WATER UTILITY ENTERPRISE FUNDS
OF THE
Santa Clara Valley Water District
San Jose, California

Annual Financial Report
For the Fiscal Year Ended June 30, 2021

WATER UTILITY ENTERPRISE FUNDS
OF THE
SANTA CLARA VALLEY WATER DISTRICT
Annual Financial Report
For the Year Ended June 30, 2021

Table of Contents

This page intentionally left blank

MAZE
& ASSOCIATES

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Water Enterprise Fund and State Water Projects Fund (Funds) of the Santa Clara Valley Water District (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Funds basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Funds as of June 30, 2021, 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.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The Schedule of Revenue and Expenses by Zone, as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Schedule of Revenue and Expenses by Zone 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 auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenue and Expenses by Zone is 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 December 22, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maze + Associates

Pleasant Hill, California
July 8, 2022

This page intentionally left blank

WATER UTILITY ENTERPRISE FUNDS OF VALLEY WATER

Management's Discussion and Analysis

Our discussion and analysis of the financial performance of Valley Water's Water Utility Enterprise Funds (the "Funds") provide an overview of the Funds financial activities for the fiscal year ended June 30, 2021. 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 separate enterprise funds of Valley Water 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, Valley Water's water charges between the zones are set independently.

For 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.

Valley Water engaged Maze and Associates to conduct the audit of Valley Water's Funds for the fiscal year ended June 30, 2021. The purpose of the audit was to analyze the reasonableness of the allocations of cost and revenue between the two groundwater charge zones within the Funds, the North County zone, and the three South County zones. For the purpose of this report, the term "North County zone" refers to benefit zone W-2, while the "South County zones" refers to the combination of the three South County 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 Enterprise Funds activities only and do not reflect the financial position of Valley Water as a whole. 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 following items comprise the statements of the Funds:

- *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.

- *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.

The Funds record the financial transactions in a manner similar to a private business enterprise. Operations are recorded at full accrual and accounted for to show net income or loss. The Funds are intended to be entirely or predominantly self-supported by user charges.

Financial Highlights

Water Utility Enterprise Funds Net Position

(Dollars in Millions)

	2021	2020
Current and other assets	$ 567.3	$ 468.3
Capital assets	1,350.3	1,266.3
Other non current assets	-	0.1
Total assets	1,917.6	1,734.7
Deferred outflow of resources		
Deferred amount on refunding	0.5	0.6
Pension activities	40.4	20.8
OPEB activities	4.8	4.6
Total deferred outflows of resources	45.7	26.0
Current liabilities	89.0	130.3
Long-term liabilities	846.4	620.5
Total liabilities	935.4	750.8
Deferred inflow of resources		
Pension activities	1.3	4.0
OPEB activities	2.1	5.0
Total deferred inflows of resources	3.4	9.0
Net position:		
Net investment in capital assets	624.5	689.2
Restricted	78.5	84.7
Unrestricted	321.5	227.0
Total net position	$ 1,024.5	$ 1,000.9

The total net position of the Funds amounted to $1,024.5 million at June 30, 2021. The largest portion of the Funds' net position (61.0% or $624.5 million) reflects investment in capital assets (e.g., land, buildings, infrastructure, machinery, equipment, and contract water rights) less any related debt outstanding used to acquire the capital assets. These capital assets are used to provide services to citizens and consumers. Consequently, these assets are not available for future spending. Although the Funds' investment in its capital assets is reported net of related debts, it should be noted that the resources needed to repay this debt must be provided from other sources since, in general, the capital assets themselves cannot be used to liquidate these liabilities.

Investment in capital assets, net of related debt, decreased by $64.7 million or 9.4% from the previous fiscal year. Capital assets, net of depreciation and amortization, increased by $84.0 million. Long term liabilities, which include related debt outstanding, went up by $225.9 million mainly due to new bonds issued.

New construction in progress amounted to $102.3 million for the Funds. There were 49 in progress and completed projects during the fiscal year, with the major projects listed below (in millions):

- $32.8 – Rinconada Water Treatment Plant Reliability Improvement
- $30.7 – Anderson Dam Seismic Retrofit
- $16.5 – Pacheco Reservoir Expansion
- $13.2 – 10-year Pipeline Rehabilitation
- $ 2.3 – Coyote Pumping Plant
- $ 1.8 – Indirect Potable Reuse
- $ 1.6 – Water Utility Computer Network Modernization
- $ 1.0 – Calero Dam Seismic Retrofit
- $ 1.0 – Guadalupe Dam Seismic Retrofit
- $ 1.0 – Calero-Guadalupe Dam Safety Seismic Stability

Net position categorized as "unrestricted" may be used to meet ongoing obligations to citizens, customers, and creditors. The Funds' unrestricted net position of $321.5 million represents an increase of $94.5 million or 41.6% when compared to the prior fiscal year.

The $94.5 million increase in unrestricted net position in fiscal year 2021 was mainly from increases in reserve amounts for current authorized projects by $46.1 million, operating and capital by $38.3 million and encumbrances by $17.0 million.

Water Utility Enterprise Funds Change in Net Position
(Dollars In millions)

	2021	2020
Revenues:		
Ground Water Charges	$ 132.1	$ 112.6
Treated Water Charges	154.9	152.6
Surface and recycled water charges	2.7	1.7
Operating Grants	4.0	3.7
Capital grants and contributions	6.4	4.3
Property Taxes	30.2	30.2
Investment Income	1.6	8.8
Miscellaneous	2.7	2.7
Total Operating revenues	334.6	316.6
Expenses:		
Operating Expenses	213.9	203.3
Nonoperating and other expenses	23.0	19.4
Total Expenses	236.9	222.7
Change in net position before transfers	97.7	93.9
Transfers	(74.1)	(1.5)
Change in net position	23.6	92.4
Net position, beginning	1,000.9	775.3
Prior period adjustment - beg. water inventory	-	133.2
Net Position, ending	$ 1,024.5	$ 1,000.9

Net position of the Funds of $1,024.5 million increased by $23.6 million when compared to the prior fiscal year. Total revenues and expenses of $334.6 million and $236.9 million, respectively, less net transfers out of $74.1 million, added $23.6 million to net position.

Compared to the prior fiscal year, total revenues and expenses increased by $18.0 million and $14.2 million, respectively. Key elements of the changes in revenues and expenses from prior year are as follows:

- Total water charge revenues, at 86.6% of total revenue source, were $22.8 million or 8.5% higher than last fiscal year. Groundwater and treated water revenues were up $19.5 million and $2.3 million, respectively due to higher sales volume generated during the year.

- Capital grants and contributions increased $2.1 million compared to the last fiscal year as more capital costs reimbursements from the Department of Water were received for the Pacheco Reservoir Expansion Project early funding agreement with the California Water Commission.

- Water enterprise expenses increased by $14.2 million or 6.4% over the prior fiscal year due to increased costs for purchased water, equipment repair and replacement, utilities, and other technical services.

Water Utility Enterprise Funds Change in Net Position
(Budgetary Basis)
(Dollars In millions)

	North County		South County		Total	
	2021	2020	2021	2020	2021	2020
Operating revenues:						
Ground water charges	$ 118.0	$ 97.4	$ 14.1	$ 15.2	$ 132.1	$ 112.6
Treated water charges	154.9	152.6	-	-	154.9	152.6
Surfaced and recycled water charges	2.0	1.1	0.7	0.7	2.7	1.8
Total water charges	274.9	251.1	14.8	15.9	289.7	267.0
Other	0.1	0.2	-	-	0.1	0.2
Total operating revenues	275.0	251.3	14.8	15.9	289.8	267.2
Operating expenses:						
Source of supply	98.4	77.4	10.1	10.7	108.5	88.1
Water treatment	43.6	37.4	0.5	0.3	44.1	37.7
Transmission and distribution:						
Raw water	11.9	9.8	3.6	3.3	15.5	13.1
Treated water	2.4	1.7	-	-	2.4	1.7
Cost of goods sold	156.3	126.3	14.2	14.3	170.5	140.6
Administration and general	21.2	20.5	5.9	4.2	27.1	24.7
Capital cost recovery	(6.9)	(5.6)	6.9	5.6	-	-
Total operating expenses	170.6	141.2	27.0	24.1	197.6	165.3
Operating income (loss)	104.4	110.1	(12.2)	(8.2)	92.2	101.9
Non-operating income (expenses):						
Property taxes	27.5	27.1	2.7	3.1	30.2	30.2
Investment income	1.6	8.8	-	-	1.6	8.8
Operating grants	4.0	3.7	-	-	4.0	3.7
Rental income	0.1	0.1	-	-	0.1	0.1
Other	1.7	2.2	0.8	0.2	2.5	2.4
Interest/fiscal agent fees	(23.0)	(19.4)	-	-	(23.0)	(19.4)
Open space credit transfer	(6.9)	(7.0)	6.9	7.0	-	-
Interest earned credit	(0.2)	(0.3)	0.2	0.3	-	-
Net non-operating income	4.8	15.2	10.6	10.6	15.4	25.8
Net income (loss)	$ 109.2	$ 125.3	$ (1.6)	$ 2.4	$ 107.6	$ 127.7

Budgetary basis discussion:

- The Funds' total operating revenues were $289.8 million during the current fiscal year. 94.9 percent of those revenues, or $275.0 million were related to the North County, while the remaining 5.1 percent or $14.8 million were related to the South County.

- Operating expenses for the North County include $156.3 million in cost of goods sold, or 56.8 percent of its total operating revenues. For the South County, cost of goods sold is $14.2 million or 95.9 percent of its total operating revenues.

- Administration and general expenses were $21.2 million or 7.7 percent of total operating revenues for the North County and $5.9 million or 39.9 percent of total operating revenues for the South County.

- Total operating revenues of $289.8 million, less total operating expenses of $197.6 million, netted $92.2 million of income from operations. The North County registered a net operating gain of $104.4 million, while the South County incurred a loss of $12.2 million.

Income from operations was supplemented with property tax, operating grants, investment earnings and other income totaling $38.3 million.

- Property taxes collected in the North County amounted to $27.5 million, while $2.7 million were collected in South County for a total of $30.2 million. These are comprised of the voter approved obligations for State Water Project and the water utility's allocated share of the countywide 1 percent ad valorem taxes.

- Operating grants applied for and received amounted to $4.0 million, all coming from the North County. These grants helped to fund water conservation, landscape water efficiency, raw water field maintenance and operations, and recycled/reclaimed water programs.

- Current fiscal year investment earnings of $1.6 million were down by $7.2 million when compared to the $8.8 million earned during the previous fiscal year, due to decrease in interest rates and the GASB 31 par value adjustment to market (see Note 5)

- Other income of $2.5 million is at par with the $2.4 million other income from prior fiscal year.

The following table shows the rates for water services for fiscal year 2021

Water Utility Enterprise Funds Rate Summary

	Rate
Groundwater	
Zone W-2 North County -Agricultural	$ 28.86
Zone W-2 North County -Non-Agricultural	1,374.00
Zone W-5 South County -Agricultural	28.86
Zone W-5 South County -Non-Agricultural	467.00
Zone W-7 South County -Agricultural	28.86
Zone W-7 South County -Non-Agricultural	481.00
Zone W-8 South County -Agricultural	28.86
Zone W-8 South County -Non-Agricultural	327.00
Treated Water	
Contract (Scheduled)[(2)]	1,474.00
Non-Contract[(3)]	1,574.00
Surface Water (Basic User Charge)	
Zone W-2 North County -Agricultural	28.86
Zone W-2 North County -Non-Agricultural	1,374.00
Zone W-5 South County -Agricultural	28.86
Zone W-5 South County -Non-Agricultural	467.00
Zone W-7 South County -Agricultural	28.86
Zone W-7 South County -Non-Agricultural	481.00
Zone W-8 South County -Agricultural	28.86
Zone W-8 South County -Non-Agricultural	327.00
Water Master[(1)]	37.50
Minimum Surface Water Charge	
Zone W-2 North County -Agricultural	21.65
Zone W-5 South County -Agricultural	21.65
Zone W-7 South County -Agricultural	21.65
Zone W-8 South County -Agricultural	21.65
Zone W-2 North County -Non-Agricultural	1,030.50
Zone W-5 South County -Non-Agricultural	350.25
Zone W-7 South County -Non-Agricultural	360.25
Zone W-8 South County -Non-Agricultural	245.25
Reclaimed Water	
Gilroy Reclamation Facility – Agricultural	56.26
Gilroy Reclamation Facility – Non-Agricultural	447.00

[(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 groundwater production charge) plus the non-contract surcharge.

Capital Assets

The Funds' capital asset balance, net of accumulated depreciation, amounts to $1.35 billion at June 30, 2021. Capital asset composition includes land, intangible rights, buildings, structures and improvements, machinery and equipment, and construction in progress. Capital assets for the current fiscal year went up $84.0 million or 6.6%.

A fiscal year comparative breakdown of the categories of capital assets for the Funds is shown below.

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

	2021	2020
Land	$ 20.0	$ 20.0
Easements	3.7	0.2
Contract Water and storage rights	36.1	38.5
Buildings	83.2	84.9
Structures and improvements	630.9	623.8
Equipment	3.8	5.0
Intangible software	0.1	0.1
Construction in progress	572.5	493.8
Total	$ 1,350.3	$ 1,266.3

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 debts at June 30, 2021 amount to $870.3 million. A comparative breakdown of its long-term debts is shown below:

Water Utility Enterprise Funds Outstanding Debt Obligations
(Dollars in Millions)

	2021	2020
Bonds payable	$ 659.9	$ 458.0
Compensated absences	7.8	6.3
Net pension liability	110.3	100.6
Semitropic water banking	12.4	10.0
Other post employment benefits	25.8	25.7
Premium on bond issue	54.1	37.0
Total	$ 870.3	$ 637.6

Total long-term debts increased by $232.7 million during the current fiscal year. Bonds payable, inclusive of premium and discounts, went up $219.0 million with the issuance of the 2020 certificates of participation and water revenue bonds. Liabilities related to compensated absences went up by $1.5. The pension liability and other post-employment (OPEB) liabilities increased by $9.7 million and $0.1 million, respectively.

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 $837.6 million net operating and capital budget for fiscal year 2022 will focus on the following work plan strategies:

- Protect and maintain existing assets and infrastructure and advance new infrastructure projects
- Pursue opportunities to improve internal capacity to acquire regulatory permits
- Engage and educate the community, elected officials, and staff on our management of water resources in Santa Clara County
- Actively Pursue New Water Supply and Storage Opportunities
- Actively Participate in decisions regarding the CA Delta Conveyance
- Lead Recycled and Purified Water Efforts with committed partners
- Advance Anderson Dam Seismic Retrofit Project
- Promote Making Water Conservation a California Way of Life in Santa Clara County
- Plan, design and maintain flood protection projects with multiple benefits, including protecting ecosystem functions and enhancing habitat
- Provide flood protection equitably in all regions of the County, prioritizing disadvantaged communities
- Attain net positive impact on the environment when implementing flood protection and water supply projects
- Promote the protection of creeks, bay, and other aquatic ecosystems from threats of pollution and degradation
- Continue the Fisheries and Aquatic Habitat Collaborative Effort (FAHCE)
- Advance racial equity, diversity, and inclusion
- Maintain appropriate staffing levels and expertise and ensure the safety of our staff
- Provide affordable and cost-effective level of services
- Address future impacts of climate change to Valley Water's mission and operations

Requests for Information

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors of the North and South Counties with a general overview of the Funds' finances and to demonstrate accountability for the money that the Funds receive. If you have any questions about this report or need any additional information, contact the General Accounting Unit at 5750 Almaden Expressway, San Jose, CA 95118, or call (408) 265-2600.

Basic Financial Statements

WATER UTILITY ENTERPRISE FUNDS
OF THE
SANTA CLARA VALLEY WATER DISTRICT
Statement of Net Position
June 30, 2021
(Dollars in Millions)

	Water Enterprise Fund	State Water Project Fund	Total
ASSETS			
Current assets:			
Cash and investments (Note 3)	$ 377.8	$ 14.0	$ 391.8
Receivables:			
Accounts	44.1	-	44.1
Taxes	-	0.1	0.1
Inventory - water (Note 1(d))	130.0	-	130.0
Deposits and other assets	1.3	-	1.3
Total current assets	553.2	14.1	567.3
Non current assets:			
Capital assets: (Note 6)			
Contract water rights, net	21.9	14.2	36.1
Depreciable, net	718.0	-	718.0
Nondepreciable	596.2	-	596.2
Total non current assets	1,336.1	14.2	1,350.3
Total assets	1,889.3	28.3	1,917.6
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	0.5	-	0.5
Deferred outflows of resources - pension activities (Note 10)	40.4	-	40.4
Deferred outflows of resources - OPEB (Note 11)	4.8	-	4.8
Total deferred outflows of resources	45.7	-	45.7
LIABILITIES			
Current liabilities:			
Accounts payable	10.6	0.1	10.7
Accrued liabilities	53.1	0.4	53.5
Deposits payable	0.9	-	0.9
Bonds payable - current (Note 7)	22.2	-	22.2
Compensated absence (Note 7)	1.7	-	1.7
Total current liabilities	88.5	0.5	89.0
Non current liabilities:			
Bonds payable - net of discounts and premiums (Note 7)	691.8	-	691.8
Compensated absence (Note 7)	6.1	-	6.1
Net pension liability (Note 10)	110.3	-	110.3
Other post employment benefits liability (Note 11)	25.8	-	25.8
Other debt	12.4	-	12.4
Total non current liabilities	846.4	-	846.4
Total liabilities	934.9	0.5	935.4
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension activities (Note 10)	1.3	-	1.3
Deferred inflows of resources - OPEB (Note 11)	2.1	-	2.1
Total deferred inflows of resources	3.4	-	3.4
NET POSITION (Note 9)			
Net investment in capital assets	610.3	14.2	624.5
Restricted			
San Felipe operations	3.3	-	3.3
GP5 reserve	9.7	-	9.7
State water project	-	13.6	13.6
Rate stabilization	25.1	-	25.1
Advanced water purification center	1.3	-	1.3
Supplemental water supply	15.5	-	15.5
Drought reserve	10.0	-	10.0
Unrestricted	321.5	-	321.5
Total net position	$ 996.7	$ 27.8	$ 1,024.5

See accompanying notes to basic financial statements.

WATER UTILITY ENTERPRISE FUNDS
OF THE
SANTA CLARA VALLEY WATER DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2021
(Dollars in Millions)

	Water Enterprise Fund	State Water Project Fund	Total
Operating revenues:			
Ground water production charges	$ 132.1	$ -	$ 132.1
Treated water charges	154.9	-	154.9
Surface and recycled water revenue	2.7	-	2.7
Other	0.1	-	0.1
Total operating revenues	289.8	-	289.8
Operating expenses:			
Sources of supply	78.8	26.3	105.1
Water treatment	47.3	-	47.3
Transmission and distribution:	-	-	
Raw water	17.2	-	17.2
Treated water	2.1	-	2.1
Administration and general	9.9	-	9.9
Depreciation and amortization	31.4	0.9	32.3
Total operating expenses	186.7	27.2	213.9
Operating income (loss)	103.1	(27.2)	75.9
Nonoperating revenues (expenses):			
Property taxes (Note 8)	8.9	21.3	30.2
Investment income (Note 5)	1.6	-	1.6
Operating grants	4.0	-	4.0
Rental income	0.1	-	0.1
Other	0.7	1.8	2.5
Interest and fiscal agent fees	(23.0)	-	(23.0)
Net nonoperating revenues	(7.7)	23.1	15.4
Income before capital contributions and transfers	95.4	(4.1)	91.3
Capital contributions (Note 4)	6.4	-	6.4
Transfers in from District (Note 13)	68.2	-	68.2
Transfers out to District (Note 13)	(142.3)	-	(142.3)
Change in net position	27.7	(4.1)	23.6
Net position, beginning of year	969.0	31.9	1,000.9
Net position, end of year	$ 996.7	$ 27.8	$ 1,024.5

See accompanying notes to basic financial statements.

WATER UTILITY ENTERPRISE FUNDS
OF THE
SANTA CLARA VALLEY WATER DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2021

(Dollars in Millions)

	Water Enterprise Fund	State Water Project Fund	Total
Cash flows from operating activities:			
Receipts from customers and users	$ 288.8	$ -	$ 288.8
Payments to suppliers	(35.7)	(26.1)	(61.8)
Payments to employees	(101.3)	-	(101.3)
Well permits, refunds and adjustments	0.7	1.8	2.5
Net cash provided by (used for) operating activities	152.5	(24.3)	128.2
Cash flows from noncapital financing activities:			
Property taxes received	8.9	21.3	30.2
Operating grant	4.0	-	4.0
Transfers in from other funds	0.6	-	0.6
Net cash provided by noncapital financing activities	13.5	21.3	34.8
Cash flows from capital and related financing activities:			
COP/revenue bonds issuance/(payment)	219.1	-	219.1
Commercial paper issuance/(payment)	(72.7)	-	(72.7)
Capital grants	6.4	-	6.4
Interest and fiscal agent fees paid	(23.0)	-	(23.0)
Payments for contract water rights	(10.4)	-	(10.4)
Acquisition and construction of capital assets	(105.9)	-	(105.9)
Transfers in from other funds	67.6	-	67.6
Transfers out - capital project reimbursements	(142.3)	-	(142.3)
Net cash used by capital and related financing activities	(61.2)	-	(61.2)
Cash flows from investing activities:			
Proceeds from sale of investments	0.1	-	0.1
Rental income received	0.1	-	0.1
Interest received on cash and investments	1.6	-	1.6
Net cash provided by investing activities	1.8	-	1.8
Net increase/(decrease) in cash and cash equivalents	106.6	(3.0)	103.6
Cash and cash equivalents, beginning of year	271.2	17.0	288.2
Cash and cash equivalents, end of year	$ 377.8	$ 14.0	$ 391.8
Cash and cash equivalents are reported on the Statement of Net Position:			
Cash and investments	$ 377.8	$ 14.0	$ 391.8
Restricted cash and investments	-	-	-
Less cash and investments not meeting the definition of cash equivalents	-	-	-
Cash and cash equivalents, end of year	$ 377.8	$ 14.0	$ 391.8
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$ 103.1	$ (27.2)	$ 75.9
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation, amortization and asset deletion	31.3	0.9	32.2
Other revenues - well permits, refunds and adjustments	0.7	1.8	2.5
Change in operating assets and liabilities:			
(Increase)/decrease in deposits and other assets	5.7	-	5.7
(Increase)/decrease in accounts receivable	(5.5)	-	(5.5)
(Increase)/decrease in water inventory	4.5	-	4.5
Increase/(decrease) in accounts payable	(20.9)	(0.2)	(21.1)
Increase/(decrease) in accrued liabilities	51.2	0.4	51.6
Increase/(decrease) in compensated absences	1.5	-	1.5
Increase/(decrease) in deposits payable	(5.8)	-	(5.8)
Increase/(decrease) in other post employment benefits payable	0.1	-	0.1
Increase/(decrease) in deferred inflows/outflow of resources	(25.5)	-	(25.5)
Increase/(decrease) in pension liabilities	9.7	-	9.7
Increase/(decrease) in payable to Semitropic	2.4	-	2.4
Net cash provided (used) by operating activities	$ 152.5	$ (24.3)	$ 128.2

See accompanying notes to basic financial statements.

NOTE 1 - THE FINANCIAL REPORTING ENTITY

(a) Description of the Reporting Entity

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 (District 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 of Valley Water by requiring the board to transition 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 of Directors 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 of Directors adopted Resolution No. 11-63 selecting the Redistricting Plan, known as the Current Adjusted Map.

Valley Water has broad powers relating to all aspects of flood control and storm waters within Valley Water, whether or not such waters have their sources within Valley Water. It is also authorized to import, store, treat and distribute water for use within its jurisdictional boundaries and to provide sufficient water for present or future beneficial use of the lands and inhabitants of Valley Water. Valley Water acquires, stores, and distributes water for groundwater recharge and for irrigation, residential, fire protection, municipal, commercial, industrial, and all other uses. In addition to the broad authorities provided by the District Act, the Sustainable Groundwater Management Act (SGMA) provides several additional specified powers to Valley Water. These legal authorities under SGMA include the ability to regulate groundwater pumping and assess different types of groundwater charges as potential tools to support continued groundwater sustainability. Valley Water also directly supports the caring for the environment and the community through careful stewardship.

The Water Utility Enterprise Funds (the "Funds") are separate enterprise funds that 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 the Santa Clara County. The Funds are comprised of two accounting 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

Fund Financial Statements

The Water Enterprise Fund and the State Water Project Fund (the Funds) financial statements are prepared in conformity with the generally accepted accounting principles (GAAP) in the United States of America. The Government 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 Funds are included as part of Valley Water's Annual Comprehensive Financial Report. Therefore, the financial statements of the Funds do not purport to represent the financial position and changes in 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.

(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 receives) value without directly receiving (or giving) equal value in exchange, include property taxes, benefit assessments and grants. On an accrual basis, revenues from property taxes and benefit assessments are recognized in the fiscal year for which the taxes and assessments are levied; revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied; and revenue from investments is recognized when earned.

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

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

(d) Inventory

Inventory consists of materials and supplies held for consumption. 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 inventories are presented under deposits and other assets.

Starting fiscal year 2020, the Valley Water's Board of Directors decided to record stored water as inventory. Water inventory is listed as a separate line item on the financial statements.

The component of water inventory as of the end of the current fiscal year is shown below. Water inventory is valued based on the rolling average of imported water purchase cost.

	Acre Feet		Total
Type	Volume	Average Unit Cost	(in millions)
Semitropic	321,974	376	$ 121.1
Local Reservoir Storage	23,688	376	8.9
Total			$ 130.0

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

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	80 Years
Office furniture, fixtures, and equipment	5 - 20 Years
Automobiles and trucks	6 - 12 Years
Computer equipment	5 Years

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

(f) Amortization of Contract Water Rights

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

(g) 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 amortizes the cost over the 40-year entitlement period using the straight-line method.

(h) Amortization of Water Delivery Rights

Valley Water has contracted with the United States Department of the Interior Bureau of Reclamation for water deliveries from 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 capitalizes the capital cost component and amortizes such component, using the straight-line method, over the remaining entitlement period.

(i) 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. For the current fiscal year, the allowance balance was $0.9 million. At the end of every fiscal year, a review of outstanding receivables results in the recalculation of the bad debt allowance where 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.

(j) 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.

(k) 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 discounts. Refunding costs associated with debt refinancing are reported as deferred outflows of resources. Issuance costs are recorded as an expense of the current period.

On the statement of net position and the statement of revenues, expenses, and changes in net position, premiums and discounts related to outstanding debt are deferred and amortized over the life of the debt obligation. Debt payable are reported net of the applicable bond premiums or discounts. Prepaid insurance associated with the issuance of debts are reported as prepaid expenses.

(l) Accounting for Encumbrances

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

(m) Net Position

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

(n) 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.

(o) 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.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020

(p) 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.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020

(q) Fair Value Measurement

Valley Water has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. Valley Water categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are observable inputs (other than quoted marked prices) using matrix pricing based on the securities relationship to benchmark quoted prices; and Level 3 inputs are significant unobservable inputs.

(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 Valley Water's financial reporting process. Current and future new standards which may impact Valley Water include the following:

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, Subscription-based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. Valley Water has not determined the impact of this pronouncement on the financial statements.

GASB Statement No. 95 – In May 2020, GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The objective of this statement is to provide temporary relief to government and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to be effective for periods beginning June 15, 2018 and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:
- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases.

Valley Water has implemented this GASB standard.

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Valley Water has not determined the impact of this pronouncement on the financial statements.

GASB Statement No. 93 – In March 2020, GASB issued Statement No. 93, Replacement of Interbank Offered Rates (LIBOR). This statement requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. This pronouncement is not applicable to Valley Water.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, or fiscal year 2022. Valley Water has not determined the impact of this pronouncement on the financial statements.

GASB Statement No. 89 – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.* The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in the financial statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, or fiscal year 2021. Valley Water has not determined the impact of this pronouncement on the financial statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Valley Water has implemented this GASB standard.

GASB Statement No. 88 – In April 2018, GASB Issued Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Valley Water has implemented this GASB standard.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the reporting periods beginning after December 15, 2019, or fiscal year 2021. Valley Water has not yet determined the impact of this pronouncement on the financial statements.

NOTE 3 - CASH AND INVESTMENTS

The Funds pool their cash and investments with Valley Water. The pool balance at June 30, 2021 is as follows (in millions):

Statement of Net Position:		
Cash and investments	$	778.8
Restricted cash and investments		73.5
Statement of Fiduciary Net Position:		
Cash and investments		0.2
	$	852.5

Investments

At June 30, 2021, cash and investments based on fair market value consist of the following (in millions):

U.S. Government Agencies	$	343.5
U.S. Treasury Obligations		32.3
Medium Term Notes		15.3
Local Agency Investment Fund		142.1
Mutual Funds		0.2
Supranational Obligations		15.2
Municipal Bonds		67.1
Negotiable Certificates of Deposit		0.5
Time Certificates of Deposit		195.0
Money Market Funds		33.7
Total Investments	$	844.9
Carrying amount of cash		7.6
Total Cash and Investments	$	852.5

As of June 30, 2021, the fair value of Valley Water's investment in the State investment pool (LAIF) was $74.1 million in non-restricted cash and $68.0 million in restricted cash. 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 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.

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 & 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%
California Local Agency Investment Fund [C]	N/A	N/A	(B)	(B)
Mutual Funds	N/A	AAA	10%	- -
Supranational Obligations	5 years	AA	15%	1.8%

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

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

[C] LAIF will accept no more than $75 million of an agency's unrestricted funds while placing no constraints on funds relating to unspent bond proceeds.

Restricted Cash and Investments for Bond Interest and Redemption

Under the provisions of Valley Water's revenue bond resolutions and Installment Purchase Agreement for the 2012A, 2016C, 2016D, 2017A, 2020C and 2020D Certificates of

Participations (COPs) and Water Utility Revenue and Refunding Bonds 2006B, 2016A, 2016B, 2017A, 2019A, 2019B, 2019C, 2020A and 2020B, 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, 2021, the amount invested in assets held by fiscal agent amounted to $73.5 million and was equal to or in excess of the amount required at that date.

Restricted Cash and Investments for Capital Projects

Valley Water, through the PFFC, has also issued commercial paper to provide 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. At June 30, 2021, the total balance of the taxable and the tax-exempt commercial paper certificate accounts held by fiscal agent is $0.0 million. Both account balances were cash transfers from Valley Water to fiscal agent to fund maturing interest payments on commercial paper outstanding.

Authorized Investments by Debt Agreements

Valley Water must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if Valley Water fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in instruments which, at the time of such investment, are legal investments under the laws of the State of California, Valley Water ordinances, policies, and bond indentures. The following 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[(G)]	N/A	N/A
Local Agency Investment Fund of the State of CA	N/A	N/A
Supranational Obligations	N/A	AA

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

(B) Direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("FHLMCs"); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association ("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%.

(F) Investment agreements, guaranteed investment contracts, funding agreement, or any other form of corporate note representing the unconditional obligations of entities or agencies with the unsecured long-term debt obligations or claims-paying ability rated in one of the top two rating categories by Moody's and S&P.

(G) Any investment approved in writing by the Certificate Insurer.

Interest Rate Risk

Interest Rate Risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. 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 investments to market interest rate fluctuations, summarized by the following table, shows the distribution to Valley Water's investments by maturity or earliest call date (in millions).

	Total	12 Months or less	13 to 24 Months	25 to 60 Months
U.S. Government Agencies	$ 243.5	$ 53.9	$ 67.6	$ 122.0
U.S. Government Agencies - Callable	100.0	-	-	100.0
U.S. Treasury Obligations	32.3	9.2	8.3	14.8
Medium Term Notes	3.1	-	3.1	-
Medium Term Notes - Callable	12.2	3.0	7.2	2.0
Local Agency Investment Fund	142.1	142.1	-	-
Mutual Funds	0.2	0.2	-	-
Supranational Obligations	10.3	-	-	10.3
Supranational Obligations - Callable	4.9	-	-	4.9
Municipal Bonds	67.1	7.6	28.7	30.8
Negotiable Certificates of Deposit	0.5	-	0.3	0.2
Time Certificates of Deposit	195.0	195.0	-	-
Money Market Funds	33.7	33.7	-	-
Total Investments	$ 844.9	$ 444.7	$ 115.2	$ 285.0

Credit Risk

Credit Risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The 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, 2021 for each investment type as provided by Standard and Poor's (in millions):

				Rating as of Year-end				
	Total	Minimum Legal Rating	Exempt from Disclosure	AAA	AA+	AA	AA-	Not Rated
U.S. Government Agencies	$ 343.5	AA-	$ -	$ -	$ 282.5	$ -	$ -	$ 61.0
U.S. Treasury Obligations	32.3	AA-	32.3	-	-	-	-	-
Medium Term Notes	15.3	AA-	-	7.1	5.1	-	-	3.1
Local Agency Investment Fund	142.1	N/A	-	-	-	-	-	142.1
Mutual Funds	0.2	AAA	-	0.2	-	-	-	-
Supranational Obligations	15.2	AA	-	15.2	-	-	-	-
Municipal Bonds	67.1	AA-	-	11.1	20.0	31.3	3.1	1.6
Negotiable Certificates of Deposit	0.5	AA-	-	-	-	-	-	0.5
Time Certificates of Deposit	195.0	N/A	-	-	-	-	-	195.0
Money Market Funds	33.7	N/A	-	-	-	-	-	33.7
Total Investments	$ 844.9		$ 32.3	$ 33.6	$ 307.6	$ 31.3	$ 3.1	$ 437.0

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, 2021, those investments consisted of the following (in millions):

Issuer	Investment Type	Reported Amount
Government-wide		
Federal Farm Credit Bank	U.S. Government Agency	$ 112.6
Federal Home Loan Bank	U.S. Government Agency	100.1
Federal Home Loan Mortgage Corp.	U.S. Government Agency	61.0
Federal National Mortgage Association	U.S. Government Agency	65.2

Custodial Credit Risk

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

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

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

Fair Value Measurement and Application

Valley Water measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. 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).

Shown below is a summary of the fair value hierarchy of Valley Water's investment at fair value on June 30, 2021 (in millions):

	6/30/2021	Level 1	Level 2	Uncategorized
Investments by Fair Value Level				
U.S. Government Agencies	$ 343.5	$ 343.5	$ -	$ -
U.S. Treasury Obligations	32.3	32.3	-	-
Medium Term Notes	15.3	-	15.3	-
Mutual Funds	0.2	-	0.2	-
Supranational Obligations	15.2	-	15.2	-
Municipal Bonds	67.1	-	67.1	-
Negotiable Certificates of Deposit	0.5	-	0.5	-
Time Certificates of Deposit	195.0	-	195.0	-
Subtotal - Leveled Investments	669.1	375.8	293.3	-
Local Agency Investment Fund	142.1	-	-	142.1
Money Market Funds	33.7	-	-	33.7
Subtotal - Uncategorized	175.8	-	-	175.8
Total Investments	$ 844.9	$ 375.8	$ 293.3	$ 175.8

Deposits and withdrawals in the State Investment Pool are made on the basis of $1 and are not using fair value. Accordingly, Valley Water's investments of $74.1 million in LAIF at June 30, 2021 are classified as uncategorized input (not classified as Level 1, Level 2, or Level 3).

NOTE 4 - REIMBURSEMENT OF CAPITAL COSTS

The Funds derive certain revenues from reimbursements of capital costs by local, state, federal agencies and other outside sources. The following table is a summary of the reimbursements made during fiscal year 2021 (in millions):

		Amount
Local Agencies:		
San Benito County Water District	$	0.4
State Agencies:		
Department of Water Resources		6.0
Total	$	6.4

NOTE 5 - INVESTMENT INCOME

Valley Water earns interest income from the investment of cash. Generally accepted accounting principles, as discussed in GASB 31, require reporting investment at fair value in the financial statements. Because of this requirement, interest income earned from investing activity during the current fiscal year is adjusted upwards or downwards to reflect the change in fair value of investment.

The following represents the investment income as reported in the financial statements of the Funds, the current year GASB 31 fair value adjustment, and the unadjusted investment income at June 30, 2021 (in millions):

Investment Income as Reported	Current Year GASB 31 Fair Value Adjustment	Investment Income Before Adjustment
$ 1.6	$ (2.5)	$ 4.1

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2021 is as follows (in millions):

	Beginning Balance	Additions	Deletions	Transfers / Reclassed	Ending Balance
Nondepreciable capital assets:					
Land	20.0	-	-	-	20.0
Intangible - Easement	0.2	3.5	-	-	3.7
Construction in progress	493.8	102.3	-	(23.6)	572.5
Total nondepreciable capital assets	514.0	105.8	-	(23.6)	596.2
Depreciable capital assets:					
Contracted water rights	226.6	10.4	-	-	237.0
Buildings	97.2	-		0.6	97.8
Structures and improvements	939.5	-	-	23.0	962.5
Equipment	29.9	0.1	-	-	30.0
Total depreciable capital assets	1,293.2	10.5	-	23.6	1,327.3
Less accumulated depreciation and amortization					
Contracted water rights	(188.1)	(12.8)	-	-	(200.9)
Buildings	(12.3)	(2.3)	-	-	(14.6)
Structures and improvements	(315.8)	(15.9)	-	-	(331.7)
Equipment:	(24.7)	(1.3)	-	-	(26.0)
Total accumulated depreciation and amortization	(540.9)	(32.3)	-	-	(573.2)
Net depreciable capital assets	752.3	(21.8)	-	23.6	754.1
Total capital assets, net	1,266.3	84.0	-	-	1,350.3

New construction in progress amounted to $102.3 million. There were 49 in progress and completed projects during the fiscal year, with the major projects listed below (in millions):

- $32.8 – Rinconada Water Treatment Plant Reliability Improvement
- $30.7 – Anderson Dam Seismic Retrofit
- $16.5 – Pacheco Reservoir Expansion
- $13.2 – 10-year Pipeline Rehabilitation
- $ 2.3 – Coyote Pumping Plant
- $ 1.8 – Indirect Potable Reuse
- $ 1.6 – Water Utility Computer Network Modernization
- $ 1.0 – Calero Dam Seismic Retrofit
- $ 1.0 – Guadalupe Dam Seismic Retrofit
- $ 1.0 – Calero-Guadalupe Dam Safety Seismic Stability

Depreciation and amortization expense for the fiscal year amounted to $ 32.2 million.

NOTE 7 - SHORT-TERM AND LONG-TERM LIABILITIES

(a) Short-term debt

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

On January 13, 2015, the Valley Water Board took certain actions to support an increase in the 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 22, 2020, Valley Water issued $17.7 million of Tax Exempt and $25.0 million of Taxable commercial paper to reimburse Water Utility capital project costs incurred between May 2019 and February 2020. On June 25, 2020, Valley Water issued $10.0 million of Taxable commercial paper to prefund Water Utility costs incurred in March 2020 and in the future.

On October 14, 2020, Valley Water closed on a debt issuance to finance capital improvement costs for the water utility system. A portion of the total debt proceeds consisting of $216.0 million, plus $20.0 million of original issue premium, were used to repay $72.7 million of beginning commercial paper balance, leaving a remaining balance of $30.0 million. The $30.0 million commercial paper outstanding balance was issued through the PFFC for the benefit of the Safe, Clean Water program

Commercial paper activity for the year ended June 30, 2021 was as follows (in millions):

Commercial Paper Program	Authorized	Outstanding Amount
Beginning balance	$ 150.0	$ 102.7
Reductions	-	(72.7)
Ending balance	$ 150.0	$ 30.0

(b) Long-term liabilities

The long-term liabilities outstanding at the end of current fiscal year for the Funds consisted of the following (in millions):

Type of indebtedness	Maturity	All-in True Interest Cost*	Authorized and Issued	June 30, 2021	Due Within One Year
2006B Water revenue bond	2035	5.39%	$ 25.6	$ 16.5	$ 0.9
2016A Water revenue bond	2046	3.25%	106.3	106.3	-
2016B Water revenue bond	2046	4.32%	75.2	75.2	-
2017A Water revenue bond	2037	3.13%	54.7	47.7	2.0
2019A Water revenue bond	2049	3.75%	15.2	14.8	0.4
2019B Water revenue bond	2049	3.81%	80.0	76.7	1.7
2019C Water revenue bond	2036	2.76%	38.3	35.1	2.1
2016C Water revenue COP bond	2029	2.13%	43.1	31.6	3.4
2016D Water revenue COP bond	2029	3.14%	55.0	40.0	4.4
2020A Water revenue bond	2050		24.1	24.1	
2020B Water revenue bond	2050		68.5	68.5	
2020C Water revenue COP bond	2041		41.8	41.8	1.7
2020D Water revenue COP bond	2041		81.6	81.6	3.2
Bond premium				54.1	2.4
Compensated absences				7.8	1.7
Net pension liability				110.3	-
Other post employment liability				25.8	-
Semitropic water banking agreement	2035		46.9	12.4	-
State revolving fund loan	2028		6,350	-	-
Total enterprise funds debt				$ 870.3	$ 23.9

* All-in true interest cost represents the total cost of a bond financing, taking account any accrued interest, original issue premium or discount and costs of issuance.

The following is a summary of changes in long-term liabilities for the current fiscal year (in millions):

	Balance 7/1/2020	Additions	Reductions	Balance 6/30/2021	Due Within One Year
2006B Water revenue bonds	$ 17.3	$ -	$ (0.8)	$ 16.5	$ 0.9
2016A Water revenue bonds	106.3	-	-	106.3	-
2016B Water revenue bonds	75.2	-	-	75.2	-
2016C Water revenue COP	34.9	-	(3.3)	31.6	3.4
2016D Water revenue COP	44.3	-	(4.3)	40.0	4.4
2017A Water revenue bonds	49.6	-	(1.9)	47.7	2.0
2019A Water revenue bonds	15.0	-	(0.2)	14.8	0.4
2019B Water revenue bonds	78.4	-	(1.7)	76.7	1.7
2019C Water revenue bonds	37.0	-	(1.9)	35.1	2.1
2020A Water revenue bonds	-	24.1	-	24.1	-
2020B Water revenue bonds	-	68.5	-	68.5	-
2020C Water revenue COP	-	41.8	0	41.8	1.7
2020D Water revenue COP	-	81.6	0	81.6	3.2
Premium on debt issuance	37.0	19.5	(2.4)	54.1	2.4
Compensated absences	6.3	4.9	(3.4)	7.8	1.7
Net pension liability (See Note 10)	100.6	9.7	-	110.3	-
Other post employment benefits (See Note 11)	25.7	0.1	-	25.8	-
Semitropic water banking agreement (See Note 15)	10.0	2.4	-	12.4	-
Total business-type activity long-term liabilities	$ 637.6	$252.6	$ (19.9)	$ 870.3	$ 23.9

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

Description	Year Ending June 30	Principal	Interest and amortization
Bonds payable	2022	$ 19.8	$ 25.9
	2023	20.4	25.3
	2024	21.0	24.6
	2025	21.7	23.9
	2026	22.4	23.2
	2027 - 2031	125.0	102.7
	2032 - 2036	127.1	77.0
	2037 - 2041	112.1	52.1
	2042 - 2046	132.1	27.6
	2047 - 2051	58.3	5.1
Total bonds payable requirements		659.9	$ 387.4
Compensated absence		7.8	
Premium		54.1	
OPEB		25.8	
Pension		110.3	
Semitropic water banking agreement		12.4	
Total outstanding non-current at June 30, 2021		$ 870.3	

The following provides a brief description of the Funds' outstanding debt and long-term liabilities as of June 30, 2021:

2006B Water Utility System Refunding Revenue Bonds

In December 2006, Valley Water issued $99.8 million of Water Utility System Refunding Revenue Bonds, Series 2006A and Taxable Series 2006B, pursuant to the Water Utility Senior System Master Resolution (94-58, as amended by 06-80). The proceeds of $57.4 million of the 2006A and 2006B Bonds were used to refinance $55.3 million of the remaining 2000A and 2000B and the proceeds of $42.4 million of 2006A and 2006B were used to repay approximately $40.9 million of commercial paper notes. In March 2016, Valley Water issued Series 2016A Water System Refunding Revenue Bonds to refund all 2006A outstanding principal.

2016A/B Water Systems Refunding Revenue Bonds

In March 2016, Valley Water issued $181.5 million of Water Systems Refunding Revenue Bonds comprising 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 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.

<u>2017A Water System Refunding Revenue Bonds</u>

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).

<u>2019A/B Water Systems Refunding Revenue Bonds</u>

In April 2019, Valley Water issued $95.3 million of Water System Refunding Revenue Bonds 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 Parity Master Resolution (16-10).

<u>2019C Water Utility Refunding Revenue Bonds</u>

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

<u>2016C/D Water Utility Revenue Certificates of Participation</u>

In March 2016, Valley Water issued $98.0 million of Water Revenue Certificate of Participation, 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 will be 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 pursuant to the Water Utility Parity System Master Resolution (16-10).

<u>2020A/B Water Systems Refunding Revenue Bonds</u>

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, will be 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).

Semitropic Water Banking Agreement

In December 1995, Valley Water entered into a water banking and exchange program with Semitropic Water Storage District and its Improvement Districts that entitles Valley Water to storage, withdrawal, and exchange rights for Valley Water's State Water Project supplies. Valley Water's share of the total program capital costs is $46.9 million based on a 35 percent vesting in the program. Valley Water pays the program capital costs when storing and recovering water. At June 30, 2021, Valley Water has $12.4 million outstanding liability related to water storage and banking rights. See Note 14c for further information on Valley Water's Semitropic water banking program.

Compensated Absences

Compensated absences are paid out of the general fund as an employee benefit expense in the year the expense is realized and are charged to the different funds as part of the direct benefit rate. The compensated absences liability for the year is recognized in Valley Water's various enterprise funds and on the governmental activities column in the statement of net position.

(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 agreement and other financial contracts contain provisions concerning the application of applicable Valley Water revenues if certain of the following conditions occur: default on debt service payments; the failure of Valley Water to observe or perform the conditions, covenants, or other agreement with respect thereto; bankruptcy filing by Valley Water; or if any court or competent jurisdiction shall assume custody or control of Valley Water, among other defaults. Certain of such master resolutions, bonds, notes and other obligations and reimbursement agreement and other financial contract contain acceleration provisions that allows a trustee, owners of bonds, notes or other obligations or the parties to such reimbursement agreements or other financial contracts to accelerate payments thereunder to the extent and as provided therein.

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

Financial obligations incurred under the commercial paper program, issued through the PFFC, currently include the obligations to reimburse the bank issuing direct pay letter of credit supporting the commercial paper program 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 pledged future flood control system revenues to repay $57.0 million in long-term debt outstanding as of June 30, 2021, that was issued to finance the cost of flood control improvements. The Certificates of Participation (COPs) are payable from installment payments that are secured by flood control system revenues and are payable through fiscal years 2024 (2012A) and 2030 (2017A). The total principal and interest remaining to be paid on the combined debt is $69.2 million. A ten-year comparison of flood control system revenues to related debt service titled "Flood Control System Historical Operating Results – Combined Statements of Revenues and Debt Service Coverage – Last Ten Fiscal Years" can be found in Valley Water's Statistical Section.

Valley Water has also pledged water utility system revenues, net of specified maintenance and operating expenses, to repay $659.8 million in long-term debt outstanding as of June 30, 2021, 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 2049. Total principal outstanding and interest costs remaining to be paid on the combined debt is $1,047.3 million.

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 recorded for the year ended June 30, 2021 are as follow (in millions):

	Amount
Property taxes:	
1% tax allocation	$ 8.9
Voter approved indebtedness:	
State Water Project Fund	21.3
Total property taxes	$ 30.2

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

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

NOTE 9 - NET POSITION

The Funds financial statements utilize a net position presentation. Net position is categorized as follows:

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 breakdown of the Funds' net position at June 30, 2021 (in millions):

	Water Enterprise Fund	State Water Projects Fund	Total
Net investment in capital assets	$ 610.3	$ 14.2	$ 624.5
Restricted Net Position			
San Felipe Emergency Reserve	3.3	-	3.3
GP5 reserve	9.7	-	9.7
Rate Stabilization	25.1	-	25.1
Advance Water Purification Center	1.3	-	1.3
Supplemental Water Supply Reserve	15.5	-	15.5
Drought Reserve	10.0	-	10.0
State Water Projects	-	13.6	13.6
Total restricted net position	64.9	13.6	78.5
Unrestricted Net Position			
Operating & Capital Contingencies	87.0	-	87.0
Water inventory	130.0	-	130.0
Currently Authorized Projects	85.3	-	85.3
Market Valuation	2.4	-	2.4
Encumbrances	125.5	-	125.5
Net Pension Liability	(76.5)	-	(76.5)
Net Other Post Employment Benefit Liability	(32.2)	-	(32.2)
Total unrestricted net position	321.5	-	321.5
Net Position	$ 996.7	$ 27.8	$ 1,024.5

NOTE 10 - EMPLOYEES' RETIREMENT PLAN

Plan Description

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the California Public Employees' Retirement Law. Benefit provisions and all other requirements are established by State statutes and may be amended by Valley Water's governing board.

The Plan's provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Prior to	3/19/2012 to	On or after
Hire date	3/19/2012	12/31/2012	1/1/2013
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Minimum Retirement age	50	50	52
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.1% to 2.4%	1.0% to 2.5%
Required employee contribution rates	8.0% + 2.5%*	7.0% + 3.5%*	6.75% + 1.5%
Required employer contribution rates	10.911% plus $3.0 million prepayment for prior unfunded service cost		

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

Employees Covered – As of the most recent CalPERS annual valuation report, dated June 30, 2020, the following employees were covered by the benefit terms of the Plan:

Inactive employees or beneficiaries currently receiving	1,044
Active employees	752

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

For the year ended June 30, 2021, contributions to the plan were $31.6 million. Valley Water is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. All funds with payroll charges contribute to the actuarially determined contribution.

Net Pension Liability

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

Actuarial Assumptions – The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Reporting date	June 30, 2021
Actuarial cost method	Entry-age normal cost method
Discount rate	7.15%
Inflation(1)	2.625%
Salary increases	Varies by entry age and service
Investment rate of return(2)	7.25%
Retirement age	Based on the 2017 CalPERS Experience Study for the period from 1997 to 2015
Mortality rate table(3)	Derived using CalPERS' membership data for all funds

(1) Inflation rate was adjusted from 2.75% to 2.625% in accordance with the CalPERS Experience Study.

(2) Net of pension plan investment and administrative expenses; includes inflation

(3) The mortality rate table was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuarial Scale BB.

The Experience Study can be obtained at Cal PERS' website under "Forms and Publications".

Change in Assumptions

Inflation Rate

The inflation rate was 2.75% in fiscal year 2020 and decreased to 2.625% for fiscal year 2021.

Changes in the Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Beginning balance	$ 863.5	$ 628.6	$ 234.9
Changes recognized for the measurement period:			
Service cost	17.0	-	17.0
Interest on total pension liability	61.6	-	61.6
Difference between expected and actual experience	10.7	-	10.7
Contributions - employer	-	29.8	(29.8)
Contributions - employees	-	7.6	(7.6)
Net investment income	-	31.6	(31.6)
Benefits payment, including refunds of employee contributions	(42.2)	(42.2)	-
Administrative expense	-	(1.0)	1.0
Net changes	47.1	25.8	21.3
Ending balance	$ 910.6	$ 654.4	$ 256.2

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

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

	Discount Rate		
	-1%	Current	+1%
Plan Net Pension Liability	$ 374.5	$ 256.2	$ 157.8

Pension Plan Fiduciary Net Position

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

Pension Expenses and Deferred Outflow/Inflow of Resources

For the year ended June 30, 2021 (for measure period ended June 30, 2020), Valley Water recognized pension expense of $10.7 million. As of June 30, 2021, Valley Water reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in millions):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contribution subsequent to measurement date	$ 31.6	$ -
Changes in assumption	-	(2.3)
Differences between expected and actual experience	14.9	(0.3)
Net difference between projected and actual earnings on pension plan investments	5.0	
Total	$ 51.5	$ (2.6)

$31.6 million is reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction from the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as shown in the succeeding table.

Measurement Periods Ended June 30:	Deferred Outflows / (Inflows) of Resources
2022	$ 1.1
2023	7.3
2024	6.1
2025	2.8
2026	-
Thereafter	-
Total	$ 17.3

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.

Benefits Provided

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

<table>
<tr><th></th><th>Hire/Retirement Date</th><th>Eligibility Rule (Years of Continuous Service)</th><th>District's Required Contribution</th></tr>
<tr><td rowspan="6"><u>Unclassified</u>

At Will</td><td>Retired prior to July 1, 1988</td><td></td><td>Fixed amount of $165 per month</td></tr>
<tr><td>Retired from July 1, 1988 through June 30, 1990</td><td>10 years</td><td>100% medical premium for retiree</td></tr>
<tr><td>Retired from July 1, 1990 through June 18, 1995</td><td>10 years

15 years</td><td>100% medical premium for retiree

100% medical premium for retiree plus one eligible dependent</td></tr>
<tr><td>Retired from June 19, 1995 through October 21, 1996</td><td>10 years

15 years

25 years</td><td>100% medical premium for retiree

100% medical premium for retiree plus one eligible dependent

100% medical, dental, and vision coverages for the retiree plus two or more eligible dependents</td></tr>
<tr><td>Retired from October 22, 1996 or later and hired prior to December 30, 2006</td><td>10 years

15 years

25 years</td><td>100% medical premium for retiree

100% medical, dental, and vision coverages for the retiree plus one eligible dependent

100% medical, dental, and vision coverages for the retiree plus two or more eligible dependents</td></tr>
<tr><td>Hired on or after December 30, 2006 and prior to March 1, 2007</td><td>10 years

15 years</td><td>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.

Medical, dental, and vision coverages are provided for retiree and one eligible dependent. Medical premium</td></tr>
</table>

	Hire/Retirement Date	Eligibility Rule (Years of Continuous Service)	District's Required Contribution
Unclassified At Will	Hired on or after December 30, 2006 and prior to March 1, 2007	15 years (con't) 25 years	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. Medical, dental, and vision coverages are provided for retiree plus two or more eligible dependents. Medical premium cost sharing is required with the same contribution percentage as active employees and based on the medical premium amount applicable to active employees or retirees, whichever is less.
	Hired on or after March 1, 2007	15 years 20 years	Retiree is covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less. Retiree plus one eligible dependent are covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less.

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

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

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

Employees Covered – As of the most recent OPEB annual valuation report, dated June 30, 2020, the following employees were covered by the benefit terms of the Plan:

Inactive employees or beneficiaries currently receiving	846
Active employees	752

Contributions

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

OPEB and its contribution requirements are established by memorandum of understanding with the applicable employee bargaining units and may be amended by agreements between Valley Water and the bargaining groups. For the fiscal year ended June 30, 2021, Valley Water's total contribution to the plan amounted to $11.0 million. All funds with payroll charges contribute to the actuarially determined contribution.

Net OPEB Liability

Valley Water's net OPEB liability was measured on June 30, 2020 for reporting date June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019, based on the following actuarial methods and assumptions:

Discount Rate[1]	7.59%
Investment Rate of Return[1]	7.59%
Inflation	3.00%
Payroll Growth Rate	2.75%
Mortality Rate	Derived from the CalPERS study of Miscellaneous Public Agency experience
Pre-retirement Turnover[2]	Derived from the CalPERS study of Miscellaneous Public Agency experience
Healthcare Trend Rate[3]	Medical and Part B trend rate begin at 5.25% then taper to 4% by 2025/26; dental and vision are 3.0%

(1) The discount rate is the expected long-term rate of return on Valley Water assets using investment strategy #1 within the California Employers' Retiree Benefit Trust.

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

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

Discount Rate

The discount rate of 7.59% is the expected long-term rate of return on Valley Water assets using investment strategy #1 within the CERBT. The projected cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in OPEB Liability

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Beginning balance	$ 172.7	$ 114.0	$ 58.7
Changes recognized for the measurement period:			
Service cost	2.5	-	2.5
Interest cost	12.8	-	12.8
Other liability experience loss/(gain)	0.2	-	0.2
Contributions	-	10.3	(10.3)
Benefits payment	(10.3)	(10.3)	-
Administrative expenses	-	(0.1)	0.1
Expected investment return	-	8.7	(8.7)
Investment experience (loss)/gain	-	(4.6)	4.6
Net changes	5.2	4.0	1.2
Ending balance	$ 177.9	$ 118.0	$ 59.9

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

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

	Discount Rate		
	-1%	Current	+1%
Plan NetOPEB Liability	$ 80.3	$ 59.9	$ 42.7

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of Valley Water, if it were calculated using health care cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current rate, for measurement period ended June 30, 2020 (in millions):

	Discount Rate		
	-1%	Current	+1%
Plan NetOPEB Liability	$ 41.3	$ 59.9	$ 82.0

OPEB Plan Fiduciary Net Position

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

OPEB Expense and Deferred Outflow/Inflow of Resources

For the year ended June 30, 2021, Valley Water recognized OPEB credit expense of $5.9 million. At fiscal year-end, Valley Water reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in millions):

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contribution subsequent to measurement date	$ 11.0	$ -
Changes in assumption	-	(3.4)
Other liability experience loss / (gain)	0.1	(4.9)
Investment experience loss / (gain)	3.5	-
Total	$ 14.6	$ (8.3)

$11.0 million is reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction from the net OPEB liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows (in millions):

Year ending June 30:	Deferred Outflows / (Inflows) of Resources
2022	$ (2.1)
2023	(1.6)
2024	(1.4)
2025	0.4
2026	-
Thereafter	-
Total	$ (4.7)

NOTE 12 - RISK MANAGEMENT

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

Valley Water's self-insured retention (SIR) and deductibles 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 expense. Claim liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. At June 30, 2021, the liability for self-insurance claims was $6.6 million. This liability is Valley Water's best estimate based on available information. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Changes in the reported liability since June 30, 2019 are as follows (in millions):

	General Liability	Workers Compensation	Total
Claims payable, June 2019	$ 4.2	$ 2.8	$ 7.0
Current FY premiums incurred claims & changes in estimates	1.0	0.3	1.3
Claims payment (6721-6723)	(0.7)	(0.1)	(0.8)
Claims payable, June 2020	4.5	3.0	7.5
Current FY premiums incurred claims & changes in estimates	(0.4)	(0.3)	(0.7)
Claims payment (6721-6723)	-	(0.2)	(0.2)
Claims payable, June 2021	$ 4.1	$ 2.5	$ 6.6
Current portion	$ 1.2	$ 0.5	$ 1.7

NOTE 13 - TRANSFERS IN AND OUT BETWEEN VALLEY WATER

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

Transfers made during fiscal year 2021 are shown below (in millions):

Fund Receiving Transfers	Fund Making Transfers	Amount	Description
Water Enterprise Fund	COP Construction	67.6	Capital transfer
Water Enterprise Fund	Watershed and Stream Stewardship	0.3	Open space credit - 1% prop tx
Water Enterprise Fund	General Fund	0.3	Open space credit - 1% prop tx
Transfers in from District		$ 68.2	
COP Construction	Water Enterprise Fund	(135.7)	Bond proceeds transfer
General Fund	Water Enterprise Fund	$ (0.4)	SCW measure S election cost
General Fund	Water Enterprise Fund	(1.7)	COVID-19 reimbursement
Information Technology Fund	Water Enterprise Fund	(4.5)	IT capital projects
Transfers out to District		$ (142.3)	

NOTE 14 - COMMITMENTS

(a) Contract and Purchase Commitments

As of June 30, 2021, the Funds have open purchase commitments of approximately $131.9 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

Valley Water has contracted with the United States of America through its Bureau of Reclamation for water deliveries from the Central Valley Project (CVP). The contract requires the District to operate and maintain Reach 1, Reach 2, and Reach 3 of the San Felipe Division facilities.

During fiscal year 2017, Valley Water began negotiating an amendment to this contract, which was subsequently executed on May 11, 2020. 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 it's remaining share of capital costs for the CVP except for those capital costs associated with the San Felipe Division facilities. Valley Water's share of capital costs for the San Felipe Divisions facilities are repaid through semi-annual payments according to an amortized schedule negotiated in a previous amendment to this contract, executed in 2007. The semi-annual payments are now approximately $7.7 million. 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 allege violations of the National Environmental Policy Act and the federal Endangered Species Act.

The total commitment, including applicable interest, of the repayment contract was $431.9 million. The remaining commitment as of June 30, 2021 was $194.9 million.

(c) Participation Rights in Storage Facilities

In December 1995, Valley Water entered into a water banking and exchange program with Semitropic Water Storage District and its Improvement Districts that entitles Valley Water to storage, withdrawal, and exchange rights for Valley Water's State Water Project supplies. Valley Water's share of the total program capital costs is $46.9 million based on a 35 percent participation level in the program. Valley Water pays the program capital costs when storing and recovering Tier 1 water. The agreement terminates in December 2035.

Upon withdrawal by Valley Water of all 135,965 acre-feet or remaining Tier 1 water stored, Valley Water would have paid its share of the total program costs. The 2021 rate to retrieve Tier 1 water is $73.70 per acre-feet. During the first 10 years, Valley Water had a reservation to participate in 35% of the original Semitropic 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.

Valley Water currently has a storage allocation of 350,000 acre-feet. As of June 30, 2021, Valley Water has 321,974 acre-feet of water in storage. The participation rights are amortized using the straight-line method over the life of the agreement. Amortization of $29.9 million has been recorded through fiscal year 2021.

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 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.

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 would be paid for water charge related revenues. Timing of such payments is still to be determined.

NOTE 15 - CONTINGENCIES

(a) Litigation

It is normal for a public entity like Valley Water, with its size and activities, to be a defendant, co-defendant, or cross-defendant in court cases in which money damages are sought. Discussed below are all pending litigations that Valley Water is aware of which are significant and may have a potentially impact on the financial statements.

Great Oaks Water Company v. Santa Clara Valley Water District

In 2005, Great Oaks Water Company (hereinafter "Great Oaks") filed an administrative claim alleging that Valley Water's groundwater charges for 2005-06 violated the law and sought a partial refund. After its claim was deemed denied, Great Oaks filed a lawsuit alleging, among other things, that Valley Water's groundwater production charges violated Proposition 218 (which added Article XIIID to the California Constitution), because proceeds are used to fund projects and services that benefit the general public, not just ratepayers (*Great Oaks Water Company v. Santa Clara Valley Water District*, Santa Clara County Superior Court Case No. 2005-CV-053142; Cal. Court of Appeals Case Nos. HO35260 and HO35885; Cal. Supreme

Court No. S231846 (the "Great Oaks Case"). Great Oaks also alleged that the groundwater production charges violated the Law. Great Oaks demanded a partial refund as well as declaratory, injunctive and mandamus relief.

On February 3, 2010, the trial court issued a Judgment After Trial in the Great Oaks case, ruling that Valley Water owed Great Oaks a refund of groundwater charges of approximately $4.6 million plus interest at 7% per annum. The award included pre-judgment interest of approximately $1.3 million, and daily post-judgment interest as well. Valley Water appealed this decision to the California Court of Appeal for the Sixth Appellate District (the "Court of Appeal"). During the pendency of the appeal, in accordance with the requirements of GASB Statement No. 62, Valley Water recorded a liability in the amount of the judgment plus interest. After the favorable judgement by the Court of Appeal in 2015, discussed below, Valley Water reversed its prior total recorded liability in the aggregate amount of $7.4 million in its audited financial statements for Fiscal Year 2017.

In 2015, the Court of Appeal reversed in full the judgment of the trial court. The Court of Appeal found that Valley Water's groundwater production charges did not violate Proposition 218 or the Law. Great Oaks petitioned the California Supreme Court to review the Court of Appeal's ruling, and the Supreme Court granted its petition. The case was placed on hold pending the California Supreme Court's decision in a similar case, *City of Buenaventura v. United Water Conservation District* ("UWCD"). In late 2017, the California Supreme Court issued its opinion in the UWCD case, finding that Proposition 218 does not apply to groundwater charges, but that Article XIIIC of the California Constitution does apply. The Supreme Court vacated the Court of Appeal's decision and remanded the Great Oaks case for reconsideration in light of its UWCD opinion. On November 8, 2018, the Court of Appeal reaffirmed its 2015 decision. The Court of Appeal declined to consider Great Oaks' request to consider whether Valley Water's groundwater production charges violated Article XIIIC of the California Constitution, as this cause of action had never been considered by the trial court. This case was remanded to the trial court for further proceedings in February 2019.

While the 2005 Great Oaks case was pending, Great Oaks filed additional annual claims and additional annual lawsuits challenging Valley Water's groundwater production charges for each year after 2005, continuing through the present. Great Oaks' subsequent, similar lawsuits were stayed pending resolution of its 2005 case. (Santa Clara Superior Court Case Nos. 2007-CV-087884; 2008-CV-119465; 2008-CV-123064; 2009-CV-146018; 2010-CV-178947; 2011-CV-205462; 2012- CV-228340; 2013-CV-249349; 2015-CV-281385; 2016-CV-292097; 2017-CV-308140; and 2018-CV-327641). In addition, in 2011 Shatto Corporation, Mike Rawitser Golf Shop, and Santa Teresa Golf Club filed a similar refund action, making similar claims (Santa Clara Superior Court Case No. 2011-CV-195879). Other water retailers including San Jose Water Company and the cities of Morgan Hill, Gilroy and Santa Clara, and the Los Altos Golf and Country Club and Stanford University, dispute Valley Water's groundwater charges and entered into tolling agreements with Valley Water pending the final decision in the Great Oaks Case. In 2019, Valley Water filed a collection action against Shatto Corporation for failure to pay groundwater charges from 2009 to 2014 and associated penalties and interest. Valley Water estimates that the amount due is approximately $1.0 million. Shatto Corporation filed a cross-complaint, alleging that Valley Water's groundwater charges violate Article XIIIC of the California Constitution (Santa Clara Superior Court Case No. 2019-CV-348413).

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

The Great Oaks case will proceed to trial on written briefs in the Superior Court in and for Santa Clara County on June 13, 2022.

In the event that a court rules that Valley Water's groundwater production charges violate Proposition 26, such a ruling could materially impact Valley Water's rate revenue and finances.

Flooding in the City of San Jose

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

As of the date of this Official Statement, Valley Water has received 423 claims with respect to the flooding along Coyote Creek. Estimated damages are in excess of $10.0 million; however, Valley Water cannot predict the final amount of any proven damages. Many of the claimants also sought recovery from the City of San Jose.

A number of claimants have filed lawsuits in Santa Clara County Superior Court against Valley Water and the City of San Jose alleging damage from the Coyote Creek flood event. (*White, et al. v. SCVWD, et al.* (lead case) Santa Clara Co. Superior Court, Case No. 18CV321600). Currently, 20 lawsuits have been filed and 19 are pending against Valley Water relating to the flood event (one case was dismissed). Valley Water is evaluating all of such claims and lawsuits and cannot predict the outcomes or financial impacts of these or any future claims and lawsuits with respect to the Coyote flood event. Valley Water intends to vigorously defend any actions brought against it with respect to flood-related property damage caused by the flooding along Coyote Creek.

Of the 423 claims, 192 of the claimants have not filed an action in superior court. As to these 192 claims, Valley Water settled 162 of such claims in September 2019 at a total cost of approximately $0.7 million.

The City of San Jose reached a settlement with the plaintiffs for $750,000. On October 25, 2021, the court granted the City's application for a determination that the settlement was reached in good faith, effectively leaving Valley Water as the sole remaining defendant.

On October 27, 2021, Valley Water filed a motion for summary judgment as to the entire action, or in the alternative, summary adjudication as to each individual cause of action. This motion is scheduled to be heard on January 13, 2022. Trial on any remaining claims is scheduled for May 2, 2022.

On September 30, 2020, Pacific Gas & Electric Corporation filed a civil action against Valley Water claiming personal property damages as a result of flooding resulting from a series of storms occurring on or about February 21, 2017.

On or about June 14, 2018, San Jose Unified School District filed a civil action against Valley Water claiming property damages as a result of flooding resulting from a series of storms occurring on or about February 21, 2017 (*PG&E v. SCVWD,* Santa Clara Co. Superior Court, Case No. 20CV371349).

(b) Grants and Subventions

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

(c) WIIN Act Central Valley Project Contract Conversions

On December 16, 2016, Congress enacted the Water Infrastructure Improvements for the Nation Act (WIIN Act). Under the WIIN Act, a Central Valley Project (CVP) contractor may request conversion of its multi-year term water service contract into a permanent repayment contract. In a water service contract, construction costs owed by the contractor are paid on a per acre-foot basis in proportion to its CVP water deliveries. However, in a repayment contract under the WIIN Act, construction costs are paid up front as a lump sum or three-year accelerated scheduled irrespective of water deliveries. By agreeing to prepay construction costs up front, the WIIN Act provides for a repayment contract that does not expire.

Under the terms of these contract conversions, the Bureau requires all contractors, including Valley Water, to file validation actions in Superior Court to establish conclusively that the new, converted contract is valid, and the contractor has the legal authority to enter into it.

Valley Water has converted two of its contracts with the Bureau of Reclamation (Valley Water's long-term CVP contract and its contract for water services assigned to it by Mercy

Springs Water District). Valley Water filed validation actions as to both these contracts (actions confirming that Valley Water has the legal power and authority to enter into these contracts and has done so in accordance with applicable law), as required by the Bureau of Reclamation. Both validation actions have gone unchallenged. However, separately, the Centers for Biological Diversity and other plaintiffs have challenged the conversion of these contracts and contracts between the Bureau and other contractors. This action remains pending in the federal District Court for the Eastern District of California.

(d) California Drought

On May 10, 2021, the Governor of the State of California proclaimed a state of emergency due to severe drought conditions. To mitigate drought impacts to the Santa Clara County residents, Valley Water has spent resources mandating, and raising awareness of the need for, water use reductions, drought preparedness, increased resilience of our water supplies and systems, and ensuring that the potential impacts of drought on communities are anticipated and proactively addressed. Local water conservation will reduce Valley Water's water utility revenue.

(e) Rinconada Water Treatment Plant Reliability Improvement Project Contractor Claim

On March 10, 2020, contractor Balfour Beatty Infrastructure, Inc. (BBII) and the District entered into Amendment One to the construction contract. Pursuant to the Amendment, certain phases of the Project were removed from the Project scope and new completion dates and payment schedules were established for the remaining work.

BBII fully performed the Amendment One scope of work and Project acceptance by the Board was scheduled for November 10, 2020. At that time, the Board did not accept the work as complete and authorize recordation of the Notice of Completion. As a direct result of this inaction, on or about December 8, 2020, BBII filed a claim asserting the District had failed to make final payment of $3 million upon Project completion (as required by the terms of Amendment One); failed to timely accept the Project as complete despite it being finished; and thereby delayed release of retention within 35 days of acceptance and recording Notice of Completion. BBII claims the District breached the contract and violated statutory requirements for timely retention release.

BBII alleges that the District's failure to accept the Project as complete and record a Notice of Completion resulted in BBII suffering damages and is due payment of the final Contract balance and retention, prompt payment penalties at two percent per month on the unpaid Contract balance, and damages arising from the District'[s failure to timely record a Notice of Completion after acceptance of the Project as required by law.

On January 12, 2021, the Board accepted the work as complete and directed the Clerk of the Board to submit the Notice of Completion for recording with the County of Santa Clara, Office of the Clerk/Recorder. Final payment and the contract retention sum were both remitted to BBII. The parties have had no discussions regarding resolving this Claim. The Board took no action on this Claim and no lawsuit has been filed.

(f) Factors Affecting Water Supply

Litigation Affecting Water Imported through San Francisco-San Joaquin Bay-Delta

Valley Water's imported and local supplies are subject to regulatory restrictions pursuant to, among other laws, the federal Endangered Species Act ("ESA"), California Endangered Species Act ("CESA"), the Water Quality Control Plan for the San Francisco Bay/Sacramento-San Joaquin Delta Estuary Bay-Delta, and State Water Resources Control Board Decision D-1641. The listing of winter-run Chinook salmon in 1989 and delta smelt in 1993 resulted in pumping restrictions imposed on the State and federal water projects to protect these species. These pumping restrictions resulted in reduced deliveries from the SWP and CVP, compounding the shortages created by the on-going drought at the time. In 1993, the United States Environmental Protection Agency (the "EPA") also proposed to implement water quality standards for the Bay-Delta that would impose severe restrictions on the operation of the SWP and CVP. These circumstances led to the Bay-Delta Accord in 1994, in which the State and federal governments, along with urban, agricultural and environmental interests, agreed to an interim set of ESA protection measures coupled with water supply certainty. The Bay-Delta Accord laid the groundwork for the establishment of the CALFED Bay-Delta Program, which has been succeeded by a number of efforts, including the California Water Action Plan, the Delta Reform Act and Delta Plan, and the proposed Delta Conveyance Project to develop a long-term solution for conflicts in the Bay-Delta. However, there has been significant recent litigation concerning ESA and CESA issues and water moving through the Delta for export to contractors.

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

2019 Revised Federal Biological Opinions Litigation. In October 2019, the United States, acting through the National Marine Fisheries Service ("NMFS") and United States Fish and Wildlife Service ("FWS") issued revised Biological Opinions (BiOps) governing the joint operation of the CVP and SWP. The revised BiOps allow for the export of additional water south of the Delta during April and May in certain water years, as compared to the prior 2008-09 BiOps. The State of California and several environmental groups filed suit soon thereafter, alleging that this BiOp violated the ESA, Administrative Procedure Act ("APA"), and National Environmental Policy Act ("NEPA"). These cases have been consolidated in the United States District Court for the Eastern District of California.

Shortly after the Biden Administration took office, counsel for the United States requested to stay this litigation to allow the new administration to conduct a comprehensive review of joint project operations and ESA and other issues. On October 1, 2021, the United States formally re-initiated ESA consultations on joint project operations. The U.S. and California also recently filed a proposed "joint interim operations plan" for the CVP and SWP in water year 2022. In this plan, the U.S. would essentially operate the CVP in accordance with California's stricter Incidental Take Permit ("ITP") (issued in 2020 under the CESA, which contains Delta export restrictions not contained in the revised BiOps. The U.S. and California will likely seek a one year stay of this litigation while they try to work through ESA consultation and joint project operation issues.

It is anticipated that the United States will, after ESA consultation and NEPA review (expected to last through late 2024) replace or further revise its 2019 BiOps, potentially with more export restrictions.

California Incidental Take Permit and SWP Long-Term Operations EIR Litigation. Prior to 2019, California operated the SWP under the CESA in accordance with the federal 2008-09 BiOps through the filing of a "consistency determination." However, in 2018, California decided to conduct its own environmental review, and separate CESA review, of SWP operations. In November 2019, DWR issued its draft EIR for long-term operations of the SWP. The draft EIR found that the project would have no significant environmental impacts. However, the draft EIR also discussed several project alternatives, including "Alternative 2[b] - Proposed Project with Dedicated Water for Delta Outflow from SWP." In December 2019, DWR applied to the California Department of Fish & Wildlife ("CDFW") for an ITP under the CESA. Despite the draft EIR finding of no significant impact, in its ITP application, DWR described the project in terms closer to Alternative 2b than what it had originally proposed. On March 27, 2020, DWR certified its final EIR, which adopted "Refined Alternative 2b" as the approved project. On March 31, 2020, CDFW issued an ITP consistent with the final EIR. The ITP will limit exports in wetter years as compared to what is allowed under the 2019 revised BiOps, with potential reductions of up to 400,000 acre-feet in April and May. Although the ITP applies only to SWP operations, as noted above, it appears the U.S. may operate the CVP consistent with the ITP during its ESA reconsultation.

Several lawsuits were filed against the State challenging the EIR and ITP by State and federal water contractors and by environmental groups. Contractors allege that the State violated CEQA or CESA by: (a) changing the project description after the draft EIR and certifying new "Refined Alternative 2b" without adequate disclosure or public comment; and (b) failing to use the best available science and requiring unjustified fish avoidance and mitigation measures. Several SWP contractors also allege the State breached its SWP Water Supply Contract by limiting water exports without justification. Environmental groups allege that the ITP violates CEQA, CESA and/or the Delta Reform Act because it is not protective enough of threatened species. This litigation has been consolidated in Sacramento Superior Court, Case No. JCCP 5117 (CDWR Water Operations Cases), and the administrative record is still being finalized.

Bay-Delta Water Quality Control Plan Phase 1 Amendments Litigation. In late 2018, the SWRCB released its "Phase 1" amendments to the San Francisco Bay/Sacramento - San Joaquin Delta Estuary Bay-Delta Water Quality Control Plan ("Bay Delta WQCP"), which addressed water quality objectives on the Lower San Joaquin River, its tributaries, and the southern Delta. (Phase 2 amendments will focus on the Sacramento River, its tributaries and the northern and central Delta.) Among other things, the Phase I amendments require an adaptive 30% – 50% unimpaired flow requirement on all major tributaries to the San Joaquin River, including the Tuolumne River, from which the SFPUC Hetch-Hetchy system obtains its water supplies. The SWRCB announced that, in forthcoming Phase 2 amendments concerning the Sacramento River and the North and Central Delta, that it expects to impose a higher adaptive 45% – 65% unimpaired flow requirement. Approximately 24 entities filed suit against the SWRCB in 13 lawsuits concerning the Phase I Bay-Delta WQCP amendments. Such lawsuits have been consolidated in Sacramento Superior Court in Case No. JCCP 5013. Several water and irrigation districts, environmental groups, the cities of San Francisco and

Modesto, the United States, and one Indian tribe are plaintiffs/petitioners. Valley Water filed suit against the SWRCB but voluntarily dismissed its lawsuit on September 1, 2020.

Most public agency plaintiffs allege that the flow requirements are arbitrary and capricious, not based on the best available science, or are too restrictive of, or alter, water rights. Environmental groups allege they are not protective enough of threatened fish populations. The Phase 1 amendments could reduce water imported through Hetch Hetchy system into northern Santa Clara County, which could cause increased groundwater pumping. Also, anticipated Phase 2 amendments could cause a more direct reduction in Valley Water imported supplies. Valley Water and other contractors would prefer to use a comprehensive voluntary agreements (VAs) process applicable to all major Delta watershed water users, or water rights holders, to meet Delta outflow targets.

Delta Stewardship Council Delta Plan Litigation. The Delta Reform Act of 2009 ("DRA") established co-equal goals of restoring the Bay-Delta ecosystem and increasing the reliability of Delta water supplies. The DRA also created the Delta Stewardship Council ("DSC"), which was charged with developing a plan that accomplishes these goals. In 2013, after the DSC released its Bay-Delta Plan, federal and state water contractors (including Valley Water), as well as several environmental groups, filed suit, alleging that the Plan violated the DRA because, among other things, its Regulation WR P1 provides that the DSC may reject any projects involving water moving through the Bay-Delta if local agencies do not demonstrate efforts to reduce local water demand, improve efficiency and/or increase local water supplies. Environmental groups alleged that the Plan violated the DRA because it did not set forth enforceable, quantified minimum water flows or other measurable objectives. The trial court rejected the contractors' causes of action and agreed with the environmental groups, holding that the Plan violated the DRA because it did not set forth quantified water flow objectives or other measurable targets.

In 2020, the Court of Appeal issued an opinion rejecting the arguments of both contractors and environmental groups, holding that the Bay-Delta Plan does not violate the DRA. The Court of Appeal's decision could impact contractors' ability to participate in multi-year water transfers if a contractor is unable to demonstrate reduced reliance on imported Delta water to the satisfaction of the DSC – which may require even local retail water agencies to showing reduced reliance on imported water. However, the DRA exempts single-year water transfers.

Litigation Relating to Monterey Amendments to SWP Contract. In late 1994, SWP contractors and DWR entered into an agreement in Monterey to substantially amend the standard SWP contract. In 1995 the first of several CEQA lawsuits challenging the "Monterey Amendments" was filed after a SWP contractor prepared an EIR for these amendments. That case settled after DWR agreed to prepare a new EIR for the Monterey Amendments, which was named the "Monterey Plus" project. In 2010, DWR certified its final Monterey Plus EIR. Central Delta Water Agency and several NGOs filed suit against DWR thereafter (Sacr. Sup. Ct. Case No. 34-2010-80000561) ("*Central Delta I*"), alleging that the Monterey Plus EIR violated CEQA because it failed to provide an adequate description of the project and its impacts, failed to adequately analyze alternatives and mitigation measures, contained inadequate responses to public comments, and was not properly circulated. The plaintiffs also alleged that DWR's CEQA findings were not supported by substantial evidence. A related lawsuit was filed, *Rosedale-Rio Bravo Water Storage District v. DWR* (Sacr. Sup. Ct.

Case No. 34-2010-80000703), alleging only that the Monterey Plus EIR failed to adequately analyze the operations of the proposed Kern Water Bank). Finally, the Central Delta Water Agency filed a second, separate lawsuit challenging the validity of the transfer of the Kern Water Bank from the Kern County Water Agency to the Kern Water Bank Authority (Sacr. Sup. Ct. Case No. 34-2010-80000719, "*Central Delta II*"). These three actions were ordered related and assigned to a Sacramento Superior Court judge. *Central Delta II* has been stayed pending resolution of *Central Delta I*.

In a decision in 2014 in *Central Delta I* and *Rosedale-Rio Bravo*, the court upheld the majority of the Monterey Plus EIR. However, the court found that the Monterey Plus EIR did not sufficiently analyze or address the operation of the Kern Water Bank and issued a writ for DWR to further analyze its operations and recertify the Monterey Plus EIR. The *Central Delta I* plaintiffs appealed the rejection the CEQA claims. The parties completed appellate court briefing in July of 2016. In 2021 the Court of Appeal upheld the trial court's decision and denied plaintiffs' request for rehearing. (Ct. of App. 3d. Dist. Case No. C078249). Plaintiffs may petition the Supreme Court to review this ruling.

As ordered by the trial court, DWR conducted further environmental review of the Kern Water Bank, and, in 2016, issued its revised EIR: "Monterey Plus — Kern Water Bank Development and Continued Use Operation." The Center for Food Safety and other NGOs (represented by *Central Delta I & II*'s counsel) filed suit shortly thereafter, alleging various CEQA violations (*Center for Food Safety v. DWR*, Sacr. Sup. Ct. Case No. Case No. 34-2016-800002469). The court denied all of plaintiffs' claims in an order and judgment in October 2017, and plaintiffs appealed. In 2021 the Court of Appeal upheld the trial court's decision in all respects and denied plaintiffs' request for rehearing (Ct. of App. 3d Dist. Case No. C086215). Plaintiffs may petition the Supreme Court to review this ruling.

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

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

All cases were consolidated and assigned to Judge Culhane. The administrative record has been certified, and the parties have fully briefed and argued their positions. It is expected that the trial court will issue a ruling or rulings in these cases shortly.

Oroville Spillway Environmental Damage Cases. In response to record rainfall in early 2017, DWR's Oroville Dam filled and excess water ran down its spillway. A portion of the concrete spillway, however, broke apart, and sent water, concrete, and dirt and trees tumbling down into the Feather River. The District Attorney of Butte County (*People of State of CA v.*

DWR) and other individuals and entities have filed suit for environmental damage or property damage resulting from the spillway failure. These cases have been consolidated in Sacramento Superior Court Case No. JCCP 4974. The Butte County District Attorney is seeking $51 billion in damages ($25k/day penalty + $10/pound of spillway and materials discharged into river) under Cal. Fish & Game Code § 5650. Although Article 13(b) of the SWP contract provides that contractors are not liable for DWR's operation or maintenance of SWP structures or facilities before their turnouts, DWR maintains that ultimately, regardless of legal liability, all costs of the SWP system must be borne by SWP contractors rather than the general public, and thus DWR may bill contractors or raise SWP costs to recover expenditures related to this litigation (cost of litigation, settlements, damages awards/verdicts).

The trial court granted the State's motion for summary judgment on the D.A.'s section 5650 claim in the spring of 2021, finding that this statute does not authorize bringing a cause of action against the State. Plaintiffs have appealed this ruling to the Court of Appeal; appellate briefing has not yet started.

Required Supplementary Information

SANTA CLARA VALLEY WATER DISTRICT
Schedule of Changes In Net Pension Liability and Related Ratios
as of June 30, 2021
Last 10 Years*
(Dollars in Millions)

	2015	2016	2017	2018	2019	2020	2021
Total pension liability							
Service cost	$ 14.3	$ 13.7	$ 13.8	$ 15.7	$ 16.0	$ 16.5	$ 17.0
Interest on total pension liability	46.3	48.8	51.1	53.1	54.9	58.4	61.6
Differences between expected and actual experience	-	(0.2)	(3.2)	(4.7)	(1.4)	13.3	10.7
Changes in assumptions	-	(12.0)	-	44.3	(8.1)	-	-
Benefit payments, including refunds of employee contributions	(25.0)	(27.8)	(30.4)	(32.5)	(35.3)	(38.4)	(42.2)
Net change in pension liability	35.6	22.5	31.3	75.9	26.1	49.8	47.1
Total pension liability, beginning	622.2	657.8	680.3	711.6	787.5	813.6	863.4
Total pension liability, ending (a)	$ 657.8	$ 680.3	$ 711.6	$ 787.5	$ 813.6	$ 863.4	$ 910.5
Plan fiduciary net position							
Contributions - employer	$ 13.8	$ 15.2	$ 17.0	$ 19.0	$ 20.1	$ 26.6	$ 29.8
Contributions - employee	9.0	6.2	6.6	6.6	7.0	7.6	7.6
Net investment income	75.7	11.5	2.8	56.5	47.2	39.3	31.6
Benefits payment	(25.0)	(27.8)	(30.4)	(32.5)	(35.3)	(38.4)	(42.2)
Administrative expenses	-	(0.6)	(0.3)	(0.7)	(0.9)	(0.4)	(1.0)
Other miscellaneous income/(expenses)	-	-	-	-	(1.6)	-	-
Net change in fiduciary net position	73.5	4.5	(4.3)	48.9	36.5	34.7	25.8
Plan fiduciary net position, beginning	434.7	508.2	512.7	508.4	557.3	593.8	628.5
Plan fiduciary net position, ending (b)	$ 508.2	$ 512.7	$ 508.4	$ 557.3	$ 593.8	$ 628.5	$ 654.3
Net pension liability, ending (a - b)	$ 149.6	$ 167.6	$ 203.2	$ 230.2	$ 219.8	$ 234.9	$ 256.2
Plan fiduciary net position as a percentage of total pension liability	77.26%	75.36%	71.44%	70.77%	72.98%	72.79%	71.86%
Covered payroll	$ 77.9	$ 78.0	$ 79.6	$ 84.1	$ 88.5	$ 92.1	$ 97.3
Net pension liability as a percentage of covered payroll	192.04%	214.87%	255.28%	273.72%	248.36%	255.05%	263.31%
Discount rate	7.50%	7.65%	7.65%	7.15%	7.15%	7.15%	7.15%

** Fiscal year 2015 was the first year of GASB 68 implementation, therefore only 7 years are shown.*

SANTA CLARA VALLEY WATER DISTRICT
Schedule of Employer Pension Contributions
June 30, 2021
Last 10 Years*
(Dollars in Millions)

	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	$ 13.9	$ 16.5	$ 18.6	$ 19.7	$ 25.4	$ 28.3	$ 31.6
Contributions in relation to the actuarially determined contribution	(13.9)	(16.5)	(18.6)	(19.7)	(28.4)	(31.3)	(34.6)
Contribution Deficiency	$ -	$ -	$ -	$ -	$ (3.0)	$ (3.0)	$ (3.0)
Covered payroll [1]	$ 78.0	$ 79.6	$ 84.1	$ 88.5	$ 92.1	$ 97.3	$ 100.0
Contribution as a percentage of covered payroll	17.82%	20.73%	22.12%	22.26%	27.58%	29.09%	31.60%

[1] The covered payroll noted on this page is different from the covered payroll presented on the previous page as the previous page is payroll related to the net pension liability in the applicable measurement period.

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

** Fiscal year 2015 was the first year of GASB 68 implementation, therefore only 7 years are shown.*

SANTA CLARA VALLEY WATER DISTRICT
Schedule of Changes In Net OPEB Liability and Related Ratios
as of June 30, 2021
Last 10 Years*
(Dollars in Millions)

	2018	2019	2020	2021
Total OPEB liability				
Service cost	$ 2.9	$ 2.9	$ 2.6	$ 2.5
Interest on total OPEB liability	12.0	12.5	12.9	12.8
Changes in assumptions	-	-	(5.5)	-
Benefit payments	(8.5)	(8.9)	(10.1)	(10.3)
Other liability experience loss / (gain)	-	-	(8.0)	0.2
Net change in OPEB liability	6.4	6.5	(8.1)	5.2
Total OPEB liability, beginning	167.8	174.3	180.8	172.7
Total OPEB liability, ending (a)	$ 174.2	$ 180.8	$ 172.7	$ 177.9
Plan fiduciary net position				
Contributions	$ 11.5	$ 11.9	$ 10.1	$ 10.3
Benefit payments	(8.5)	(8.9)	(10.1)	(10.3)
Expected investment income	6.2	7.1	7.7	8.7
Investment return - difference between expected and actual experience	2.9	0.8	(1.2)	(4.7)
Net change in fiduciary net position	12.1	10.9	6.5	4.0
Plan fiduciary net position, beginning	84.5	96.6	107.5	114.0
Plan fiduciary net position, ending (b)	$ 96.6	$ 107.5	$ 114.0	$ 118.0
Net OPEB liability, ending (a - b)	$ 77.6	$ 73.3	$ 58.7	$ 59.9
Plan fiduciary net position as a percentage of total OPEB liability	55.45%	59.46%	66.07%	66.33%
Covered payroll	$ 84.1	$ 88.5	$ 92.1	$ 97.3
Net OPEB liability as a percentage of covered payroll	92.27%	82.82%	63.74%	61.56%
Discount rate	7.28%	7.28%	7.28%	7.28%

** Fiscal year 2018 was the first year of GASB 75 implementation, therefore only 4 years are shown.*

SANTA CLARA VALLEY WATER DISTRICT

Schedule of Employer Other Post Employment Benefit Contributions

June 30, 2021

Last 10 Years*

(Dollars in Millions)

	2018	2019	2020	2021
Actuarially determined contribution	$ 9.5	$ 10.2	$ 10.8	$ 11.0
Contributions in relation to the actuarially determined contribution	(12.5)	(10.2)	(10.8)	(11.0)
Contribution Deficiency / (Excess)	$ (3.0)	$ -	$ -	$ -
Covered payroll [1]	$ 88.5	$ 92.1	$ 97.3	$ 100.0
Contribution as a percentage of covered payroll	14.12%	11.07%	11.13%	11.00%

[1] The covered payroll noted on this page is different from the covered payroll presented on the previous page as the previous page is payroll related to the net OPEB liability in the applicable measurement period.

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

** Fiscal year 2018 was the first year of GASB 75 implementation, therefore only 4 years are shown.*

This page intentionally left blank

Other Information

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

Board of Directors
Valley Water District
San Jose, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Santa Clara Valley Water District (District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated December 22, 2021.

Internal Control Over Financial Reporting

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

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

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

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

Compliance and Other Matters

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

Purpose of This Report

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

Maze + Associates

Pleasant Hill, California
July 8, 2022

WATER UTILITY ENTERPRISE FUNDS
OF THE
SANTA CLARA VALLEY WATER DISTRICTS

Schedule of Revenues and Expenses
(Budgetary Basis)
For the Year Ended June 30, 2021
(Dollars In millions)

	North County	South County	Total
Operating Revenues:			
Ground Water Charges	$ 118.0	$ 14.1	$ 132.1
Treated Water Charges	154.9	-	154.9
Surface and recycled water charges	2.0	0.7	2.7
Operating Grants	4.0	-	4.0
Other	0.1	-	0.1
Total Operating revenues	279.0	14.8	293.8
Operating Expenses			
Sources of Supply	98.4	10.1	108.5
Water Treatment	43.6	0.5	44.1
Transmission and distribution:			
Raw Water	11.9	3.6	15.5
Treated Water	2.4	-	2.4
Administration and general	21.2	5.9	27.1
Capital Cost Recovery	(6.9)	6.9	-
Total Operating Expenses	170.6	27.0	197.6
Operating income (loss)	108.4	(12.2)	96.2
Nonoperating revenues (expenses):			
Property Taxes	27.5	2.7	30.2
Investment Income	1.6	-	1.6
Rental Income	0.1	-	0.1
Other	1.7	0.8	2.5
Interest and fiscal agent fees	(23.0)	-	(23.0)
Open Space Credit Transfer	(6.9)	6.9	-
Interest earned credit	(0.2)	0.2	-
Net Operating revenues	0.8	10.6	11.4
Change in Net Position	$ 109.2	$ (1.6)	$ 107.6

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

Income (Loss)	107.6
Depreciation and amortization expenses not budgeted	(32.3)
Capital contributions	6.4
Interfund transfers	(74.1)
Reconcile GAAP to budgetary basis for operating expenses	16.0
Change in net position per Statement of Revenues, Expenses, and Change in Net Position	23.6