	-	18	3,694	5,427
Total operating revenues	305,592	257,215	18,743	16,313	324,335	273,528
Operating expenses:						
Source of supply	92,438	110,838	11,241	11,925	103,679	122,763
Water treatment	51,415	49,369	623	701	52,038	50,070
Transmission and distribution:					-	-
Raw water	16,238	14,813	4,598	3,869	20,836	18,682
Treated water	2,920	2,126	-	-	2,920	2,126
Cost of goods sold	163,011	177,146	16,462	16,495	179,473	193,641
Administration and general	25,511	22,685	8,489	7,656	34,000	30,341
Capital cost recovery	(6,116)	(6,107)	6,116	6,107	-	-
Total operating expenses	182,406	193,724	31,067	30,258	213,473	223,982
Operating income (loss)	123,186	63,491	(12,324)	(13,945)	110,862	49,546
Non-operating income (expenses) :						
Property taxes	35,010	35,335	4,048	4,059	39,058	39,394
Investment income	20,230	7,582	-	-	20,230	7,582
Operating grants	5,139	-	45	-	5,184	-
Rental income	119	101	54	42	173	143
Other	3,602	1,703	223	152	3,825	1,855
Interest/fiscal agent fees	(38,288)	(32,568)	-	-	(38,288)	(32,568)
Open space credit transfer	(7,595)	(3,881)	7,595	3,881	-	-
Interest earned credit	(125)	(137)	125	137	-	-
Net non-operating income	18,092	8,135	12,090	8,271	30,182	16,406
Net income (loss)	\$ 141,278	\$ 71,626	\$ (234)	\$ (5,674)	\$ 141,044	\$ 65,952

**Santa Clara Water District
Water Utility Enterprises Funds
Schedule of Revenues, Expenses and Changes in Net Position by Zone -
Budgetary Basis Discussion (Continued)
Year ended June 30, 2024 and 2023**

Budgetary basis discussion:

- The Funds' total operating revenues were \$324.3 million for the current fiscal year. 94.2 percent of those revenues, or \$305.6 million were related to the North County, while the remaining 5.8 percent or \$18.7 million were related to the South County.
- Operating expenses for North County include \$163.0 million in cost of goods sold, or 53.3 percent of its total operating revenues. For the South County, the cost of goods sold is \$16.5 million.
- Administration and general expenses were \$25.5 million or 8.3 percent of total operating revenues for the North County and \$8.5 million or 45.2 percent of total operating revenues for the South County.
- Total operating revenues of \$324.3 million, less total operating expenses of \$213.5 million, netted \$110.9 million of income from operations for the current year. The North County recorded a net operating income of \$123.2 million, while the South County incurred a net operating loss of \$12.3 million.

Total income from operations was supplemented with property tax, operating grants, investment income (loss) and other income totaling \$68.5 million.

- Property taxes collected in North County amounted to \$35.0 million, while \$4.0 million were collected in South County for a total of \$39.0 million. These are comprised of the voter-approved obligations for the State Water Project and the water utility's allocated share of the countywide 1 percent ad valorem taxes.
- Investment earnings for the current fiscal year were \$14.3 million. \$5.9 million unrealized gain in the portfolio's fair market value were recognized due to the increase in the portfolio's market value at the end of the current fiscal year, resulting in a total investment income of \$20.2 million.

**Santa Clara Water District
Water Utility Enterprises Funds
2024 Water Service Rate Schedule by Zone**

Water Utility Enterprise Funds Rate Summary

	Rate
<u>Groundwater</u>	
Zone W- 2 North County - Agricultural	\$ 36.85
Zone W- 2 North County - Non- Agricultural	1,974.00
Zone W- 5 South County - Agricultural	36.85
Zone W- 5 South County - Non- Agricultural	543.50
Zone W- 7 South County - Agricultural	36.85
Zone W- 7 South County - Non- Agricultural	657.50
Zone W- 8 South County - Agricultural	36.85
Zone W- 8 South County - Non- Agricultural	398.00
<u>Treated Water</u>	
Contract (Scheduled) (2)	2,089.00
Non- Contract (3)	2,174.00
Surface Water (Basic User Charge)	
Zone W- 2 North County - Agricultural	90.85
Zone W- 2 North County - Non- Agricultural	2,028.00
Zone W- 5 South County - Agricultural	90.85
Zone W- 5 South County - Non- Agricultural	597.50
Zone W- 7 South County - Agricultural	90.85
Zone W- 7 South County - Non- Agricultural	711.50
Zone W- 8 South County - Agricultural	90.85
Zone W- 8 South County - Non- Agricultural	452.00
Water Master (1)	54.00
<u>Reclaimed Water</u>	
Gilroy Reclamation Facility – Agricultural	67.20
Gilroy Reclamation Facility – Non- Agricultural	523.50

(1) The surface water charge is the sum of the basic user charge (which equals the groundwater production charge) plus the water master charge.

(2) The total treated water contract charge is the sum of the basic user charge (which equals the groundwater production charge) plus the contract surcharge.

(3) The total treated water non-contract charge is the sum of the basic user charge (which equals the



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