Santa Clara Valley Water District
Board Audit Committee

HQ. Bldg. Boardroom, 5700 Almaden Expressway, San Jose, California
Join Zoom Meeting: https://valleywater.zoom.us/j/91608079873

SPECIAL MEETING
AGENDA

Tuesday, July 28, 2026
1:00 PM

District Mission: Provide Silicon Valley safe, clean water for a healthy life, environment and economy.

BOARD AUDIT COMMITTEE
Jim Beall, Chairperson - District 4
Shiloh Ballard, Vice Chairperson - District 2
Tony Estremera - District 6

All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body, will be available to the public through the legislative body agenda web page at the same time that the public records are distributed or made available to the legislative body. Santa Clara Valley Water District will make reasonable efforts to accommodate persons with disabilities wishing to participate in the legislative body's meeting. Please advise the Clerk of the Board Office of any special needs by calling (408) 630-2277.

DARIN TAYLOR
Committee Liaison

NICOLE MERRITT
Deputy Clerk (Committee Meetings)
Office/Clerk of the Board
(408) 630-3262
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Note: The finalized Board Agenda, exception items and supplemental items will be posted prior to the meeting in accordance with the Brown Act.

Santa Clara Valley Water District
Board Audit Committee

SPECIAL MEETING
AGENDA

Tuesday, July 28, 2026	**1:00 PM**	**HQ. Bldg. Boardroom, 5700 Almaden Expressway, San Jose, California** **Join Zoom Meeting:** **https://valleywater.zoom.us/j/91608079873**

IMPORTANT NOTICES AND PARTICIPATION INSTRUCTIONS

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To maximize public safety while still maintaining transparency and public access, members of the public have an option to participate by teleconference/video conference or attend in-person. To observe and participate in the meeting by teleconference/video conference, please see the meeting link located at the top of the agenda. If attending in-person, you are required to comply with Ordinance 22-03 - AN ORDINANCE OF THE SANTA CLARA VALLEY WATER DISTRICT SPECIFYING RULES OF DECORUM FOR PARTICIPATION IN BOARD AND COMMITTEE MEETINGS located at https://s3.us-west-2.amazonaws.com/valleywater.org.if-us-west-2/f2-live/s3fs-public/Ord.pdf

In accordance with the requirements of Gov. Code Section 54954.3(a), members of the public wishing to address the Board/Committee during public comment or on any item listed on the agenda, may do so by filling out a Speaker Card and submitting it to the Clerk or using the "Raise Hand" tool located in the Zoom meeting application to identify yourself in order to speak, at the time the item is called. Speakers will be acknowledged by the Board/Committee Chair in the order requests are received and granted speaking access to address the Board.

- Members of the Public may test their connection to Zoom Meetings at: https://zoom.us/test
- Members of the Public are encouraged to review our overview on joining Valley Water Board Meetings at: https://www.youtube.com/watch?v=TojJpYCxXm0

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This agenda has been prepared as required by the applicable laws of the State of California, including but not limited to, Government Code Sections 54950 et. seq. and has

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1. CALL TO ORDER:

1.1. Roll Call.

2. TIME OPEN FOR PUBLIC COMMENT ON ANY ITEM NOT ON THE AGENDA.

Notice to the public: Members of the public who wish to address the Board/Committee on matters not listed on the agenda may do so by completing a Speaker Card and submitting it to the Clerk, or by using the "Raise Hand" feature within the Zoom meeting application to request recognition. Speakers will be acknowledged by the Board/Committee Chair in the order requests are received and, when recognized, will be granted speaking access to address the Board/Committee.

Public comments shall be limited to three (3) minutes per speaker, or such other time as determined by the Chair. State law does not permit the Board/Committee to take action on, or engage in extended discussion of, any item not appearing on the posted agenda, except as otherwise authorized under applicable law. If Board/Committee action is requested, the matter may be scheduled for consideration at a future meeting.

All public comments requiring a response will be referred to staff for a written reply. The Board/Committee may take action on any item of business appearing on the posted agenda.

3. APPROVAL OF MINUTES:

3.1. Approval of May 20, 2026, Board Audit Committee Minutes. 26-0571

Recommendation: Approve the minutes.

Manager: Wendy Ho, 408-630-3874

Attachments: Attachment 1: 05202026 BAC Minutes

4. REGULAR AGENDA:

4.1. Receive and Discuss 2025 Water Usage and Demand Forecasting Audit Report with Management Response; Refer the Final 2025 Water Usage and Demand Forecasting Audit Report to the Board. 26-0586

Recommendation:
A. Receive and discuss the 2025 Water Usage and Demand Forecasting Audit Report with Management Response, and
B. Refer the final 2025 Water Usage and Demand Forecasting Audit Report to the Board.

Manager: Darin Taylor, 408-630-3068

Attachments: Attachment 1: 2025 WU & DF Final Audit Report w Mgmt Resp.
Attachment 2: PowerPoint

4.2. Receive and Discuss Information Regarding the Upcoming Fiscal Year (FY) 2025-2026 Financial Audit, Presented by Vasquez and Company LLP. 26-0575

Recommendation: Receive and discuss information regarding the upcoming FY 2025-2026 financial audit, presented by Vasquez and Company LLP.

Manager: Darin Taylor, 408-630-3068

Attachments: Attachment 1: PowerPoint

4.3. Receive and Discuss Financial Audit Reports for Fiscal Year (FY) 2025 from Valley Water's Joint Powers Authority (JPA) Partners. 26-0570

Recommendation: Receive and discuss financial audit reports for FY 2025 from Valley Water's JPA partners.

Manager: Darin Taylor, 408-630-3068

Attachments: Attachment 1: Delta Conveyance Authority JPA Audit Report
Attachment 2: Delta Conveyance Finance Auth. JPA Aud. Rept.
Attachment 3: Santa Clara Valley Habitat Agency Audit Report
Attachment 4: San Francisquito Creek JPA Audit Report
Attachment 5: San Luis & Delta Mend. Wtr. Auth. Bod. Aud. Rept.

4.4. Discuss 2026 Annual Audit Plan (Risk Assessment, Asset Management, Pacheco Reservoir Project, and Investigations Process), Receive Status of Open Board-Directed Audit Engagements, and Provide Feedback as Needed. 26-0573

Recommendation:
A. Discuss 2026 annual audit plan (Risk Assessment, Asset Management, Pacheco Reservoir Project, and Investigations Process),
B. Receive status of open Board-directed audit engagements, and
C. Provide feedback as needed.

Manager: Darin Taylor, 408-630-3068

4.5. Review and Discuss 2026 Board Audit Committee (BAC) Work Plan. 26-0574

Recommendation: Review and discuss topics of interest raised at prior BAC meetings and approve any necessary adjustments to the 2026 BAC Work Plan.

Manager: Wendy Ho, 408-630-3874

Attachments: Attachment 1: 2026 BAC Work Plan

5. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS.

This is an opportunity for the Clerk to review and obtain clarification on any formally moved, seconded, and approved requests and recommendations made by the Committee during the meeting.

6. ADJOURN:

6.1. Adjourn. The Next Regular Meeting is Scheduled at 1:00 p.m., on August 19, 2026.

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Santa Clara Valley Water District

File No.: 26-0571

Agenda Date: 7/28/2026
Item No.: 3.1.

COMMITTEE AGENDA MEMORANDUM
Board Audit Committee

Government Code § 84308 Applies: Yes ☐ No ☒
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:
Approval of May 20, 2026, Board Audit Committee Minutes.

RECOMMENDATION:
Approve the minutes.

SUMMARY:
In accordance with the Ralph M. Brown Act, a summary of Committee discussions, and details of all actions taken by the Board Audit Committee, during all open and public Committee meetings, is transcribed and submitted to the Committee for review and approval.

Upon Committee approval, minutes transcripts are finalized and entered into the Committee's historical records archives and serve as historical records of the Committee's meetings.

ENVIRONMENTAL JUSTICE IMPACT:
The approval of minutes is not subject to environmental justice analysis.

ATTACHMENTS:
Attachment 1: 05202026 BAC Minutes

UNCLASSIFIED MANAGER:
Wendy Ho, 408-630-3874

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BOARD AUDIT COMMITTEE MEETING

DRAFT MINUTES

REGULAR MEETING
WEDNESDAY, MAY 20, 2026
1:00 PM

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER:

A regular meeting of the Santa Clara Valley Water District (Valley Water) Board Audit Committee (Committee) was called to order in the Valley Water Headquarters Building Boardroom at 5700 Almaden Expressway, San Jose, California, and by Zoom teleconference, at 1:00 p.m.

1.1 Roll Call.

Committee members in attendance were: District 2 Director and Vice Chairperson Shiloh Ballard, and District 4 Director Jim Beall, Chairperson presiding, constituting a quorum of the Committee.

District 6 Director Tony Estremera arrived as noted below.

Staff members in attendance were: Yvonne Arroyo, Lisa Bankosh, Jessica Collins, Enrique De Anda, Rachael Gibson, Walter Gonzalez, Cecil Lawson, Anna Lee, Linda Mason, Patrice McElroy, Anthony Mendiola, Nicole Merritt, Tony Ndah, Carlos Orellana, Steve Peters, Manpreet Sra, and Darin Taylor.

Public in attendance was: George Skiles (Sjoberg Evashenk Consulting).

2. TIME OPEN FOR PUBLIC COMMENT ON ANY ITEM NOT ON THE AGENDA:

Chairperson Beall declared time open for public comment on any item not on the agenda. There was no one present who wished to speak.

Director Estremera arrived.

3. APPROVAL OF MINUTES:

3.1. Approval of April 15, 2026, Board Audit Committee Meeting Minutes.

Recommendation: Approve the minutes.

The Committee considered the attached minutes of April 15, 2026 Committee meeting.

Public Comments:
None.

It was moved by Vice Chairperson Ballard and seconded by Director Estremera and was unanimously carried that the minutes be approved.

4. REGULAR AGENDA:

4.1. Receive Permitting Best Practices Audit Status Update.

Recommendation: Receive an update on the status of the Permitting Best Practices audit recommendation implementation.

Lisa Bankosh reviewed the information on this item, per the attached Committee Agenda Memo, and Yvonne Arroyo reviewed the information contained in Attachment 4.

Lisa Bankosh, Yvonne Arroyo, Cecil Lawson, and Darin Taylor were available to answer questions.

Public Comments:
None.

The Committee received the information, took no formal action, and noted the following:

- The Committee noted the audit implementation was initiated in early 2023 and that progress may take additional time because three system implementations are required for the database software to interact with other software, with beta testing currently underway.
- The Committee discussed the IT program upgrades and how the digital transformation strategy is expected to help prevent similar issues through technology enhancements.
- The Committee discussed the online permitting process and the associated challenges including the large volume of permit requests and limited staffing resources.
- The Committee noted that staff will continue using the Community Projects Review Unit name for the time being.
- The Committee noted that staff are exploring the potential to incorporate customer survey feedback through the CityWorks process.
- The Committee confirmed that updates are received annually, discussed the general close-out and final audit report process and expressed interest in customer feedback on the progress.

4.2. Receive the Fiscal Year (FY) 2025-2026 Third Quarter Financial Status Update as of March 31, 2026.

Recommendation: Receive the FY 2025-2026 third quarter financial status update as of March 31, 2026.

Steve Peters, Enrique De Anda, and Jessica Collins reviewed the information on this item, per the attached Committee Agenda Memo, and corresponding presentation materials contained in Attachment 1 were reviewed as follows: Steve Peters reviewed Slides 1-5, Enrique De Anda reviewed Slides 6-7 and Slide 8-9, and Jessica Collins reviewed Slide 7.

Steve Peters, Enrique De Anda, Jessica Collins, and Darin Taylor, were available to answer questions.

Public Comments:
None.

The Committee discussed the information, took no formal action, and noted the following:

- The Committee discussed the Local Agency Investment Fund (LAIF) and noted that Valley Water is approaching the $75 million maximum limit.
- The Committee noted that participation with local banks is well above the 4% target level.
- The Committee discussed Valley Water's current AA+ credit rating, the state's credit ratings, reserve funds, and refinancing opportunities to achieve cost savings.
- The Committee discussed the Anderson Dam Seismic Retrofit project and the Water Infrastructure Finance and Innovation Act (WIFIA) loan emphasizing the importance of securing the best financing possible for the project.
- The Committee noted that the contingency funds are a part of the planned expenditures for the Anderson Dam Seismic Retrofit project, their use will depend on the project's progress, and no separate reserve will be established to cover the contingency.

4.3. Discuss 2026 Annual Audit Plan (Risk Assessment, Asset Management, Pacheco Reservoir Project, and Investigations Process), Receive Status of Open Board-Directed Audit Engagements, and Provide Feedback as Needed.

Recommendation:
A. Discuss 2026 Annual Audit Plan, Risk Assessment, Asset Management, Pacheco Reservoir Project, and Investigations Process),
B. Receive status of open Board-directed audit engagements and;
C. Provide feedback as needed.

Darin Taylor and George Skiles reviewed the information on this item, per the attached Committee Agenda Memo.

Darin Taylor and George Skiles were available to answer questions.

Public Comments:
None.

The Committee received the information, took no formal action, and without further discussion noted the risk assessment timeline is anticipated to begin in August 2026, and noted the update on the 2026 Annual Audit Plan.

4.4. Review and Discuss 2026 Board Audit Committee (BAC) Work Plan.

Recommendation: Review and discuss topics of interest raised at prior BAC meetings and approve any necessary adjustments to the 2026 BAC Work Plan.

Darin Taylor reviewed the information on this item, per the attached Committee Agenda Memo, and per the information contained in Attachment 1.

Darin Taylor was available to answer questions.

Public Comments:
None.

The Committee received the information, took no formal action, and without further discussion, expressed interest in adding audit as a general topic to an upcoming Board retreat, and noted the update on the 2026 BAC Work Plan.

5. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS:
This is an opportunity for the Clerk to review and obtain clarification on any formally moved, seconded, and approved requests and recommendations made by the Committee during the meeting.

Nicole Merritt confirmed the Committee received, discussed, and noted the Permitting Best Practices audit status under Item 4.1; received, discussed, and noted the FY 2025-2026 third quarter financial status update under Item 4.2; noted update to the 2026 Annual Audit Plan under Item 4.3; and expressed interest in adding audit as a general topic to an upcoming Board retreat and noted the update on the 2026 BAC Work Plan under Item 4.4.

6. ADJOURN:

6.1. Adjourn. The Next Regular Meeting is Scheduled at 1:00 p.m. on June 17, 2026.

Chairperson Beall adjourned the meeting at 1:49 p.m. The next regular meeting was scheduled to occur at 1:00 p.m. on June 17, 2026, but was subsequently canceled, and the next regular meeting on July 15, 2026, was rescheduled to a special meeting at 1:00 p.m. on July 28, 2026.

Nicole Merritt,
Deputy Clerk (Committee Meetings)

Date approved:

Santa Clara Valley Water District

File No.: 26-0586

Agenda Date: 7/28/2026
Item No.: 4.1.

COMMITTEE AGENDA MEMORANDUM
Board Audit Committee

Government Code § 84308 Applies: Yes ☐ No ☒
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:
Receive and Discuss 2025 Water Usage and Demand Forecasting Audit Report with Management Response; Refer the Final 2025 Water Usage and Demand Forecasting Audit Report to the Board.

RECOMMENDATION:

A. Receive and discuss the 2025 Water Usage and Demand Forecasting Audit Report with Management Response, and
B. Refer the final 2025 Water Usage and Demand Forecasting Audit Report to the Board.

SUMMARY:

The Board Audit Committee (BAC) was established by the Santa Clara Valley Water District Board of Directors (Board) to identify potential areas for audit and audit priorities, and to review, update, plan, and coordinate execution of Board audits.

Per the BAC Charter, Article VII, Paragraph 5, Comment Upon Draft Audit Responses, the Committee Chair and the Committee may ask questions about or make comments upon any draft audit responses. However, they shall not attempt to direct Valley Water staff in its response to any audit.

On December 12, 2023, the Board accepted the Risk Assessment conducted by the Chief Audit Executive (CAE). At its meeting on January 15, 2025, the BAC identified four (4) topics from the Risk Assessment to audit in Fiscal Year 2025 (FY25) and was approved by the full Board at its meeting on January 28, 2025, the Water Usage and Demand Forecasting audit being one of them.

The requested audit of Water Usage and Demand Forecasting focused on reviewing Valley Water's methods and approaches to forecast water usage and demand, including how forecasting models are used to inform the Water Supply Master Plan. The audit covered forecasting practices between January 1, 2020, and December 31, 2024, and included evaluating the reliability of past forecasts. It also included reviewing policies, procedures and other guidelines, evaluating forecasting methodology, and conducting benchmarking research, including how peer water agencies incorporate the potential effects of climate change in their forecasting models.

On July 28, 2026, Baker Tilly Advisory Group (the auditor) submitted their audit report (Attachment 1) with the draft management responses (see Appendix D in the report) for BAC review and comment.

The auditor will also provide a presentation regarding the audit (Attachment 2).

The BAC is requested to receive the 2025 Water Usage and Demand Forecasting Audit Report with Management Response and refer the final report to the full Board at a future date.

ENVIRONMENTAL JUSTICE IMPACT:
The proposed Recommendation(s) is not subject to environmental justice analysis. Actions taken by the Board Audit Committee are reviewed on a case-by-case basis.

ATTACHMENTS:
Attachment 1: Water Usage and Demand Forecasting Audit Final Report with Management Responses
Attachment 2: PowerPoint

UNCLASSIFIED MANAGER:
Darin Taylor, 408-630-3068



As of June 3, 2025, Moss Adams LLP has merged with Baker Tilly.

Proprietary & Confidential

FINAL REPORT

Santa Clara Valley Water District

WATER USAGE AND DEMAND FORECASTING PERFORMANCE AUDIT

July 7, 2026

Baker Tilly US, LLP
999 Third Avenue, Suite 2800
Seattle, WA 98104
(206) 302-6500

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Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, operate under an alternative practice structure and are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

I. Executive Summary

A. Introduction

Santa Clara Valley Water District (the District, Valley Water) engaged Baker Tilly to conduct a performance audit that assesses short- and long-term water usage and demand forecasting methods, models, and processes. This performance audit addresses the following objectives:

- How accurate and reliable were water usage and demand forecasts between 2020 and 2024?
- To what extent do the methods and approaches taken by Valley Water to forecast water usage and demand align with peer and best practices?
- How effectively are forecasting models used to inform the Water Supply Master Plan (WSMP)?

B. Conclusions

Overall, we found that Valley Water's short-term and long-term water demand forecasting approaches are strongly aligned with peer agency and industry best practices and provide a solid foundation for financial planning and long-term water supply management. The District's forecasting models incorporate key demand drivers, scenario-based analysis, and updated data inputs, and the short-term forecasting model has demonstrated strong historical accuracy. The audit also recognized other areas of strength, including Valley Water's robust econometric model for long-term scenario-based planning, the reliability and accuracy of its short-term forecasting model, and improved coordination between the Water Supply Planning and Conservation Unit and Finance staff to support alignment between financial and long-term planning efforts.

Summarized findings and recommendations are provided below, with detailed results presented in Section IV. Three findings are rated as medium-risk and one finding is rated as low-risk. We did not identify any high-risk findings. Definitions of findings ratings are included in Appendix D: Definitions of Findings Ratings.

FINDINGS AND RECOMMENDATIONS		
MEDIUM-RISK FINDINGS		
1.	**Finding**	Valley Water's water utility rate model, used to project short-term water demand, incorporates key best practices, has been periodically reviewed and validated through consultant studies, and produced generally reliable forecasts between fiscal years 2020 and 2024. Because the model was developed incrementally, documentation of assumptions and methodologies isn't centralized or standardized, which may limit transparency and consistency over time.
	Recommendation	To promote transparency, consistency, and continuity of the water utility rate model used for short-term forecasting, Valley Water should standardize and centralize model documentation, including key assumptions, methodologies, data sources, and changes over time, with defined ownership and procedures for maintaining this documentation.

FINDINGS AND RECOMMENDATIONS		
2.	**Finding**	Valley Water's approach to forecasting long-term water demand reflects strong alignment with industry best practices and provides a solid foundation for long-term planning. However, while the District periodically reviews model assumptions and updates projections during major planning cycles, it does not maintain a documented and standardized process for comparing forecasted demand to actual observed demand, documenting deviations, and assessing how those results should inform future model updates, which limits transparency and confidence that its long-term forecasting model is consistently updated to reflect changing conditions.
	Recommendation	To strengthen transparency, governance, and ongoing reliability of its long-term water demand forecasts, Valley Water should establish and implement a documented, standardized process for periodically comparing forecasted demand to actual observed demand, documenting significant deviations, and incorporating those results into ongoing model refinement and update activities.
3.	**Finding**	Valley Water's short-term and long-term demand forecasts are partially aligned in practice, but there is no formal process to coordinate assumptions or clearly document and explain differences between the models. Instead, alignment relies on informal practices, which limits the ability to understand and confirm that decisions are based on consistent and clearly understood assumptions.
	Recommendation	To improve transparency and support more consistent planning across time horizons, Valley Water should establish and document a formal, standardized process for aligning its short-term water utility rate model and long-term water demand forecasting model, including clearly defining how the models relate to one another, how differences between forecasts should be evaluated and explained, and how key assumptions and updates should be coordinated over time.
LOW-RISK FINDINGS		
4.	**Finding**	Valley Water uses demand forecasts to inform the WSMP and evaluate long-term water supply strategies; however, the relationship between demand forecasts, planning scenarios, and resulting investment decisions is distributed across multiple sections of the WSMP and difficult for readers to trace and synthesize. As a result, it is difficult to understand how forecast assumptions influence planning outcomes.
	Recommendation	To improve transparency and enhance traceability between demand forecasts, planning scenarios, and resulting investment decisions, Valley Water should further clarify and consolidate how these relationships are presented throughout the WSMP.

II. Background, Scope, and Methodology

A. Background

Valley Water is the primary water resources agency serving Santa Clara County, California, providing water supply, groundwater management, flood protection, and environmental stewardship for approximately 1.9 million residents. Valley Water's water supply portfolio includes surface water from local reservoirs, groundwater, imported water, and recycled water.

To support effective water supply planning, demand anticipation, and financial management, the District employs a combination of long-term and short-term water usage and demand forecasting models. These forecasting activities include short-term forecasting for rate setting and long-term forecasting for planning to ensure the District can meet supply and infrastructure needs.

The Water Supply Planning and Conservation Unit prepares the District's long-term forecast using an econometric water demand forecasting model that projects future water usage for long-term planning and integrates with the Water Evaluation and Planning (WEAP) simulation tool, which simulates Valley Water's current and future managed water resources. Together, these tools evaluate water supply reliability and inform strategic decisions on infrastructure and resource allocation. These analyses support the WSMP, which serves as the District's comprehensive long-term plan for maintaining a reliable and sustainable water supply through targeted investments and effective resource management.

The Finance team at Valley Water manages the water utility rate model used for near-term planning, including rate setting and revenue projections for up to 10 years. This model produces regular, detailed estimates of water usage based on recent data, enabling the District to align revenue forecasts with actual demand and make timely financial adjustments.

This performance audit was initiated at the request of the District's Board of Directors (the Board) to gain additional insight into Valley Water's water usage and demand forecasting methods, models, and processes.

B. Scope and Methodology

This performance audit addresses the following objectives:

- How accurate and reliable were water usage and demand forecasts between 2020 and 2024?
- To what extent do the methods and approaches taken by Valley Water to forecast water usage and demand align with peer and best practices?
- How effectively are forecasting models used to inform the Water Supply Master Plan?

This performance audit was conducted between October 2025 and April 2026 and consisted of four major phases, described below.

PROJECT METHODOLOGY	
Project Phase	**Description**
1. Startup and Management	Phase 1 involved collaborative project planning with District management, including identifying interviewees, selecting documents for review, identifying peer water agencies and best practices sources for comparison, establishing timing and methods for sharing results, and defining reporting protocols. We held a kickoff meeting with designated District contacts to confirm expectations and discuss the overall project scope, logistics, deliverables, schedule, and progress reporting requirements. Roles and responsibilities of the audit team and District personnel were clarified, along with communication protocols and the format of deliverables. Throughout the engagement, we performed project management, including regular status updates and quality assurance reviews to ensure all deliverables met professional standards before submission.
2. Fact-Finding	The second phase focused on executing planned activities such as interviews, document review, best practices research, and peer comparisons. We gathered current information and insights from District leadership and staff involved in water usage and demand forecasting. **Documentation Review:** We requested relevant documentation, including but not limited to benchmarking reports, the WSMP, the urban water management plan, forecasting methodology, performance reports, and forecast to actual reports. **Interviews:** We conducted interviews with staff from the Water Supply Planning and Conservation Unit and the Finance Department to identify strengths, challenges, and opportunities for improvement in water usage and demand forecasting methods, models, and processes. Based on the information collected during fact-finding, we developed preliminary findings assessing Valley Water's forecasting-related activities. These findings identified strengths, and opportunities for improvement, providing a foundation for further analysis and recommendations.
3. Analysis	**Best Practices:** We researched best practices related to water usage and demand forecasting, including water demand model and water utility rate model methodologies and practices, and related topics. We assessed Valley Water's alignment with best practices for the short-term water utility rate model and the long-term water demand model. **Peer Benchmarking:** In peer interviews, we compared Valley Water's water usage and demand forecasting methodologies for the long-term water demand model and the short-term water utility rate model and identified strengths and challenges. The following peers were included in this analysis: • Contra Costa Water District (CCWD) • East Bay Municipal Utility District (EBMUD) • San Diego County Water Authority (SDCWA) • San Francisco Public Utilities Commission (SFPUC) For full peer benchmarking results, see Appendix B: Peer Benchmarking.

PROJECT METHODOLOGY	
4. Reporting	We communicated the results of our analysis, with findings and recommendations presented first in a draft report that was reviewed with management to confirm the practicality and relevance of recommendations before finalizing the report.

C. Statement of Compliance with GAGAS

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

III. Commendations

It is important to note the areas of strength and existing good practices that can be leveraged for further improvement at Valley Water. The Baker Tilly team would like to note the following commendations:

- **Long-Term Forecasting:** Valley Water's approach to forecasting long-term water demand reflects strong alignment with industry best practices (see Long-Term Water Demand Forecasting). The Water Supply Planning and Conservation Unit uses an econometric model to produce its forecasts. The model was developed with consultant support that integrates key inputs such as historic water use trends, housing and economic growth, climate change, and post-drought water use rebound. This approach is widely recognized as a leading practice because the model uses data-driven relationships to project how water demand responds to changing conditions over time. By combining statistical rigor with scenario-based analysis, the model's long-term projections provide a strong foundation for evaluating future water needs, assessing supply reliability and supporting informed, risk-based planning and investment decisions.
- **Short-Term Forecasting:** Valley Water's short-term forecasts, produced through the water utility rate model, have demonstrated a high degree of accuracy and reliability, closely aligning with actual usage over recent years (see Short-Term Water Demand Forecasting). This level of accuracy supports effective rate setting and financial planning by reducing revenue uncertainty and helping ensure the District meets its financial obligations. Reliable forecasts also enable more stable rate decisions and contribute to maintaining fiscal health and public confidence.
- **Communication and Collaboration:** Staff reported that the Water Supply Planning and Conservation Unit and Finance have strengthened their collaboration and are more actively engaging in discussions to better align their water usage and demand forecasting efforts. This increased alignment helps ensure that financial decisions and proposed projects are informed by the WSMP, reducing the risk of misaligned priorities and supporting more transparent, strategic, and cost-effective planning that benefits Valley Water and its stakeholders.

IV. Findings and Recommendations

A. Short-Term Water Demand Forecasting

FORECAST ACCURACY, RELIABILITY, AND BEST PRACTICES ALIGNMENT

1.	**Finding**	Valley Water's water utility rate model, used to project short-term water demand, incorporates key best practices, has been periodically reviewed and validated through consultant studies, and produced generally reliable forecasts between fiscal years 2020 and 2024. Because the model was developed incrementally, documentation of assumptions and methodologies isn't centralized or standardized, which may limit transparency and consistency over time.
	Recommendation	To promote transparency, consistency, and continuity of the water utility rate model used for short-term forecasting, Valley Water should standardize and centralize model documentation, including key assumptions, methodologies, data sources, and changes over time, with defined ownership and procedures for maintaining this documentation.

Consistent with peers, Valley Water's short-term water demand forecasting is conducted through its water utility rate model, a spreadsheet-based financial tool used to support annual rate setting and near-term financial planning. Short-term demand forecasts are a critical input to rate-setting decisions, as they directly inform revenue projections needed to fund operations, capital investments, and reserve levels. Because water demand can fluctuate significantly due to external factors such as weather variability, drought conditions, conservation efforts, and economic activity, best practices emphasize that forecasts should be accurate, regularly updated, and based on current data and reasonable assumptions. In this context, accuracy generally refers to forecasts falling within an acceptable variance range (±5 to 10 percent, based on peer practices), while reliability refers to the model's ability to consistently produce reasonable projections that reflect changing conditions.

In developing forecasts, staff consider recent water use trends, weather conditions, economic factors, development patterns, and input from retail agencies. Incorporating these external factors is important because failure to account for key drivers can result in inaccurate forecasts that affect revenue projections and rate-setting decisions. The model is updated annually to reflect current conditions and emerging trends that may affect water demand. Short-term water demand forecasting inherently involves both quantitative analysis and professional judgment to account for uncertainty and variability in water use.

The model has also been periodically reviewed and validated through external consultant studies, including cost-of-service analyses and cost allocation reviews conducted as part of prior rate-setting efforts. These reviews have assessed the reasonableness of methodologies, assumptions, and outputs, and found them to be largely consistent with industry standards and applicable requirements.

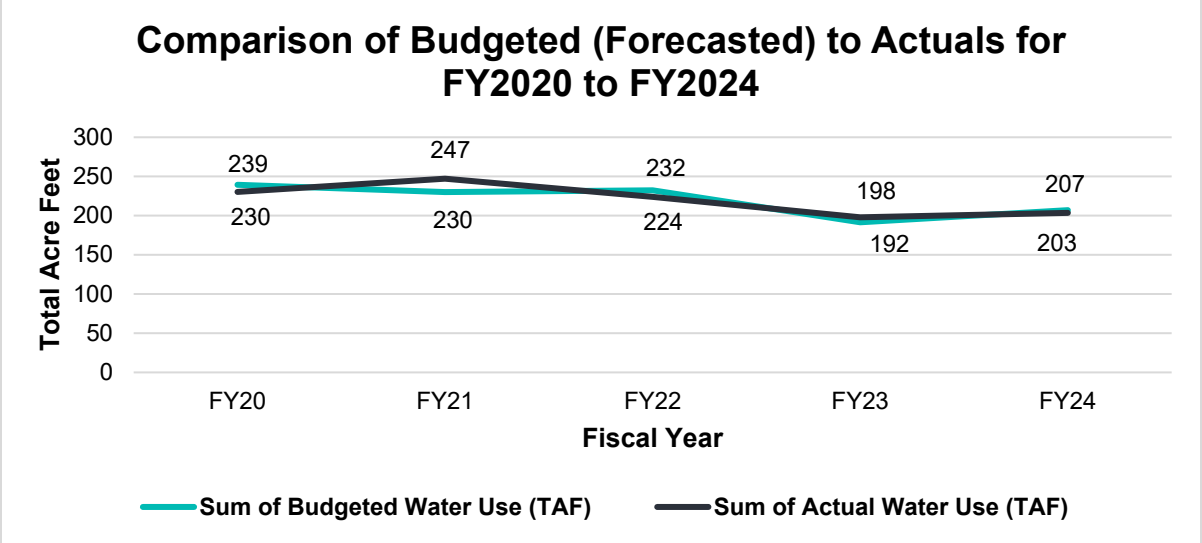
We found that Valley Water's water utility rate model produces reliable and accurate short-term forecasts and is largely aligned with key industry best practices. Forecast performance over the four years assessed was strong, and the model incorporates many elements that support effective

forecasting. The sections below provide additional detail on forecast accuracy and alignment with best practices.

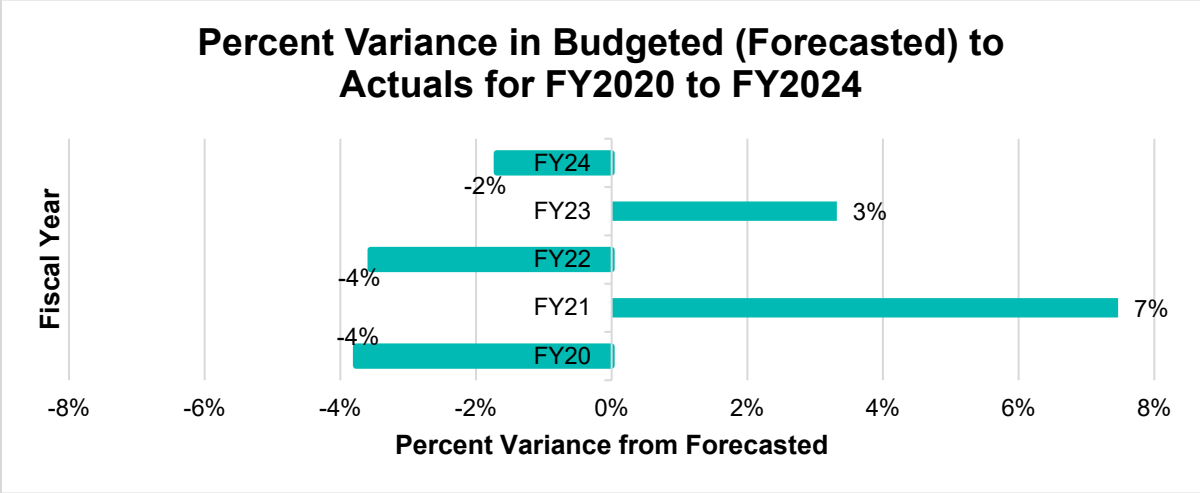
Forecasting Accuracy and Reliability

Industry best practices emphasize that short-term water demand forecasts should be reasonably accurate, transparent, and regularly updated to reflect changing conditions. Peers generally consider short-term forecast accuracy within a range of approximately ±5 to 10 percent to be reasonable. In addition, reliable short-term forecasting practices include the use of recent data, validation against actual demand, and coordination across functional teams to ensure assumptions reflect current conditions.

Valley Water's water utility rate model has demonstrated a high degree of accuracy and reliability. We compared forecasted water usage to actual usage between 2020 and 2024 and found that forecasts closely matched observed demand. Total projected demand over the five-year period was approximately 1,100 thousand acre-feet (TAF), compared to actual demand of approximately 1,103 TAF, representing an overall cumulative variance of approximately 0.25 percent. This indicates a high level of accuracy over the full five-year period and that Valley Water's forecasting performance is aligned with typical industry expectations.



Annual forecast variances ranged from approximately -4 percent to +7 percent, with four of the five years within ±5 percent of actual usage. This level of year-to-year variation is consistent with industry expectation and reflects the inherent variability in water demand.



These results indicate that the water utility rate model effectively captures year-to-year variations in water demand, even during periods of changing conditions. Staff reported that this level of accuracy is supported by frequent updates, use of recent consumption data, and coordination with retail agencies and operational teams to ensure forecasts reflect current conditions. Reliable short-term forecasting supports effective financial planning by reducing revenue uncertainty and enabling Valley Water to make informed rate-setting decisions. This reliability reduces the risk of unexpected revenue shortfalls and helps ensure that rates are set based on realistic and supportable demand assumptions, and this strong performance is supported by alignment with key best practices, as described below.

Best Practices Alignment

Valley Water's water utility rate model is generally well aligned with industry best practices for short-term forecasting and incorporates several practices that are critical to producing accurate and reliable forecasts (see Appendix A: Best Practices Review for the full analysis).

The model incorporates recent water use data and key external drivers, including weather conditions, conservation impacts, and development trends. These inputs are essential for short-term forecasting, as water demand can fluctuate year-to-year based on environmental and economic conditions. By incorporating these factors, the model's forecasts can reflect current consumption patterns and reduce the risk of over- or under-estimating demand.

The model also includes scenario-based analysis and adaptability, allowing staff to evaluate how changes in demand conditions such as drought, conservation responses, or economic shifts may affect water use and revenue. This is a key practice for managing uncertainty, particularly given the variability inherent in water demand.

Forecasts are regularly updated and validated against actual water usage, which is a critical control for maintaining accuracy over time. Comparing forecasts to actuals enables staff to refine assumptions, improve model performance, and ensure projections remain grounded in observed trends.

Together, these practices indicate that the model is well designed to produce reliable forecasts and support rate-setting decisions. However, one key best practice—transparent and centralized

documentation of data sources, assumptions, and methodologies—is not fully met. While elements of the model's methodology are documented across consultant studies, technical reports, and supporting materials, this information is not maintained in a single, standardized source.

This is primarily due to the model's development and evolution over time through a combination of internal processes and external analyses, rather than a formalized and consistent documentation framework. As a result, documentation is distributed across multiple sources and supplemented by staff knowledge rather than a centralized, comprehensive reference.

Documentation is a foundational practice that supports transparency, reproducibility, and continuity over time. Without centralized and standardized documentation:

- The water utility rate model relies heavily on institutional knowledge
- It may be more difficult to replicate or validate results
- Board members and stakeholders may have limited visibility into how short-term forecasts are developed
- There is increased risk to consistency and sustainability, particularly with staff turnover

BEST PRACTICE	ALIGNMENT
Accuracy and timeliness	Meets
Incorporation of external factors	Meets
Adaptability of forecast for short-term forecasting	Meets
Customer segmentation	Meets
Use of multiple scenarios	Meets
Transparent documentation of data sources and assumptions	Does Not Meet
Regular updates and validation of forecasts	Meets
Incorporation of rate structures	Meets
Incorporation of retailer inputs	Meets

Recommendation

To enhance transparency, consistency, and continuity of the water utility rate model, Valley Water should establish a formal, centralized, and standardized documentation framework for the model.

Specifically, Valley Water should:

- **Develop a Comprehensive Documentation Package:** The water utility rate model should consolidate key information currently distributed across consultant reports, technical studies, and internal knowledge into a single, accessible source. This documentation should clearly describe:
  - Data sources and inputs
  - Key assumptions and drivers of demand

  - Forecasting methodologies and calculations
  - Linkages between the water utility rate model and supporting analyses (e.g., cost-of-service studies)
- **Establish Standardized Documentation Requirements and Procedures:** The procedures for the water utility rate model should include defined expectations for what must be documented, how it is maintained, and where it is stored.
- **Implement a Formal Process for Documenting and Tracking Changes:** The process should include updates to assumptions, methodologies, and data inputs as part of the annual rate-setting process.
- **Assign Clear Ownership and Responsibility for Maintaining Documentation:** This will ensure water utility rate model documentation remains current, complete, and consistently applied over time.

Strengthening documentation in this manner will improve transparency of forecasting practices, support consistent and repeatable application of the water utility rate model, and reduce reliance on institutional knowledge. In addition, maintaining a clear record of model inputs, assumptions, and changes will enhance Valley Water's ability to validate, replicate, and refine forecasts over time, and support more informed and defensible rate-setting decisions.

B. Long-Term Water Demand Forecasting

FORECAST ACCURACY, RELIABILITY, AND BEST PRACTICES ALIGNMENT

2.	**Finding**	Valley Water's approach to forecasting long-term water demand reflects strong alignment with industry best practices and provides a solid foundation for long-term planning. However, while the District periodically reviews model assumptions and updates projections during major planning cycles, it does not maintain a documented and standardized process for comparing forecasted demand to actual observed demand, documenting deviations, and assessing how those results should inform future model updates, which limits transparency and confidence that its long-term forecasting model is consistently updated to reflect changing conditions.
	Recommendation	To strengthen transparency, governance, and ongoing reliability of its long-term water demand forecasts, Valley Water should establish and implement a documented, standardized process for periodically comparing forecasted demand to actual observed demand, documenting significant deviations, and incorporating those results into ongoing model refinement and update activities.

Long-term water demand forecasting models are used by water utilities to estimate future water use over extended planning horizons—typically 20 to 30 years—to inform strategic decisions about infrastructure investments, supply reliability, and resource planning. Unlike short-term forecasts, which are used for annual budgeting and rate setting, long-term models are designed to evaluate trends, ranges of demand, and the impacts of key drivers over time, rather than predict more precise year-to-year outcomes. Because these models inform major capital investments and long-term supply strategies, best practices emphasize that they should be data-driven, incorporate key demand

drivers, support scenario analysis, and be periodically updated and evaluated to ensure assumptions remain reasonable as conditions change.

Like peers, Valley Water's current water demand model (which is used to forecast long-term water demand) was developed with consultant support to support long-term planning needs. The model was developed in 2021 and first implemented as part of the WSMP 2050 planning process. The new model replaced less sophisticated prior approaches and provides a consistent, countywide framework for forecasting demand across retail service areas. It applies an econometric approach—which is also consistent with peers—to estimate water use and incorporates a range of key demand drivers, including climate variables, demographic trends, housing characteristics, economic indicators, and regional growth projections from external sources such as the Association of Bay Area Governments (ABAG).

Demand projections from the model are updated periodically, generally aligned with the WSMP planning cycle, and are used to evaluate future water supply needs, infrastructure investments, and system reliability under various scenarios. The projections serve as a foundational input into broader planning tools and analyses, including water supply modeling and portfolio evaluation, which together inform long-term investment decisions.

Consistent with leading practice, the model is designed to estimate long-term demand trends rather than predict annual variability. For example, short-term fluctuations such as drought-related demand reductions are addressed through separate planning assumptions and water supply modeling, rather than embedded directly into the long-term demand forecast. As a result, the model reflects average demand conditions over time and supports scenario-based planning, allowing Valley Water to evaluate how demand may evolve under different future conditions.

Because long-term demand forecasts directly influence decisions about infrastructure investment, supply development, and financial planning, the credibility and robustness of the model are critical to ensuring that planning decisions are appropriately sized, timed, and responsive to changing conditions.

Forecasting Accuracy and Reliability

The ability to assess forecasting accuracy and reliability for Valley Water's long-term water demand projections is currently limited. As previously noted, the current water demand forecasting model used in the WSMP 2050 was developed relatively recently (2021) and is designed to support long-term, scenario-based planning rather than short-term prediction. As a result, there is both limited historical data since model implementation and no formal, documented process for routinely comparing forecasted demand to actual outcomes.

Additionally, the model is not intended to be evaluated on a year-over-year basis, as short-term deviations (e.g., drought conditions, economic shifts, or behavioral changes) are expected and do not necessarily indicate projection inaccuracy. Instead, the model is designed to estimate long-term trends and inform planning decisions over a multi-decade horizon.

Because of these factors, a traditional forecast-to-actual comparison is not currently feasible for the projections used to develop the 2050 WSMP. However, insights into forecasting reliability can be inferred from how Valley Water updated its modeling approach between the WSMP 2040 and WSMP 2050. The WSMP 2050 identified that observed demand trends over the past two decades,

particularly declining or relatively flat water use despite population growth, did not fully align with the WSMP 2040 projections. Historical data showed that countywide water use decreased over time despite population increases, driven in part by drought conditions, conservation efforts, technological improvements, and behavioral changes.

In response, Valley Water updated its demand forecasting methodology to an econometric model that incorporates a broader range of demand drivers, including demographic trends, economic conditions, housing characteristics, and climate variables. The updated approach also separates baseline demand projections from future conservation assumptions, allowing for more explicit treatment of uncertainty and improved alignment with observed demand patterns.

These changes indicate that Valley Water identified limitations in its prior forecasting approach and took steps to improve the robustness of its long-term demand projections. However, because the updated model is both relatively new and not designed for short-term validation, its forecasting performance cannot yet be evaluated against observed outcomes.

Best Practices Alignment

Valley Water's water demand model reflects strong alignment with industry best practices (see Appendix A: Best Practices Review for the full analysis). The model incorporates many of the key elements expected in modern demand forecasting and provides a sound basis for long-term planning decisions.

The model uses a statistical/econometric approach, which is widely considered a leading practice because it quantifies how key drivers, such as population, employment, pricing, weather, and economic conditions, affect water demand. This allows the model to move beyond simple trend projections and instead reflect cause-and-effect relationships grounded in observed data.

Importantly, the model incorporates demand across both residential and non-residential (commercial, industrial, and institutional or "CII") sectors. This segmentation is important because water use patterns differ meaningfully across these groups, and it allows the model to capture differences in demand drivers and conservation impacts. The inclusion of CII demand ensures that non-residential uses, such as commercial activity and emerging high-water-use sectors like data centers, are incorporated into planning.

The model also incorporates a wide range of external variables and data sources, including climate, economic conditions, land use, and demographic projections. It is calibrated using approximately 20 years of historical data, which includes periods of drought and economic disruption.

While modeled separately, conservation is incorporated into the overall planning framework. The water demand model establishes a baseline projection of water demand, and then staff apply conservation assumptions to adjust future demand levels. This approach allows Valley Water to explicitly account for the expected impacts of conservation programs, regulatory requirements, and behavioral changes over time. Incorporating conservation in this way is consistent with industry practice and helps ensure that long-term demand projections do not overstate future water needs.

The water demand model also aligns well with best practices for managing uncertainty in long-term planning. Valley Water uses multiple scenarios and planning assumptions to evaluate how demand may change under different future conditions, including variations in growth, economic activity, and

climate. Scenario-based planning is a key best practice because it recognizes that long-term forecasts are inherently uncertain and supports more resilient decision-making.

Valley Water's water demand model structure further supports this by linking demand to underlying drivers such as housing, employment, and weather, enabling "what-if" analysis to assess how changes in these factors may affect future demand. The model also incorporates regional projections (e.g., ABAG) and retailer inputs, ensuring that forecasts are grounded in locally relevant and updated information.

Peer agencies similarly emphasized the importance of actively managing uncertainty in key inputs such as population growth, economic conditions, and climate variability. Like Valley Water, some agencies work closely with regional planning organizations or member agencies to refine projections and improve data quality. Others explicitly account for disruptions, such as droughts or economic events, by normalizing or isolating their impacts within forecasting models. These practices help improve the credibility and adaptability of forecasts over time.

With respect to potable and recycled water, the water demand model projects total water demand rather than explicitly determining how demand is met across supply types, which is consistent with industry practice, given that demand forecasting models are intended to estimate total water needs, while supply planning models determine how those needs are met. Decisions regarding the use of recycled versus potable water are evaluated through broader supply planning processes in the WSMP and related portfolio analyses. As a result, while the model captures demand growth (including in sectors that may be candidates for recycled water use), decisions about substituting recycled water for potable demand are addressed in subsequent planning and infrastructure evaluations.

The primary area where Valley Water's practices could be strengthened relates to ongoing model management. While Valley Water periodically reviews model assumptions, updates projections during major planning cycles, and considers observed demand trends in planning efforts, it does not maintain a documented and standardized process for comparing forecasted demand to actual observed demand and using those results to inform model updates over time. Staff reported that these comparisons are performed as part of ongoing planning activities; however, Valley Water did not provide documentation demonstrating that these activities are conducted through a consistent, repeatable, and formally documented process.

Long-term forecasting models should not only project future demand over extended planning horizons but also be evaluated periodically to assess forecast quality and underlying assumptions[1,2]. This is especially important because long-term forecasts directly inform major capital planning, infrastructure investments, and policy decisions, often involving significant financial commitments. In this context, evaluating forecast performance is not about year-to-year precision, but about demonstrating that assumptions remain reasonable over time, that the model is responsive to changing conditions, and that decision-makers can clearly understand how and why forecasts evolve. Effective practices therefore include multi-year trend comparisons and documentation of key deviations, which together support a transparent and iterative forecasting process.

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[1] A Community Guide for Evaluating Future Urban Water Demand

[2] Water Demand Forecasting Audit Report

Similar to Valley Water, peer agencies reported periodically reviewing model assumptions, updating projections during major planning cycles, and considering observed demand trends as part of ongoing planning efforts. SDCWA described a more structured approach to forecast-to-actual comparison, including the use of backcasting to compare prior projections to observed outcomes and identify reasons for shifts in demand.

This type of practice is also generally consistent with Valley Water's own demand model development documentation, which states that "overall model performance should be evaluated" and that "annually, forecasted consumption and input assumptions…can be compared with observed conditions as data becomes available to monitor predictive performance." Structured forecast-to-actual comparison practices can help validate assumptions, refine methodologies, and improve understanding of external factors such as drought, conservation, and economic conditions.

Because Valley Water's model is intended to represent average demand conditions over long time horizons rather than predict annual variability, staff do not evaluate performance based on year-to-year accuracy, which is appropriate for this type of model. However, without a structured and documented approach for periodically comparing forecasted demand to observed demand and documenting how deviations inform future updates, the ability to clearly trace how actual observed demand trends inform updates to long-term projections over time is limited.

BEST PRACTICE	ALIGNMENT
Use of an industry accepted model type	Meets
Incorporation of external variables and influences	Meets
Use of valid, reliable, and comprehensive data sources	Meets
Segmentation of demand	Meets
Inclusion of growth projections	Meets
Inclusion of conservation effects	Meets
Incorporation of retailer inputs	Meets
Monitoring and updating per capita demand assumptions	Meets
Transparent documentation of data sources and assumptions	Meets
Use of statistical rigor and quantification of uncertainty	Meets
Regular evaluation of model performance	Somewhat Meets
Use of multiple scenarios	Meets
Use of historical data and trends	Meets

Recommendation

To strengthen transparency, governance, and ongoing reliability of its long-term water demand forecasts, Valley Water should establish and implement a documented, standardized process for periodically comparing forecasted demand to actual observed demand, documenting significant deviations, and incorporating those results into ongoing model refinement and update activities.

Specifically, Valley Water should:

- **Establish a Recurring Forecast-to-Actual Comparison Cycle:** Establish a recurring process to periodically compare forecasted demand to actual observed demand using appropriate methods such as multi-year trend analysis or backcasting to identify significant deviations and assess whether updates to projections or methodologies are needed.
- **Define Clear Procedures and Methodologies for Forecast-to-Actual Comparison**: Clear procedures and methodologies are important, including how comparisons will be conducted and how results will be interpreted in the context of long-term forecasting (e.g., evaluating trends rather than year-to-year variance).
- **Document and Track Significant Deviations between Projected and Actual Demand:** This includes identifying key drivers of differences (e.g., conservation trends, economic conditions, climate variability) and documenting how those insights informed updates to projections, assumptions, or methodologies over time.
- **Assign Clear Ownership and Responsibility:** It should be clearly documented who is responsible for conducting, documenting, and maintaining forecast-to-actual comparison and deviation analysis activities to ensure consistency and accountability over time.

Additionally, some peer agencies such as SDCWA are beginning to explore advanced analytical tools, including AI-based solutions, to enhance forecasting processes. SDCWA noted that these tools may be used to aggregate data, analyze relationships across variables, and improve the ability to compare forecasted and actual demand. While these approaches are still evolving, they highlight continued opportunities to enhance forecast validation and data analysis processes.

C. Water Utility Rate and Water Demand Model Alignment

OPPORTUNITY TO CLARIFY ALIGNMENT BETWEEN MODELS

3.	**Finding**	Valley Water's short-term and long-term demand forecasts are partially aligned in practice, but there is no formal process to coordinate assumptions or clearly document and explain differences between the models. Instead, alignment relies on informal practices, which limits the ability to understand and confirm that decisions are based on consistent and clearly understood assumptions.
	Recommendation	To improve transparency and support more consistent planning across time horizons, Valley Water should establish and document a formal, standardized process for aligning its short-term water utility rate model and long-term water demand forecasting model, including clearly defining how the models relate to one another, how differences between forecasts should be evaluated and explained, and how key assumptions and updates should be coordinated over time.

Best practices indicate that short-term and long-term demand forecasts should be coordinated and reasonably aligned, with clear documentation of how they relate and why differences may occur. This is important because short-term forecasts are used for rate setting and revenue planning, while long-term forecasts inform major infrastructure investments and water supply strategy. Without clear alignment, there is a risk that near-term financial decisions and long-term planning decisions are based on inconsistent assumptions.

In practice, alignment does not mean the forecasts should produce identical results. Instead, water agencies typically ensure that:

- Key assumptions (e.g., growth, demand drivers) are consistent or intentionally different.
- Differences between forecasts are understood and explainable.
- There is a clear process for reconciling projections over time.

Valley Water has taken some steps toward aligning its short-term and long-term forecasts. For example, projected water rates are incorporated into the long-term water demand model, and near-term forecasts are used to inform adjustments to long-term projections in the early years of the planning horizon. These practices indicate that staff recognize the need for coordination between models. However, Valley Water does not have a formal, documented process for aligning its short-term and long-term forecasts. Specifically:

- The relationship between the models is not clearly defined or documented.
- There is no established process for reviewing, explaining, and documenting notable differences between forecasts.
- Key assumptions (e.g., growth projections) are not consistently updated across both models using a shared framework.
- The basis for differences between short-term and long-term projections is not clearly documented or communicated.

A recent consultant review of Valley Water's forecasting approach noted that effective alignment between short-term and long-term models means having a clear and consistent relationship between the two[3]. In practice, this includes using short-term forecasts to inform projections in the early years, transitioning to long-term assumptions over time, and updating both models as new data becomes available. It also involves using consistent assumptions where appropriate and clearly documenting how the models are connected and why differences between them may be appropriate.

Without a structured process to align these inputs, the models may reflect different views of future demand that are not clearly documented or explained. Leading practice is not that models match, but that agencies can clearly demonstrate how they are connected and why differences may occur. For instance, some peers:

- Use shared inputs (e.g., growth projections) across models
- Establish "anchor points" (e.g., reviewing forecasts in specific years)
- Periodically reconcile near-term forecasts with long-term trends
- Clearly document why differences exist (e.g., conservative vs planning assumptions)

For Valley Water, alignment appears to occur in practice but is largely informal and not transparent. As a result, it may be difficult for decision-makers to understand how near-term demand and revenue assumptions relate to long-term planning projections, or to assess whether differences between the models are reasonable and expected.

Peer agencies also noted that differences between short-term and long-term forecasts are often intentional, reflecting different risk considerations. Short-term forecasts used for rate setting are typically more conservative to reduce financial risk, while long-term forecasts may reflect broader planning assumptions. However, peer agencies reported clearly communicating these differences and the rationale behind them. At Valley Water, similar differences exist but are not always clearly documented or explained.

Greater transparency in how short-term and long-term forecasts are aligned can help support clearer understanding of how financial and planning decisions relate to one another. For example, if short-term forecasts used for rate setting diverge from long-term demand projections used for infrastructure planning, the Board may not have a clear basis for understanding how financial decisions align with long-term investment needs. Strengthening the structure and documentation of alignment between models and the rationale for any differences could improve transparency, support more consistent planning across time horizons, and enhance confidence in forecasting outputs.

Recommendation

To improve transparency and support more consistent planning across time horizons, Valley Water should establish and document a formal, standardized process for aligning its short-term water utility rate model and long-term water demand forecasting model.

Specifically, Valley Water should:

[3] Water Use Demand, Elasticity and Affordability Study Technical Memos

- **Define and Document the Intended Relationship between the Models:** This should include how short-term forecasts inform long-term projections in the early years of the planning horizon and how projections transition to long-term assumptions over time.
- **Establish a Consistent Framework for Coordinating Key Assumptions Across Models:** Frameworks may include growth projections, conservation impacts, and pricing, including when assumptions should be shared versus intentionally different based on model purpose.
- **Establish Defined Review Points or Checkpoints:** This can include anchor years or periodic reviews to compare short-term and long-term forecasts, identify and evaluate significant variances in projected demand, and document the reasons for those differences over time.
- **Document and Maintain the Alignment Process over Time**: This should include how updates to assumptions, new data, and observed demand trends are incorporated into both models.

Implementing a formal alignment framework will improve transparency into how forecasts are developed and related, provide decision-makers with a clearer understanding of how near-term and long-term projections connect, and increase assurance that rate-setting and long-term planning decisions are based on consistent and well-understood assumptions.

D. Use of Forecasting in Long-Term Planning

DEMAND FORECAST PLANNING INTREGATION

4.	**Finding**	Valley Water uses demand forecasts to inform the WSMP and evaluate long-term water supply strategies; however, the relationship between demand forecasts, planning scenarios, and resulting investment decisions is distributed across multiple sections of the WSMP and difficult for readers to trace and synthesize. As a result, it is difficult to understand how forecast assumptions influence planning outcomes.
	Recommendation	To improve transparency and enhance traceability between demand forecasts, planning scenarios, and resulting investment decisions, Valley Water should further clarify and consolidate how these relationships are presented throughout the WSMP.

Best practices for water supply planning emphasize that demand forecasts should not only be developed using sound methodologies, but also clearly and transparently used to inform planning decisions[4]. Specifically, effective use of forecasts means that:

- Demand assumptions and scenarios are clearly defined and traceable.
- The relationship between demand forecasts, planning scenarios, and resulting decisions is explicit and understandable.
- Decision-makers can clearly see how forecasts influence the selection, prioritization, and timing of investments.

[4] Planning for Sustainability: A Handbook for Water and Wastewater Utilities

- Updates to forecasts and assumptions are systematically incorporated into planning decisions over time.

These elements are critical because long-term demand forecasts directly inform major infrastructure and resource decisions. Without clear traceability, it may be difficult for decision-makers and stakeholders to understand how planning decisions are supported by underlying assumptions or to assess whether those decisions remain appropriate as conditions change.

Valley Water's long-term demand forecasts are a central input to the WSMP and are used to support key planning functions, including assessing future water supply reliability, identifying potential supply gaps, and evaluating infrastructure and programmatic responses. The WSMP explicitly states that it assesses projected future county-wide demands and evaluates and recommends water supply and infrastructure projects to meet those demands[5].

Consistent with best practices, the WSMP integrates demand forecasts into a structured needs assessment and scenario-based planning framework. Demand projections are combined with supply forecasts to evaluate system reliability and identify potential gaps. The WSMP also evaluates multiple demand scenarios, such as stable and high demand, to represent a range of potential future conditions. These scenarios are used alongside supply assumptions to assess system performance and inform long-term planning strategies. In addition, the plan presents multiple supply strategies that combine infrastructure and programmatic options to meet projected demand under varying conditions.

Overall, Valley Water demonstrates strong alignment with best practices in how forecasts are incorporated into planning analyses. Demand forecasts are used to estimate future needs, evaluate supply reliability, and support the development of long-term strategies and investment pathways. The WSMP also includes an adaptive management framework intended to update planning assumptions over time as conditions evolve. However, while the WSMP includes the key analytical components of effective planning, the relationship between demand forecasts, scenarios, and resulting planning decisions is distributed across multiple sections of the WSMP and is difficult to trace and synthesize. Information related to demand assumptions, scenario inputs, and model outputs is presented across multiple sections of the WSMP and appendices, while planning strategies and investment decisions are described separately. As a result, the connection between forecast assumptions and resulting decisions is often implicit rather than clearly articulated. Where the connection is articulated, readers need to synthesize information across multiple sections and appendices to understand how forecast assumptions influence resulting planning decisions.

For example, Appendix E of the WSMP provides detailed tables summarizing demand scenarios and associated inputs; however, it is not clearly shown how these assumptions translate into selected demand projections or how those projections directly inform specific planning decisions. Similarly, while the WSMP presents multiple demand scenarios and evaluates supply strategies, it does not clearly document how scenarios were selected, how they relate to observed demand trends, or how they represent a range of plausible future conditions.

[5] WSMP 2050

The WSMP also includes an adaptive management framework that monitors key indicators over time, such as annual water use, growth trends, and other changes in demand, to help inform future planning decisions. While this framework is intended to support ongoing decision-making, the plan does not clearly define how deviations (See Long-Term Water Demand Forecasting) from forecasted demand are evaluated or how those changes influence updates to demand projections, planning scenarios, or investment decisions.

Greater clarity in how forecasts, scenarios, and decisions are connected may help improve understanding of these relationships. Without such context, decision-makers may not be able to readily determine how specific demand assumptions influence the selection, prioritization, or timing of infrastructure investments, or how changes in demand conditions are incorporated into future planning decisions. For stakeholders and the public, it may also be difficult to understand how forecasts are being used to support major investment decisions.

Enhancing the clarity and traceability of these linkages would improve transparency, support more informed decision-making, and better demonstrate how demand forecasts are used to guide long-term planning.

Recommendation

To improve transparency and enhance traceability between demand forecasts, planning scenarios, and resulting investment decisions, Valley Water should further clarify and consolidate how these relationships are presented throughout the WSMP. This could include:

- Providing clearer summaries or cross-references that show how demand forecast assumptions and scenario outputs are used to inform specific planning decisions, infrastructure strategies, or portfolio selections
- More explicitly describing how different demand scenarios influence the scale, timing, or prioritization of investments
- Consolidating key demand assumptions, scenario inputs, and resulting planning implications that are currently distributed across multiple sections and appendices
- Further clarifying how updated information, observed demand trends, and adaptive management indicators are evaluated and incorporated into future planning updates and investment decisions over time

Enhancing the clarity and traceability of these relationships would help readers more readily understand how demand forecasts support long-term planning decisions and how planning assumptions influence investment strategies and adaptive management activities over time.

Appendix A: Best Practices Review

The following tables present a list of best practices that were used for evaluation. These best practices were compiled based on a review and synthesis of multiple sources including the U.S. Environmental Protection Agency (EPA), the California Department of Water Resources (DWR), the Water Research Foundation, the Pacific Institute, and various consulting firms.

WATER UTILITY RATE MODEL

Of nine best practices identified, Valley Water's water utility rate model meets eight, and does not meet one.

BEST PRACTICE	DEFINITION	ALIGNMENT ANALYSIS	ALIGNMENT	WHY THIS MATTERS
Accuracy and timeliness	Use recent, high-quality data to produce accurate short-term forecasts that reflect current consumption patterns and seasonal variations.	Documentation shows that recent usage data is incorporated into projections, including adjustments for drought impacts and post-drought rebound, demonstrating that recent consumption patterns are considered based on recent available data when forecasting demand for the rate-setting year.	Meets	If forecasts are not based on current and representative data, they may be unreliable, leading to poor operational decisions and resource allocation.
Incorporation of external factors	Account for variables such as weather conditions, conservation programs, economic activity, and regulatory changes that can influence short-term water demand.	The water utility rate model accounts for revenue seasonality and water seasonality, including conditions such as wet, normal, drought, and conservation, providing documented evidence that key external factors like weather variability and conservation efforts are incorporated into the forecasting process.	Meets	Incorporating external factors improves forecast relevance and accuracy under varying environmental and economic conditions.
Adaptability of forecast for short-term forecasting	Ability to adjust short-term forecasts quickly based on recent data and changing conditions.	Documentation demonstrates the ability to adjust short-term water demand projections based on recent consumption data. For the FY26 rate analysis, staff revised the water use forecast downward and adopted a "Moderate Rebound" scenario after observing slower post-drought demand recovery. The rate model supports multiple demand scenarios, allowing projections to be updated in response to changing conditions.	Meets	Adaptability is critical for responding to sudden changes in demand or supply conditions, enhancing operational responsiveness.
Customer segmentation	Segment customers by type and usage patterns to improve forecast precision and tailor rate structures accordingly.	The model incorporates customer segmentation appropriate to Valley Water's role as a wholesale provider, distinguishing between customer classes (e.g., agricultural and municipal and industrial users) and water service types. This level of segmentation supports cost-of-service analysis and forecasting and is consistent with industry practice for wholesale water agencies.	Meets	Segmentation allows for more precise demand forecasts and better-targeted rate structures, improving financial and resource planning.
Use of multiple scenarios	Include multiple scenarios to evaluate the impact of different demand levels, pricing strategies, and conservation efforts on revenue and supply.	Based on process details in the water charge setting process, the Senior Project Manager identifies issues associated with revenue requirements and develops several funding alternatives. Documentation presents visual charts of multiple rate scenarios considered for FY26 including baseline projections reflecting different water use rebound assumptions and project participation levels.	Meets	Scenario analysis supports flexible planning and risk management under uncertain future conditions.
Transparent documentation of data sources and assumptions	Clearly recording and sharing the data inputs, assumptions, and methodologies used in forecasting.	Documentation of data sources, assumptions, and methodologies exists but is not consistently formalized or maintained in a centralized and standardized manner and relies in part on staff knowledge.	Does Not Meet	Transparency builds stakeholder trust and allows for review, replication, and improvement of forecasting methods.
Regular updates and validation of forecasts	Continuously compare model forecasts to actual usage data and adjust parameters to improve accuracy over time.	Staff regularly update water use projections and incorporate actual usage data into the model. Water use projections are updated using the previous year's actuals and new projections from planning reports. Staff update the model with year-end data, current year budget, future year cost projections, revenue, and water use projections. In addition, internal reports track budget-to-actual water use and revenue throughout the year, and staff reported that these reports are shared periodically. These practices demonstrate that actual usage is monitored and used to inform updates to projections over time.	Meets	Regular validation ensures forecasts remain accurate and relevant, supporting effective decision-making.
Incorporation of rate structures	Reflect the current and proposed rate structures within the model to accurately estimate revenue impacts and customer behavior.	Documentation confirms that Valley Water's rate model reflects the agency's current volumetric rate structure and can estimate revenue impacts under different water demand scenarios. The model incorporates system-level adjustments to demand (e.g., drought-related conservation) but does not simulate micro-level customer behavior, which is appropriate given the statutory rate structure and Valley Water's role as a wholesale supplier.	Meets	Including rate structures is essential to accurately forecasting revenue and understanding customer response to pricing.

BEST PRACTICE	DEFINITION	ALIGNMENT ANALYSIS	ALIGNMENT	WHY THIS MATTERS
Incorporation of retailer inputs	Engage with retail water providers to incorporate their data, insights, and projections into forecasts to improve accuracy and relevance.	Documentation demonstrates active engagement with retail water providers, where retailer representatives participated in discussions about water use projections, baseline rate assumptions, and capital project planning. Retailers provided input on trends such as flat or declining water use, which were considered in projections and financial planning.	Meets	Retailer input enhances forecast accuracy by incorporating localized knowledge and operational realities.

LONG-TERM WATER DEMAND MODEL

Of 13 best practices identified, Valley Water's water demand model meets 12, and somewhat meets one.

BEST PRACTICE	DEFINITION	ALIGNMENT ANALYSIS	ALIGNMENT	WHY THIS MATTERS
Use of an industry accepted model type	Employing industry standard forecasting models, such as a time series, fixed flow factor, variable flow factor (VFF), or econometric models.	The model uses an econometric approach combined with time series analysis and variable flow factors. Technical memoranda detail the model development using recognized methodologies including regression-based econometric models and VFF approaches to forecast water demand. This indicates alignment with industry-accepted modeling techniques.	Meets	Using accepted model types ensures reliability, comparability, and credibility of forecasts, supporting sound water resource planning.
Incorporation of external variables and influences	Including factors such as climate change, conservation, economic conditions, and water pricing to improve the accuracy and relevance of demand forecasts.	The model incorporates external variables such as climate and weather data, water pricing, and economic indicators. Technical memoranda discuss adjustments for conservation and climate impacts, and include economic variables in regression models. External variables and influences include: • Temperature • Precipitation • Price • Drought restrictions • Economic index • Median income • Housing density • Persons per household • Mix of Industries/economic activity	Meets	Considering external influences improves forecast accuracy and relevance under changing environmental and socioeconomic conditions.
Use of valid, reliable, and comprehensive data sources	Using accurate, up-to-date, and complete data sets from credible sources.	Technical memoranda outline comprehensive data collection and validation efforts, including historical water use, demographic data, and economic statistics from credible sources. Data quality assurance processes are documented, indicating strong adherence to this best practice. Sources include: • Retailer billing records • Groundwater production from Valley Water's Water Supply Production Database (WSPD) • California Department of Finance (CDOF) • U.S. Census • Bay Area Water Supply and Conservation Agency (BAWSCA) Annual Survey • Parameter-elevation Regressions on Independent Slopes Model (PRISM) • Valley Water provided compilation of retailer residential sector water rates • Groundwater rates by charge zone • Valley Water records of timing of restrictions (i.e., beginning and end dates) and severity (i.e., the requested amount of cutback in percentage terms) • Economic Cycles Research Institute (ECRI) U.S. Monthly Coincident Index • Valley Water GIS data • Association of Bay Area Governments (ABAG)	Meets	Reliable data underpin accurate forecasts and reduce uncertainty in planning and decision-making.

BEST PRACTICE	DEFINITION	ALIGNMENT ANALYSIS	ALIGNMENT	WHY THIS MATTERS
Segmentation of demand	Breaking down forecasts to capture variations in consumption patterns across different groups and uses, e.g., by geography or service area, water source or type (e.g., recycled, groundwater), and customer type or sector (e.g., single-family residential, multifamily residential, commercial).	The model segments demand by provider type (retail agency or non-retail groundwater pumper), sector/billing classification (SF, MF, commercial, industrial, and institutional [CII]), geography, time of year, and water use classification (agricultural, municipal, domestic). Technical memoranda describe detailed segmentation approaches, including separate treatment of single-family and multifamily residential sectors. This reflects alignment with segmentation best practices.	Meets	Segmentation captures consumption variability, enabling targeted resource management and policy development.
Inclusion of growth projections	Accounting for expected population, economic, and land-use growth to reflect changes in water demand over time.	Technical memoranda describe the modeling approach, which includes differentiation of rates of water use from drivers of growth. Growth projections are incorporated using regional demographic forecasts, economic growth estimates, as described in the documentation.	Meets	Incorporating growth ensures forecasts reflect future demand drivers, supporting sustainable infrastructure planning.
Inclusion of conservation effects	Accounting for water-saving measures and efficiency improvements in reducing future demand.	Technical memoranda describe the baseline forecasts for each model sector. The baseline scenario results represent a projection of future water demand for Valley Water without additional conservation. To develop a demand forecast that includes expectations of future water savings, projections of future conservation savings are generated separately by Valley Water's water conservation model and then deducted from the baseline projections in the water demand model by model sector.	Meets	Factoring in conservation prevents overestimation of demand and promotes sustainable water use policies.
Incorporation of retailer inputs	Engaging with retail water providers to incorporate their data, insights, and projections into forecasts to improve accuracy and relevance.	Technical memoranda note collaboration with retail water agencies to gather data and support development of demand projections.	Meets	Retailer input enhances forecast accuracy by reflecting localized knowledge and operational realities.
Monitoring and updating per capita demand assumptions	Regularly reviewing and adjusting per capita water demand estimates to reflect actual consumption trends, including declines due to conservation, behavioral changes, and efficiency improvements, to control against overestimating future demand growth.	The detailed explanation of impact factor analysis shows how changes in key variables (e.g., drought rebound, price, housing density, employment sectors) quantitatively affect forecasted water demand across different retail sectors.	Meets	Updating per capita assumptions prevents overestimation and aligns forecasts with actual usage patterns.
Transparent documentation of data sources and assumptions	Clearly recording and sharing the data inputs, assumptions, and methodologies used in forecasting.	Technical memoranda provide detailed documentation of data sources, assumptions, and modeling methodologies, demonstrating strong alignment with this best practice.	Meets	Transparency builds trust among stakeholders and facilitates review and replication of forecasts.
Use of statistical rigor and quantification of uncertainty	Applying strong statistical methods and expressing forecast uncertainty to inform risk management.	Technical memoranda outline the use of regression analysis and statistical validation techniques and include scenario analyses. The water demand model meets the best practice of documenting how uncertainty is incorporated into decision-making, as it integrates risk assessments, ongoing monitoring, and adaptive planning to manage forecast variability and inform strategic decisions.	Meets	Statistical rigor and uncertainty quantification support risk-informed decision-making and adaptive planning.
Regular evaluation of model performance	Periodically revising forecasts and comparing with actual usage to maintain accuracy over time.	The WSMP includes visual charts that compare actual water usage to forecasted demand. These visual comparisons demonstrate that the agency monitors forecast accuracy over time and assesses how well projections align with real-world data. However, while documentation notes that the model has the capacity to be updated frequently and as needed, it does not clearly define a consistent or formal evaluation process.	Somewhat Meets	Regular validation ensures forecasts remain accurate and relevant over time.
Use of multiple scenarios	Using a range of scenarios to capture uncertainty and support flexible planning (e.g., low/high demand; demand with and without conservation).	Technical memoranda and the Demand Model Development document present multiple demand scenarios, including high and low growth scenarios, with and without conservation, hot/dry versus cool/wet weather conditions, and historical climate versus climate change.	Meets	Scenario analysis enhances flexibility and preparedness for varying future conditions.
Use of historical data and trends	Leveraging past consumption patterns and trends to improve accuracy of demand estimates.	Historical water use and trend analysis are extensively used in model calibration and validation, as described in technical memoranda, indicating adherence to this best practice.	Meets	Historical trends improve forecast accuracy by grounding models in observed behavior.

Appendix B: Peer Benchmarking

The following table compares Valley Water's forecasting-related practices, methodologies, and planning approaches to selected peer agencies , including the San Francisco Public Utilities Commission (SFPUC), San Diego County Water Authority (SDCWA), Contra Costa Water District (CCWD), and East Bay Municipal Utility District (EBMUD). Data was pulled from publicly available information, including public-facing websites and documentation. We interviewed all peer organizations, and lessons learned from those conversations are incorporated throughout the report where relevant.

	SCVWD	SFPUC	SDCWA	CCWD	EBMUD
Background					
Entity Type	Wholesaler	Enterprise District - Retailer and Wholesaler	Wholesaler	Retailer and Wholesaler	Retailer and Wholesaler
Agency Operating Budget	$964,000,000	$2,023,064,914	$1,855,823,366	$233,400,000	$2,700,000,000
Population Served	1,900,000	2,700,000	3,319,181	520,000	1,400,000
Long-Term Demand Model					
Type of Model	Econometric	Econometric	Econometric	Econometric	Econometric
Model Development	Consultant-developed	Consultant-developed	Consultant-developed	Consultant-developed	Consultant-developed
Model Purpose	Long-term demand forecasting; WSMP & UWMP	Long-term demand forecasting; UWMP	Long-term demand forecasting; UWMP & Water Facilities Master Plan	Long-term demand forecasting; UWMP	Long-term demand forecasting; UWMP
Model Update Frequency	~Every 5 years	~Every 5 years	~Every 5 years	~Every 5–10 years	Inputs updated ~5 years & major recalibration ~10 years
Key Inputs	• Climate (temperature, precipitation) • Demographics (population, housing) • Economic factors • Water use data • Conservation assumptions	• Climate • Demographics (population, housing, employment) • Water use data • Conservation assumptions • Water, wastewater, and stormwater rates	• Climate • Demographics (population, households, acreage) • Economic indicators • Historical water use data • Price inputs	• Climate • Demographics (population, growth projections) • Economic indicators • Conservation assumptions • Disruptor events (drought, pandemic, etc.)	• Climate • Demographics (population, housing) • Economic indicators • Water use data • Conservation assumptions • Drought factors (including historical droughts) • Recycled water assumptions • Non-revenue water assumptions
Key Data Sources	• Internal operational data (billing, production) • External demographic and economic data (ABAG, Census, DOF) • Climate data (PRISM) • Retailer and partner inputs	• Internal billing data • External demographic and economic data (Planning Dept., DOF, Census, Moody's) • Property and land use data • SFPUC Finance	• Member agency data • External projections (SANDAG); climate data (NOAA, Scripps, Caltech) • Economic data • Internal operational data	• Municipal and customer data • External demographic projections • Planning and land use inputs • Consultant analysis	• Internal billing and operational data • External projections (ABAG, cities and counties) • Land use and parcel data • Climate data (PRISM) • Economic data (ECRI) • Forecasted climate change (California Climate Change Technical Advisory Group)
Forecast Validation	• No formal process; periodic informal comparison	• No formal process; periodic informal comparison	• Structured validation using backcasting (comparing past forecasts to actuals)	• Periodic review of historical trends	• No formal process; periodic informal comparison

	SCVWD	SFPUC	SDCWA	CCWD	EBMUD
Scenario Analysis	• Growth scenarios (high/low) • Climate scenarios (hot/dry; cool/wet) • Conservation scenarios (with/without)	• Growth scenarios (low/medium/high)	• Climate scenarios (normal year, dry year, multi-dry year) • Conservation scenarios • Advanced analysis (Monte Carlo simulation to test a range of possible demand outcomes). • Timing of retail agency local water supply development	• Demand envelope (upper/lower bounds) • Hydrologic scenarios (normal/dry conditions)	• Informal formal scenarios; primarily relies on conservative planning assumptions
Long- vs Short-Term Model Alignment	• Partial alignment; some shared inputs but models treated separately; no formal reconciliation process	• Partial alignment; some shared inputs but models treated separately; no formal reconciliation process	• Formal alignment using anchor years (e.g., 2030) and QA/QC checks	• General consistency in growth assumptions for models	• No alignment or formal reconciliation process; models treated separately
Short-Term Model					
Type of Model	• Excel-based financial forecasting model	• Excel-based financial forecasting model	• Excel-based financial forecasting model with Power BI dashboard integration	• Excel-based financial forecasting model (time series & flow factors)	• Excel-based financial forecasting model
Model Development	• Developed in-house with previous consultant review	• Developed in-house with consultant support	• Developed in-house	• Developed in-house	• Developed in-house & with consultant
Model Purpose	• Rate setting; revenue forecasting; financial and capital planning	• Rate setting; revenue forecasting; financial and capital planning	• Rate setting; revenue forecasting; financial and capital planning	• Rate setting; revenue forecasting; financial and capital planning	• Rate setting; revenue forecasting; financial and capital planning
Frequency of Updates	• Annual	• Biennial with annual updates	• Inputs updated annually; Model updated every 3 years	• Biennial adoption with annual rate analysis	• Biennial
Key Inputs	• Revenue seasonality • Water seasonality (wet, normal, drought, conservation) • Demand conditions • Retailer input	• Historical water sales • Account usage & growth • Weather (drought) • Conservation (active) • Price elasticity • Demographic and economic indicators (population, employment)	• Weather • Member agency data • Demographic and economic indicators (population, employment, development) • Price elasticity • GDP growth • Internal operational inputs and financial assumptions	• Demographic and economic indicators • Industrial production changes • Historical demand trends and municipal customer use • Drought impacts and conservation response	• Water sales expectations • Weather impacts (professional judgment) • Major customer activity • Drought or recovery conditions
Key Data Sources	• Internal data (including other divisions/departments) • Retailer input • Recent water year data	• Billing data • CIP data (rate impacts) • UWMP data (population and elasticity inputs) • Planning data (growth assumptions)	• Internal data (including other divisions/departments) • Member agency input • Employment	• Long-term growth projections • Historical demand data	• Long-term demand projections • Billing and accounting data • Planning documents (assumptions)
Forecast Validation	• Annual forecast-to-actual comparison	• Quarterly forecast-to-actual comparison	• Structured comparison and model testing against historical data	• Trend monitoring during budget cycles	• Quality assurance checks and monitoring developing conditions

Appendix C: Definitions of Findings Ratings

We assigned risk rankings to each finding based on our professional judgement. A qualitative assessment of high, medium, or low helps to prioritize implementation of corrective action.

High	Findings with a high likelihood of causing significant negative impact (i.e., pose a threat to achieving organizational objectives) if not promptly addressed. Recommendations from high-risk findings should be implemented as soon as possible (preferably within three months)
Medium	Findings with a moderate likelihood of causing negative impact if left unaddressed; these should be prioritized for corrective action to improve performance. Recommendations arising from medium-risk findings should be implemented in a timely manner (preferably within six months), to address moderate risks and strengthen or enhance efficiency.
Low	Findings with a low likelihood of causing significant negative impact (i.e., pose a threat to achieving organizational objectives) if not promptly addressed. Recommendations arising from low-risk findings should be implemented within 12 months.

Appendix D: Management Response

	RECOMMENDATION	RESPONSIBLE PARTY	MANAGEMENT'S RESPONSE/IMPLEMENTATION PLAN
1	**Finding:** Valley Water's water utility rate model, used to project short-term water demand, incorporates key best practices, has been periodically reviewed and validated through consultant studies, and produced generally reliable forecasts between fiscal years 2020 and 2024. Because the model was developed incrementally, documentation of assumptions and methodologies isn't centralized or standardized, which may limit transparency and consistency over time.		☒ Agree ☐ Disagree
	Recommendation: To promote transparency, consistency, and continuity of the water utility rate model used for short-term forecasting, Valley Water should standardize and centralize model documentation, including key assumptions, methodologies, data sources, and changes over time, with defined ownership and procedures for maintaining this documentation.		Response: Staff will create a desk procedure to document the assumptions, methodologies, data sources, etc. The desk procedure will define a cadence for updating the documentation to incorporate changes over time. Implementation Date: 6/1/27
2	**Finding:** Valley Water's approach to forecasting long-term water demand reflects strong alignment with industry best practices and provides a solid foundation for long-term planning. However, while the District periodically reviews model assumptions and updates projections during major planning cycles, it does not maintain a documented and standardized process for comparing forecasted demand to actual observed demand, documenting		☒ Agree ☐ Disagree

	RECOMMENDATION	RESPONSIBLE PARTY	MANAGEMENT'S RESPONSE/IMPLEMENTATION PLAN
	deviations, and assessing how those results should inform future model updates, which limits transparency and confidence that its long-term forecasting model is consistently updated to reflect changing conditions.		
	Recommendation: To strengthen transparency, governance, and ongoing reliability of its long-term water demand forecasts, Valley Water should establish and implement a documented, standardized process for periodically comparing forecasted demand to actual observed demand, documenting significant deviations, and incorporating those results into ongoing model refinement and update activities.		Response: In the next Water Supply Master Plan update, Valley Water will include a section that specifically documents the process for the evaluation of the model's past performance and the results of such evaluation. Since the Water Supply Master Plan 2050 was the first time the model was used for demand projections, including this in the next plan update is appropriate. Implementation Date: 2030
3	**Finding:** Valley Water's short-term and long-term demand forecasts are partially aligned in practice, but there is no formal process to coordinate assumptions or clearly document and explain differences between the models. Instead, alignment relies on informal practices, which limits the ability to understand and confirm that decisions are based on consistent and clearly understood assumptions.		☒ Agree ☐ Disagree
	Recommendation: To improve transparency and support more consistent planning across time horizons, Valley Water should establish and document a formal, standardized process for aligning its short-term water utility rate model and long-term water demand forecasting model, including clearly defining how the models relate to one another, how differences between		Response: Valley Water already coordinates closely between the short and long-term models, however, a formalized and documented process would be beneficial. In the beginning of the next rate setting process, the teams will discuss and document the process. The end result may include incorporating a section in the annual Report on the Protection and Augmentation of Water Supplies (PAWS) to address the relationship between the short-term and long-term demand forecasting models.

	RECOMMENDATION	RESPONSIBLE PARTY	MANAGEMENT'S RESPONSE/IMPLEMENTATION PLAN
	forecasts should be evaluated and explained, and how key assumptions and updates should be coordinated over time.		Implementation Date: 3/1/27
4	**Finding:** Valley Water uses demand forecasts to inform the WSMP and evaluate long-term water supply strategies; however, the relationship between demand forecasts, planning scenarios, and resulting investment decisions is distributed across multiple sections of the WSMP and difficult for readers to trace and synthesize. As a result, it is difficult to understand how forecast assumptions influence planning outcomes.		☒ Agree Disagree
	Recommendation: To improve transparency and enhance traceability between demand forecasts, planning scenarios, and resulting investment decisions, Valley Water should further clarify and consolidate how these relationships are presented throughout the WSMP.		Response: The organization of the WSMP 2050 clearly identifies how the demand forecasts are used for planning outcomes, including developing the baseline, scenarios, needs assessment, and identifying portfolios. Valley Water will include a flow chart in the next Water Supply Master Plan update to increase transparency. Implementation Date: 2030

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Water Usage & Demand Forecasting Performance Audit

Board Audit Committee Meeting / July 28, 2026

01 / Objectives and Scope

02 / Methodology

03 / Understanding Valley Water's Forecasting Models

04 / Results, Findings, and Recommendations

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Objectives and Scope

The purpose of this performance audit was to assess Valley Water's short- and long-term water usage and demand forecasting methods, models, and processes. This performance audit addressed the following objectives:

1. How accurate and reliable were water usage and demand forecasts between 2020 and 2024?
2. To what extent do the methods and approaches taken by Valley Water to forecast water usage and demand align with peer and best practices?
3. How effectively are forecasting models used to inform the Water Supply Master Plan (WSMP)?

Methodology

This performance audit was conducted primarily between October 2025 and April 2026 and consisted of project initiation and management, fact finding, analysis, and reporting. Fact-finding and analysis was informed by:

- Interviews: We conducted interviews with staff from the Water Supply Planning and Conservation Unit and the Finance Department to identify strengths, challenges, and opportunities for improvement in water usage and demand forecasting methods, models, and processes.
- Document and Information Review: We reviewed documents, including but not limited to benchmarking reports, the WSMP, the urban water management plan, forecasting methodology, performance reports, and forecast to actual reports.
- Industry Best Practice: We researched best practices related to water usage and demand forecasting, including water demand model and water utility rate model methodologies and practices, and related topics.
- Peer Benchmarking: We compared Valley Water's water usage and demand forecasting methodologies for the long-term water demand model and the short-term water utility rate model and identified strengths and challenges. Peers included: Contra Costa Water District, East Bay Municipal Utility District, San Diego County Water Authority, and San Francisco Public Utilities Commission Utilities Commission

Understanding Valley Water's Forecasting Models

	Water Utility Rate Model	Water Demand Forecasting Model
Purpose	Supports annual financial planning and water rate setting.	Supports long-range water supply and infrastructure planning.
Planning Horizon	Up to 10 years	Typically 20 to 30 years
Used By	Finance Department	Water Supply Planning & Conservation Unit
Primary Uses	• Forecast annual water demand • Project revenues • Support rate setting and budgeting	• Forecast future water demand • Evaluate water supply reliability • Inform the Water Supply Master Plan (WSMP) • Support long-term infrastructure investments
Focus	Predicts near-term water use as accurately as possible.	Evaluates long-term demand trends under different future scenarios rather than predicting year-to-year water use.

Best Practices Review

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Best Practices Review

Water Utility Rate Model

Best Practice	Assessment
Accuracy and timeliness	Meets
Incorporation of external factors	Meets
Adaptability of forecast for short-term forecasting	Meets
Customer segmentation	Meets
Use of multiple scenarios	Meets
Transparent documentation of data sources and assumptions	Does Not Meet
Regular updates and validation of forecasts	Meets
Incorporation of rate structures	Meets
Incorporation of retailer inputs	Meets

Best Practices Review

Long Term Water Demand Model

Best Practice	Assessment
Use of an industry accepted model type	Meets
Incorporation of external variables and influences	Meets
Use of valid, reliable, and comprehensive data sources	Meets
Segmentation of demand	Meets
Inclusion of growth projections	Meets
Inclusion of conservation effects	Meets
Incorporation of retailer inputs	Meets
Monitoring and updating per capita demand assumptions	Meets
Transparent documentation of data sources and assumptions	Meets
Use of statistical rigor and quantification of uncertainty	Meets
Regular evaluation of model performance	Somewhat Meets
Use of multiple scenarios	Meets
Use of historical data and trends	Meets

Findings and Recommendations



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Summary of Recommendations

Medium Risk

- Standardize and centralize model documentation for the water utility rate model used for short-term forecasting, including key assumptions, methodologies, data sources, and changes over time, with defined ownership and procedures for maintaining this documentation
- For long-term water demand forecasting, establish and implement a documented, standardized process for periodically comparing forecasted demand to actual observed demand, documenting significant deviations, and incorporating those results into ongoing model refinement and update activities
- Establish and document a formal, standardized process for aligning the short-term water utility rate model and long-term water demand forecasting model

Low Risk

- Further clarify the relationship between demand forecasts, planning scenarios, and resulting investment decisions in the WSMP

Questions?

Short-Term Water Demand Forecasting

Finding

Valley Water's water utility rate model, used to project short-term water demand, incorporates key best practices, has been periodically reviewed and validated through consultant studies, and produced generally reliable forecasts between fiscal years 2020 and 2024. Because the model was developed incrementally, documentation of assumptions and methodologies isn't centralized or standardized, which may limit transparency and consistency over time.

Recommendation

To promote transparency, consistency, and continuity of the water utility rate model used for short-term forecasting, Valley Water should standardize and centralize model documentation, including key assumptions, methodologies, data sources, and changes over time, with defined ownership and procedures for maintaining this documentation.

Long-Term Water Demand Forecasting

Finding

Valley Water's approach to forecasting long-term water demand reflects strong alignment with industry best practices and provides a solid foundation for long-term planning. However, while the District periodically reviews model assumptions and updates projections during major planning cycles, it does not maintain a documented and standardized process for comparing forecasted demand to actual observed demand, documenting deviations, and assessing how those results should inform future model updates, which limits transparency and confidence that its long-term forecasting model is consistently updated to reflect changing conditions.

Recommendation

To strengthen transparency, governance, and ongoing reliability of its long-term water demand forecasts, Valley Water should establish and implement a documented, standardized process for periodically comparing forecasted demand to actual observed demand, documenting significant deviations, and incorporating those results into ongoing model refinement and update activities.

Water Utility Rate and Water Demand Model Alignment

Finding

Valley Water's short-term and long-term demand forecasts are partially aligned in practice, but there is no formal process to coordinate assumptions or clearly document and explain differences between the models. Instead, alignment relies on informal practices, which limits the ability to understand and confirm that decisions are based on consistent and clearly understood assumptions.

Recommendation

To improve transparency and support more consistent planning across time horizons, Valley Water should establish and document a formal, standardized process for aligning its short-term water utility rate model and long-term water demand forecasting model, including clearly defining how the models relate to one another, how differences between forecasts should be evaluated and explained, and how key assumptions and updates should be coordinated over time.

Use of Forecasting in Long-Term Planning

Finding

Valley Water uses demand forecasts to inform the WSMP and evaluate long-term water supply strategies; however, the relationship between demand forecasts, planning scenarios, and resulting investment decisions is distributed across multiple sections of the WSMP and difficult for readers to trace and synthesize. As a result, it is difficult to understand how forecast assumptions influence planning outcomes.

Recommendation

To improve transparency and enhance traceability between demand forecasts, planning scenarios, and resulting investment decisions, Valley Water should further clarify and consolidate how these relationships are presented throughout the WSMP.

Thank you.



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Santa Clara Valley Water District

File No.: 26-0575

Agenda Date: 7/28/2026
Item No.: 4.2.

COMMITTEE AGENDA MEMORANDUM
Board Audit Committee

Government Code § 84308 Applies: Yes ☐ No ☒
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:
Receive and Discuss Information Regarding the Upcoming Fiscal Year (FY) 2025-2026 Financial Audit, Presented by Vasquez and Company LLP.

RECOMMENDATION:
Receive and discuss information regarding the upcoming FY 2025-2026 financial audit, presented by Vasquez and Company LLP.

SUMMARY:
Vasquez and Company LLP will provide an overview of the financial audit process for Fiscal Year 2025-26.

ENVIRONMENTAL JUSTICE IMPACT:
There is no environmental justice impact associated with the FY 2025-26 financial audit.

ATTACHMENTS:
Attachment 1: PowerPoint

UNCLASSIFIED MANAGER:
Darin Taylor, 408-630-3068

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Valley Water

Clean Water • Healthy Environment • Flood Protection

Santa Clara Valley Water District

Presentation to the Board Audit Committee

Fiscal Year Ending June 30, 2026

July 28, 2026

VASQUEZ + COMPANY LLP

YOUR SUCCESS OUR MISSION Since 1969

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/ Engagement Team



Roger Martinez
Lead Partner



Cristy Canieda
Quality Control Partner



Jay Toledo
Engagement Director



Jason Tagasa
Senior IT Audit Manager



Sam Tolentino
Senior Audit Manager



Katrina Martinez
Audit Associate Manager

Audit Seniors and Staff

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/ FY2026 SCOPE OF SERVICES



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/ Scope of Services – FYE June 30, 2026



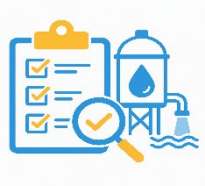
Financial Statement Audit

The audit will be completed no later than the end of December of each year.



Single Audit

The audit reporting package must be submitted earlier of 30 days after the receipt of the report, or 9 months after the end of the fiscal year.



Water Utility Enterprise Fund Audit

The audit will take place after Valley Water District Annual Audit and will be completed no later than three months after the Valley Water District Annual Audit.

/ Scope of Services, Continued



Review of Treasurer's Report

To be prepared annually.

The completion date of Treasurer's report will coincide with the completion date of the Valley Water District Annual Audit.



Appropriation Limit Report

To be prepared annually.

The completion date of the Appropriation Limit Report will coincide with the completion date of the Valley Water District Annual Audit.

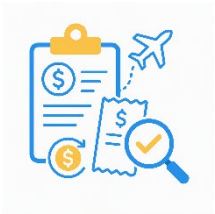


Agreed upon procedures on Compensation and benefits Policy Compliance Report

To be prepared biennially starting with the audit of fiscal year 2023.

This is not applicable for fiscal year 2026

/ Scope of Services, Continued



Agreed upon procedures on Travel Expense Reimbursement Process and Procedures

Report will coincide with the completion date of the Valley Water District Annual Audit. To be prepared biennially starting with the audit of fiscal year 2022.

This is applicable for fiscal year 2026



Advanced Water Treatment Facility (AWTF) Audit

Audit will take place after Valley Water Wide Annual Audit and will be completed no later than one month after the Valley Water District Annual Audit.



Supplemental Services

On an as needed basis

/ AUDIT OBJECTIVES



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Audit Objectives – Financial Statements



Primary Objective:

Obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.



Auditing standards generally accepted in the United States of America (GAAS); and

The standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS); and

Audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and the U.S. Office of Management and Budget's (OMB) Compliance Supplement.



Consider Valley Water's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements.

Audit Objectives – Other Reports



Single Audit

Compliance requirements as subject to audit in the OMB Compliance Supplement



Water Utility Enterprise Fund Audit

Obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Audit Objectives – Other Reports, Continued



Review of Treasurer's Report

District's compliance with the provisions of the California Government Code, the District's Investment Policy and the District's Staff Investment Guidelines related to the Quarterly Treasurer's Reports



Appropriation Limit Report

District's compliance in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution.

/ Audit Objectives – Other Reports, Continued



Agreed upon procedures on Travel Expense Reimbursement Process and Procedures

District's compliance with its Travel and Subsistence Policy



Advanced Water Treatment Facility (AWTF) Audit

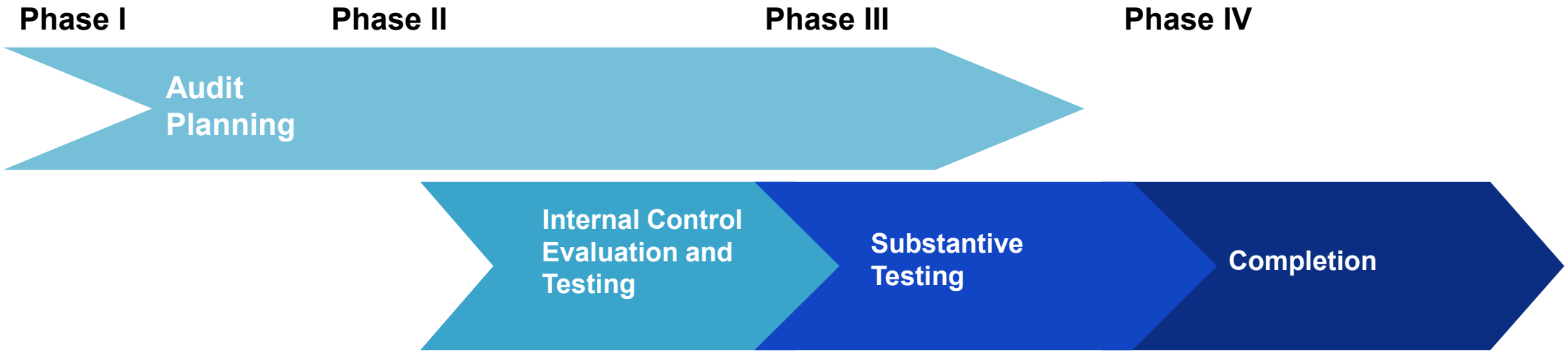
Schedule of Operating Expenses in accordance with the financial reporting provisions of the Recycled Water Facilities and Programs Integration Agreement dated March 2, 2010 between the City of San Jose and the District

/ AUDIT STRATEGY



VASQUEZ + COMPANY LLP

/ Audit Strategies



- Familiarize ourselves with changes to the operating environment
- Perform risk assessment procedures (assessment of inherent risk, control risk and risk of material misstatement)
- Perform preliminary analytical review
- Scope the audit, including procedures and locations
- Identify major program(s) for Single Audit testing.

- Perform fraud risk and evaluation procedures
- Consider regulatory matters and communications
- Assess internal control environment
- Evaluate the design and functioning of key controls
- Review the IT control environment
- Test selected controls including those over the administration of federal funds
- Conclude as to internal control effectiveness; draft internal control comments.

- Perform substantive audit procedures including confirmations with third parties, account analyses and review of source documents
- Conduct final analytical review
- Consider audit evidence sufficiency
- Conclude on critical accounting and financial reporting matters
- Draft compliance findings, if any
- Discuss proposed audit adjustments with management.

- Perform completion procedures (representation letter, update of audit evidence, final reviews)
- Assist in preparing the annual comprehensive financial report and other audit reports.
- Evaluate the basic financial statements and disclosures
- Draft auditor's reports on financial statements, internal controls and compliance, and other audit reports.
- Conduct exit conference, including audit adjustments, internal control and compliance findings and comments
- Issue auditor's reports and management letter.

/ SIGNIFICANT AUDIT AREAS



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/ Significant Audit Areas

Audit Focus Area	Risk/Concerns
Information Technology Controls	▪ The areas under review will include the following: ✓ IT Organization and Management ✓ IT Policies and Procedures ✓ Change Management ✓ Information Security / User Access Management ✓ Computer Operations (including capacity planning, network management, and helpdesk) ✓ Incident Management ✓ Data Integrity (covering DRP, backup, restoration, and retention)
Management override of controls	▪ Management may influence financial results by overriding controls. ▪ Journal entries and other adjustments are not properly supported
Financial Statement Disclosures and GASB Implementation	▪ Risk of inaccuracies in documenting and implementing the new GASB standards, including required disclosures.

/ Significant Audit Areas, Continued

Audit Focus Area	Risk/Concerns
Cash and cash equivalents	▪ Misappropriation of assets. ▪ Cash balances exceeding federally insured limits. ▪ Cash equivalents reported in the financial statements do not agree with the amounts reflected in the account statements.
Restricted Cash and Investments	▪ Restricted cash may be improperly classified as unrestricted, affecting liquidity ratios and financial statement presentation.
Investments, Fair value, and Cash Management	▪ Improper valuation and presentation in the financial statements ▪ Noncompliance with investment policy.
Inventory – Water Rights	▪ Inventory may be overstated or understated due to incorrect application of valuation methods
Receivables	▪ Receivables on specific transactions may not exist. ▪ The District may have no control on receivables ▪ Receivables are not recorded correctly and are properly valued as to collectability. ▪ Receivables do not reflect their economic value. ▪ Receivable aging is not correct regarding the collectability of receivables
Revenue recognition	▪ Revenues are not properly recognized ▪ Billings to customers are not reasonably stated and reported in proper periods.

/ Significant Audit Areas, Continued

Audit Focus Area	Risk/Concerns
Capital Assets	▪ Capital assets, capital expenditures and related depreciation are not monitored and are not fairly stated in the financial statements.
Expenditures/Payroll	▪ Expenditures may not comply with budgetary constraints and procurement policies. ▪ Payroll costs are not accurately allocated and lack proper documentation of hours and rates.
Accounts payable, accrued liabilities, commitments and contingencies	▪ Understatement of accounts payable and accrued liabilities. ▪ Commitments and contingencies may not be properly recognized and/or disclosed in the financial statements.
Procurement/ Bid	▪ Procurement practices may not be in accordance with the applicable regulations and policies. ▪ Bidding Procedures not in accordance with District policies
Commercial paper debt and bonds payable	▪ Misclassification as long-term instead of short-term debt (or vice versa), affecting liquidity ratios.
Related party transactions	▪ Not in compliance with Conflict of Interest Code

/ Significant Audit Areas, Continued

Audit Focus Area	Risk/Concerns
Pension and OPEB	▪ Related accounts may not be recorded in accordance with the requirements of GASB 68 and GASB 75.
Leases and Subscription-Based Information Technology Arrangements (SBITAs)	▪ Related accounts may not be recorded in accordance with the requirements of GASB 87 and 96.
Net Position	▪ Improper presentation and classification of net investment in capital assets, unrestricted and restricted funds.
Grants and Single Audit Compliance	▪ Uniform Guidance compliance is not reviewed to ensure that the expense are accurately categorized and reported for the single audit requirement. ▪ Grant expenditures are not reviewed for program compliance. ▪ Compliance requirements are not met.
Regulatory Compliance and Water Quality Requirements	▪ Risk of noncompliance with applicable drinking water regulations. ▪ Contingencies related to PFAS and other emerging contaminant regulations may not be properly disclosed.
Other Reports	▪ Risk of noncompliance with required laws and regulations

/ 2026 AUDIT TIMELINE



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/ 2026 Audit Timeline (ACFR)



Description	Target Schedule
PLANNING	
Board Presentation Meeting	July 28, 2026
Fraud Interviews	TBD
YEAR-END AUDIT PROCESS	
Entrance Meeting with Management	August 2026
Interim Fieldwork	Week of July 6, 2026 to Week of July 24, 2026
Final Fieldwork	Week of September 13, 2026 to Week of October 12, 2026
Exit Conference	Week of October 19, 2026
FINANCIAL REPORTING	
Initial draft financial statements to be provided	Week of October 26, 2026
Submission to auditors of ACFR for preliminary review	Week of November 2, 2026
Submission to auditors of ACFR for final review	Week of November 9, 2026
Presentation of DRAFT ACFR to Board Audit Committee	Week of November 18, 2026
Signed audit opinion letter received from the auditors (Report) and auditors' reports	Week of December 7, 2026
Presentation to the District Board	December 2026

/ NEW GASB STANDARDS



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/ New GASB Standards

New GASB Standards

GASB 103

Financial Reporting Model Improvements

GASB Statement No. 103 | *Financial Reporting Model Improvements.*

Provides targeted improvements to the financial reporting model that was established for state and local governments in 1999 by GASB Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*.

EFFECTIVE DATE

Fiscal years beginning after June 15, 2025

IMPLEMENTATION

To be implemented in FY 2026

/ New GASB Standards, Continued

New GASB Standards

GASB 104

Disclosure of Certain Capital Assets

GASB Statement No. 104 | *Disclosure of Certain Capital Assets.*

State and local governments are required to provide detailed information about capital assets in notes to financial statements.

Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, requires certain information regarding capital assets to be presented by major class. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

EFFECTIVE DATE

Fiscal years beginning after June 15, 2025

IMPLEMENTATION

To be implemented in FY 2026

/ RECENT ACCOUNTING PRONOUNCEMENTS



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/ Recent Accounting Pronouncements

New GASB Standards

GASB 105

Subsequent Events

GASB Statement No. 103 | *Subsequent Events.*

The primary objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users.

EFFECTIVE DATE

Fiscal years beginning after June 15, 2026

IMPLEMENTATION

To be implemented in FY 2027

/ QUESTIONS

/ Contact Information

Vasquez + Company LLP has over 55 years of experience in performing audit, accounting, and consulting services for all types of private companies, nonprofit organizations, and governmental entities.

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THANK YOU FOR YOUR TIME AND ATTENTION.



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Santa Clara Valley Water District

File No.: 26-0570

Agenda Date: 7/28/2026
Item No.: 4.3.

COMMITTEE AGENDA MEMORANDUM
Board Audit Committee

Government Code § 84308 Applies: Yes ☐ No ☒
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:
Receive and Discuss Financial Audit Reports for Fiscal Year (FY) 2025 from Valley Water's Joint Powers Authority (JPA) Partners.

RECOMMENDATION:
Receive and discuss financial audit reports for FY 2025 from Valley Water's JPA partners.

SUMMARY:
Per Article IX of the Board Audit Committee (BAC) charter, the committee shall have the authority to review any formally issued audit reports from any Joint Powers Authority (JPA) of which Valley Water is a member. The information below includes a list of JPAs of which Valley Water is a member, including the associated level of Valley Water investment in each:

1. Delta Conveyance Design and Construction JPA;
    a. Valley Water portion of capital investment estimated at $670M plus $1.8M per year in operations and maintenance costs (both figures in 2025 dollars).
2. Delta Conveyance Finance Authority;
    a. Provides financing for Delta Conveyance Design and Construction JPA
3. Pajaro River Watershed Flood Prevention Authority;
    a. Valley Water pays a $10K annual membership fee.
4. San Francisquito Creek JPA;
    a. Valley Water portion of capital investment estimated at $80M per FY 2026 -30 Board adopted CIP plus $250K to $450K per year operations and maintenance cost.
5. Santa Clara Valley Habitat Agency Implementation Board;
    a. Although Valley Water is not a member of the Santa Clara Valley Habitat Agency's Board, Valley Water participates in the JPA's implementation Board and receives benefits from the JPA's activities.
    b. Specifically, Valley Water pays land cover impact fees to the JPA averaging $700K per year since 2013. The fees are essentially regulatory permit fees, which provide budget for conservation actions (eg, land acquisition, habitat restoration) as well as general administration of the JPA.
6. San Luis & Delta Mendota Water Authority (SLDMWA) Board;

a. Valley Water pays $2M to $3.5M per year in operations and maintenance fees and membership dues to SLDMWA for imported water, and up to $600K per year for water transfers depending on water year conditions. The B.F. Sisk Dam Raise participation would be facilitated by SLDMWA.

As of the writing of this memo, five (5) audited financial reports for FY 2025 were available:

1. Delta Conveyance Design and Construction JPA (Attachment 1)
2. Delta Conveyance Finance Authority (Attachment 2)
3. Santa Clara Valley Habitat Agency (Attachment 3)
4. San Francisquito Creek JPA (Attachment 4)
5. San Luis & Delta Mendota Water Authority Board (Attachment 5)

Staff will continue to monitor the other JPAs for their respective audit reports and will provide them at future BAC meetings as they become available.

The purpose of this item is to review and discuss the attached JPA financial audit reports.

BAC Charter Background regarding JPA Audits

A summary of the JPA audit review activities authorized under Article IX of the charter is provided below:

- Through its review of JPA audits, the Committee may evaluate:
  - Whether the JPAs are complying with applicable legal requirements;
  - The financial condition of the JPAs;
  - Whether the JPAs are complying with the terms of their respective JPA Agreements;
  - Whether Valley Water's interests are being met;
  - Whether there are any trends of concern in the activities of the JPA;
  - Whether there are any recommended areas for future audits for the JPA; and
  - Any specific questions of Valley Water's Board.
- The Board may refer specific JPA audits to the Committee for review and/or recommendation as to questions or subjects identified by the Board.
- In conducting its review, the Committee may seek input from the Independent Auditor, Valley Water staff, and others as needed.
- The Committee may report out to the Board regarding any JPA audit review results and any related recommendations of the Committee.

The Committee's authority to review JPA audits set forth herein does not include any corresponding right to directly communicate with JPAs on behalf of Valley Water or assume any direct responsibilities of Valley Water's formal representatives on the JPAs. This shall not limit the activities or functions of any Valley Water JPA representative who is also member of the Committee.

ENVIRONMENTAL JUSTICE IMPACT:

Review of JPA audits is not subject to environmental justice analysis.

ATTACHMENTS:
Attachment 1: Delta Conveyance Design and Construction JPA
Attachment 2: Delta Conveyance Finance Authority
Attachment 3: Santa Clara Valley Habitat Agency
Attachment 4: San Francisquito Creek JPA
Attachment 5: San Luis & Delta Mendota Water Authority Board

UNCLASSIFIED MANAGER:
Darin Taylor, 408-630-3068

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DELTA CONVEYANCE DESIGN AND CONSTRUCTION AUTHORITY
BOARD OF DIRECTORS MEETING

REGULAR MEETING

Thursday, December 18, 2025
1:30 p.m.
Hybrid (Teleconference) Meeting

DCDCA Boardroom
980 9th Street, Suite 100
Sacramento, CA 95814

TELECONFERENCE LOCATIONS:

1. Valley Water, 5750 Almaden Expressway, San Jose CA 95118
2. Santa Clarita Valley Water Agency, Boardroom, 27234 Bouquet Canyon Road, Santa Clarita, CA 91350
3. Mojave Water Agency, 13846 Conference Center Drive, Apple Valley, CA 92307

CONFERENCE ACCESS INFORMATION:
Phone Number: (669) 444-9171 Access Code: 89581762692#

Virtual Meeting Link: https://dcdca-org.zoom.us/j/89581762692?from=addon

Please join the meeting from your computer, tablet, or smartphone.

Additional information about participating by telephone or via the remote meeting solution is available here: https://www.dcdca.org

AGENDA

Except as permitted by Government Code section 54953(f), Directors will attend the meeting from the DCDCA Boardroom or any of the teleconference locations. Members of the public may attend in person at these locations or remotely through the virtual meeting link above. Assistance to those wishing to participate in the meeting in person or remotely will be provided to those requiring accommodations for disabilities in compliance with the Americans with Disabilities Act of 1990. Interested person must request the accommodation as soon as possible in advance of the meeting by contacting the DCA support staff at (888) 853-8486 or info@dcdca.org. Members of the public may speak regarding items on the agenda during those items and when recognized by the Chair. Speakers are limited to three minutes each; however, the Chair may limit this time when reasonable based on the circumstances. Persons wishing to provide public comment remotely on Agenda Items are encouraged to complete a public comment request form at: https://tinyurl.com/dcapubliccomment by 2:00 pm or through the QR code below. In addition, members of the public may use the "raise hand" function (*9 if participating by telephone only) during the meeting to request the opportunity to speak. Additional information will be provided at the commencement of the meeting.

1. CALL TO ORDER

2. ROLL CALL – Any private remote meeting attendance will be noticed or approved at this time.

3. CLOSED SESSION
   (a) CONFERENCE WITH LEGAL COUNSEL
   Significant exposure to litigation pursuant to Government Code Section 54956.9(d)(2):
      i. *Tulare Lake Basin Water Storage District v. DWR*, Sacramento Superior Court, Case No. 24WM000006 (and related cases), Third District Court of Appeal, Case No. C101878

4. OPEN REGULAR MEETING & PLEDGE OF ALLEGIANCE – At approximately 2:00p.m.

5. PUBLIC COMMENT
   Members of the public may address the Authority on matters that are within the Authority's jurisdiction but not on the agenda at this time. Speakers are generally limited to three minutes each; however, the Chair may further limit this time when reasonable based on the circumstances. Persons wishing to speak may do so remotely through the electronic meeting link, by scanning the QR Code, or teleconference number when recognized by the Chair. The DCA encourages public comments and requests that speakers present their remarks in a respectful manner, within established time limits, and focus on issues which directly affect the DCA or are within its jurisdiction.

6. APPROVAL OF MINUTES
   (a) October 16, 2025, Regular Meeting Minutes

7. DISCUSSION ITEMS
   (a) December Monthly Board Report
   Recommended Action: Information Only.
   (b) Sustainability Update
   Recommended Action: Information Only.
   (c) Annual Financial Audit Report
   Recommended Action: Information Only.

(d) Sr. Leadership Spotlight, Gwen Buchholz, DCA Environmental Division Manager

Recommended Action: Information Only

(e) Conflict of Interest Code Amendment

Recommended Action: Adopt Resolution.

8. REPORTS AND ANNOUNCEMENTS

Members of the public may address the Authority on matters pertaining to the Reports at this time.

(a) General Counsel's Report

(b) Treasurer's Report

(c) DCP Communications Report

(d) DWR Environmental Report

(e) Verbal Reports, if any

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

* * * * * *

The Board of Directors meet bi-monthly, proposed next scheduled meetings:

February 19,2026, Regular Board Meeting at 2:00 p.m. (1:30 p.m. if there is a closed session).

April 16, 2026, Regular Board Meeting at 2:00 p.m. (1:30 p.m. if there is a closed session).

May 21, 2025, Regular Board Meeting at 2:00 p.m. (1:30 p.m. if there is a closed session).

BOARD OF DIRECTORS MEETING

MINUTES

REGULAR MEETING

Thursday, October 16, 2025
1:30 p.m.
(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER

The regular meeting of the Delta Conveyance Design and Construction Authority (DCA) Board of Directors was called to order in person, by teleconference, and remotely - Conference Access Information: Phone Number: (669) 444-9171, Code: 88966794201#, https://dcdca-org.zoom.us/j/88966794201?from=addon at 1:30 pm.

2. ROLL CALL

Board members in attendance from the DCA Boardroom were President Martin Milobar, Director Gary Martin, Director Robert Cheng, Director John Weed and Director Miguel Luna. Director Tony Estremera and Director Adnan Anabtawi participated remotely.

Alternate Directors in attendance remotely were Dennis LaMoreaux, Sarah Palmer, Royce Fast, and Shiloh Ballard. Alternate Director Jacquelyn McMillan attended from the DCA Boardroom; the Board Clerk captured their attendance for the record.

DCA staff members in attendance were Graham Bradner, Josh Nelson, Jessyca Sheehan, and Clint Rehermann.

Department of Water Resources (DWR) staff member in attendance was Carrie Buckman.

3. CLOSED SESSIONS

No public comment requests were received for this item.

4. OPEN REGULAR MEETING & PLEDGE OF ALLEGIANCE

President Milobar opened the regular session at approximately 2:04 p.m. and asked Josh Nelson, DCA General Counsel, to report out on closed session. There were no reportable actions.

5. PUBLIC COMMENT

No public comment requests were received for this item. President Milobar closed the public comment item.

6. APPROVAL OF MINUTES: August 21, 2025, Regular Board Meeting

Recommendation: Approve the August 21, 2025, Regular Board Meeting Minutes

Motion to Approve Minutes from August 21, 2025, as

Noted:	Estremera
Second:	Weed
Yeas:	Milobar, Luna, Estremera, Cheng, Anabtawi, Weed
Nays:	None
Abstains:	Martin
Recusals:	None
Absent:	None
Summary:	6 Yeas; 0 Nays; 1 Abstain; 0 Absent. (Motion passed as MO 25-10-01).

7. DISCUSSION ITEMS:

a) October DCA Monthly Report

Informational Item

DCA Executive Director, Graham Bradner, presented the Monthly Report for October 2025 activities to the Board. Mr. Bradner stated that DCA continues to provide engineering and environmental support to DWR, and DWR is currently engaged in Change in Point of Diversion (CPOD) hearings with the State Water Resources Control Board (SWRCB). Engineering studies are being conducted to advance the overall project design and consider potential innovations. The team is also preparing to update the cost estimate and Basis of Design Report (BODR) planned for early 2027, as well as working on the development of internal management plans, procedures, and workflows for transitioning to the delivery phase in 2027.

Regarding the budget overview, the Board of Directors approved the Fiscal Year (FY) 2025/26 budget of $65M. DCA has committed a total of $55.8M through task orders and contracts and, to date, has incurred $7.5M. The Estimate at Completion (EAC) is $59.5M, which is approximately nine (9) percent under budget. The work progress for vendors that have deliverables is 23% complete with 20% of the committed budget spent. Small Business Enterprise/Disabled Veteran Business Enterprise (SBE/DVBE) committed contracts participation is nine (9) percent, and of that, five (5) percent has been invoiced. Mr. Bradner stated that DCA is approaching completion of the FY 24/25 budget. The budget was $43M and has a current EAC of $31.5M, with an underrun of 26%.

Mr. Bradner informed the Board that there are two (2) procurements that are ongoing: Primary Internet Services Renewal and Social Media Management Platform.

DCA rolled out new guidelines and templates for updating and refreshing the brand. Mr. Bradner noted that a comprehensive communications assessment has been launched in collaboration with participating Public Water Agencies (PWAs). Enhancements have been made to the DCA website library and related Delta Conveyance Project (DCP) materials. Mr. Bradner also highlighted the organization's participation in the Orange County Water Summit as part of ongoing outreach efforts.

President Milobar inquired about the September figures shown on the financial chart and whether additional invoices were anticipated to address the noted variance.

Mr. Bradner clarified that this pattern is typical, as certain expenses such as rent are paid at the beginning of the month, while vendor invoices are generally submitted well into the following month. These invoices undergo a review and validation process prior to payment and are only recorded as actual incurred costs once verified. Until then, they remain categorized as forecasted expenses.

No further comments or questions were received from the Board, nor were any public comment requests received.

b) DCP Roadmap Check-In

Informational Item

Mr. Bradner presented the project roadmap outlining the work scope through 2027, emphasizing that this period represents a decision-making timeframe for participating water agencies. Key milestones identified for late 2026 and early 2027 include the completion of major permitting efforts, advancement of key engineering topics leading to an updated Class 3 (three) cost estimate, and continued progress on the program delivery planning. Mr. Bradner also noted that, prior to project implementation, an amendment to the Joint Exercise of Powers Agreement (JEPA) will be required to reintroduce language supporting the next phase of work.

Mr. Bradner provided an overview of the activities leading to the development of the updated cost estimate, noting that the primary focus is the preparation of a systemwide BODR, a major engineering effort expected to take approximately 18 months to complete. The BODR will advance the project's design maturity level from roughly 10% to 25%, leading to reduced cost uncertainty, improved risk management for design and construction, and will highlight schedule opportunities. Key considerations included in the BODR include newly collected subsurface information, recent permits obtained by DWR, and associated environmental commitments and mitigations. Mr. Bradner emphasized that the BODR is being structured to enable a smooth transition to Engineering of Record (EOR) teams, who will further develop individual project components through final design. He noted that by 2027, the goal is that the Class 3 cost estimate will be tightening accuracy

ranges and reducing uncertainty. The BODR will establish the project's scope, schedule, and performance baseline, supporting both the Class 3 (three) cost estimate and the efficient transition into project delivery.

Mr. Bradner outlined the next steps for the project, noting that budget and scope development will continue in preparation for the independent reviews anticipated to commence in quarter one (1) of next year. Finalization of the delivery plan, contract packaging, and interface coordination will also be incorporated into the overall schedule and BODR. He also indicated an intent to provide the Board with an updated cost and schedule report later next year. To ensure a smooth transition into the delivery phase, the team will continue strengthening the systems and resources necessary to execute the project in alignment with the established baseline, which remains a key priority.

President Milobar expressed his appreciation for the thorough analysis of the plans and is interested in the details to come.

Director Martin inquired whether the current geotechnical data is sufficient to support the development of a Class 3 cost estimate with an appropriate level of confidence.

Mr. Bradner confirmed that sufficient geotechnical data is available to proceed, though its quality and completeness vary across project sites. He noted that the tunnel alignment remains the least defined area, with subsurface conditions still in a preliminary state. While some portions of the project meet the expectations for a Class 3 estimate with "defined conditions," others are less advanced. For the tunnel alignment, the team will apply parametric analysis to assess potential impacts of varying conditions and ensure design robustness, which may result in additional cost allowances. Conversely, areas with more complete data are being refined to reduce conservatism. Certain elements, such as Site Discharge Drawings and Civil Site Layouts, are being advanced beyond the minimum Class 3 requirements to ensure the overall estimate is defensible.

Director Cheng requested clarification whether the completion of the BODR would provide a rational basis for bond sales, and if it is intended for internal justification or a requirement by bonding agencies for issuing ratings.

Mr. Bradner agreed that it involved components from each side. He emphasized the importance of maintaining a consistent and coherent package. This package could support bond offerings as it will be available to anyone interested in buying revenue bonds associated with the project. A systemwide design that is consistent and matches the cost estimate and economic analysis would be easier to understand in the financial world.

Director Anabtawi inquired if the BODR will be carried through the final design and be revisited throughout the design process.

Mr. Bradner noted that the BODR will be fundamental to the procurement of Engineer of Records teams as it will provide the design requirements and standards. The individual teams will need to provide a BODR and an associated 30% design for their specific project component(s).

No further comments or questions were received from the Board, nor were any public comment requests received.

c) Sr. Leadership Spotlight – Clint Rehermann, Program Support Manager

Informational Item

DCA Program Support Manager, Clint Rehermann, provided a senior leadership spotlight presentation to the Board, highlighting some of his many achievements in his professional and personal life. Mr. Rehermann obtained his Bachelor of Science degree in Agricultural Engineering at Cal Poly, San Luis Obispo, which led him to starting a career path in Program/Project Management at Parsons. This provided him with the opportunity to work on many projects such as PG&E Hydroelectric Power Generation Central Inspection Program, Crane Valley Dam Seismic Retrofit CM as Owner's Agent, Shanghai Bend Levee Reconstruction, Levee Slurry Wall Projects, and lastly multi-site building programs.

Mr. Rehermann highlighted some of the key programmatic functions he oversees at the DCA as a Program Support Division Manager. These functions consist of: Program Controls, Office Administration, Project Management Information Systems, Contracting & Procurement, Safety, Sustainability, and Quality.

President Milobar, along with Directors Martin, Weed and Luna, welcomed Mr. Rehermann to the team and expressed their enthusiasm to collaborate with him.

Director Cheng extended a warm welcome to Mr. Rehermann and expressed gratitude to Mr. Bradner for identifying high quality talent that is needed to support this project.

No further comments or questions were received from the Board, nor were any public comment requests received.

d) Adoption and Resolution Commending and Thanking Miguel Luna for His Service on the Board

Adopt Resolution

The Board adopted a resolution expressing appreciation to Director Luna for his dedicated service as a member of the Board since January 2023 and as the DCA's legislative liaison. Directors and staff acknowledged his significant contributions, including leadership in

legislative education, advocacy for safe, clean, and affordable water, and commitment to community engagement. He was recognized for his instrumental role in advancing the DCP and supporting diversity, equity, and inclusion initiatives.

Board members and staff expressed gratitude for his professionalism, collaborative spirit, personal warmth, and extended best wishes for his future endeavors.

Director Luna thanked the Board and staff for their support and reflected on the importance of investing in water infrastructure for future generations.

No comments or questions were received from the Board, nor were any public comment requests received.

Recommendation: Adopt Resolution, Motion to Adoption and Resolution Commending Miguel Luna for his Service on the Board

Motion to Adoption and Resolution Commending and Thanking Miguel Luna for His Service on the Board, as

Noted:	Milobar
Second:	Estremera
Yeas:	Milobar, Martin, Luna, Estremera, Cheng, Anabtawi, Weed
Nays:	None
Abstains:	None
Recusals:	None
Absent:	None
Summary:	7 Yeas; 0 Nays; 0 Abstain; 0 Absent. (Motion passed as Resolution 25-21).

8. STAFF REPORTS AND ANNOUNCEMENTS:

President Milobar mentioned that members of the public may address the Authority on matters pertaining to the Staff Reports at this time.

No public comment requests were received for any of the staff reports.

a. General Counsel's Report

Mr. Nelson gave his regards to Director Luna and had no additional information to report.

No comments or questions were received from the Board.

b. Treasurer's Report

DCA Treasurer, Katano Kasaine, informed the Board that the written report was included in the meeting packet and thanked Director Luna for his service on the DCA Board. As of July 1, 2025, the opening cash balance was $815,446. During the period, DCA received a

total of $6.58M in contributions and had disbursements totaling $6.83M, resulting in an ending cash balance of $564,823 as of September 30, 2025.

No comments or questions were received from the Board.

c. DCP Communications Report

DCA Communications Manager, Jessyca Sheehan, informed the Board that the Communications team has rolled out the first monthly communications dashboard. This dashboard is designed to provide a high-level summary of recent activities and upcoming priorities. The dashboard will serve as a key tool for evaluating the effectiveness of current strategies, particularly across digital platforms, and identifying areas for adjustment. She noted that the team has focused on strengthening DCA branding, enhancing digital presence, public access to digital forms of information, and optimizing social media engagement.

Ms. Sheehan emphasized the importance of key elements to DCA's new forward-thinking approach. These key elements consist of demonstrating fiscal discipline and innovation, showcasing confidence, readiness and progress, aligning and coordinating across partners, and improving accessibility and transparency.

Director Cheng thanked Ms. Sheehan for her comprehensive report and requested clarification on website analytics, specifically conversion and bounce rates.

Ms. Sheehan noted that the primary takeaway is the need for continued improvement of the website. She explained that as new fact sheets are published and traffic is directed to the site, the team is monitoring user behavior to determine whether visitors are finding desired information and engaging with content. She emphasized that this process would involve trial and error that will be guided by data and indicated that a more detailed update will be available in the coming months.

Director Luna asked for clarification regarding the strategies in multiple languages.

Ms. Sheehan informed the Board that translations for the new materials will be part of next year's transition plan.

No further comments or questions were received from the Board.

d. Legislative Liaison Report

Director Luna reflected on the past year's efforts to advance legislative engagement and public education regarding the DCP. He expressed appreciation to staff for their diligence in preparing materials, organizing meetings, and supporting legislative initiatives, including the Trailer Bill effort. While that initiative did not succeed, he emphasized the value of outreach and it being a worthwhile effort. Director Luna noted the strong collaboration between DCA and DWR to ensure consistent and accurate messaging, underscoring the importance of alignment as the project transitions toward implementation.

No comments or questions were received from the Board.

e. DWR Environmental Report

DWR Environmental Manager, Carrie Buckman, informed the Board that the Water Rights Hearing at the State Board is ongoing, with Protestant cases scheduled through the end of the month. Following this phase, the process will move into rebuttals early next year. She also reported that the Certification of Consistency with the Delta Plan was posted for public review on October 3rd.

Director Cheng expressed appreciation for the department's efforts in submitting the application ahead of schedule.

No further comments or questions were received from the Board.

f. Verbal Reports, if any

None.

9. FUTURE AGENDA ITEMS:

Mr. Bradner referenced the Audit Report being worked on for December. No other future Agenda Items were mentioned.

10. ADJOURNMENT:

President Milobar adjourned the meeting at 3:25 p.m., remotely-Conference Access Information: Phone Number: (669) 444-9171, Code: 88966794201#, https://dcdca-org.zoom.us/j/88966794201?from=addon.

DELTA CONVEYANCE DESIGN & CONSTRUCTION AUTHORITY

December 2025 Monthly Report

Activities in November 2025

Agenda Item 7a

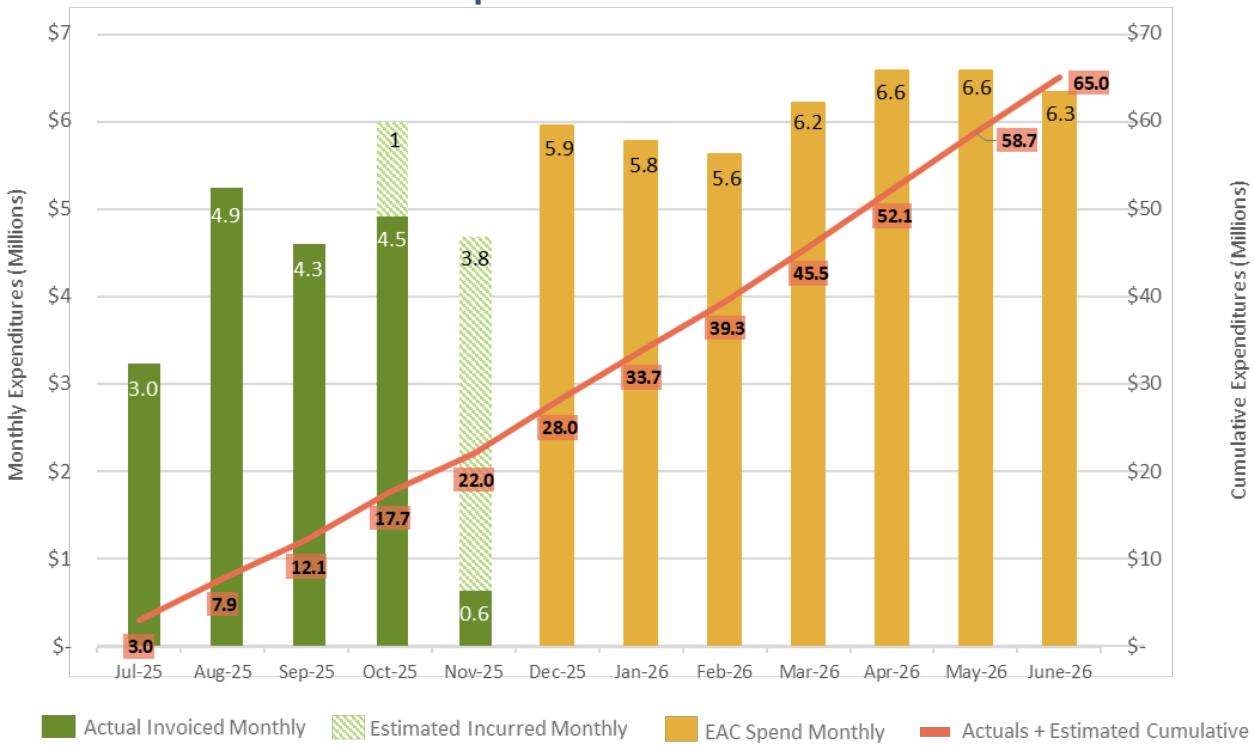
Delivering The Future: DCA At Work

KEY UPDATES FROM ACROSS THE PROJECT

- Support to DWR for ongoing permit efforts including Change in Point of Diversion hearings at the State Water Resources Control Board
- Engineering studies to advance the project design and consider potential refinements; updated cost estimate and Basis of Design Report planned for early 2027
- Development of internal management plans, procedures, and workflows for transitioning to delivery phase in 2027

Executive Summary

Actual/Forecasted Expenditures



Financials

- FY25/26 Budget = $65.0M
- Financial Performance: EAC = $65.0M; $56.4M committed; $17.5M incurred
- Work Progress: 40% complete vs. 39% estimated spent
- SBE/DVBE Participation: 9% of committed contracts; 7% of invoiced to date

Procurements

- There are no active professional services procurements at this time

Outreach

- Attendance at the ACWA Conference, had a booth presence with refreshed branding, and onsite support and engagement
- Developed additional cost messaging along with a supporting one-pager
- Created a Threads social media profile for DCA
- Preparing the first edition of the DCA Quarterly Newsletter

Activities and Highlights

TECHNICAL SERVICES	LAND ACQUISTION	ENVIRONMENTAL
NOVEMBER 2025 HIGHLIGHTS		
• Continued to support and prioritize access agreements for all types of field activities, including environmental, geotechnical, and surveying • Continued to review and update the Preliminary Baseline Schedule to include additional detail regarding scope and budget for activities planned through 2028 • Continued developing the Systemwide Basis of Design Report (BODR)	• Developed the right-of-way and temporary entry permit schedule • Oversaw Record Research by PSOMAS to map the existing encumbrances of record within the proposed alignment • Assembled temporary entry requirements and communications for potential restart of fieldwork in Spring 2026 • Coordinated with DCO and DCA Survey Manager on boundary surveys	• Continued to assemble project information to support DCO ongoing permit efforts • Finalized updates of DCP feature descriptions incorporating permit requirements and criteria • Coordinated with the Field Investigation Teams to update the Environmental Commitment program for future Geotechnical Investigations, including expansion of the capabilities of compliance tracking program
ONGOING		
• Continue development of BODR and coordinate organization of cost estimate with Program Support • Develop BODR content for review workshops in January • Complete Geotechnical Data Management Plan and Digital Tools Workplan • Continue to support DWR with information requests for environmental permitting	• Manage development, tracking and acquisition of temporary access rights to support field explorations and surveys • Prepare right-of-way cost estimate for all impacted parcels • Refine comprehensive understanding of complete permanent property requirements including easements and acquisitions • Continue to receive title reports • Continue work on Batch 5 TEPs	• Continue to develop environmentally-related portions of the BODR, including preparation of information required by environmental commitments, such as requirements for construction contractors • Continue to coordinate with DCO to develop a Tracking/Reporting Tool to document compliance with the environmental commitments during design, construction, and commissioning • Continue supporting Change of Point of Diversion hearings at the State Water Resources Control Board and other ongoing permitting processes being completed by DCO

Activities and Highlights

PROGRAM SUPPORT	COMMUNICATIONS	LEGAL	EXECUTIVE OFFICE
NOVEMBER 2025 HIGHLIGHTS			
• Initiated DCA file management overhaul and reorganization • Safety Working Group kickoff with DCA and DCO participants to prepare for upcoming field activities • Completion of sustainability benchmarking analysis and launched workplan for programmatic plan development	• Rolled out new booth materials at ACWA and supported onsite engagement • Developed additional cost messaging along with a supporting one-pager • Created a Threads social media profile for DCA • Launched paid social media trial on Instagram	• Continued assistance with contracting matters	• Developed Task Orders to onboard additional resources for Strategic Support Services to assist with Independent Technical Advisory activities. • Coordination and Planning on the HR Manager Recruitment process. • Conducted peer agency debriefs on lessons learned for Mega-Project Delivery • Participated in industry conferences on behalf of DCP
ONGOING			
• Cost Estimating Plan and Approach in collaboration with Technical Services • Integration of delivery phase program schedule with DCA Work Breakdown Structure • Development of standard procurement activities and timelines for delivery phase	• Continuing PWA communications assessment • Preparing the first edition of the DCA Quarterly Newsletter • Developing the Quarterly Communications Strategy Plan for FY 25-26 • Updating and organizing the DCA website Document Library	• Continue supporting legal needs for DCA and DWR • Assist Program Support and Executive Office with procurement and contract management efforts	• Participate in industry events to provide project updates • Prepare for project delivery phase and implementation considerations by PWAs targeted for 2027 • Onboarding the new HR Manager in December • Coordination with the Executive Support vendors on planning for the upcoming Independent Advisory Workshops

Communications Dashboard: November 2025

Upcoming

- Rollout first edition of DCA Quarterly Newsletter
- Ongoing materials refresh and translations
- Develop Quarterly Communications Strategy Plan for FY 25-26
- DCA website Document Library updates

Activities

- Continuing PWA Communications Assessment
- Developed additional cost messaging along with a supporting one-pager
- Rolled out new conference booth materials at ACWA Fall Conference



Website & Social Media

Website Sessions	6,796
Pageviews	9,940
Posts	12
Followers	4,505
Social Views	7,255
Interactions	1,232

Events

Attended: PPIC Water Conference
Upcoming: ACWA Fall Conference, California Infrastructure Development Conference & Expo, SCWC Quarterly Luncheon, Urban Water Institute Spring Conference

Materials

New

- DCA Threads profile
- Cost estimate one-pager

In Development

- External PowerPoint Template
- About DCA Fact Sheet
- Spanish & Chinese translations:
  - Reducing Impacts
  - Cost Efficiency

Budget | SUMMARY

The FY25/26 DCA budget has been approved at $65.0M (Table 1). We are currently forecasting an Estimate at Completion (EAC) budget of $65.0M (Table 1). Planned Geotechnical work has been reinstated and is now included in the EAC pending preliminary injunction removal. The DCA has committed $56.4M (details in Tables 2 and 3) and has incurred $17.5M in expenditures since July 1, 2025 (details in Tables 2 and 3). Planned vs. Actual cash flow curves are shown in Figure 1.

Table 1 | Monthly Budget Summary (FY 25/26)

	Original Budget	Current Budget	Current Commitments	Incurred to Date	EAC	Variance (Surplus)/Deficit
Program Management Office						
Executive Office	$ 5,002,300	$ 5,002,300	$ 4,834,275	$ 1,702,971	$ 6,895,775	$ 1,893,475
Community Engagement	1,449,000	1,449,000	1,167,351	586,257	1,571,717	122,717
Program Controls	6,956,000	6,956,000	7,075,809	1,416,305	7,075,809	119,809
Administration	5,678,600	5,678,600	5,764,748	1,966,949	6,189,686	511,086
Procurement & Contract Administration	950,900	950,900	950,731	224,151	950,731	(169)
Property	1,269,600	1,269,600	1,268,695	235,355	1,218,695	(50,905)
Permitting Management	2,765,000	2,765,000	2,567,114	625,488	2,489,425	(275,575)
Health and Safety	400,100	400,100	400,008	94,300	400,008	(92)
Quality Management	541,200	541,200	541,190	100,709	541,190	(10)
Sustainability	424,600	424,600	424,543	46,007	424,543	(57)
Geotechnical Management	818,100	818,100	818,305	242,032	918,305	100,205
Survey & Mapping Management	265,900	265,900	303,468	71,643	294,299	28,399
Program Initiation						
Engineering	$ 27,260,600	$ 27,260,600	$ 26,982,820	$ 9,455,018	$ 26,611,476	$ (649,124)
Program Delivery						
Project Delivery	$ 11,218,100	$ 11,218,100	$ 3,332,710	$ 715,305	$ 9,418,341	$ (1,799,759)
	$ 65,000,000	**$ 65,000,000**	**$ 56,431,765**	**$ 17,482,490**	**$ 65,000,000**	**$ -**

Budget | DETAIL

Table 2 | FY 25/26 Budget Detail, 1 of 2

Work Breakdown Structure	Original Budget	Current Budget	Current Commitments	Pending Commitment Changes	Actuals Received	Remaining Budget	% of Budget Incurred	Estimate At Completion	Variance (Surplus)/Deficit
Delta Conveyance	**$ 65,000,000**	**$ 65,000,000**	**$ 56,431,765**	**$ -**	**$ 17,482,490**	**$ 47,867,423**	**31%**	**65,000,000**	**$ -**
Executive Office	**5,002,300**	**5,002,300**	**4,834,275**	**-**	**1,702,971**	**3,299,329**	**35%**	**6,895,775**	**1,893,475**
Executive Office	3,276,700	3,276,700	3,295,270	-	1,247,604	2,029,096	38%	5,321,770	2,045,070
Legal	520,000	520,000	519,979	-	126,486	393,514	24%	369,979	(150,021)
Audit	18,000	18,000	18,000	-	4,435	13,565	25%	18,000	-
Treasury	355,300	355,300	347,613	-	72,609	282,691	21%	332,613	(22,687)
Human Resources	832,300	832,300	653,413	-	251,837	580,463	39%	853,413	21,113
Community Engagement	**1,449,000**	**1,449,000**	**1,167,351**	**-**	**586,257**	**862,743**	**50%**	**1,571,717**	**122,717**
Management	823,900	823,900	823,661	-	484,127	339,773	59%	946,777	122,877
Community Coordination	250,000	250,000	-	-	-	250,000	0%	250,000	-
Outreach	375,100	375,100	343,690	-	102,130	272,970	30%	374,940	(160)
Program Controls	**6,956,000**	**6,956,000**	**7,075,809**	**-**	**1,416,305**	**5,539,695**	**20%**	**7,075,809**	**119,809**
Management	477,100	477,100	480,020	-	116,726	360,374	24%	480,020	2,920
Risk Management	349,700	349,700	349,631	-	77,913	271,787	22%	349,631	(69)
Cost Management	1,952,200	1,952,200	1,952,115	-	348,709	1,603,491	18%	1,952,115	(85)
Schedule Management	1,448,500	1,448,500	1,448,473	-	448,588	999,912	31%	1,448,473	(27)
Document Management	695,800	695,800	695,770	-	124,223	571,577	18%	695,770	(31)
Cost Estimating	158,300	158,300	461,647	-	26,038	132,262	6%	461,647	303,347
Governance	1,688,300	1,688,300	1,688,154	-	274,108	1,414,192	16%	1,688,154	(146)
Asset Management	186,100	186,100	-	-	-	186,100	0%	-	(186,100)
Administration	**5,678,600**	**5,678,600**	**5,764,748**	**-**	**1,966,949**	**3,711,651**	**34%**	**6,189,686**	**511,086**
Management	1,776,300	1,776,300	1,776,221	-	361,317	1,414,983	20%	1,776,221	(79)
Facilities	1,675,300	1,675,300	1,760,315	-	836,754	838,546	48%	1,779,971	104,671
Information Technology	2,227,000	2,227,000	2,228,211	-	768,878	1,458,122	35%	2,633,494	406,494

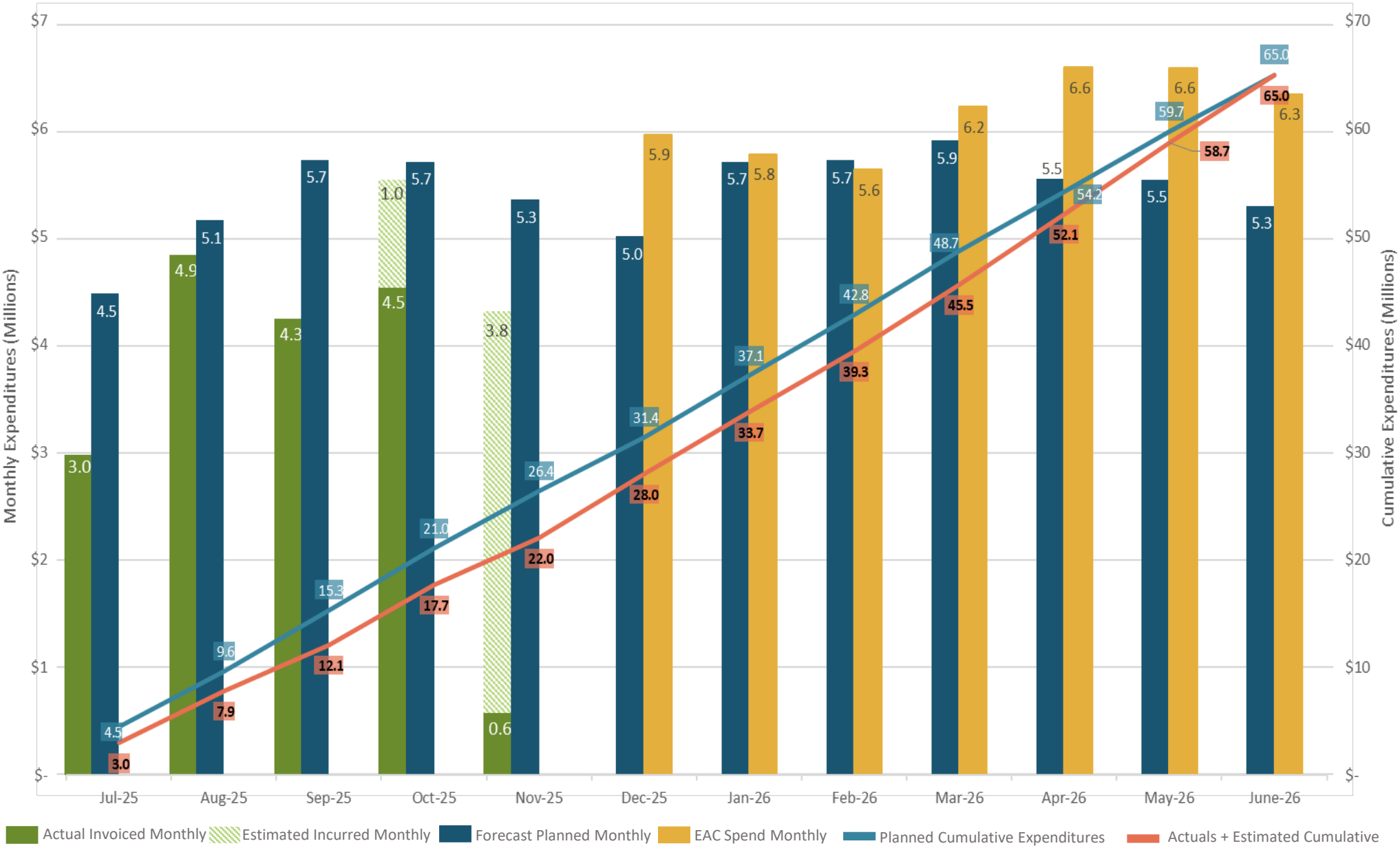
Budget | DETAIL

Table 2 | FY 25/26 Budget Detail, 2 of 2

Work Breakdown Structure	Original Budget	Current Budget	Current Commitments	Pending Commitment Changes	Actuals Received	Remaining Budget	% of Budget Incurred	Estimate At Completion	Variance (Surplus)/Deficit
Procurement & Contract Administration	**950,900**	**950,900**	**950,731**	**-**	**224,151**	**726,749**	**24%**	**950,731**	**(169)**
Procurement Management	950,900	950,900	950,731	-	224,151	726,749	24%	950,731	(169)
Property	**1,269,600**	**1,269,600**	**1,268,695**	**-**	**235,355**	**1,034,245**	**19%**	**1,218,695**	**(50,905)**
Management	-	-	-	-	-	-	0%	-	-
Property Agents	118,900	118,900	118,067	-	2,570	116,330	2%	118,067	(833)
Temporary Entrance Permits	826,900	826,900	800,506	-	59,310	767,590	7%	700,506	(126,394)
Land Purchase	173,800	173,800	200,122	-	173,475	325	87%	300,122	126,322
Court Ordered Entry	150,000	150,000	150,000	-	-	150,000	0%	100,000	(50,000)
Permitting Management	**2,765,000**	**2,765,000**	**2,567,114**	**-**	**625,488**	**2,489,425**	**24%**	**2,489,424**	**(275,575)**
Management	2,124,200	2,124,200	1,943,532	-	603,318	1,856,306	31%	1,856,305	(267,895)
Permit Monitoring and Compliance	640,800	640,800	623,582	-	22,170	633,119	4%	633,119	(7,681)
Health & Safety	**400,100**	**400,100**	**400,008**	**-**	**94,300**	**305,800**	**24%**	**400,008**	**(92)**
Management	400,100	400,100	400,008	-	94,300	305,800	24%	400,008	(92)
Quality Management	**541,200**	**541,200**	**541,190**	**-**	**100,709**	**440,491**	**19%**	**541,190**	**(10)**
Management & Auditing	541,200	541,200	541,190	-	100,709	440,491	19%	541,190	(10)
Sustainability	**424,600**	**424,600**	**424,543**	**-**	**46,007**	**378,593**	**11%**	**424,543**	**(57)**
Management	424,600	424,600	424,543	-	46,007	378,593	11%	424,543	(57)
Geotechnical Management	**818,100**	**818,100**	**818,305**	**-**	**242,032**	**576,068**	**30%**	**918,305**	**100,205**
Management	818,100	818,100	818,305	-	242,032	576,068	30%	918,305	100,205
Survey & Mapping Management	**265,900**	**265,900**	**303,468**	**-**	**71,643**	**194,257**	**24%**	**294,299**	**28,399**
Management	265,900	265,900	303,468	-	71,643	194,257	24%	294,299	28,399
Engineering	**27,260,600**	**27,260,600**	**26,982,820**	**-**	**9,455,018**	**17,805,582**	**35%**	**26,611,476**	**(649,124)**
Management & Administration	3,475,300	3,475,300	3,103,360	-	791,852	2,683,448	26%	3,190,163	(285,137)
Facility Studies	50,500	50,500	65,426	-	65,155	(14,655)	100%	65,426	14,926
Basis of Design Reports	21,091,900	21,091,900	21,005,653	-	8,053,640	13,038,260	38%	20,788,420	(303,480)
Program Delivery Planning	2,440,500	2,440,500	2,440,435	-	520,985	1,919,515	21%	2,321,177	(119,323)
Permit Engineering Support	202,400	202,400	367,946	-	23,386	179,014	6%	246,290	43,890
Project Delivery	**11,218,100**	**11,218,100**	**3,332,710**	**-**	**715,305**	**10,502,795**	**21%**	**9,418,341**	**(1,799,759)**
Project Geotechnical	5,189,900	5,189,900	1,514,031	-	355,608	4,834,292	23%	5,189,900	-
Project Surveying and Mapping	1,818,700	1,818,700	1,818,679	-	359,696	1,459,004	20%	1,798,679	(20,021)
Undefined Allowance	4,209,500	4,209,500	-	-	-	4,209,500	0%	2,429,763	(1,779,737)

Budget | DETAIL

Figure 1| FY 25/26 Cash Flow to Date



Contracts

Table 3 - Contract Summary (FY 25/26)

Description	Commitment Amount	Invoiced to Date	Percent Invoiced
Delta Conveyance	$ 56,431,765	$ 17,482,490	31%
e-Builder, Inc.	$ 236,599	$ 236,599	100%
Jacobs Engineering Group	$ 31,531,040	$ 10,536,841	33%
Hamner, Jewell & Associates	$ 63,995	$ -	0%
Bender Rosenthal, Inc.	$ 650,628	$ 232,785	36%
Associated Right of Way Services, Inc.	$ 54,072	$ 2,570	5%
Psomas	$ 1,818,679	$ 359,696	20%
Parsons	$ 12,180,848	$ 2,467,261	20%
Prime US-Park Tower, LLC	$ 1,342,276	$ 670,219	50%
110 Holdings dba Launch Consulting, LLC	$ 921,619	$ 273,924	30%
JAMBO-Silvacom LTD	$ 39,598	$ 36,665	93%
Best Best & Krieger	$ 519,979	$ 126,486	24%
Metropolitan Water District of S. California	$ 624,250	$ 57,186	9%
Dept of Water Resources	$ 500,000	$ -	0%
AECOM Technical Services	$ 1,514,031	$ 355,608	23%
Gwendolyn Buchholz, Permit Engineer Inc	$ 245,913	$ 101,394	41%
AVI-SPL LLC	$ 47,617	$ 14,563	31%
Bradner Consulting LLC	$ 629,610	$ 260,385	41%
Alliant Insurance	$ 30,040	$ 27,549	92%
Lucas Public Affairs, LLC	$ 1,055,575	$ 581,251	55%
STV Incorporated	$ 976,588	$ 257,345	26%
LuxBus America	$ 18,750	$ 3,860	21%
CohnReznick Advisory LLC	$ 572,075	$ 491,723	86%
Project Neutral, Inc.	$ 117,545	$ 96,596	82%
Caltronics Business Systems	$ 34,989	$ 11,523	33%
Municipal Resource Group, LLC	$ 154,102	$ 40,291	26%
Miles Treaster & Associates	$ 18,000	$ 1,490	8%
Matthew Ian Keogh	$ 15,600	$ 1,008	6%
onPar Advisors LLC	$ 125,508	$ 125,508	100%
Santiago Water Strategies	$ 72,750	$ 32,038	44%
Consolidated Communications, Inc.	$ 113,256	$ 2,849	3%
AT&T	$ 57,875	$ -	0%
Agreements <$15k	$ 148,357	$ 77,278	52%

S/DVBE Status

FY 25/26

DCP Overview

Total Delta Conveyance Commitment	Total Delta Conveyance Invoiced	Total SBE Commitment	Total DVBE Commitment	Total SBE Invoiced	Total DVBE Invoiced	SBE Total % Committed	DVBE Total % Committed	SBE Total % Invoiced	DVBE Total % Invoiced
$56,431,765	$17,482,490	$5,172,543	$0	$1,164,233	$0	9%	0%	7%	0%

SBE/DVBE Vendor Detail

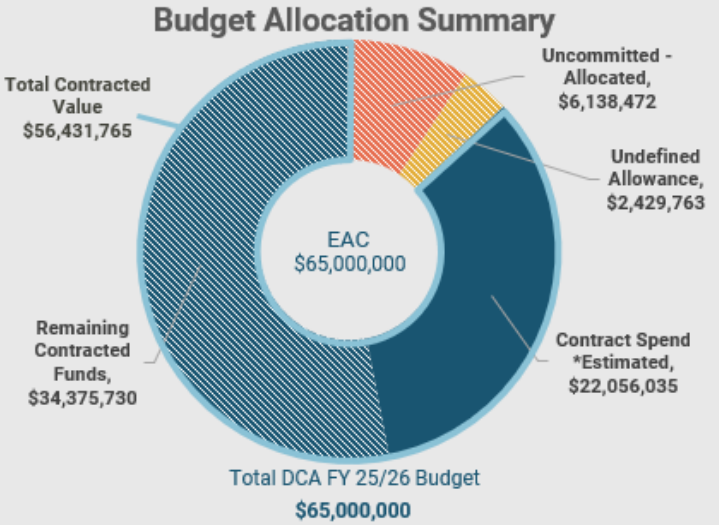
Prime	Sub Consultant	SBE Status	Prime Commitment	Prime Invoiced to Date	SBE/DVBE Commitment	SBE/DVBE Invoiced to Date	SBE/DVBE % Committed	SBE/DVBE % Invoiced
AECOM Technical Services			**$1,514,031**	**$355,608**	**$0**	**$0**	**0.0%**	**0.0%**
	Inspection Services, Inc.	SBE			$0	$0	0.0%	0.0%
Associated Right of Way Services, Inc.		**SBE**	**$54,072**	**$2,570**	**$54,072**	**$2,570**	**100.0%**	**100.0%**
Bender Rosenthal, Inc.		**SBE**	**$650,628**	**$232,785**	**$650,628**	**$232,785**	**100.0%**	**100.0%**
Caltronics Business Systems		**SBE**	**$34,989**	**$11,523**	**$34,989**	**$11,523**	**100.0%**	**100.0%**
Hamner, Jewell & Associates		**SBE**	**$63,995**	**$0**	**$63,995**	**$0**	**100.0%**	**100.0%**
Jacobs Engineering Group			**$31,531,040**	**$10,536,841**	**$1,356,470**	**$224,199**	**4.3%**	**2.1%**
	5RMK	SBE			$142,975	$13,512	0.5%	0.13%
	JMA	SBE			$800,039	$88,732	2.5%	0.8%
	LCI	SBE			$138,436	$71,612	0.4%	0.7%
	Peter Wiseman	SBE			$0	$0	0.0%	0.0%
	Robert Marshall	SBE			$0	$0	0.0%	0.0%
	REY Engineers	SBE			$275,020	$50,343	0.9%	0.5%
Lucas Public Affairs, LLC			**$1,055,575**	**$581,251**	**$237,605**	**$125,518**	**22.5%**	**21.6%**
	Lunia Blue	SBE			$237,605	$125,518	22.5%	21.6%
Municipal Resource Group, LLC		**SBE**	**$154,102**	**$40,291**	**$154,102**	**$40,291**	**100.0%**	**100.0%**
Parsons			**$12,180,848**	**$2,467,261**	**$2,620,682**	**$527,348**	**21.5%**	**21.4%**
	Chaves	SBE			$2,620,682	$527,348	21.5%	21.4%

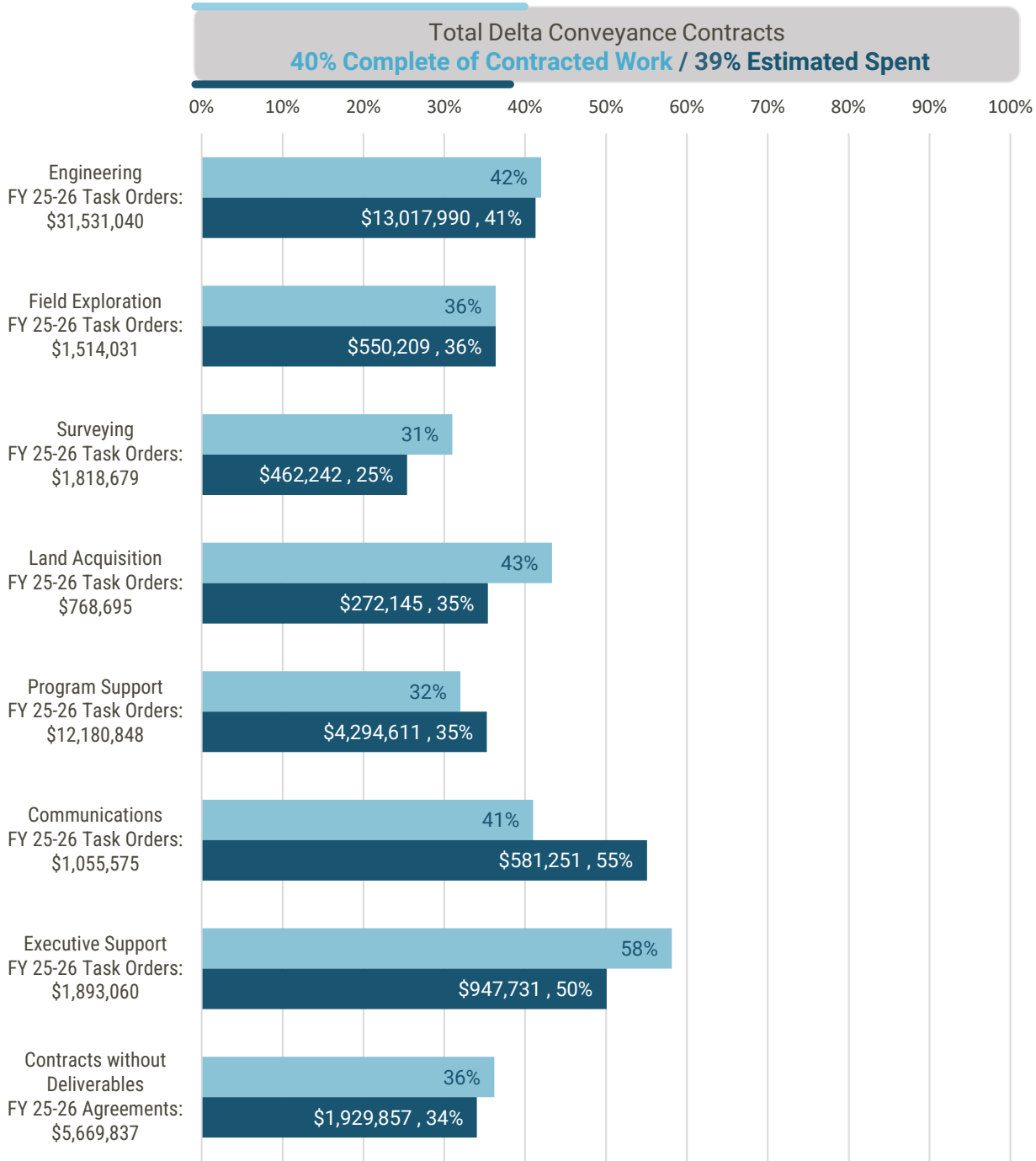
Contract Procurement

There are no active professional services procurements at this time.

Progress Reporting

As of 11/31/2025





Progress Reporting Notes

- **'Percent Complete of Contracted Work'** represents overall progress of work completed from the beginning of the fiscal year through the most recent completed month. Overall work progress is a cost-weighted calculation of deliverable-based progress and labor effort as described in vendor agreements and updated monthly.
- **'Estimate Percent Spent'** provides an approximation of fiscal year costs through the most recent completed month. Actual costs may be revised based on invoice details. Percent calculations of expenditures are based on the amount spent compared to the contracted work for FY 25/26.

DELTA CONVEYANCE DESIGN & CONSTRUCTION AUTHORITY

Board Memo

Contact: Catherine Sheane, Sustainability Manager

Date: December 18, 2025, Board Meeting **Item:** 7b

Subject: Approach to DCA Programmatic Sustainability

Summary:

This item provides an update on the DCA's approach to Programmatic Sustainability.

Detailed Report:

In 2023, the Board of Directors adopted a Sustainability Policy. This Policy established sustainability goals and outlined a process for approaching and including sustainability in the implementation of the Delta Conveyance Project (DCP). The Policy requires the development of a DCA Programmatic Sustainability Plan that will be used to guide the development of feature-based Project Sustainability Management Plans.

Since adoption of the policy, staff have reviewed and considered approaches to programmatic sustainability and recommends using the Envision Sustainable Infrastructure Rating System (Envision) to benchmark and self-assess sustainability achievement of the DCP. This approach considers priorities and goals of key stakeholders, including California Department of Water Resources (DWR) and the 16 DCA member agencies, and establishes a flexible, iterative framework for measuring, tracking, reporting, and achieving sustainability progress as the Program advances.

Staff have conducted iterative benchmarking of the DCP. This benchmarking exercise shows that the Program sustainability performance improves as details become available. Current benchmarking shows that the program would meet the "Verified" level of Envision Award with current program commitments and requirements.

The benchmarking also identifies opportunities, either within DCA's purview or related to operational activities, with the potential for a "Platinum" award if all opportunities were pursued. While Envision is the most appropriate framework against which to benchmark, staff have determined it is premature to commit to a third-party verification at this time due to the early stages of project development and the wide variety of opportunities that remain to be assessed. However, continuing to use Envision as a self-assessment tool will capture win-wins, using a vetted set of metrics, targets, and a common language to communicate sustainability achievement. This approach provides flexibility and leaves the door open for third-party verification at a later date.

By the end of this fiscal year, staff will prepare the first iteration of the Programmatic Sustainability Plan, which will establish a process for continued sustainability monitoring and reporting throughout the programmatic and project phases.

Recommended Action:

Informational item, only.

Attachments:

None.

DELTA CONVEYANCE DESIGN & CONSTRUCTION AUTHORITY

Board Memo

Contact: Graham Bradner, Executive Director
Russel Robertson, MGO Director

Agenda Date: December 18, 2025 Board Meeting **Item No.** 7c

Subject: Annual Financial Audit Report

Summary:
The Director of MGO, DCA's Auditor, will update the Board on the Annual Financial Audit Report which is included in the packet.

Detailed Report:
More details will be presented at the Board Meeting.

Action:
Information, only.

Attachments:

Attachment 1 - Fiscal Year 2024/25 Financial Audit Report

Attachment 2 - Statements of Cash Receipts and Disbursements

DELTA CONVEYANCE DESIGN AND CONSTRUCTION AUTHORITY

Report to the Board of Directors

June 30, 2025

mgo. | Certified Public Accountants

Board of Directors
Delta Conveyance Design and
Construction Authority
Sacramento, California

We are pleased to present this report related to our audit of the Delta Conveyance Design and Construction Authority's (the Authority) statements of cash receipts and disbursements (the financial statements), for the years ended June 30, 2025, and 2024. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Authority's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the Authority.

Macias Gini & O'Connell LLP

Los Angeles, California
September 29, 2025

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Required Communications 1

REQUIRED COMMUNICATIONS

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the audit of the statements of cash receipts and disbursements (financial statements) as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America described to the Metropolitan Water District of Southern California (Metropolitan), as trustee and management of the Authority, in our engagement letter dated May 9, 2025. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have communicated to Metropolitan the planned scope and timing of our audit in our engagement letter dated May 9, 2025, and in our Audit Plan presented to Metropolitan's Audit Committee on June 9, 2025.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices
Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Authority. The Authority did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the fiscal years ended June 30, 2025 and 2024.

Significant Accounting Policies
A summary of the significant accounting policies adopted by the Authority is included in Note 1 to the financial statements. We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Unusual Transactions
We did not identify any significant unusual transactions.

Management's Judgments and Accounting Estimates
Management does not use significant accounting estimates in the preparation of the financial statements.

Audit Adjustments and Uncorrected Misstatements

There were no audit adjustments made to the original trial balance presented to us to begin our audit. We are unaware of any uncorrected misstatements.

Observations About the Audit Process

Disagreements With Management
We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the basic financial statements.

Consultations With Other Accountants
We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed With Management
No significant issues arising from the audit were discussed or were the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit
We did not encounter any significant difficulties in dealing with management during the audit.

Difficult or Contentious Matters That Required Consultation
We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

Shared Responsibilities for Independence

Independence is a **joint responsibility** and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with American Institute of Certified Public Accountants (AICPA) and *Government Accountability Office* (GAO) independence rules. For MGO to fulfill its professional responsibility to maintain and monitor independence, management, the Board of Directors and MGO each play an important role.

Our Responsibilities
- AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. MGO is to ensure that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality management over compliance with independence rules and firm policies.

The Authority's Responsibilities
- Timely inform MGO, before the effective date of transactions or other business changes, of the following:
  - New affiliates, Board members, or officers.
  - Changes in the organizational structure or the reporting entity impacting affiliates such as partnerships, related entities, investments, joint ventures, component units, and jointly governed organizations.
- Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the Authority and its affiliates, officers, Board members, or persons in a decision-making capacity, engaging in business relationships with MGO.
- Not entering into arrangements of nonaudit services resulting in MGO being involved in making management decisions on behalf of the Authority.
- Not entering into relationships resulting in close family members of MGO covered persons, temporarily or permanently acting as an officer, director, or person in an accounting, financial reporting or compliance oversight role at the Authority.

Management Representations

We have requested certain written representations from management, which are included in the management representation letter dated September 29, 2025.

DELTA CONVEYANCE DESIGN AND CONSTRUCTION AUTHORITY

Statements of Cash Receipts and Disbursements
(Cash Basis of Accounting)

Years Ended June 30, 2025 and 2024

(With Independent Auditor's Report Thereon)

DELTA CONVEYANCE DESIGN
AND CONSTRUCTION AUTHORITY
Years Ended June 30, 2025 and 2024

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Independent Auditor's Report

Board of Directors
Delta Conveyance Design and
Construction Authority
Sacramento, California

Opinion

We have audited the statements of cash receipts and disbursements of the Delta Conveyance Design and Construction Authority (the Authority) for the years ended June 30, 2025 and 2024, and the related notes to the statements of cash receipt and disbursements (the financial statements).

In our opinion, the accompanying financial statements presents fairly, in all material respects, the cash receipts and disbursements of the Authority for the years ended June 30, 2025 and 2024, in accordance with the cash basis of accounting described in Note 1.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our

opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of the material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Other Information

Management is responsible for the other information included in this report. The other information comprises the DWR charges on behalf of the Authority, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Macias Gini & O'Connell LLP

Los Angeles, California
September 29, 2025

DELTA CONVEYANCE DESIGN AND CONSTRUCTION
JOINT POWERS AUTHORITY
Statements of Cash Receipts and Disbursements
(Cash Basis of Accounting)
Years Ended June 30, 2025 and 2024

	2025	2024
Receipts:		
Contributions	$ **31,597,154**	$ 29,963,150
Disbursements:		
Program management office:		
Executive office	**2,528,074**	2,386,252
Community engagement	**1,066,403**	792,537
Program controls	**4,837,706**	3,659,106
Administration	**3,525,216**	3,129,414
Procurement	**659,676**	465,938
Property	**451,343**	431,575
Permitting management	**563,438**	480,746
Health and safety	**395,223**	290,114
Quality management	**806,289**	325,849
Program initiation office:		
Engineering	**12,820,132**	11,317,553
Fieldwork	**3,610,241**	7,344,039
Geotechnical Management	**270,831**	—
Total disbursements	**31,534,572**	30,623,123
Net change in cash	**62,582**	(659,973)
Cash at beginning of year	**752,864**	1,412,837
Cash at end of year	$ **815,446**	$ 752,864

(1) Reporting Entity and Summary of Significant Accounting Policies

The Delta Conveyance Design and Construction Authority (the Authority) was formed on May 14, 2018 and is a separate governmental entity composed of sixteen participating public water agencies (PWA) that are members of the State Water Contractors, Inc. (SWC). The Authority's original purpose under the Amended and Restated Joint Exercise of Powers Agreement (JEPA) was to assist the California Department of Water Resources (DWR) in the design and construction of new Delta water conveyance facilities, also known as California WaterFix (CWF), to be owned and operated by DWR when constructed. With the State's new water policy for California and DWR's withdrawal of CWF project approval and announcement that it would embark on new planning and environmental documentation for a Delta Conveyance Project on May 2, 2019, the Authority's purpose was changed to provide services to DWR in support of the new planning and environmental work during the Planning Phase as stated on Amendment No. 1 of the JEPA for a potential Delta Conveyance Project (DCP).

By means of the Amended and Restated Joint Powers Agreement (the Agreement) effective December 31, 2020 , the participating PWAs, which include the Alameda County Flood Control Zone 7 Water District , Alameda County Water District, Antelope Valley-East Kern Water Agency, Coachella Valley Water District, Crestline-Lake Arrowhead Water Agency, Desert Water Agency, Dudley Ridge Water District, Kern County Water Agency, Mojave Water Agency, Palmdale Water District, Santa Clara Valley Water District, Santa Clarita Valley Water Agency, San Bernardino Valley Municipal Water District, San Gabriel Valley Municipal Water District, San Gorgonio Pass Water Agency, and the Metropolitan Water District of Southern California (Metropolitan), agreed to create the Authority. Each participating PWA has approved a proportionate share of initial funding for the Planning Phase as defined in the JEPA and as explained below. The Authority is governed by a seven-member Board of Directors (the Board), including one member from Metropolitan Water District, Santa Clara Valley Water District, and Kern County Water Agency and four members from other participating PWA selected by classes of SWC as set forth in the Agreement.

Pursuant to the Agreement and its predecessor, the Board contracted Metropolitan to perform treasury services through an Inter-Agency Agreement between Metropolitan and the Authority dated June 5, 2018. The Inter-Agency Agreement designates Metropolitan as trustee over all funds of the Authority and requires that such monies be placed in a special fund designated the "DCA Fund" (the Fund). Disbursements from the Fund are made by Metropolitan at the direction of the Authority.

The Authority's policy is to prepare its statements of cash receipts and disbursements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP). Consequently, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying statements of cash receipts and disbursements are not intended to present the Authority's financial position and results of operations, in conformity with U.S. GAAP.

(2) Delta Conveyance Project

On April 29, 2019, Governor Newsom issued an executive order calling for the development of a water resilience portfolio that meets the needs of California's communities, economy, and environment through the 21st century. This includes the governor's vision for a modern water supply infrastructure,

(2) Delta Conveyance Project (continued)

a more climate resilient water supply for people and the environment, and the State Water Project (SWP) must be updated to respond to climate change.

Accordingly, DWR launched the Planning Phase as defined above and released a Notice of Preparation on January 15, 2020, which initiated the California Environmental Quality Act (CEQA) scoping period that later concluded on April 17, 2020. On June 15, 2020, DWR submitted a permit application to request authorization for the proposed Delta Conveyance project activities in the waters of the United States. The Section 404 permit application was submitted in order to formally engage the United States Army Corps of Engineers (USACE) in early coordination with DWR's CEQA process regarding environmental review under USACE's process for compliance with the National Environmental Policy Act and the Clean Water Act and Rivers and Harbors Act.

Eighteen PWAs took action in November and December 2020 and approved their participation in the planning and pre-construction costs for the Delta Conveyance Project and authorized the execution of a funding agreement with DWR for such purpose. Funding for completing the environmental process, including the Environmental Impact Report (EIR) and Environmental Impact Statement and the endangered species permits, is initially estimated at $340.7 million for calendar years 2021 through 2024. Approved funding was subsequently extended to cover permitting and planning costs through end of 2025. In late 2024, the participating PWAs received a request for additional funding of $300 million for 2026-2027 to support continued planning and permitting activities by DWR, and to allow DCA to initiate pre-construction activities to advance the DCP. Future funding for the project will be approved by the participating PWAs at the start of each phase. It is anticipated that this will include a decision on whether to participate in DCP implementation.

On July 27, 2022, DWR released a public Draft Environmental Impact Report (Draft EIR) under the California Environmental Quality Act for the Delta Conveyance Project for review and comments. A range of reasonable alternatives are identified and their potential impacts on environmental resources are analyzed in the Draft EIR. The Draft EIR also discusses Community Benefits Program framework as part of the Delta Conveyance Project to help protect and enhance the cultural, recreational, natural resource and agricultural values of the Delta. DWR's ongoing tribal consultation process as part of its environmental planning, consistent with State statutes and policies, are also documented in the Draft EIR. The public comment period for the Draft EIR closed on December 16, 2022. DWR reviewed and responded to substantive comments received on the Draft EIR and certified the Final EIR in December 2023, approving the project and proceeding with the Bethany Reservoir Alignment.

In addition, the USACE released the draft environmental impact statement (EIS) for public review and comment in December of 2022. The comment period closed on March 16, 2023, and USACE is working on finalizing the EIS.

The Authority prepared the updated cost estimate for the Delta Conveyance Project and released it in May 2024. The cost of the project is estimated to be $20.1 billion in real 2023 (undiscounted) dollars. A preliminary cost assessment conducted in 2020, early in the design process, estimated the project at $15.9 billion. Accounting for inflation to 2023 dollars, the two estimates are similar in cost. The Authority conducted a preliminary value engineering exercise to identify design and construction innovations that present opportunities to cut costs, save time, and reduce risks.

(2) Delta Conveyance Project (continued)

On May 16, 2024, DWR released a benefit-cost analysis for the Delta Conveyance Project that finds the infrastructure modernization project would create billions of dollars in benefits for California communities, including reliable water supplies, climate change adaptation, earthquake preparedness and improved water quality. The analysis concluded that the project would deliver nearly $38 billion in benefits, preventing both water shortages and water rationing, and saving more water during wet years. For every $1 spent, $2.20 in benefits would be generated.

DELTA CONVEYANCE DESIGN
AND CONSTRUCTION AUTHORITY
Other Information – Summary of DWR Charges on Behalf of the Authority (Unaudited)

	For the Years ended June 30,	
	2025	2024
Disbursements:		
Program management office:		
Property	**$ 29,020**	$ 66,750

Note to Other Information

DWR incurred certain costs in support of the planning and environmental phase of the Delta Conveyance Project as well as the previous CWF project that were not directly billed to the Authority. These costs were excluded from the disbursements in the statements of cash receipts and disbursements because there were no actual cash inflow or outflow recorded on a cash basis of accounting. However, these costs were still recorded as expenses by the Authority with a corresponding credit to revenue.

DELTA CONVEYANCE DESIGN & CONSTRUCTION AUTHORITY

Board Memo

Contacts: Josh Nelson, General Counsel

Date: December 18, 2025, Board Meeting **Item No.** 7e

Subject:
Adopt Resolution Amending the Authority's Conflict of Interest Code

Suumary:
The Political Reform Act (the "Act") requires all public agencies to adopt and maintain a Conflict of Interest Code containing the rules for disclosure of personal assets and the prohibition from making or participating in making governmental decisions that may affect any personal assets. The Conflict of Interest Code must specifically designate all Authority positions that make or participate in the making of decisions and assign specific types of personal assets to be disclosed that may be affected by the exercise of powers and duties of that position.

The Act further requires that the Authority regularly review and update its Code as necessary when directed by the code-reviewing body or when change is necessitated by changed circumstances. (Gov. Code §§ 87306 and 87306.5)

Pursuant to the Act, the Authority adopted a Conflict of Interest Code which was last amended on May 19, 2022. Given organizational changes since that time and based on direction from the Fair Political Practices Commission, the Authority has determined that the Code should be amended to include new positions required to be designated, revise titles of existing positions and revise disclosure categories to include a new category.

Attached is a redline version of the amended Code showing the proposed revisions to the Conflict of Interest Code.

Recommended Action:
Adopt Resolution to amend the Conflict of Interest Code of the Delta Conveyance Design & Construction Authority and directing that such amendment be submitted to the Fair Political Practices Commission as the Authority's code-reviewing body (Gov. Code § 82011) requesting approval of the amendment as required under Government Code section 87303.

Attachments:
Attachment 1 - Resolution No. 25-XX
Attachment 2 - Conflict of Interest Code Legislative Copy (redline)
Attachment 3 - Explanation of Amendment
Attachment 4 - Conflict of Interest Code Clean Copy

BOARD OF DIRECTORS OF THE DELTA CONVEYANCE

DESIGN AND CONSTRUCTION AUTHORITY

RESOLUTION NO. 25-XX

Introduced by Director xxxx
Seconded by Director xxxx

RESOLUTION OF THE ¬¬BOARD OF DIRECTORS OF THE DELTA CONVEYANCE DESIGN & CONSTRUCTION AUTHORITY AMENDING A CONFLICT OF INTEREST CODE PURSUANT TO THE POLITICAL REFORM ACT OF 1974

WHEREAS, the State of California enacted the Political Reform Act of 1974, Government Code section 81000, et seq. (the "Act"), which contains provisions relating to conflicts of interest which potentially affect all officers, employees and consultants of the Delta Conveyance Design & Construction Authority (the "Authority") and requires all public agencies to adopt and promulgate a conflict of interest code; and

WHEREAS, the Board of Directors adopted a Conflict of Interest Code (the "Code") which was adopted on May 19, 2022, in compliance with the Act; and

WHEREAS, subsequent changed circumstances within the Authority have made it advisable and necessary pursuant to sections 87306 and 87307 of the Act to amend and update the Authority's Code; and

WHEREAS, the potential penalties for violation of the provisions of the Act are substantial and may include criminal and civil liability, as well as equitable relief which could result in the Authority being restrained or prevented from acting in cases where the provisions of the Act may have been violated; and

WHEREAS, notice of the time and place of a public meeting on, and of consideration by the Board of Directors of the proposed amended Code was provided to each affected designated position and publicly posted for review at the offices of the Authority establishing a 45-day comment period in compliance with Title 2 California Code of Regulations, section 18750(a)(3); and

WHEREAS, a public meeting was held upon the proposed Conflict of Interest Code at a regular meeting of the Board of Directors on December 18, 2025, at which all present were given an opportunity to be heard on the proposed amended Conflict of Interest Code.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Delta Conveyance Design & Construction Authority that the Board of Directors does hereby amend the proposed Conflict of Interest Code, a copy of which is attached hereto and shall be on file

with the Executive Director of the Board and available to the public for inspection and copying during regular business hours;

BE IT FURTHER RESOLVED that the said Conflict of Interest Code shall be submitted to the Fair Political Practices Commission for approval and said amendment to the Code shall become effective upon approval by the Fair Political Practices Commission, as submitted.

* * * * *

This Resolution was passed and adopted this 18th day of December 2025, by the following vote:

Ayes:
Noes:
Absent:
Abstain:

Martin Milobar, Board President

Attest:

Gary Martin, Secretary

DELTA CONVEYANCE DESIGN & CONSTRUCTION AUTHORITY CONFLICT OF INTEREST CODE

The Political Reform Act (Gov. Code Section~~§~~ 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (2 California~~.~~ Code Regulation~~s~~. ~~§~~ Section 18730) that contains the terms of a standard conflict of interest code which can be incorporated by reference in an agency's code. After public notice and hearing, Regulation 18730 may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations ~~section~~ Section 18730, and any amendments to it duly adopted by the Fair Political Practices Commission, are hereby incorporated by reference. This ~~incorporation page, Regulation 18730~~ regulation and the attached Appendix designating positions and establishing disclosure categories, shall constitute the conflict of interest code of the Delta Conveyance Design & Construction Authority (the "Authority").

Members of the Board of Directors, Board Alternates, Treasurer and Executive Director shall electronically file their statements of economic interests directly with the Fair Political Practices Commission. All other officials and designated positions required to submit a statement of economic interests shall file their statements with the **Executive Director** as the Authority's Filing Officer/Official who shall make all retained statements available for public inspection and reproduction during regular business hours. (Gov. Code § 81008.)

APPENDIX

CONFLICT OF INTEREST CODE

OF THE

DELTA CONVEYANCE DESIGN &

CONSTRUCTION AUTHORITY

PART "A"

OFFICIALS WHO MANAGE PUBLIC INVESTMENTS

The following positions are NOT covered by the conflict of interest code because they must file under Government Code Section 87200 and, therefore, are listed for informational purposes only. ~~Officials who manage public investments, as defined by 2 California Code of Regulations section 18700.3, are NOT subject to the Authority's Code, but must file disclosure statements under Government Code section 87200. [Regs. § 18730(b)(3)] These positions are listed here for informational purposes only.~~

~~It has been determined that the positions listed below are officials who manage public investments[1]:~~

Members, Board of Directors and Alternates

Treasurer

[1] An ~~I~~individual~~s~~ holding one of the above-listed positions may contact the Fair Political Practices Commission for assistance or written advice regarding their filing obligations if they believe that their position has been categorized incorrectly. The Fair Political Practices Commission makes the final determination whether a position is covered by Government Code Section 87200.

DESIGNATED POSITIONS

GOVERNED BY THE CONFLICT-OF-INTEREST CODE

DESIGNATED POSITIONS' TITLE OR FUNCTION	DISCLOSURE CATEGORIES ASSIGNED
Administrative Manager	5
Chief Contracting Officer	5
Chief Engineer	2, 3, 5, 6
Communications Manager	5
~~Contracting~~ Procurement Manager	4
Deputy Communications Manager	5
Deputy Executive Director	1, 2
Deputy - Integration Manager	5
Deputy Program Support Manager	5
Engineering Design Manager	5
~~Engineering Project Manager~~ Technical Services Manager	5
Deputy Engineering Design Manager	5
Deputy Environmental Manager	2, 5
Environmental Manager	2, 5
Executive Director	1, 2
Exploration Manager	5
General Counsel	1, 2
Geotechnical Manager	5
Health, Safety and Security Manager	5
HR Manager	5

DESIGNATED POSITIONS' TITLE OR FUNCTION	DISCLOSURE CATEGORIES ASSIGNED
Program Controls Manager	4
Program Management Information Systems Manager	5
Program Support Manager	5
Project Design Manager	5
Property Acquisition Manager	2, 5
Survey Manager	5
Sustainability Manager	5

~~Consultants and New Positions*~~

* Consultant/new positions shall be included in the list of designated positions and shall disclosure pursuant to the broadest disclosure category in the code subject to the following limitations:~~Individuals providing services as a Consultant defined in Regulation 18700.3 or in a new position created since this Code was last approved that makes or participates in making decisions shall disclose pursuant to the broadest disclosure category in this Code subject to the following limitation:~~

The Executive Director may determine in writing that a particular consultant or new positiion, although a "designated position", is hired to perform a range of duties that is limited in scope and thus is not required to comply fully with the disclosure requirements described in this section. Such written determination shall include a description of the consultant's or new position's duties and, based upon that description, a statement of the extent of disclosure requirements. ~~due to the range of duties or contractual obligations, it is more appropriate to assign a limited disclosure requirement. A clear explanation of the duties and a statement of the extent of the disclosure requirements must be in a written document. (Gov. Code Sec. 82019; FPPC Regulations 18219 and 18734.)~~The Executive Director's determination is a public record and shall be retained for public inspection in the same manner and location as this Conflict-of-Interest Code. (Gov. Code Sec. 81008.)

PART "B"

DISCLOSURE CATEGORIES

The disclosure categories listed below identify the types of economic interests that the designated position must disclose for each disclosure category to which ~~he or she is~~ they are assigned "Investment" means financial interest in any business entity (including a consulting business or other independent contracting business) and are reportable if they are either located in, doing business in, planning to do business in, or have done business during the previous two years in the jurisdiction of the Authority.

Category 1: All investments, ~~and~~ business positions in business entities, and sources of income~~,~~ (including receipt of gifts, loans and travel payments)~~,~~ that are located in, do business in, or own real property within the jurisdiction of the Authority.

Category 2: All interests in real property which is located in whole or in part within, or not more than two (2) miles outside, the jurisdiction of the Authority, including any leasehold, beneficial or ownership interest or option to acquire such interest in property.

Category 3: All investments, ~~and~~ business positions in business entities, and sources of income~~,~~ (including receipt of gifts, loans and travel payments)~~,~~ that are engaged in land development, construction or the acquisition or sale of real property within the jurisdiction of the Authority.

Category 4: All investments, ~~and~~ business positions in business entities, and sources of income~~,~~ (including receipt of gifts, loans and travel payments)~~,~~ that provide services (including training or consulting services), products, materials, machinery, vehicles or equipment of a type purchased or leased by the Authority.

Category 5: All investments, ~~and~~ business positions in business entities, and sources of income~~,~~ (including receipt of gifts, loans and travel payments)~~,~~ that provide services (including training or consulting services), products, materials, machinery, vehicles or equipment of a type purchased or leased by the designated position's department, unit or division.

Category 6: All investments, ~~and~~ business positions in business entities, and sources of income~~,~~ (including receipt of gifts, loans, and travel payments)~~,~~ if such entities or sources have filed claims against the Authority in the past 2 years, or have a claim pending before the Authority.

December 18, 2025

DELTA CONVEYANCE DESIGN & CONSTRUCTION AUTHORITY

EXPLANATION OF CHANGES TO LIST OF DESIGNATED POSITIONS AND THE ASSIGNMENT OF DISCLOSURE RESPONSIBILITIES

After completing a review of its Conflict of Interest Code, the Delta Conveyance Design & Construction Authority (the "Authority") finds it necessary to update and amend the District's Code to reflect changed circumstances within the Authority affecting the list of Designated Positions of the Code and include a new Disclosure Category.

The Designated Positions have been amended as follows:

Chief Contracting Officer – Category 5
Added with limited disclosure based on duties with Authority. This position is limited to interests in entities that provide services, supplies, etc. of the typed used by a Designated Position's department, division or unit. This Category is assigned to positions involved in limited aspects of the Authority so that disclosure requirements can be narrowed to the position's specific area in order to avoid requiring over-disclosure. This Category is also used to assign to Consultants in specific areas. **– NEW POSITION**

Procurement Manager – Category 4
This position makes and participates in making governmental decisions by developing and managing agreements; coordinates contracting and procurement activities across organization; and analyzes equipment supply options and negotiations. – **THIS IS A TITLE CHANGE WITH NO CHANGE TO THE DISCLOSURE CATEGORY.**

Deputy Communications Manager - Category 5
Added with limited disclosure based on duties with Authority. This position is limited to interests in entities that provide services, supplies, etc. of the typed used by a Designated Position's department, division or unit. This Category is assigned to positions involved in limited aspects of the Authority so that disclosure requirements can be narrowed to the position's specific area in order to avoid requiring over-disclosure. This Category is also used to assign to Consultants in specific areas. **– NEW POSITION**

Deputy Executive Director – Category 1, 2
Added with full disclosure. This position is involved in a broad range of Authority decisions too numerous and varied to narrow. **– NEW POSITION**

Deputy - Integration Manager – Category 5
Added with limited disclosure based on duties with Authority. This position is limited to interests in entities that provide services, supplies, etc. of the typed used by a Designated Position's department, division or unit. This Category is assigned to positions involved in limited aspects of the Authority so that disclosure requirements can be narrowed to the position's specific area in order to avoid requiring over-disclosure. This Category is also used to assign to Consultants in specific areas. **– NEW POSITION**

Deputy Program Support Manager – Category 5
Added with limited disclosure based on duties with Authority. This position is limited to interests in entities that provide services, supplies, etc. of the typed used by a Designated Position's department, division or unit. This Category is assigned to positions involved in limited aspects of the Authority so that disclosure requirements can be narrowed to the position's specific area in order to avoid requiring over-disclosure. This Category is also used to assign to Consultants in specific areas. **– NEW POSITION**

Technical Services Manager – Category 5
This position is limited to interests in entities that provide services, supplies, etc. of the typed used by a Designated Position's department, division or unit. This Category is assigned to positions involved in limited aspects of the Authority so that disclosure requirements can be narrowed to the position's specific area in order to avoid requiring over-disclosure. This Category is also used to assign to Consultants in specific areas. – **THIS IS A TITLE CHANGE WITH NO CHANGE TO THE DISCLOSURE CATEGORY.**

Deputy Engineering Design Manager – Category 5
Added with limited disclosure based on duties with Authority. This position is limited to interests in entities that provide services, supplies, etc. of the typed used by a Designated Position's department, division or unit. This Category is assigned to positions involved in limited aspects of the Authority so that disclosure requirements can be narrowed to the position's specific area in order to avoid requiring over-disclosure. This Category is also used to assign to Consultants in specific areas.**– NEW POSITION**

Deputy Environmental Manager – Category 2, 5
Added with limited disclosure based on duties with Authority. This position makes and participates in making governmental decisions with responsibilities in planning and directing all Right of Way activities, including appraisals, acquisition, relocation assistance and property management; develop and manage budget; negotiate with outside contractors; and approve payments. – **NEW POSITION**

Environmental Manager – Category 2, 5
Added with limited disclosure based on duties with Authority. This position makes and participates in making governmental decisions with responsibilities in planning and directing all Right of Way activities, including appraisals, acquisition, relocation assistance and property management; develop and manage budget; negotiate with outside contractors; and approve payments. – **NEW POSITION**

Geotechnical Manager – Category 5
Added with limited disclosure based on duties with Authority. This position is limited to interests in entities that provide services, supplies, etc. of the typed used by a Designated Position's department, division or unit. This Category is assigned to positions involved in limited aspects of the Authority so that disclosure requirements can be narrowed to the position's specific area in order to avoid requiring over-disclosure. This Category is also used to assign to Consultants in specific areas. **– NEW POSITION**

Health, Safety and Security Manager – Category 5
Added with limited disclosure based on duties with Authority. This position is limited to interests in entities that provide services, supplies, etc. of the typed used by a Designated Position's department, division or unit. This Category is assigned to positions involved in limited aspects of the Authority so that disclosure requirements can be narrowed to the position's specific area in order to avoid requiring over-disclosure. This Category is also used to assign to Consultants in specific areas.**– NEW POSITION**

Program Management Information Systems Manager – Category 5
Added with limited disclosure based on duties with Authority. This position is limited to interests in entities that provide services, supplies, etc. of the typed used by a Designated Position's department, division or unit. This Category is assigned to positions involved in limited aspects of the Authority so that disclosure requirements can be narrowed to the position's specific area in order to avoid requiring over-disclosure. This Category is also used to assign to Consultants in specific areas. **– NEW POSITION**

Project Design Manager – Category 5
Added with limited disclosure based on duties with Authority. This position is limited to interests in entities that provide services, supplies, etc. of the typed used by a Designated Position's department, division or unit. This Category is assigned to positions involved in limited aspects of the Authority so that disclosure requirements can be narrowed to the position's specific area in order to avoid requiring over-disclosure. This Category is also used to assign to Consultants in specific areas. **– NEW POSITION**

Property Acquisition Manager – Category 2, 5
Added with limited disclosure based on duties with Authority. This position is limited to interests in entities that provide services, supplies, etc. of the typed used by a Designated Position's department, division or unit. This Category is assigned to positions involved in limited aspects of the Authority so that disclosure requirements can be narrowed to the position's specific area in order to avoid requiring over-disclosure. This Category is also used to assign to Consultants in specific areas. **– NEW POSITION**

Survey Manager – Category 5
Added with limited disclosure based on duties with Authority. This position is limited to interests in entities that provide services, supplies, etc. of the typed used by a Designated Position's department, division or unit. This Category is assigned to positions involved in limited aspects of the Authority so that disclosure requirements can be narrowed to the position's specific area in order to avoid requiring over-disclosure. This Category is also used to assign to Consultants in specific areas. **– NEW POSITION**

Sustainability Manager – Category 5
Added with limited disclosure based on duties with Authority. This position is limited to interests in entities that provide services, supplies, etc. of the typed used by a Designated Position's department, division or unit. This Category is assigned to positions involved in limited aspects of the Authority so that disclosure requirements can be narrowed to the position's specific area in order to avoid requiring over-disclosure. This Category is also used to assign to Consultants in specific areas. **– NEW POSITION**

EXPLANATION OF DISCLOSURE CATEGORIES

Disclosure Categories identify the types of investments, business entities, sources of income, including gifts, loans and travel payments, or real property which the Designated Employee must disclose for each disclosure category to which he or she is assigned.

The Authority cannot require the Designated Position to over-disclose. Disclosure Categories must be designed and assigned **depending on the duties and responsibilities of the position held**. Therefore, six Disclosure Categories have been designed to be assigned to the various designated positions listed in Part "A" of the Appendix to the proposed Code. This list of Disclosure Categories provides flexibility in the application of the various Categories to the different designated positions but are narrow enough so as not to require over-disclosure by a Designated Position or Consultant.

ASSIGNMENT OF DISCLOSURE CATEGORIES:

Category 1 requires the disclosure of reportable investments, business positions, and sources of income in the jurisdiction of the Authority.

Category 2 requires the disclosure of reportable interests in all real property (not including personal residence) located in the jurisdiction of the Authority (or within 2 miles thereof).

The assignment of Categories 1 and 2 means the Designated Position has full disclosure requirements of reportable interests that own real property, are located in, do business in or have done business in the Authority's jurisdiction in the past two years of filing a statement. These Categories are usually assigned to General Counsel, and other very broad decision-makers whose responsibilities are too broad to be narrowed and warrant full disclosure. These are also the disclosure requirements provided Consultants, as defined, and New Positions if not narrowed in writing as described above.

Category 3 is limited to interests in entities involved in land development, construction or buying/selling real property. This is usually assigned narrowly to such positions as planners or engineers, or other project managers.

Category 4 is limited to interests in entities that provide services, supplies, etc. of the type used by the Authority. This Category is reserved for positions that are involved in the Authority on a broad basis touching a variety of departments and are therefore, unable to be narrowed to one department, division or area. Positions assigned this Category are usually involved in broad areas of administration and fiscal services.

Category 5 is limited to interests in entities that provide services, supplies, etc. of the typed used by a Designated Position's department, division or unit. This Category is assigned to positions involved in limited aspects of the Authority so that disclosure requirements can be narrowed to the position's specific area in order to avoid requiring over-disclosure. This Category is also used to assign to Consultants in specific areas.

Category 6 is limited to interests in entities and sources if such have filed claims against the Authority in the past 2 years, or have a claim pending before the Authority. Positions assigned this Category are usually involved with handling or making recommendations regarding claims filed against the agency.

DELTA CONVEYANCE DESIGN & CONSTRUCTION AUTHORITY CONFLICT OF INTEREST CODE

The Political Reform Act (Gov. Code Section 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (2 California Code Regulation Section 18730) that contains the terms of a standard conflict of interest code which can be incorporated by reference in an agency's code. After public notice and hearing, Regulation 18730 may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations Section 18730, and any amendments to it duly adopted by the Fair Political Practices Commission, are hereby incorporated by reference. This regulation and the attached Appendix designating positions and establishing disclosure categories, shall constitute the conflict of interest code of the Delta Conveyance Design & Construction Authority (the "Authority").

Members of the Board of Directors, Board Alternates, Treasurer and Executive Director shall electronically file their statements of economic interests directly with the Fair Political Practices Commission. All other officials and designated positions required to submit a statement of economic interests shall file their statements with the **Executive Director** as the Authority's Filing Officer/Official who shall make all retained statements available for public inspection and reproduction during regular business hours. (Gov. Code § 81008.)

APPENDIX

CONFLICT OF INTEREST CODE

OF THE

DELTA CONVEYANCE DESIGN &

CONSTRUCTION AUTHORITY

PART "A"

OFFICIALS WHO MANAGE PUBLIC INVESTMENTS

The following positions are NOT covered by the conflict of interest code because they must file under Government Code Section 87200 and, therefore, are listed for informational purposes only. [1]

Members, Board of Directors and Alternates

Treasurer

[1] An individual holding one of the above-listed positions may contact the Fair Political Practices Commission for assistance or written advice regarding their filing obligations if they believe that their position has been categorized incorrectly. The Fair Political Practices Commission makes the final determination whether a position is covered by Government Code Section 87200.

DESIGNATED POSITIONS

GOVERNED BY THE CONFLICT-OF-INTEREST CODE

DESIGNATED POSITIONS' TITLE OR FUNCTION	DISCLOSURE CATEGORIES ASSIGNED
Administrative Manager	5
Chief Contracting Officer	5
Chief Engineer	2, 3, 5, 6
Communications Manager	5
Deputy Communications Manager	5
Deputy Executive Director	1, 2
Deputy - Integration Manager	5
Deputy Program Support Manager	5
Engineering Design Manager	5
Deputy Engineering Design Manager	5
Deputy Environmental Manager	2, 5
Environmental Manager	2, 5
Executive Director	1, 2
Exploration Manager	5
General Counsel	1, 2
Geotechnical Manager	5
Health, Safety and Security Manager	5
HR Manager	5
Procurement Manager	4
Program Controls Manager	4

DESIGNATED POSITIONS' TITLE OR FUNCTION	DISCLOSURE CATEGORIES ASSIGNED
Program Management Information Systems Manager	5
Program Support Manager	5
Project Design Manager	5
Property Acquisition Manager	2, 5
Technical Services Manager	5
Survey Manager	5
Sustainability Manager	5

* Consultant/new positions shall be included in the list of designated positions and shall disclosure pursuant to the broadest disclosure category in the code subject to the following limitations:

The Executive Director may determine in writing that a particular consultant or new position, although a "designated position", is hired to perform a range of duties that is limited in scope and thus is not required to comply fully with the disclosure requirements described in this section. Such written determination shall include a description of the consultant's or new position's duties and, based upon that description, a statement of the extent of disclosure requirements. The Executive Director's determination is a public record and shall be retained for public inspection in the same manner and location as this Conflict-of-Interest Code. (Gov. Code Sec. 81008.)

PART "B"

DISCLOSURE CATEGORIES

The disclosure categories listed below identify the types of economic interests that the designated position must disclose for each disclosure category to which they are assigned "Investment" means financial interest in any business entity (including a consulting business or other independent contracting business) and are reportable if they are either located in, doing business in, planning to do business in, or have done business during the previous two years in the jurisdiction of the Authority.

Category 1: All investments, business positions in business entities, and sources of income (including receipt of gifts, loans and travel payments) that are located in, do business in, or own real property within the jurisdiction of the Authority.

Category 2: All interests in real property which is located in whole or in part within, or not more than two (2) miles outside, the jurisdiction of the Authority, including any leasehold, beneficial or ownership interest or option to acquire such interest in property.

Category 3: All investments, business positions in business entities, and sources of income (including receipt of gifts, loans and travel payments) that are engaged in land development, construction or the acquisition or sale of real property within the jurisdiction of the Authority.

Category 4: All investments, business positions in business entities, and sources of income (including receipt of gifts, loans and travel payments) that provide services (including training or consulting services), products, materials, machinery, vehicles or equipment of a type purchased or leased by the Authority.

Category 5: All investments, business positions in business entities, and sources of income (including receipt of gifts, loans and travel payments) that provide services (including training or consulting services), products, materials, machinery, vehicles or equipment of a type purchased or leased by the designated position's department, unit or division.

Category 6: All investments, business positions in business entities, and sources of income (including receipt of gifts, loans, and travel payments) if such entities or sources have filed claims against the Authority in the past 2 years, or have a claim pending before the Authority.

DELTA CONVEYANCE FINANCE AUTHORITY

DELTA CONVEYANCE FINANCE AUTHORITY
BOARD OF DIRECTORS MEETING

Thursday, November 20, 2025
11:00 a.m.
Santa Clarita Valley Water Agency
27234 Bouquet Canyon Road, Santa Clarita, CA 91350

Teleconference Locations
Santa Clara Valley Water Agency, 5700 Almaden Expressway, San Jose, 95118
San Gorgonio Pass Water Agency, 1210 Beaumont Ave., Beaumont, CA 92223
Mojave Water Agency, 13846 Conference Center Dr, Apple Valley, CA 92307
Zone 7 Water Agency, 100 N. Canyons Parkway, Livermore, CA 94551

Join Zoom Meeting
https://zoom.us/j/99052337487?pwd=aUvckPZWZVqNi7a3O5R12aB6NSltvq.1
Meeting ID: 990 5233 7487
Passcode: 981794

One tap mobile: +16699006833,,99052337487#,,,,*981794#
Via Teleconference:

AGENDA

ACCESSIBILITY**: If requested, the agenda and backup materials will be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. Any person who requires a disability-related modification or accommodation, in order to observe and/or offer public comment may request such reasonable modification, accommodation, aid, or service by contacting **Linda Standlee** by telephone at **916-812-6400 or via email to lindastandlee@dcfinanceauthority.org no later than 5:00 p.m. on November 18, 2025.

1. **CALL TO ORDER**
2. **ROLL CALL**
   a. Directors, please identify your agency and title
3. **PLEDGE OF ALLEGIANCE**
4. **PUBLIC COMMENT**
5. **OTHER MATTERS**
6. **CONSENT CALENDAR**

   Items on the Consent Calendar are considered to be routine by the Board of Directors and will be enacted by one motion and one vote. There will be no separate discussion of these items unless a director so requests, in which event the item will be removed from the Consent Calendar and considered separately.

   a. Approval of the minutes from the meeting of May 21, 2025.

7. SCHEDULED ACTION ITEMS

a. Receive and file the 2024/25 audited financial statements

8. REPORTS AND ANNOUNCEMENTS

a. DCP Update
b. Treasurer's Report
c. General Counsel's Report
d. Executive Director's Report
e. Directors' Report

9. FUTURE AGENDA ITEMS

a. Future agenda items to be considered.

10. CLOSED SESSION

a. Conference with legal counsel: Government Code §54956.9: potential litigation: one case.

11. ADJOURNMENT

SPECIAL BOARD OF DIRECTORS MEETING

MINUTES

Thursday, May 21, 2025
11:00 am

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER

The special meeting of the Delta Conveyance Finance Authority (Finance Authority) Board of Directors was called to order by President Paul Sethy, at 11:04 a.m.

2. ROLL CALL

Board members in attendance were Paul Sethy, Valerie Pryor, Miguel Luna, Thomas Todd, Michael Plinski, Adnan Anabtawi, Steve Johnson, and Matthew Stone

Directors Absent were Nai Hsueh, Robert Cheng, and Peter Thompson.

Staff members in attendance were Brian Thomas, Steve O'Neill, and Katano Kasaine.

3. PLEDGE OF ALLEGIANCE

The Board recited the pledge of allegiance.

4. PUBLIC COMMENT

President Sethy declared public comment open, limiting speaking time to three minutes.

No members of the public requested time to speak and President Sethy closed public comment.

5. OTHER MATTERS

No Other Matters were discussed by the Board.

6. CONSENT CALENDAR:

Director Sethy queried the public for any comments; none were provided. Director Sethy called for a motion to approve the minutes.

6.a. Approval of the minutes from the meeting of January 16, 2025.

Motion:	Approve the minutes of the meeting of January 16, 2025.
Move to Approve:	Matthew Stone
Second:	Michael Plinski
Yeas:	Paul Sethy, Valerie Pryor, Miguel Luna, Thomas Todd, Michael Plinski, Adnan Anabtawi, Steve Johnson, and Matthew Stone
Nays:	None
Abstains:	None
Recusals:	None
Absent:	Nai Hsueh, Robert Cheng, and Peter Thompson

Summary:	8 Yeas; 0 Nays; 0 Abstains; 3 Absent. (Motion passed as MO 25-5-1)

7. SCHEDULED ACTION ITEMS

7.a. Consideration and action on the proposed fiscal year 2025/26 DCFA budget

Executive Director Brian Thomas presented the report on this item. Mr. Thomas discussed what was included in the proposed budget for FY25/26, noting the budget request for the upcoming fiscal year 25/26 was in the amount of $99,300, to be funded with interest earnings and available reserves. He noted the proposed budget anticipated holding three meetings during the fiscal year. In discussing anticipated expenditures for FY25/26, Mr. Thomas explained that the largest expenditure each fiscal year was the Accounting and Treasury services provided by Metropolitan, and that this cost has been the same since the creation of the DCFA. Mr. Thomas noted that the ending cash and investments total after FY25/26 would be roughly $77,003.

Motion:	Approve proposed fiscal year 2025/26 DCFA budget
Move to Approve:	Miguel Luna
Second:	Matthew Stone
Yeas:	Paul Sethy, Valerie Pryor, Miguel Luna, Thomas Todd, Michael Plinski, Adnan Anabtawi, Steve Johnson, and Matthew Stone
Nays:	None
Abstains:	None
Recusals:	None
Absent:	Nai Hsueh, Robert Cheng, and Peter Thompson
Summary:	8 Yeas; 0 Nays; 0 Abstains; 3 Absent. (Motion passed as MO 25-5-2)

8. REPORTS AND ANNOUNCEMENTS

Director Sethy queried for public comment; none were provided.

a. Treasurer's Report

Ms. Katano Kasaine provided the report to the Board. Ms. Kasaine reported to the Board that the beginning cash balance in the DCFA Trust as of January 1, 2025, was $214,016. During the third quarter, ended March 31, 2025, receipts totaled $2,249, while disbursements amounted to $24,448. This resulted in an ending cash balance of $191,817 as of March 31, 2025. Ms. Kasaine noted that the year-to-date actual expenses totaled $66,886, leaving a remaining balance of $46,864 or 41% in the fiscal year budget. Expenditures are expected to remain low for the remainder of the year, staying within the allocated budget.

Director Sethy queried about an annual audit for DCFA. Mr. Thomas noted that Richardson & Company would be providing the audit and providing a report in the October timeframe.

b. General Counsel's Report

Steve O'Neill reported on recent activities, noting work focused on administrative matters and tracking the status of the validation cases. He noted that in January 2025, DWR filed a validation action on its ability to issue bonds; it is distinct in that it is based on a different bond resolution DWR approved, including an altered definition of what constitutes the

Delta program. Two demurrers have been filed and are set to be heard on June 12, 2025. Mr. Sethy requested that results of the hearing be communicated to the Board.

c. Executive Director's Report

Mr. Thomas reported that activities continued to be administrative in nature, including securing audit services for the next few years, preparing the agenda packet and securing insurance. Mr. Thomas also discussed the implications of Governor's push to help DWR and the Delta Conveyance Project as they relate to the DCFA.

d. Directors' Report

None were reported.

9. FUTURE AGENDA ITEMS

a. None were proposed.

10. CLOSED SESSION

a. Conference with legal counsel: Government Code §54956.9: potential litigation: one case.

No closed session was held.

11. ADJOURNMENT

President Sethy adjourned the meeting at 11:30 a.m.

Board Memo

Contact: Brian Thomas, Executive Director

AGENDA DATE: November 20, 2025 **Item No. 7.a**

Subject: Audited Financial Statements for Fiscal Year 2024/25

Executive Summary

The Board retained the services of Richardson & Company to perform the required external audit of the Delta Conveyance Finance Authority's (Authority) financial activities for the past fiscal year. The attached audit report and accompanying documents are provided for the Board's review. The auditor did not identify any material weaknesses and has issued a "clean" audit report, noting the cash basis of reporting.

Detailed Report

The Authority is required to conduct an external financial audit each year. Since the operating activity of the Authority is limited, the financial statements continue to be presented on a cash basis, showing actual receipts and disbursements. Given the Authority has no assets other than cash and investments in the trust fund, the cash basis of accounting is the easiest and most transparent way to present the financial activities of the Authority. It is also consistent with the Authority's budgeting process and presentation. Finally, given the limited number of transactions, it is consistent with the periodic reporting provided to the board during the fiscal year. If, and when, the Authority issues debt, the basis of accounting would be modified to the accrual basis.

In addition to the audit and accompanying cash basis financial statements, the auditor has issued a Governance Letter and a Management Letter. The Governance Letter includes certain required disclosures to the board. These disclosures are required under external audit standards. The Management Letter addresses the external auditor's review of internal controls as it pertains to their audit of the Authority's financial statements. There were no material weaknesses or recommendations reported by the external auditor.

Recommended Action

Receive and file the audited financial statements and attached reports for fiscal year 2024/25.

ATTACHMENTS:

Audited Financial Statements for Fiscal Year 2024/25
Governance Letter
Management Letter

DELTA CONVEYANCE
FINANCE AUTHORITY

Audited Statements of Cash Receipts and Disbursements

June 30, 2025 and 2024

DELTA CONVEYANCE FINANCE AUTHORITY

AUDITED STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

June 30, 2025 and 2024

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RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Delta Conveyance Finance Authority
Sacramento, California

Opinions

We have audited the accompanying financial statements of the Delta Conveyance Finance Authority (the Authority), which comprise the statements of cash receipts and disbursements for the years ended June 30, 2025 and 2024, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts and cash disbursements of the Authority for the years ended June 30, 2025 and 2024, in accordance with the cash basis of accounting described in Note A.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our Audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note A, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Richardson & Company, LLP

October 16, 2025

DELTA CONVEYANCE FINANCE AUTHORITY

STATEMENTS OF CASH RECEIPTS AND CASH DISBURSEMENTS

Years Ended June 30, 2025 and 2024

	2025	2024
CASH RECEIPTS		
Interest income	$ 9,498	$ 12,798
TOTAL CASH RECEIPTS	9,498	12,798
CASH DISBURSEMENTS		
Executive director	12,838	17,389
Insurance premiums	11,203	10,269
Treasury and accounting	30,000	30,000
Professional services	20,767	35,963
TOTAL CASH DISBURSEMENTS	74,808	93,621
EXCESS OF DISBURSEMENTS OVER RECEIPTS	(65,310)	(80,823)
Cash and investments at beginning of year	255,311	336,134
CASH AND INVESTMENTS AT END OF YEAR	$ 190,001	$ 255,311

The accompanying notes are an integral part of the financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Delta Conveyance Finance Authority (the Authority) is a Joint Powers Authority organized under California Government Code Section 6505. The Authority was created on July 3, 2018, to assist the Department of Water Resources (DWR) and public agency participants to finance all or a portion of the California WaterFix. The California WaterFix was conceived as a major infrastructure project to deliver water from the Sacramento River near the northern end of the Sacramento-San Joaquin Delta to the existing State Water Project and Central Valley Project pumping plants in the southern end of the Delta. On May 2, 2019, as a result of Governor Newsom's determination that a smaller facility was appropriate, DWR withdrew its proposed permits for the California WaterFix and initiated a renewed environmental process for a smaller project. DWR released the Final Environmental Report for the Delta Conveyance Project in December 2023, and approved the final project in May 2024. DWR has filed a change of use petition with the State Water Resources Control Board and the water rights hearing is anticipated to be concluded in 2026. Funding for the remaining planning and permitting activities has been committed by the participating State Water Contractors through 2026. The Authority may provide financing and support to DWR during the construction phase.

The Authority's members consist of water agencies that contract with DWR for the delivery of water from the State Water Project. Its operations are supported by the collection of contributions from its members. The governing board is made up of eleven representatives from member agencies.

Basis of Presentation and Accounting: The accompanying statements of cash receipts and disbursements have been prepared on the cash receipts and disbursements basis of accounting. Under that basis, the only asset recognized is cash and investments and no liabilities are recognized. All transactions are recognized as either cash receipts or cash disbursements, and noncash transactions are not recognized. The cash basis differs from generally accepted accounting principles primarily because revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred.

NOTE B – CASH AND INVESTMENTS

At June 30, 2025 and 2024, all of the Authority's cash and investments were maintained in Metropolitan Water District of Southern California's (MWD's) Treasury.

Investment policy: California statutes authorize agencies to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The following table identifies the investment types that are authorized for the Authority by the California Government Code (or the Authority's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

NOTE B – CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Bank Deposit	5 years	30%	No limit
U.S. Treasury Obligations	5 years	No limit	No limit
Federal Agency Obligations	5 years	No limit	No limit
Bankers' Acceptances	180 days	40%	5%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	270 days	20%	No limit
Medium-Term Corporate Notes	5 years	30%	10%
Money Market Mutual Funds	N/A	20%	No limit
Municipal Bond and Notes	5 years	40%	5%
Local Agency Investment Fund (LAIF)	N/A	N/A	No limit
California Asset Management Program (CAMP)	N/A	40%	No limit
Asset- Backed Securities	5 years	20%	5%
Supranationals	5 years	30%	No limit

The Authority complied with the provisions of the California Government Code pertaining to the types of investments held, the institutions in which deposits were made and the security requirements. The Authority will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

Investment in the MWD Investment Pool: The Authority's cash is held in the MWD's cash and investment pool which is managed by the MWD Treasurer. The Authority's cash balances invested in the MWD Treasurer's cash and investment pool are stated at amortized cost, which approximated fair value. The amount invested by all public agencies in MWD's cash and investment pool is $1,614,741,074 and fair value of $1,619,294,586 at June 30, 2025 and $1,397,403,000 and fair value of $1,388,203,000 at June 30, 2024. MWD does not invest in any derivative financial products. MWD's Board delegates to the treasurer the oversight responsibility for MWD's cash and investment pool. The value of pool shares in MWD that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Authority's position in the pool. Cash held in the MWD's investment pool will be disbursed within 5 days. Close-out of the cash held in the pool requires 30-day notice.

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. The Authority's investment in MWD's pool has an average maturity of 76 days as of June 30, 2025 and 31 days as of June 30, 2024.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The external investment pool is not rated.

Concentration of Credit Risk: The investment policy of the Authority limits the amount that can be invested by any one issuer to the California Government Code. There are no investments in any one issuer (other than external investment pools) that represent 5% or more of total Authority investments.

NOTE B – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. Custodial credit risk does not apply to a local government's indirect deposits or investments in securities with governmental investment pools (such as MWD's investment pool).

NOTE C – RELATED PARTY TRANSACTIONS

The Authority contracts for treasury and accounting services with MWD, who is also a member agency. The expenses for treasury and accounting services totaled $30,000 for both the years ended June 30, 2025 and 2024.

NOTE D – CONDUIT DEBT

The Authority has the power to issue, sell and deliver, in accordance with the Joint Powers Act, bonds, notes, or other obligations to provide funds for the acquisition, construction and/or financing of the Delta Conveyance Project. The Authority Finance Program acts as a conduit of debt and as a result, the financing obligations are not recorded in the Authority's financial statement. The Authority has not issued any conduit debt as of June 30, 2025 and 2024.

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CERTIFIED PUBLIC ACCOUNTANTS

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GOVERNANCE LETTER

Board of Directors
Delta Conveyance Finance Authority
Sacramento, California

We have audited the financial statement of the Delta Conveyance Finance Authority (the Authority) for the year ended June 30, 2025, and have issued our report thereon dated October 16, 2025. Professional standards require that we provide you with the following information about our responsibility under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 12, 2025, our responsibility, as described by professional standards, is to express an opinion about whether the financial statement prepared by management with your oversight is fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statement does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the Authority and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statement and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Authority or to acts by management or employees acting on behalf of the Authority. We noted no material weaknesses in internal control as a result of our audit.

We are required by the audit standards to identify potential risks of material misstatement during the audit process. We have identified the following significant risk of material misstatement as part of our audit planning: Management override of controls and revenue recognition. These are the areas that the audit standards require at a minimum to be identified as significant risks, however, no such items were noted during our audit.

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated May 12, 2025.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note A to the financial statement. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statement in a different period than when the transaction occurred.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No misstatements were noted during our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statement or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 16, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statement or a determination of the type of auditor's opinion that may be expressed on that statement, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Richardson & Company, LLP

October 16, 2025

RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

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MANAGEMENT LETTER

Board of Directors
Delta Conveyance Finance Authority
Sacramento, California

In planning and performing our audit of the financial statement of the Delta Conveyance Finance Authority (the Authority) for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's system of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 entity's financial statement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

No recommendations for improvement were noted during our audit.

* * * * *

This communication is intended solely for the information and use of management, the Board of Directors and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Richardson & Company, LLP

October 16, 2025

DELTA CONVEYANCE FINANCE AUTHORITY

Board Memo

Contact: Katano Kasaine, Treasurer

Date: November 20, 2025 **Item No. 8.b**

Subject: Treasurer's Report, Quarter Ended September 30, 2025

Executive Summary

The beginning cash balance in the DCFA Trust as of July 1, 2025, was $190,001. During the first quarter ended September 30, 2025, receipts totaled $1,968, while disbursements totaled $12,665. This resulted in an ending cash balance of $179,304 as of September 30, 2025.

Attached is the Budget vs. Actual schedule through September 30, 2025. Year-to-date actual expenses totaled $3,325, leaving a remaining balance of $95,975 or 97% in the fiscal year budget. Future expenditures are expected to be higher in upcoming quarters. However, reflecting the Board's prior direction, they are anticipated to remain under budget unless activities are more robust than currently planned.

Detailed Report

See attached Statements

Recommended Action

For information only

ATTACHMENTS:

Attachment 1: DCFA Quarter Ended September 30, 2025 Financial Statements

Attachment 2: Budget versus Actual

DCFA

DELTA CONVEYANCE FINANCE AUTHORITY

Statement of Net Position

As of September 30, 2025

Assets:		
Cash	$	179,304
Interest receivable		624
Prepaids		8,404
Total assets	$	188,332
Liabilities:		
Accounts payable	$	488
Total liabilities		488
Net position	$	187,844
Total liabilities and net position	$	188,332

DCFA

DELTA CONVEYANCE FINANCE AUTHORITY

Statement of Cash Receipts and Disbursements

	Quarter Ended Sep '25
Receipts:	
Interest receipts	$ 1,968
Total receipts	1,968
Disbursements:	
Professional services	1,462
Insurance premiums	11,203
Total disbursements	12,665
Net change in cash	(10,697)
Cash at July 1, 2025	190,001
Cash at September 30, 2025	$ 179,304

DCFA

DELTA CONVEYANCE FINANCE AUTHORITY
Statement of Revenues, Expenses, and Changes in Net Position

	Quarter Ended Sep '25
Revenues:	
Interest income	$ 1,920
Total revenues	1,920
Expenses:	
Executive director	488
Professional services	38
Insurance premiums	2,799
Total expenses	3,325
Changes in net position	(1,405)
Net position at June 30, 2025	189,249
Net position at September 30, 2025	$ 187,844

* Balances may include prior quarter accruals that were not previously captured due to timing.

DELTA CONVEYANCE FINANCE AUTHORITY

Schedule of Invoices Paid
for the Three Months Ended September 30, 2025

	Vendor	Invoice #	Invoice Date	Payment Date	Period of Expense	Amount	Disbursement Category
1	Aleshire & Wynder LLP	96435	06/26/25	07/16/25	05/01/25-05/31/25	$ 1,045	Professional services
2	Alliant Insurance Services, Inc.	3126426	06/17/25	07/16/25	07/01/25-07/01/26	11,203	Insurance premiums
3	Aleshire & Wynder LLP	97322	07/15/25	07/23/25	06/01/25-06/30/25	379	Professional services
4	Aleshire & Wynder LLP	98877	09/18/25	09/29/25	08/01/25-08/31/25	38	Professional services
						$ 12,665	

Professional services	$ 1,462
Insurance premiums	11,203
	$ 12,665

*Totals may not foot due to rounding.

DCFA

DELTA CONVEYANCE FINANCE AUTHORITY

Accounts Payable Aging Schedule

As of September 30, 2025

Payable To:	**1 - 30**	**31 - 60**	**61 - 90**	**> 90**	**Total**
Brian G. Thomas Consulting, LLC					
Invoice #289	$ 488	$ —	$ —	$ —	$ 488
	$ 488	$ —	$ —	$ —	$ 488

Delta Conveyance Finance Authority
Budget versus Actual
FY 2025/26

Item	Actual Through September 30, 2025	Budget FY 2025/26	Budget Remaining	Percent of Budget Used
Executive director	$ 488	$ 20,000	$ 19,512	2%
Professional services	38	32,100	32,062	1%
Treasury and accounting	—	30,000	30,000	—
Insurance premiums	2,799	12,200	9,401	23%
Contingency	—	5,000	5,000	—
Total	$ 3,325	$ 99,300	$ 95,975	3%

Board Memo

Contact: Brian Thomas, Executive Director

AGENDA DATE: November 20, 2025 **Item No. 8.d**

Subject: Executive Director's Report

Executive Summary

The DCFA's primary activity continues to be administrative and monitoring activities regarding the Delta Conveyance Project. We continue to work with the State Water Contractors, the Department of Water Resources and the Delta Conveyance Design and Construction Authority (DCA) regarding the project.

Detailed Report

Administration. Activities included preparing agenda packets for the November DCFA Board of Directors meeting, working with Metropolitan's accounting staff and Richardson and Company to finalize the year-end audit, reviewing and approving the various invoices to be paid by the DCFA.

Meetings/calls. I also had discussions and communication with board members, DWR and the DCA regarding the project and this month's DCFA Board meeting.

Future Activities
I will continue working with the members, the DCA, DWR and the State Water Project contractors to identify opportunities to support funding and conduct financial analysis as needed and prepare for ongoing meetings of the DCFA, including preparing next fiscal year's budget.

Recommended Action

Informational.

SANTA CLARA VALLEY
HABITAT AGENCY

FINANCIAL STATEMENTS

June 30, 2025



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SANTA CLARA VALLEY HABITAT AGENCY
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MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Santa Clara Valley Habitat Agency
Morgan Hill, California

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of the Santa Clara Valley Habitat Agency (Agency), California, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, and each major fund of the Agency as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 2, 2025, on our consideration of the Agency'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 tat reports is solely to describe the scope of our testing of 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 Agency's internal control over financial reporting and compliance.

Maze + Associates

Pleasant Hill, California
December 2, 2025

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SANTA CLARA VALLEY HABITAT AGENCY
Management's Discussion and Analysis
Year Ended June 30, 2025

This section of Santa Clara Valley Habitat Agency (the "Agency") annual financial report presents a discussion and analysis of the Agency's financial performance for the year ended June 30, 2025. The Agency's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

FINANCIAL HIGHLIGHTS

On June 30, 2025, the Agency's net position increased from $104,729,615 in 2024 to $116,452,102.

Changes to net position resulted from the changes in the following items shown in the statement of activities.

- Program revenue, grants and contributions totaled $17,984,543; while operating expenses totaled $7,822,549.
- General revenues were $1,560,493 which includes total investment earnings of $1,390,551 comprised of $772,225 interest income and $618,326 unrealized gains on investment.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements comprise three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements provide a broad overview of the Agency's activities and comprise the Statement of Net Position and the Statement of Activities. The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner like a private-sector business.

The ***statement of net position*** provides information about the financial position of the Agency as a whole, including all the Agency's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as net position and reported on the full accrual basis, like that used by corporations. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The ***statement of activities*** provides information about all the Agency's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each of the Agency's programs. The statement of activities explains in detail the change in net position for the year.

All the Agency's activities are grouped into governmental activities. These services are supported by the Agency's general revenues and by specific program revenues such as developer fees.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts which are used to maintain control over resources that have been segregated for specific activities or objects. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the Agency are classified as governmental funds.

Governmental fund is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, i.e., the Agency's basic services are reported in the governmental fund. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governments near term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental fund and governmental activities. The government fund financial statements provide detailed information about each of the Agency's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them as one total. Instead, each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedule presents the detail of these non-major funds. Major funds present the major activities of the Agency for the year and may change from year to year because of changes in the pattern of the Agency's activities.

For the fiscal year ended June 30, 2025, the Agency's major funds are as follows:

Governmental funds:

- General Fund
- Permanent Fund

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The required supplementary information is presented concerning the Agency's budgetary comparison schedules on general fund, special revenue fund and endowment permanent fund. The Agency adopts an annual appropriated budget for each major fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with the budget.

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by $116,452,102 at the close of the fiscal year.

	Net Position Governmental Activities		
	2025	2024	Increase (Decrease)
Assets :			
Current assets	$ 23,902,876	$ 18,171,607	$ 5,731,269
Captial assets, net	93,388,129	87,328,470	6,059,659
Total assets	117,291,005	105,500,077	11,790,928
Liabilities :			
Current liabilities	620,763	593,667	27,096
Noncurrent liabilities	218,140	176,795	41,345
Total liabilities	838,903	770,462	68,441
Net Position :			
Net investment in capital assets	93,388,129	87,328,470	6,059,659
Restricted	9,183,780	6,976,047	2,207,733
Unrestricted	13,880,193	10,425,098	3,455,095
Totat net position	$ 116,452,102	$ 104,729,615	$ 11,722,487

This schedule is prepared from the Agency's Statement of net position, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Current assets increased from $18,171,607 to $23,902,876. Capital assets increased from $87,328,470 to $93,388,129. Current liabilities increased from $593,667 to $620,763. Noncurrent liabilities increased from $176,795 to $218,140. Net position on June 30, 2025, increased to $116,452,102 from $104,729,615 in 2024. The increase is due to both an increase in capital assets of $6,059,659 as well as an increase in current assets of $5,731,269. The Agency maintains a strong net position, balancing strategic investment in land and capital assets with adequate liquid reserves to support operations and future land acquisitions.

Analysis of Changes in Net Position

In fiscal year 2025, total program revenues decreased by $29,059,043 while interest and other revenue increased by $193,955. Net position increased by $11,722,487.

Change in Net Position

	Governmental Activities		
	2025	2024	Increase (Decrease)
Revenues			
Program revenues :			
Charges for services	$ 9,556,626	$ 3,739,865	$ 5,816,761
Grants and contributions	8,427,917	43,303,721	(34,875,804)
Total program revenue	17,984,543	47,043,586	(29,059,043)
General revenues :			
Interest and other revenue	1,560,493	1,366,538	193,955
Total revenues	$ 19,545,036	$ 48,410,124	(28,865,088)
Operating expenses	7,822,549	7,467,345	355,204
Change in net position	11,722,487	40,942,779	(29,220,292)
Net position, beginning of year	104,729,615	63,786,836	40,942,779
Net position, ending	$ 116,452,102	$ 104,729,615	$ 11,722,487

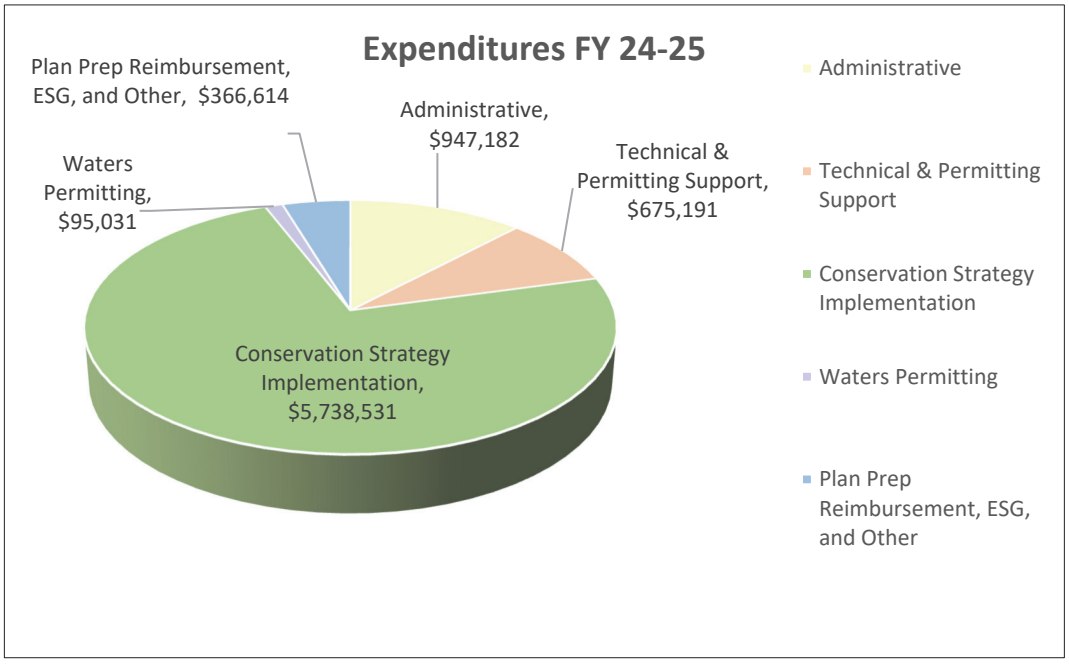
Charges for services increased from $3,739,865 to $9,556,626. Grants and contributions decreased from $43,303,721 to $8,427,917. General revenues increased from $1,366,538 to $1,560,493 due mainly to continued favorability on investments including interest income earned as well as unrealized gains. Total expenses increased from $7,467,345 to $7,822,549.

In fiscal year 2025, total program revenues decreased by $29,059,043. The previous fiscal year included an atypically high volume of land acquisition activity and corresponding capital grant revenue. Although land acquisition activity was lower in the current fiscal year, the Agency collected higher Habitat Plan fee revenues which partially offset the decrease in overall program revenues.

	Operating Expenses		
	2025	2024	Increase (Decrease)
Administrative	$ 947,182	$ 689,231	$ 257,951
Technical & Permitting Support	675,191	624,747	50,444
Conservation Strategy Implementation	5,738,531	5,967,814	(229,283)
Waters Permitting	95,031	86,324	8,707
Plan Prep Reimbursement, ESG, and Other	366,614	99,229	267,385
Total	$ 7,822,549	$ 7,467,345	$ 355,204

Administrative expenses increased primarily due to higher wage and benefit costs as well as incremental expenses associated with the periodic fee review which occurs every five years and took place in the current fiscal year. Technical and Permitting Support costs rose due to increased spending on the Habitat Plan Amendment and higher personnel cost allocations. Conservation Strategy Implementation costs decreased in FY25, driven by reduced expenditures on aquatic restoration construction as projects reached completion. Waters permitting costs increased as work progressed on integration of Clean Water Act permits with the Habitat Plan permit. Plan Prep Reimbursement, ESG and Other includes a one-time charge of $267,873 related to the sale of a building located on Agency property. This charge represents the accounting net book value loss on sale. Actual cash proceeds received in FY 24-25 from this sale were $1,129,982 and the reduction of the asset on the accounting books was $1,397,855.

The following is a graphic illustration of operating expenses for the year ended June 30, 2025:



Capital Assets

As of June 30, 2025, the Agency owned the following capital assets:

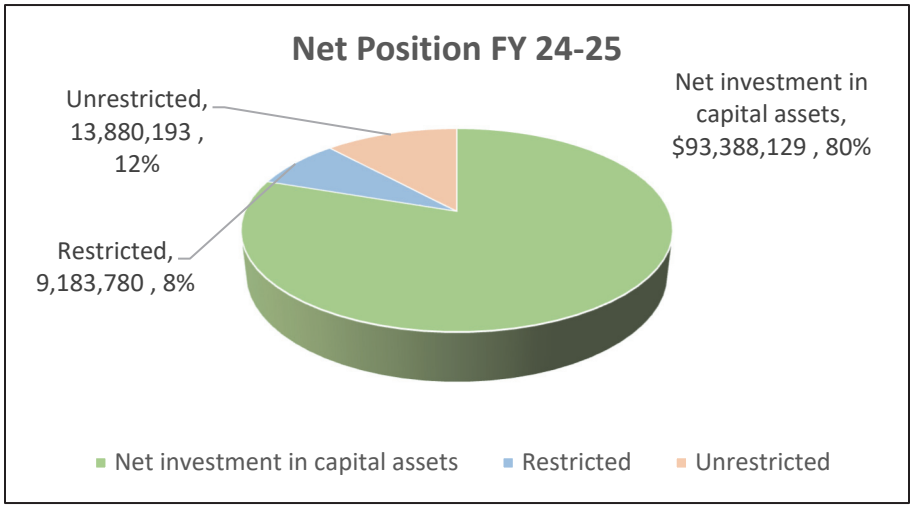
	Capital Assets		
	2025	2024	Increase (Decrease)
Land	$ 92,227,183	$ 85,176,646	$ 7,050,537
Building & Improvements	1,182,370	2,147,386	(965,016)
Vehicles	96,714	96,714	-
Accumulated Depreciation	(118,138)	(92,276)	(25,862)
Total	$ 93,388,129	$ 87,328,470	$ 6,059,659

Net Position

The change in net position of $11,722,487 reflects both an increase in net investment in capital assets as well as an operational surplus for the year. By fund, restricted net position increased due to required contributions to the Endowment under the Habitat Plan. Unrestricted net position also increased as the Agency generated an operating surplus even after contributions to the Endowment and investments in capital assets.

	Analysis of Net Position		
	2025	2024	Increase (Decrease)
Net Position			
Net investment in capital assets	$ 93,388,129	$ 87,328,470	$ 6,059,659
Restricted	9,183,780	6,976,047	2,207,733
Unrestricted	13,880,193	10,425,098	3,455,095
Total	$ 116,452,102	$ 104,729,615	$ 11,722,487

The following is a graphic illustration of net position as of June 30, 2025:



ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

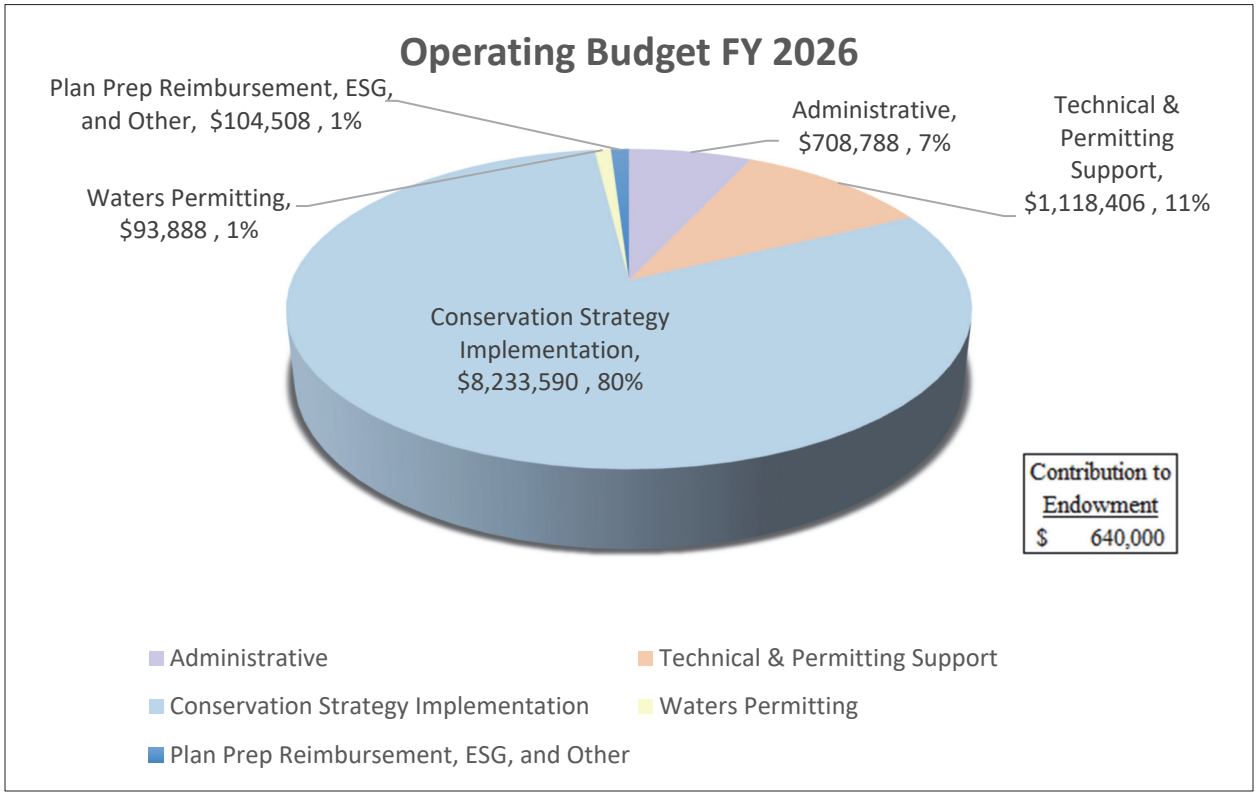
As the Agency continues to acquire land and develop programs to implement the Habitat Plan, the ongoing creation of adaptive management protocols to control costs is critical as the cost of monitoring and managing land rises. The Agency's endowment and program maintenance are currently being implemented through strategic agreements which contribute to fulfillment of the Habitat Plan mission.

In considering the Agency's Budget for fiscal year 2025-2026, the Governing Board and management used the following criteria. The key assumptions in our revenue forecast were:

- Operating revenue was carefully considered and reflect the latest and best information available about prospective projects requiring fee revenues as well as overall economic conditions.

- Other revenue has fluctuated in recent years as grants are awarded for research and land acquisition opportunities as needed. Ongoing budgetary issues are carefully considered as federal, state, and local agencies revise their outgoing awards.

Operating expenses for Fiscal Year 2025-26 are anticipated to be approximately $10,259,180. Below is a graphic illustration of appropriations proposed for fiscal year 2024-2025:



REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Santa Clara Valley Habitat Agency – 535 Alkire Avenue, Suite 100, Morgan Hill, CA 95037.

FINANCIAL STATEMENTS

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Santa Clara Valley Habitat Agency
Statement of Net Position
June 30, 2025

	Governmental Activities	Component Unit Friends of the SCVHA
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	$ 413,606	$ 36,341
Investments (Note 2)	21,013,738	-
Accounts receivable	2,373,719	-
Interest receivable	101,813	-
Prepaid items	-	-
Restricted Cash	-	28,466
Non-current assets:		
Capital assets (Note 3):		
Non-depreciable	92,227,183	-
Depreciable, net	1,160,946	-
Total assets	117,291,005	64,807
Liabilities		
Accounts payable and other current liabilities	620,763	-
Unearned Revenue	-	-
Long-term liabilities:		
Compensated absences:		
Due in one year	21,814	-
Due in more than one year	196,326	-
Funds Heald for Other Organization	-	28,466
Total liabilities	838,903	28,466
Net Position		
Net investment in capital assets	93,388,129	-
Endowment	9,183,780	36,341
Unrestricted	13,880,193	-
Total net position	$ 116,452,102	$ 36,341

The accompanying notes are an integral part of these financial statements.

SANTA CLARA VALLEY HABITAT AGENCY
Statement of Activities
For the fiscal year ended June 30, 2025

	Expense	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government	Net (Expense) Revenue and Changes in Net Position: Component Unit
Governmental activities						
Natural environment	$ 7,822,549	$ 9,556,626	$ 1,927,917	$ 6,500,000	$ 10,161,994	$ 245
Total program expenses	7,822,549	9,556,626	1,927,917	6,500,000	10,161,994	245
Component Unit:						
Friends of the SCVHA	-	-	-	-	-	-
Total program revenues	-	-	-	-	-	-
General Revenues						
General Revenues:						
Investment Earning					1,390,551	-
Other revenue					169,942	-
Total general revenues					1,560,493	-
Change in net position					11,722,487	245
Net position, beginning of year					104,729,615	36,096
Net position - end of year					$ 116,452,102	$ 36,341

The accompanying notes are an integral part of these financial statements.

Santa Clara Valley Habitat Agency
Balance Sheet
Governmental Fund
June 30, 2025

	General Fund	Mitigation Fee Permanent Fund	Total Governmental Funds
Assets			
Cash and cash equivalents (Note 2)	$ 312,003	$ 101,603	$ 413,606
Investments	12,336,762	8,676,976	21,013,738
Accounts receivable	1,968,518	405,201	2,373,719
Interest receivable	101,813	-	101,813
Prepaid expenditures	-	-	-
Total assets	$ 14,719,096	$ 9,183,780	$ 23,902,876
Liabilities			
Accounts payable and other current liabilities	$ 620,763	$ -	$ 620,763
Unearned revenue	-	-	-
Total liabilities	620,763	-	620,763
Fund Balances			
Nonspendable:			
Prepaid expenditures	-	-	-
Endowment	-	9,183,780	9,183,780
Unassigned	14,098,333	-	14,098,333
Total fund balance	14,098,333	9,183,780	23,282,113
Total liabilities and fund balance	$ 14,719,096	$ 9,183,780	$ 23,902,876

The accompanying notes are an integral part of these financial statements.

Santa Clara Valley Habitat Agency
Reconciliation of Balance Sheet to the Statement of Net Position
June 30, 2025

Fund balances - total governmental funds	$	23,282,113
Amounts reported for governmental activities in the statement of net position are different because:		
Capital Assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		93,388,129
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Compensated absences		(218,140)
Net position of governmental activities	$	116,452,102

The accompanying notes are an integral part of these financial statements.

Santa Clara Valley Habitat Agency
Statement of Revenues, Expenditures and
Changes in Fund Balance
Governmental Fund
For the fiscal year ended June 30, 2025

	General Fund	Mitigation Fee Permanent Fund	Total Governmental Funds
Revenues			
Charges for service	$ 8,168,450	$ 1,388,176	$ 9,556,626
Intergovernmental grants	2,927,917	-	2,927,917
Investment earnings	535,627	854,924	1,390,551
Miscellaneous	1,299,926	-	1,299,926
Total revenues	12,931,920	2,243,100	15,175,020
Expenditures			
Current:			
Natural government	7,440,358	35,367	7,475,725
Capital outlay	1,995,122	-	1,995,122
Total expenditures	9,435,480	35,367	9,470,847
Excess of revenue over expenditures	3,496,440	2,207,733	5,704,173
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total ther financing sources (uses)	-	-	-
Net change in fund balance	3,496,440	2,207,733	5,704,173
Fund balance - beginning of year	10,601,893	6,976,047	17,577,940
Fund balance - end of year	$ 14,098,333	$ 9,183,780	$ 23,282,113

The accompanying notes are an integral part of these financial statements.

Santa Clara Valley Habitat Agency
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities
For the fiscal year ended June 30, 2025

Net change in fund balances - total governmental funds	$ 5,704,173
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Current year capital outlays	1,995,122
Depreciation	(37,609)
Retirements net	(1,397,854)
Donations of capital assets increase net position in the Statement of Activities but does not appear in the governmental funds because they are not financial resources.	5,500,000
Some expenses reported in the statement of activities do not require the use of current resources and therefore are not reported as expenditures in governmental funds:	
Change in compensated absences	(41,345)
Change in net position of governmental activities	$ 11,722,487

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Financial Reporting Entity

Organization. The Santa Clara Valley Habitat Agency (Agency) was formed in April 2013, and is responsible for implementing the Habitat Plan, which was developed by the Santa Clara Valley Transportation Agency, Santa Clara Valley Water District, County of Santa Clara, and the Cities of Gilroy, Morgan Hill, and San Jose (the Permittees). The Habitat Plan covers about two-thirds of the area of Santa Clara County. The Habitat Plan provides streamlined state and federal permitting for public and private projects, while offering a comprehensive and effective way to address impacts of those projects on endangered and threatened species and their habitats. The most significant role of the Agency is to acquire and manage a Reserve System of properties which will serve as mitigation for project impacts and contribute to the recovery of the species covered by the Habitat Plan.

The Agency coordinates with science advisors, outside consultants, and other land management agencies to ensure adequate and coordinated Habitat Plan implementation. The Agency includes, as part of staff or contract resources, a network of scientists, administrators, and other specialists that oversee and carry out planning and design, habitat restoration, monitoring, and adaptive management programs. The Agency is a Joint Powers Authority (JPA) composed of the Cities of Gilroy, Morgan Hill, and San Jose, and Santa Clara County. The JPA is limited to the four participating jurisdictions because the Joint Exercise of Powers Act requires that a JPA can only exercise powers held by all the participating agencies. Of the agencies participating in Plan formation, only four jurisdictions had the authority to adopt the Habitat Plan, all the Permittees have a role in the Agency. The Agency has two decision-making bodies, a Governing Board composed of JPA members and an Implementation Board composed of all Permittees. The Permittees include the Cities of Gilroy, Morgan Hill, and San Jose, County of Santa Clara, Valley Water, and Santa Clara Valley Transportation Authority.

Financial Reporting Entity. The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a Primary Government's reporting entity for the basic financial statements is financial accountability wherein the entity is both fiscally dependent on the Primary Government and provides either a benefit or creates a burden on the Primary Government. These financial statements present the Agency's (Primary Government) and its component units. Each discretely presented component unit is reported in a separate column to emphasize that these units are legally separate from the Agency, and each represents a functionally independent operation. The Agency's component unit is fiscally dependent on the Agency and provides services primarily to the Agency.

Discretely Presented Component Unit. The financial reporting entity consists of the primary government, Santa Clara Valley Habitat Agency (the "Agency"), organizations for which the primary government is financially accountable, and another organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Agency serves as the governing body and can impose its will on the following organization, establishing financial accountability:

- Friends of the Santa Clara Valley Habitat Agency, a California Nonprofit Public Benefit Corporation

In addition, the Friends of the Santa Clara Valley Habitat Agency serves as Fiscal Agent for an unrelated organization, the California Habitat Conservation Planning Coalition (CHCPC). In this capacity, it provides limited financial administration services for a fee and holds custody of CHCPC funds.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Presentation

Government-wide Financial Statements. The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the Agency overall. Eliminations have been made to minimize double counting of internal activities. These statements display the governmental activities of the Agency. Governmental activities generally are financed through revenues from nonexchange transactions including Co-Permittee covered project mitigation fees and grants.

The government-wide financial statements are reported using the "economic resources" measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenues from mitigation fees, grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Agency's governmental activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Governmental Fund Financial Statements. The fund financial statements provide information about the Agency's funds. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. Currently, the Agency reports two funds – the General Fund and mitigation fee permanent fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the "current financial resources" measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Government-wide Financial Statements. The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Agency's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The Agency does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Agency, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Agency.

Fund Financial Statements. Fund financial statements report detailed information about the Agency. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases, (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues – exchange and non-exchange transactions. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Agency, "available" means collectible within the current period or within 60 days after fiscal year-end.

Nonexchange transactions, in which the Agency receives value without directly giving equal value in return, include revenues from mitigation fees and grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the Agency must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the Agency on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue. Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied.

Expenses/expenditures. On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first then unrestricted resources as they are needed.

Fund Accounting. The accounts of the Agency are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance or net position, revenues, and expenditures. The Agency's resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The Agency's accounts are organized into two major funds as follows:

Major Governmental Funds:

The General Fund is the general operating fund of the Agency. It is used to account for all financial resources except those required to be accounted for in another fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Mitigation Fee Permanent Fund is used to report resources that are legally restricted. Interest earnings are added to the principal and cannot be spent until permit fees are no longer charged. On July 31, 2013, the California Department of Fish and Wildlife signed a permit to allow the Agency to be responsible for the management, enhancement, or restoration of grassland, including serpentine grassland, chaparral and northern coastal scrub, oak and conifer woodland, riverine and riparian forest, and wetlands and ponds within the land boundaries of the Agency. The permit is subject to suspension, revocation, or termination by action of the Director of CDFW in accordance with the terms of the permit. It is unknown whether the permit will expire or be reissued. Furthermore, to plan for the suspension, revocation, or termination of the permit, the implementation plan of the Santa Clara Valley Habitat Agency included a provision for the establishment of an endowment. If or when the Agency no longer charges permit fees, it is anticipated that the endowment principal will be fully funded by the interest on the endowment created by the endowment fee, a component of the current permit fees.

Below shows the endowment fee for each type of permit:

	Total Mitigation Fees Permanent Fund
Charges for Service:	
Land cover fees	$ 1,101,862
Serpentine fees	286,314
Total contributions to permanent funds	$ 1,388,176

C. Budget and Budgetary Accounting

The Agency adopts an annual budget on or before September 30 of each fiscal year. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations.

The Governing Board may amend the budget by motion during each fiscal year. The original and revised budgets are presented for the General Fund. All appropriations lapse at the end of the fiscal year to the extent that they have not been expended. Lease contracts entered into by the Agency are subject to annual review by the Governing Board; hence, they legally are one-year contracts with an option for renewal for another fiscal year.

D. Prepaid Expenditures

The Agency has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The Agency has chosen to report the expenditure during the period benefited.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Capital Assets

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of the contribution. Capital assets are defined by the Agency as assets with an initial, individual cost of more than $5,000 and estimated useful life in excess of two years.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the governmental column in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the statement of net position. The estimated useful lives are as follows:

Equipment	5 to 15 Years
Structures	15 to 50 Years

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

G. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

H. Compensated Absences

The Agency's policy permits employees to accumulate earned but unused vacation. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and fund liability of the governmental fund from which it will be paid. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide financial statements. The liability is calculated in accordance with generally accepted accounting principles and based on whether or not is it more likely than not that leave will be used before the employee leaves the Agency.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Net Position

In the government-wide financial statements, net position is classified as follows:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, capital asset related debt net of unspent bond proceeds, deferred charges, and retention payable.

Restricted Net Position – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted Net Position – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When expenses are incurred for purposes for which both restricted and unrestricted components of net position are available, the Agency's practice is to apply the restricted component of the net position first, then use the unrestricted component of net position as needed.

J. Fund Balances

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the Agency's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the Agency intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the Agency.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the Agency considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Agency considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

NOTE 2 – DEPOSITS AND INVESTMENTS

On June 30, 2025, the Agency reported the following cash and investments:

	General Fund	Endowment Permanent Fund	Total	Friends Component Unit
Cash in banks and on hand	$ 312,003	$ 101,603	$ 413,606	$ 36,341
Sand Hill Investment	3,305,925	8,676,976	11,982,901	-
Local Agency Investment Fund	9,030,837	-	9,030,837	-
Restricted Cash	-	-	-	28,466
Total cash and investments	$ 12,648,765	$ 8,778,579	$ 21,427,344	$ 36,341

Restricted cash reported by the Friends of the Santa Clara Valley Habitat Agency represents funds held in a fiduciary capacity as Fiscal Agent for the California Habitat Conservation Planning Coalition (CHCPC). These amounts consist of CHCPC's cash balances maintained in bank accounts under the custody of the Friends organization.

Investments Authorized by the Agency's Investment Policy

The Agency's investment policy limits the amount invested in a single equity to no more than 10% of the total cost of the direct account portfolio and specific sectors or industries will not represent any more than 25% of the direct portfolio market value. With the exception of U.S. Government securities and Federal Government Agency securities, no more than 5% of the portfolio may be invested in a single issuer.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of the Agency's investments (including investments held by fiscal agents) to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity:

Credit Risk. Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below, is the minimum rating required by (where applicable) the California Government Code, the Agency's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

		Remaining Maturity (in Months)		
Investment Type	Carrying Amount	12 Months or Less	13 - 24 Months	25 - 60 Months
Certificates of Deposit	$ 3,305,925	$ 3,305,925	$ -	$ -
Mutual Funds	3,665,168	3,665,168	-	-
ETP's	5,011,808	5,011,808	-	-
Local Agency Investment Fund	9,030,837	9,030,837	-	-
Total	$ 21,013,738	$ 21,013,738	$ -	$ -

Investment Type	Carrying Amount	Minimum Legal Rating	A	AA	Not Rated
Certificates of Deposit	$ 3,305,925	N/A	$ -	$ -	$ 3,305,925
Mutual Funds	3,665,168	N/A	475,245	751,903	2,438,020
ETP's	5,011,808	N/A	-	-	5,011,808
Local Agency Investment Fund	9,030,837	N/A	-	-	9,030,837
Total	$ 21,013,738	N/A	$ 475,245	$ 751,903	$ 19,786,590

Concentration of Credit Risk. The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total Agency investments.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Local Agency Investment Fund).

The Agency's deposits with financial institutions held in uncollateralized accounts are subject to custodial credit risk for deposits, including investment that were subject to custodial credit risk. The amount of funds in excess of the Federal Deposit Insurance Corporation coverage was $511,854.

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

Fair Value of Investments. The Agency categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy has three levels and it is based on the valuation inputs used to measure an asset's fair value. Deposits and withdrawals in the LAIF are made in the basis of $1 and not fair value.

Investment Type	Fair Market Value Measurement
Sand Hill Investment	Level 1
Local Agency Investment Fund	Amortized Cost

NOTE 3 –CAPITAL ASSETS

The Agency capital asset activity for the fiscal year ended June 30, 2025 is as follows:

	Balance July 1, 2024	Additions	Retirements	Balance June 30, 2025
Capital assets not being depreciated:				
Land	$ 85,176,646	$ 7,050,537	$ -	$ 92,227,183
Total capital assets not being depreciated	85,176,646	7,050,537	-	92,227,183
Capital assets being depreciated:				
Building and improvements	2,147,386	444,586	(1,409,602)	1,182,370
Machinery, equipment and vehicles	96,714	-	-	96,714
Total capital assets being depreciated:	2,244,100	444,586	(1,409,602)	1,279,084
Less accumulated depreciation for:				
Building and improvements	(55,011)	(27,937)	11,747	(71,201)
Machinery, equipment and vehicles	(37,265)	(9,672)	-	(46,937)
Total accumulated depreciation	(92,276)	(37,609)	11,747	(118,138)
Total capital assets being depreciated, net	2,151,824	406,977	(1,397,855)	1,160,946
Total capital assets	$ 87,328,470	$ 7,457,514	$ (1,397,855)	$ 93,388,129

NOTE 4 – LONG-TERM OBLIGATIONS

The following is a summary of long-term liability activity for the year ended June 30, 2025:

Governmental activities	Balance July 1, 2024	Additions	Retirements	Balance June 30, 2025	Amount due Within one Year
Compensated Absences	$ 176,795	$ 149,038	$ 107,693	$ 218,140	$ 21,814
Total Long-Term Liabilities	$ 176,795	$ 149,038	$ 107,693	$ 218,140	$ 21,814

NOTE 5 – LITIGATION

At June 30, 2025, there were no matters of litigation involving the Agency or which would materially affect the Agency's financial position should any court decisions on pending matters not be favorable to such entities.

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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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SANTA CLARA VALLEY HABITAT AGENCY
General Fund
Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual
for the Year Ended June 30, 2025

	Budget Amounts (unaudited)		Actual	Variance with Final Budget Positive
	Original	Final	Results	(Negative)
Revenue				
Charges for services	$ 3,000,000	$ 5,500,000	$ 8,168,450	$ 2,668,450
Intergovernmental grants	3,646,608	3,541,488	2,927,917	(613,571)
Investment earnings	-	200,000	535,627	335,627
Miscellaneous	-	70,000	1,299,926	1,229,926
Total Revenue	6,646,608	9,311,488	12,931,920	3,620,432
Expenditures				
Current:				
Natural environment	8,445,596	8,863,466	7,440,358	1,423,108
Capital outlay	-	(3,041,000)	1,995,122	(5,036,122)
Total Expenditures	8,445,596	5,822,466	9,435,480	(3,613,014)
Excess of Revenue Over (Under) Expenditures	(1,798,988)	3,489,022	3,496,440	7,418
Other financing sources (uses)				
Transfers in	-	-	-	-
CHANGE IN FUND BALANCES	$ (1,798,988)	$ 3,489,022	3,496,440	$ 7,418
Fund balances - beginning			10,601,893	
Fund balances - end of year			$ 14,098,333	

See Notes to Required Supplementary Information

SANTA CLARA VALLEY HABITAT AGENCY
Note to Required Supplementary Information
(Unaudited) June 30, 2025

Note 1 – Budgetary Basis of Accounting

Budgets for the general fund and special revenue grant fund are prepared on the generally accepted accounting principles basis. Revenues are budgeted in the year receipt is expected; expenditures are budgeted in the year that the applicable warrant requisitions are expected to be issued. The budget and actual financial statements are reported on the above basis, with material differences between them.

Annual budget requests are submitted by the Agency's staff to the Agency Board of Directors for preliminary review and approval. After public hearing, a final budget is approved by the Agency Board of Directors, with a resolution adopting said budget. Copies of the approved budget are sent to all required agencies.

Excess of expenditures over budget due mainly to the acquisition of a property that was incremental to the final approved budget. This acquisition was approved by the Executive Officer and was within his authorization threshold previously approved by the Governing Board.

SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY
AUDITED FINANCIAL STATEMENTS
YEARS ENDING JUNE 30, 2022, 2021 & 2020



SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022, 2021 & 2020
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Francisquito Creek Joint Powers Authority
Menlo Park, California

Opinions

We have audited the accompanying financial statements of the net position of the San Francisquito Creek Joint Powers Authority (the "Authority"), as of and for the year ended June 30, 2022, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority's, as of June 30, 2022, 2021 and 2020 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority's, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions,

misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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

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

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

Grant & Smith, LLP

Oakland, California
March 26, 2026

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2022, 2021 and 2020

This Management's Discussion and Analysis is intended to serve as a narrative overview and analysis of the financial activities of the San Francisquito Creek Joint Powers Authority (the "Authority") for the year ended June 30, 2022, 2021 and 2020 The information presented here should be read in conjunction with the information furnished in the financial statements and notes to the financial statements.

Overview of the Financial Statements

The Authority's financial statements include the statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows. Also included are the notes to the financial statements.

The statement of net position shows the difference between assets and liabilities. Net position is classified into three categories: invested in capital assets (net of related debt), restricted, and unrestricted.

The statement of revenues, expenses and changes in net position shows the revenues and expenses that contributed to the change in net position during the year.

The statement of cash flows summarizes the cash inflows and outflows based on type of activity, including cash flows from operations, non-capital financing activities, capital and related financing activities, and investing activities. The Authority had no capital and related financing activity during the year ended June 30, 2022, 2021 and 2020 .

Notes to the financial statements provide additional information that is essential to a full understanding of the information provided in the financial statements.

Financial Analysis

The most significant events affecting the comparability of the Authority's financial statements for the year ended June 30, 2022, 2021 and 2020, to the prior year are highlighted below.

Statement of Net Position

The net position of the Authority increased by $414,651 for fiscal year ending (FYE) June 30, 2022, $512,410 for FYE 2021 and ($108,377) for FYE 2020 from the prior year. The composition of net position as of June 30, 2022, 2021 and 2020 is shown in the following table:

	FY 21-22	*FY 20-21*	*FY19-20*
Cash	$1,447,271	$1,220,735	1,507,309
Prepaid Expenses	9,607	9,247	8,232
Total assets	1,456,878	1,229,982	1,515,541
Deferred Outflows of Resources	17,780	35,603	35,603
Accounts Payable	269	12,929	8,083
Accrued Salaries and Benefits	103,154	86,937	58,995
Credit Card Payable	300	1,032	
Unearned Grant Income	255,654	451,530	1,246,635
Net Pension Liability	170,514	294,956	326,366
Total liabilities	638,395	837,370	1,635,339
Deferred Inflows of Resources	138,406	12,087	12,087
Net Position	$806,361	$406,114	$(101,022)

Unearned Grant Income decreased by $195,876 for FYE 2022, $795,105 for FYE 2021 and increased by $684,026 for FYE 2020. Net pension Liability decreased by $124,442 for FYE 2022, $31,410 for FYE 2021 and increased by $83,186 for FYE 2020.

Statement of Revenues, Expenses and Changes in Net position

During the year ended June 30, 2022, 2021 and 2020, the Authority's net position increased by increased by $400,247 for FYE 2022, $507,136 for FYE 2021 and ($113,117) for FYE 2020 from the prior year. This change in net position is shown in the following table:

	FY 21-22	*FY 20-21*	*FY19-20*
Total operating revenues	$1,686,200	$1,540,000	$925,000
Total operating expenses	1,014,083	968,816	1,142,995
Operating profit (loss)	672,117	571,184	(217,995)
Net non-operating revenues(expenses)	(271,870)	(64,048)	104,878
Change in net position	414,651	512,410	(108,377)
Net position, beginning of year	406,114	(101,022)	12,095
Net position, end of year	$ 806,361	$ 406,114	$(101,022)

Operating revenues are comprised of Member Entity contributions. Each member contributed $337,240 in fiscal year 2021-2022, $308,000 in fiscal year 2020-2021 and $185,000 in fiscal year 2019-2020.

Operating expenses are comprised of the personnel cost of the Authority's four employees, project consultants, legal and accounting, insurance and office expenses. The Authority's operating expenses for the year ended June 30, 2022, 2021 and 2020, increased by $45,267, decreased by $174,179 and increased by $194,434 respectively.

Summary of Known Facts, Decisions or Conditions

The following are currently known facts decisions or conditions that could have a significant impact on the financial position or changes in financial position of the Authority:

- The Authority's operational budget is primarily funded by annual member agency contributions per the Authority's approved operating budget. The Authority members are only bound in a voluntary Joint Powers Agreement, and each approves a contribution from its general budget as part of the annual budgeting process. Thus, while the Authority's project commitments extend for years, its operating funds and operating reserves do not extend beyond one fiscal year.
- Unearned grant revenue agreements/commitments
- Capital projects

Requests for Information

The annual financial report is designed to provide a general overview of the Authority's finances and operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Ms. Margaret Bruce
Executive Director
San Francisquito Creek Joint Powers Authority
750 Menlo Ave #250
Menlo Park, CA 94025

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF NET POSITION
AS OF JUNE 30,

ASSETS

	2022	2021	2020
CURRENT ASSETS			
Cash and Investments	$ 1,447,271	$ 1,220,735	$ 1,507,309
Prepaid Expenses	9,607	9,247	8,232
Total Assets	1,456,878	$ 1,229,982	1,515,541
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pension	$ 17,780	$ 35,603	$ 35,603
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts Payable	$ 269	$ 12,929	8,083
Accrued Salaries and Benefits	103,154	86,937	58,995
Credit Card Payable	300	1,032	
Unearned Grant Income	255,654	451,530	1,246,635
Total Current Liabilities	359,377	552,428	1,313,713
NONCURRENT LIABILITY			
Net Pension Liability	170,514	294,956	326,366
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pension	138,406	12,087	12,087
Total Deferred Inflows of Resources	138,406	12,087	12,087
NET POSITION-UNRESTRICTED	$ 806,361	$ 406,114	$ (101,022)

See accompanying notes.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30,

	2022	2021	2020
OPERATING REVENUES-MEMBER			
Entity Contributions:			
City of Palo Alto	$ 337,240	$ 308,000	$ 185,000
City of East Palo Alto	337,240	308,000	185,000
City of Menlo Park	337,240	308,000	185,000
Santa Clara Valley Water District	337,240	308,000	185,000
San Mateo County Flood Control District	337,240	308,000	185,000
Total Operating Revenues	1,686,200	1,540,000	925,000
OPERATING EXPENSES:			
Personnel:			
Salaries and Wages	512,935	470,259	487,615
Benefits	268,852	167,049	303,880
Payroll Taxes	43,385	60,461	57,361
Personnel Services	2,751	6,968	10,406
Auto Allowances	5,000	5,000	4,167
Legal	54,142	122,064	125,725
Financial/CPA			15,000
Grant Administrator	25,900	33,895	66,979
Office Expense	100,387	101,669	70,580
Contingency	731	1,451	1,282
Total Operating Expenses	1,014,083	968,816	1,142,995
Operating Profit(Loss)	672,117	571,184	(217,995)
NON-OPERATING REVENUES (EXPENSES):			
Interest	2,711	1,779	11,689
Miscellaneous Income	503	241	
Grants	350,952	868,587	4,051,440
Consultant Services/Project	(626,036)	(934,655)	(3,958,251)
Total Non-Operating Revenues(Expenses)	(271,870)	(64,048)	104,878
CHANGES IN NET POSITION	400,247	507,136	(113,117)
NET POSITION, BEGINNING OF YEAR	406,114	(101,022)	12,095
NET POSITION, END OF YEAR	$ 806,361	$ 406,114	$ (101,022)

See accompanying notes.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF CASH FLOWS
AS OF JUNE 30,

	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Member Entities	$ 1,686,200	$ 1,540,000	$ 925,000
Cash Paid to Employees for Services	(772,160)	(698,182)	(769,325)
Cash Paid for all Expenses Other Than Employees	(494,339)	(335,066)	(199,254)
Cash Provided by Operating Activities	419,701	506,752	(43,579)
CASH FLOWS FROM INVESTING ACTIVITY			
Interest Received	2,711	1,779	11,689
CASH FLOWS FROM CAPITAL FINANCING ACTIVITY			
Cash Earned from Unearned Grant Income	(195,876)	(795,105)	684,026
Increase in Cash	226,536	(286,574)	652,136
CASH & INVESTMENTS, BEGINNING OF YEAR	1,220,735	1,507,309	855,173
CASH & INVESTMENTS, END OF YEAR	$ 1,447,271	$ 1,220,735	$ 1,507,309
RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO OPERATING LOSS:			
Cash Provided(Used) by Operating Activities	$ 429,715	$ 506,752	$ (43,579)
Increase?(Decrease) in Prepaid Expenses	360	1,015	784
Increase/(Decrease) in Deferred Outflow	(17,823)		
Increase/(Decrease) in Accounts Payable	287,241	60,981	(94,808)
Increase/(Decrease) in Credit Card	732	(1,032)	
Increase/(Decrease) in Deferred Inflow	(126,319)		
Increase/(Decrease) in Accrued Salaries and Benefits	98,211	3,468	(80,392)
Operating Profit(Loss)	$ 672,117	$ 571,184	$ (217,995)

See accompanying notes.

NOTE 1 – NATURE OF OPERATIONS

The San Francisquito Creek Joint Powers Authority (the "Authority") was created in May 1999 as a joint powers authority by the City of Menlo Park, the City of Palo Alto, the City of East Palo Alto, the Santa Clara Valley Water District and the San Mateo Flood Control District (the "Member Entities"). The Authority was formed to manage the joint contribution of services and to provide policy direction on issues of mutual concern related to the San Francisquito Creek, including bank stabilization, channel clearing and other creek maintenance, planning of flood control measures, preserving and enhancing environmental values and instream uses, and emergency response coordination.

The Authority is governed by a five-member board, comprised of one director appointed by each Member Entity. The Authority is legally separate and fiscally independent from each of the Member Entities, which means it can incur debt, set and modify its own budgets and fees, enter into contracts, and sue or be sued in its own name. The accompanying financial statements reflect the financial activity of the Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liability is incurred, regardless of the timing of the related cash flows.

The accounts of the Authority are organized on the basis of an enterprise fund. Enterprise funds account for activities: (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; (ii) that are required by laws or regulations that the activity's cost of providing services, including capital costs (such as depreciation or debt service) be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Authority are contributions from the Member Entities to cover operating costs of the Authority. Operating expenses include administrative salaries and consultant services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Revenue and costs related to the Corps Project (see Note 5) are classified as non-operating revenues and expenses.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The Authority follows Governmental Accounting Standards Board (GASB) pronouncements.

Budget

The Board of Directors each year adopts an operating budget consistent with generally accepted accounting principles. This budget is not effective until approved by the governing body of each Member Entity. There were no significant revisions to the budget during the year.

Member Entity Contributions

Under terms of the joint power agreement, the Authority's Board annually estimates the operating costs of the Authority for the coming fiscal year and proposes a formula for allocating the costs to the Member Entities. The Member Entities then make contributions representing their share of the needed operating costs to the Authority. Each Member Entity contributed $337,240 for FYE 2022 $308,000 for FYE 2021 and $185,000 during FYE 2020, to cover Authority operating costs for the year.

Accumulated Vacation and Sick Leave

By Authority policy, employees earn 96 hours per year of personal leave as well as 112 to 160 hours of vacation, depending on years of service. Up to 180 hours of personal leave and up to 280 hours of vacation can be carried over from year to year until used. The Authority has accrued $103,153 FYE 2022, $70,022 FYE 2021 and $58,995 FYE 2020 for this liability. Sick leave benefits do not vest and have not been accrued; they are recorded as expense in the period the sick leave is taken. More than 40 hours and up to 120 hours of any combination of accrued vacation leave and accrued administrative leave may be converted to cash, payable to an employee once during each fiscal year at a time requested by the employee.

Grants Received

Grants are reported as non-operating revenue as soon as all eligibility requirements have been met.

Estimates

Management has made estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual values could differ from these estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Authority has $17,780 FYE 2022, $35,603 FYE 2021, and FYE 2020 of deferred outflows related to its pension plan, including differences between expected and actual experience, changes in assumptions and differences between expected and actual investment earnings on plan investments.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Authority has $138,406 FYE 2022, $12,087 FYE 2021 and FYE 2020 of deferred inflows related to its pension plan, including differences between expected and actual experience, and changes in assumptions.

Net Position

The difference between assets, liabilities and deferred inflows/outflows of resources is reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position classified as net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding principal of related debt. Restricted net position is the net position that has external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions, or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

NOTE 3 – CASH AND INVESTMENTS

The cash and investments balance as of June 30, consisted of:

	2022	2021	2020
LAIF	$ 445,719	$ 186,147	$ 184,583
Bank	1,001,552	1,034,588	1,322,726
Total	$ 1,447,271	$ 1,220,735	$ 1,507,309

The Authority's cash was maintained in bank accounts. California law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for all municipal deposits. This collateral remains with the institution but is held in the Authority's name and places the Authority ahead of general creditors of the institution.

Investments authorized by the California Government Code for Authority Purchase include:

- Securities of the United States Government
- Securities of United States Government Agencies
- Bankers Acceptances
- Commercial Paper
- Certificates of Deposit
- Supranational Obligations
- County Pooled Investment Funds
- California Local Agency Investment Fund
- Securities of California Local Agencies
- Repurchase Agreements
- Medium Term Corporate Notes
- Mutual Funds
- Bank Deposits
- Securities of California and Other States

$445,719 FYE 2022, $186,147 FYE 2021, and $184,583 FYE 2020 was maintained in the State Treasurer's investment pool (Local Agency Investment Fund). Oversight of LAIF is provided by the Pooled Money Investment Board consisting of the Treasurer, Controller and Director of Finance for the State of California. The Authority's position in the pool is equal to the value of the pool shares. The income from the pooled investments is allocated between the participants based on the daily cash balance maintained.

NOTE 4 – EMPLOYEE RETIREMENT PLAN

The Authority provides retirement benefits to its four employees through the Miscellaneous Plan a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees Retirement System ("CalPERS"). The Plan acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Authority resolution. CalPERS issues publicly available

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

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 Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 65
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 – 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	6.91%	6.75%
Required employer contribution rates	10.34%	7.59%

Contribution Description

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. The total plan contributions are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is on the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2022, 2021, and 2020 the contributions recognized as pension expense was as follows:

	2022	2021	2020
Contributions – Employer	$ 43,385	$40,517	$39,539

Pension Liabilities, Pension Expense and Deferred Inflows/Outflows of Resources Related to Pension

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

As of June 30, the Authority reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability		
	2022	2021	2020
Miscellaneous	$ 170,514	$ 294,956	$326,366

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2023 and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of the contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

At June 30, the Authority reported deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 8,532	$ (5,717)
Changes of Assumptions	43,357	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	77,826	
Total	$ 129,895	$ (5,715)

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal Cost method
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age & Service
Payroll Growth	2,75%
Investment Rate of Return	7.15% (a)
Mortality Rate Table	Derived using CalPERS Membership Data for all funds (b)
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.30% thereafter

(a) Net of pension plan investment expenses, including inflation.

(b) The mortality table used was developed based on CalPERS specific data. The table includes 15 years of projected mortality improvements using Society of Actuaries Scale 90% of the scale MP 2016. For more details on this table, please refer to the 2021 experience study report from December 2017 that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.9 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website.

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 6.9 percent investment return assumption used in this accounting valuation is net of administrative expenses.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class(a)	Assumed Asset Allocation	Real Return Years 1-10(b)	Real Return Years 11+ (c)
Global Equity	50.0%	4.54%	5.98%
Fixed Income	28.0%	3.84%	2.62%
Inflation Assets	0.0%	7.28%	1.81%
Private Equity	8.0%	0.27%	7.23%
Real Estate	13.0%	0.50%	4.93%
Liquidity	1.0%	1.56%	-0.92%
Total	100.00%		

(a) In the CalPERS Annual comprehensive Financial Report, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments: Inflation Assets are included in both global Equity Securities and Global Debt Securities.
(b) An expected inflation of 2.0% used for this period.
(c) An expected inflation of 2.92% used for this period.

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

Pension Plan Fiduciary Net Position

Detailed information about the plan fiduciary net position is available in the separately issued CalPERS Financial reports.

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

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

	Discount Rate -1% (5.15%)	Current Discount Rate (6.15%)	Discount Rate +1% (7.15%)
Plan's Net Pension Liability	$ 407,220	$ 170,512	$ (25,170)

Employees Covered

The following employees were covered by the benefit terms for the CalPERS Plan

	2022	2021	2020
Active	4	4	4
Transferred			
Separated			1
Retired			
Total	4	4	5

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

The amounts above are net of outflows and inflows recognized in the 2021-22 measurement period expense.

Amounts reported as deferred outflows and deferred inflows of resources related to pensions, other than the employer-specific item, will be recognized in future pension expense as follows:

Year Ending June 30,	Deferred Outflow/(Inflow) of Resources
2022	$ (24,946)
2023	(26,873)
2024	(30,559)
2025	(38,248)
2026	0
Thereafter	0

NOTE 5 – PROJECTS

. The SFCJPA has three projects, as described in their Comprehensive Plan and summarized below:

1. *Downstream Reach 1 (Estuary Reach) Project, from Highway 101 to San Francisco Bay:* This project, formally known as the San Francisquito Creek Flood Reduction, Ecosystem Restoration, and Recreation Project – San Francisco Bay to Highway 101 (Palo Alto and East Palo Alto), was completed in June 2019. The project was funded using local funds in accordance with the Second Amended and Restated Funding Agreement between SFCJPA members dated May 24, 2016, and two grants from the California Department of Water Resources (Proposition 1E Agreement #4600009670 for $8,700,000 between the SFCJPA and the California Department of Water Resources (DWR), and a 2015 Proposition 84 Integrated Regional Water Management (IRWM) DWR grant #4600011486, with the Association of Bay Area Governments as the grantee, and the SFCJPA a subrecipient). The SFCJPA's Grant #4600009670 was audited by the California Department of Finance in 2018.

   This project has a design goal of 100-year creek flood protection. The SFCJPA Board delegated the operations and maintenance of this project to Santa Clara Valley Water District and the City of East Palo Alto in 2014, and the agreement between those two entities was executed on October 27, 2021.

NOTE 5 – PROJECTS (CONTINUED)

The SFCJPA is the lead for mitigation monitoring and reporting for the restoration components through Year 10. The Project's mitigation requirements were initiated in 2017 and, as such, Year 1 Mitigation Monitoring Report was submitted in December 2018, with this audit covering Year 3 (2020) through Year 5 (2022) of mitigation monitoring and reporting. Contracts for this work are reported as non-operating consultant services/project expenses by the SFCJPA.

2. *Urban Reach 2 Project, along the creek from West Bayshore Road to El Camino Real:* This project has been part of planning and design since the SFCJPA began, with focused efforts on the Reach 2 area since the 2012 agreement to fund an Environmental Impact Report, with a goal of 100-year flood protection. The 100-year flood protection project was not accepted by the public in 2013, so a less impactful but less protective project was planned to move forward. In September 2019, the SFCJPA Board certified the Environmental Impact Report for a Reach 2 project to protect the area from bank overtopping from a storm event equal to the flood of record in February 1998, or an approximate 70-year flood event. The SFCJPA continued with design and permitting throughout this audit period, with cost share agreement with Valley Water (Agreement A3617S, as amended for $1,400,000).

   The SFCJPA has a long-standing involvement with the Army Corps of Engineers for creek related flood risk reduction. In 2005, a General Investigation was initiated for the entire watershed but was refocused in 2009 to exclude the Reach 1 Project area. The San Francisco District of the Corps requested a waiver to headquarters in 2013 for increased costs and a schedule extension through 2020. In 2019, the SFCJPA requested that the General Investigation be terminated, and it was formally closed on January 10, 2020. In 2021, the SFCJPA entered into a new agreement with the Army Corps of Engineers under their Continuing Authorities Program (CAP205) that focused on the Urban Reach 2 Area, which continued through this audit period.

   The agreements with the Army Corps of Engineers from 2005 through this audit period require a cost share, and the Authority has reported all Corps Project costs as non-operating consultant services/project expenses and the Corps share of such costs as Federal contribution.

3. *SAFER Bay Project- tidal flood risk reduction and sea level rise resiliency-* A feasibility study for Menlo Park and East Palo Alto was completed in 2016 using grant funding from DWR (Agreement No. 4600009955). This study was completed in January 2017. The SFCJPA received a second grant from DWR (Grant Agreement #4600009954) for design and permitting for some project components in East Palo Alto and Menlo Park in

NOTE 5 – PROJECTS (CONTINUED)

2013, with work beginning in 2017 and continuing throughout this grant period. The grant schedule was extended via Amendment #1 that was executed February 2018.

The City of Palo Alto funded the completed feasibility study for the Palo Alto shoreline that was completed 2019 under a 2014 agreement between the SFCJPA and the City of Palo Alto for $500,000.

The SFCJPA, with the City of East Palo Alto, applied for additional grant funding to advance the project in East Palo Alto via a California Office of Emergency Response Hazard Mitigation Grant Program (CalEOS HMGP) in 2019, with execution of a grant agreement pending throughout this audit period.

The SFCJPA applied for a grant with the San Francisco Bay Restoration Authority (SFBRA) in 2021 and was selected for award in February 2022, with execution of a grant agreement pending throughout this audit period.

Project work for the SAFER Bay Project through 2022 was limited to work under the active DWR grant #4600009954.

NOTE 6 – UNEARNED GRANT INCOME

Unearned Grant Income – funds from funders received in this fiscal year and the previous fiscal year but have not been spent in the respective fiscal years audit.

At June 30, 2022 the unearned revenue was $255,654, 2021 $451,530, & 2020 $1,246,635: - funders included:

The California Department of Water Resources advanced costs to be used for the design, California Environmental Quality Act documentation and construction of the S.F. Bay to Highway 101 Flood Protection, Ecosystem Restoration, San Francisco Bay Area Restoration Author and Recreation Project on San Francisquito Creek.

NOTE 7 – SUBSEQUENT EVENTS

Management has reviewed its financial statements and evaluated subsequent events through March 26, 2026, the date the financial statements were issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompany financial statements other than what is disclosed.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
SCHEDULE OF AUTHORITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2022
LAST 10 YEARS*

	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.00815%	0.00815%	0.00815%	0.00739%	0.00619%	0.00600%	0.00264%
Proportionate share of the net pension liability	$ 326,367	$ 326,367	$ 326,367	$ 299,990	$ 244,013	$ 159,686	$ 164,311
Covered- employee payroll	$ 495,259	$ 505,076	$ 505,195	$ 487,624	$ 451,433	$ 285,466	$ 260,616
Proportionate share of fiduciary net position	$ 1,139,345	$ 1,139,345	$ 1,139,345	$ 1,044,546	$ 747,412	$ 655,409	$ 280,882
Proportionate Share of the net pension liability as percentage of covered-employee payroll	65.90%	64.62%	64.60%	61.52%	54.05%	55.94%	63.05%
Plan fiduciary net position as a percentage of the total pension liability	77.73%	77.73%	77.73%	77.69%	75.39%	75.70%	71.17%

Notes to Schedule:
Benefit changes: None

Changes in assumptions: Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%
In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows.
Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term.
The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

GASB 68 Required Schedule

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2022
LAST 10 YEARS*

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 53,085	$ 35,252	$ 49,048	$ 42,282	$ 38,046	$ 36,177	$ 38,335	$ 37,657
Contributions in relation to the actuarially determined contributions	(53,085)	(35,252)	(49,048)	(42,282)	(38,046)	(36,177)	(38,335)	(37,657)
Contribution Deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	481,434	495,259	505,076	505,195	$487,624	$451,433	$285,466	$260,616
Contributions as a percentage of covered-employee payroll	11.03%	7.12%	9.71%	8.37%	7.80%	8.01%	13.43%	14.45%
Notes to Schedule								
Valuation date:	6/30/2021	6/30/2019	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2013

GASB 68 required schedule

SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023



SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Francisquito Creek Joint Powers Authority
Menlo Park, California

Opinions

We have audited the accompanying financial statements of the net position of the San Francisquito Creek Joint Powers Authority (the "Authority"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority's, as of June 30, 2023 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority's, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions,

misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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

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

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

Grant & Smith, LLP

Oakland, California
March 26, 2026

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2023

This Management's Discussion and Analysis is intended to serve as a narrative overview and analysis of the financial activities of the San Francisquito Creek Joint Powers Authority (the "Authority") for the year ended June 30, 2023 The information presented here should be read in conjunction with the information furnished in the financial statements and notes to the financial statements.

Overview of the Financial Statements

The Authority's financial statements include the statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows. Also included are the notes to the financial statements.

The statement of net position shows the difference between assets and liabilities. Net position is classified into three categories: invested in capital assets (net of related debt), restricted, and unrestricted.

The statement of revenues, expenses and changes in net position shows the revenues and expenses that contributed to the change in net position during the year.

The statement of cash flows summarizes the cash inflows and outflows based on type of activity, including cash flows from operations, non-capital financing activities, capital and related financing activities, and investing activities. The Authority had no capital and related financing activity during the year ended June 30, 2023.

Notes to the financial statements provide additional information that is essential to a full understanding of the information provided in the financial statements.

Financial Analysis

The most significant events affecting the comparability of the Authority's financial statements for the year ended June 30, 2023, to the prior year are highlighted below.

Statement of Net Position

The net position of the Authority increased by $666,942 from the prior year. The composition of net position as of June 30, 2022 and 2023 is shown in the following table:

	FY 22-23	*FY 21-22*	*Change*
Cash	$1,978,562	$1,447,271	531,291
Prepaid Expenses	9,742	9,607	135
Total assets	1,988,304	2,802,223	531,426
Deferred Outflows of Resources	129,895	17,780	112,115
Accounts Payable	13,135	269	(12,866)
Accrued Salaries and Benefits	117,690	103,154	(14,536)
Credit Card Payable	898	300	(598)
Unearned Grant Income	48,428	255,654	207,226
Net Pension Liability	459,031	170,514	(288,517)
Total liabilities	639,182	638,395	(109,291)
Deferred Inflows of Resources	5,714	138,406	132,692
Net Position	$1,473,303	$806,361	$666,942

Unearned Grant Income decreased by $207,226. Net pension Liability increased by $288,517 due to pension investments and changed in assumptions.

Statement of Revenues, Expenses and Changes in Net position

During the year ended June 30, 2023, the Authority's net position increased by $666,942 from the prior year. This change in net position is shown in the following table:

	FY 22-23	*FY 21-22*	*Change*
Total operating revenues	$1,759,670	$1,686,200	$73,470
Total operating expenses	1,119,101	1,014,083	(105,018)
Operating profit (loss)	640,569	672,117	(31,548)
Net non-operating revenues(expenses)	26,373	(271,870)	298,243
Change in net position	666,942	400,247	266,695
Net position, beginning of year	806,361	406,114	400,247
Net position, end of year	$ 1,473,303	$ 806,361	$666,942

Operating revenues are comprised of Member Entity contributions. Each member contributed $351,934 in fiscal year 2022-2023 and $337,240 in fiscal year 2021-2022

Operating expenses are comprised of the personnel cost of the Authority's four employees, project consultants, legal and accounting, insurance and office expenses. The Authority's operating expenses for the year ended June 30, 2023, increased by $105,018.

Summary of Known Facts, Decisions or Conditions

The following are currently known facts decisions or conditions that could have a significant impact on the financial position or changes in financial position of the Authority:

- The Authority's operational budget is primarily funded by annual member agency contributions per the Authority's approved operating budget. The Authority members are only bound in a voluntary Joint Powers Agreement, and each approves a contribution from its general budget as part of the annual budgeting process. Thus, while the Authority's project commitments extend for years, its operating funds and operating reserves do not extend beyond one fiscal year.
- Unearned grant revenue agreements/commitments
- Capital projects

Requests for Information

The annual financial report is designed to provide a general overview of the Authority's finances and operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Ms. Margaret Bruce
Executive Director
San Francisquito Creek Joint Powers Authority
750 Menlo Ave #250
Menlo Park, CA 94025

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2023

ASSETS

CURRENT ASSETS		
Cash and Investments	$	1,978,562
Prepaid Expenses		9,742
Total Assets		1,988,304
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pension	$	129,895

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts Payable	$	13,135
Accrued Salaries and Benefits		117,690
Credit Card Payable		898
Unearned Grant Income		48,428
Total Current Liabilities		180,151
NONCURRENT LIABILITY		
Net Pension Liability		459,031
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pension		5,714
Total Deferred Inflows of Resources		5,714
NET POSITION-UNRESTRICTED	$	1,473,303

See accompanying notes.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	ACTUAL
OPERATING REVENUES-MEMBER	
Entity Contributions:	
City of Palo Alto	$ 351,934
City of East Palo Alto	351,934
City of Menlo Park	351,934
Santa Clara Valley Water District	351,934
San Mateo County Flood Control District	351,934
Total Operating Revenues	1,759,670
OPERATING EXPENSES:	
Personnel:	
Salaries and Wages	528,646
Benefits	241,620
Payroll Taxes	46,063
Personnel Services	68,989
Auto Allowances	5,000
Legal	77,731
Grant Administrator	28,323
Office Expense	121,049
Contingency	1,680
Total Operating Expenses	1,119,101
Operating Profit(Loss)	640,569
NON-OPERATING REVENUES (EXPENSES):	
Interest	23,310
Miscellaneous Income	353
Member Reserve Contribution	219,960
Grants	207,226
Consultant Services/Project	(424,476)
Total Non-Operating Revenues(Expenses)	26,373
CHANGES IN NET POSITION	666,942
NET POSITION, BEGINNING OF YEAR	806,361
NET POSITION, END OF YEAR	$ 1,473,303

See accompanying notes.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Member Entities	$	1,759,670
Cash Paid to Employees for Services		(758,083)
Cash Paid for all Expenses Other Than Employees		(506,693)
Cash Received from Miscellaneous Income		353
Cash Provided by Operating Activities		495,247
CASH FLOWS FROM INVESTING ACTIVITY		
Interest Received		23,310
CASH FLOWS FROM CAPITAL FINANCING ACTIVITY		
Cash Earned from Unearned Grant Income		(207,226)
Cash Received from Member Entities for Reserves		219,960
Cash Provided by Capital Financing		12,734
Increase in Cash		531,291
CASH & INVESTMENTS, BEGINNING OF YEAR		1,447,271
CASH & INVESTMENTS, END OF YEAR	$	1,978,562
RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO OPERATING LOSS:		
Cash Provided(Used) by Operating Activities	$	495,247
Cash Provided(Used) for Reserves		219,960
Decrease in Prepaid Expenses		135
Decrease in Deferred Outflow		112,115
Increase in Accounts Payable		(16,527)
Increase in Deferred Inflow		132,692
Increase in Accrued Salaries and Benefits		(303,053)
Operating Profit(Loss)	$	640,569

See Accompanying Notes.

NOTE 1 – NATURE OF OPERATIONS

The San Francisquito Creek Joint Powers Authority (the "Authority") was created in May 1999 as a joint powers authority by the City of Menlo Park, the City of Palo Alto, the City of East Palo Alto, the Santa Clara Valley Water District and the San Mateo Flood Control District (the "Member Entities"). The Authority was formed to manage the joint contribution of services and to provide policy direction on issues of mutual concern related to the San Francisquito Creek, including bank stabilization, channel clearing and other creek maintenance, planning of flood control measures, preserving and enhancing environmental values and instream uses, and emergency response coordination.

The Authority is governed by a five-member board, comprised of one director appointed by each Member Entity. The Authority is legally separate and fiscally independent from each of the Member Entities, which means it can incur debt, set and modify its own budgets and fees, enter into contracts, and sue or be sued in its own name. The accompanying financial statements reflect the financial activity of the Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liability is incurred, regardless of the timing of the related cash flows.

The accounts of the Authority are organized on the basis of an enterprise fund. Enterprise funds account for activities: (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; (ii) that are required by laws or regulations that the activity's cost of providing services, including capital costs (such as depreciation or debt service) be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Authority are contributions from the Member Entities to cover operating costs of the Authority. Operating expenses include administrative salaries and consultant services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Revenue and costs related to Projects (see Note 5) are classified as non-operating revenues and expenses.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The Authority follows Governmental Accounting Standards Board (GASB) pronouncements.

Budget

The Board of Directors each year adopts an operating budget consistent with generally accepted accounting principles. This budget is not effective until approved by the governing body of each Member Entity. There were no significant revisions to the budget during the year.

Member Entity Contributions

Under terms of the joint power agreement, the Authority's Board annually estimates the operating costs of the Authority for the coming fiscal year and proposes a formula for allocating the costs to the Member Entities. The Member Entities then make contributions representing their share of the needed operating costs to the Authority. Each Member Entity contributed $351,934 during the year ended June 30, 2023, to cover Authority operating costs for the year.

Accumulated Vacation and Sick Leave

By Authority policy, employees earn 96 hours per year of personal leave as well as 112 to 160 hours of vacation, depending on years of service. Up to 180 hours of personal leave and up to 280 hours of vacation can be carried over from year to year until used. The Authority has accrued $117,690 for this liability at June 30, 2023. Sick leave benefits do not vest and have not been accrued; they are recorded as expense in the period the sick leave is taken. More than 40 hours and up to 120 hours of any combination of accrued vacation leave and accrued administrative leave may be converted to cash, payable to an employee once during each fiscal year at a time requested by the employee.

Grants Received

Grants are reported as non-operating revenue as soon as all eligibility requirements have been met.

Estimates

Management has made estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual values could differ from these estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Authority has $129,895 of deferred outflows related to its pension plan, including differences between expected and actual experience, changes in assumptions and differences between expected and actual investment earnings on plan investments.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Authority has $5,714 of deferred inflows related to its pension plan, including differences between expected and actual experience, and changes in assumptions.

Net Position

The difference between assets, liabilities and deferred inflows/outflows of resources is reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position classified as net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding principal of related debt. Restricted net position is the net position that has external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions, or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

NOTE 3 – CASH AND INVESTMENTS

The cash and investments balance as of June 30, 2023 consisted of:

LAIF	$ 1,747,234
FRB	231,328
Total	$ 1,978,562

During the year ended June 30, 2023, $231,328 of the Authority's cash was maintained in bank accounts. California law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for all municipal deposits. This collateral remains with the institution but is held in the Authority's name and places the Authority ahead of general creditors of the institution.

Investments authorized by the California Government Code for Authority Purchase include:

- Securities of the United States Government
- Securities of United States Government Agencies
- Bankers Acceptances
- Commercial Paper
- Certificates of Deposit
- Supranational Obligations
- County Pooled Investment Funds
- California Local Agency Investment Fund
- Securities of California Local Agencies
- Repurchase Agreements
- Medium Term Corporate Notes
- Mutual Funds
- Bank Deposits
- Securities of California and Other States

$1,747,234 was maintained in the State Treasurer's investment pool (Local Agency Investment Fund). Oversight of LAIF is provided by the Pooled Money Investment Board consisting of the Treasurer, Controller and Director of Finance for the State of California. The Authority's position in the pool is equal to the value of the pool shares. The income from the pooled investments is allocated between the participants based on the daily cash balance maintained.

NOTE 4 – EMPLOYEE RETIREMENT PLAN

The Authority provides retirement benefits to its four employees through the Miscellaneous Plan a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees Retirement System ("CalPERS"). The Plan acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Authority 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.

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

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 Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 65
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 – 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8%	6.75%
Required employer contribution rates	9.71%	9.71%

Contribution Description

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. The total plan contributions are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is on the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2023 the contributions recognized as pension expense was as follows:

Contributions – Employer	$ 85,058

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

Pension Liabilities, Pension Expense and Deferred Inflows/Outflows of Resources Related to Pension

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

As of June 30, 2023 the Authority reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$ 459,031

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2023 and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of the contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability for the plan as of June 30, 2022 and 2023 was as follows:

	Percentage
Proportion – June 30, 2021	.00759%
Proportion – June 30, 2022	.00908%
Change – Increase (Decrease)	.00149%

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2023, the Authority recognized pension expense of $85,058. At June 30, 2023, the Authority reported deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent To the Measurement Date	$ 85,058	
Differences Between Expected and Actual Experience	8,532	$ (5,717)
Changes of Assumptions	43,357	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	77,826	
Total	$ 214,953	$ (5,715)

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal Cost method
Actuarial Assumptions	
Discount Rate	6.9%
Inflation	2.3%
Salary Increases	Varies by Entry Age & Service
Payroll Growth	2,8%
Investment Rate of Return	6.90% (a)
Mortality Rate Table	Derived using CalPERS Membership Data for all funds (b)
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.30% thereafter

(a) Net of pension plan investment expenses, including inflation.

(b) The mortality table used was developed based on CalPERS specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021 that can be found on the CalPERS website.

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.9 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.9 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.9 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 6.9 percent investment return assumption used in this accounting valuation is net of administrative expenses.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

Asset Class	Assumed Asset Allocation	Real Return(a)(b)
Global Equity Cap-Weighted	30.0%	4.54%
Global Equity NonCap-Weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	(5.00%)	(0.59%)
Total	100.00%	

(a) An expected inflation of 2.3% used for this period.
(b) Figures are based on the 2021 Asset Liability Study.

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

Pension Plan Fiduciary Net Position

Detailed information about the plan fiduciary net position is available in the separately issued CalPERS Financial reports.

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

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

	Discount Rate -1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1% (7.9%)
Plan's Net Pension Liability	$ 745,877	$ 429,602	$ 223,030

Employees Covered

The following employees were covered by the benefit terms for the CalPERS Plan

Active	4
Transferred	
Separated	
Retired	
Total	4

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

The amounts above are net of outflows and inflows recognized in the 2022-23 measurement period expense.

Amounts reported as deferred outflows and deferred inflows of resources related to pensions, other than the employer-specific item, will be recognized in future pension expense as follows:

Year Ending June 30,	Deferred Outflow/(Inflow) of Resources
2024	$ 32,387
2025	28,378
2026	15,814
2027	47600
2028	0
Thereafter	0

NOTE 5 – PROJECTS

The SFCJPA has three projects, as described in their Comprehensive Plan and summarized below:

1. *Downstream Reach 1 (Estuary Reach) Project, from Highway 101 to San Francisco Bay:* This project, formally known as the San Francisquito Creek Flood Reduction, Ecosystem Restoration, and Recreation Project – San Francisco Bay to Highway 101 (Palo Alto and East Palo Alto), was completed in June 2019. The project was funded using local funds in accordance with the Second Amended and Restated Funding Agreement between SFCJPA members dated May 24, 2016, and two grants from the California Department of Water Resources (Proposition 1E Agreement #4600009670 for $8,700,000 between the SFCJPA and the California Department of Water Resources (DWR), and a 2015 Proposition 84 Integrated Regional Water Management (IRWM) DWR grant

NOTE 5 – PROJECTS (CONTINUED)

#4600011486, with the Association of Bay Area Governments as the grantee, and the SFCJPA a subrecipient). The SFCJPA's Grant #4600009670 was audited by the California Department of Finance in 2018.

This project has a design goal of 100-year creek flood protection. The SFCJPA Board delegated the operations and maintenance of this project to Santa Clara Valley Water District and the City of East Palo Alto in 2014, and the agreement between those two entities was executed on October 27, 2021.

The SFCJPA is the lead for mitigation monitoring and reporting for the restoration components through Year 10. The Project's mitigation requirements were initiated in 2017 and, as such, Year 1 Mitigation Monitoring Report was submitted in December 2018, with this audit covering Year 6 of mitigation monitoring and reporting. Contracts for this work are reported as non-operating consultant services by the SFCJPA.

As the permit holder for the Reach 1 Project, the SFCJPA initiated the first Five Year Operation and Maintenance Report during this audit period, obtaining approval of the draft report outline from the San Francisco Bay Regional Water Quality Control Board.

2. *Urban Reach 2 Project, along the creek from West Bayshore Road to El Camino Real:* This project has been part of planning and design since the SFCJPA began, with focused efforts on the Reach 2 area since the 2012 agreement to fund an environmental Impact Report, also with a goal of 100-year flood protection. The 100-year flood protection project was not accepted by the public in 2013, so a smaller project was planned. In 2016, the hydraulic model was updated by Santa Clara Valley Water District (Valley Water) and went through the Army Corps of Engineers certification process.

   In September 2019, the SFCJPA Board approved and adopted the Environmental Impact Report for a project to protect the area from bank overtopping from a storm event equal to the flood of record in February 1998, or an approximate 70-year flood event.

   The SFCJPA continued with design and permitting throughout this audit period, with cost share agreements with Valley Water (Agreement A3617S, as amended for $1,400,000). Project designs were advanced to 60%, and Pope Chaucer bridge design to 90%. Draft permit applications were submitted to the regulatory agencies in July 2022. Applications to Cities were submitted in August 2022.

   On December 31, 2022, a flooding event occurred, with the second highest measured creek flow. Overtopping occurred at locations that were not predicted by the HEC-RAS model that was used as the basis for the 60% to 90% designs. Valley Water evaluated the

NOTE 5 – PROJECTS (CONTINUED)

model and presented findings at the June 8, 2023 SFCJPA Board Meeting, with the key finding that the model underestimated flows by as much as two feet. This revealed a new understanding that the creek channel has about 25% less capacity than previously thought.

The SFCJPA commissioned an independent review of the model, and all work on the Reach 2 project was paused during this audit period.

The SFCJPA's involvement with the Army Corps of Engineers for creek related flood risk reduction under their Continuing Authorities Program was also paused until the model was updated, so that work could begin on recertifying model hydrology and hydraulics.

As noted in previous audits, agreements with the Army Corps of Engineers require a cost share, and the Authority has reported all Corps Project costs as non-operating consultant services, and the Corps share of such costs as Federal contribution.

3. *SAFER Bay Project- tidal flood risk reduction and sea level rise resiliency-* A feasibility study for Menlo Park and East Palo Alto was completed in 2016 using grant funding from DWR (Agreement No. 4600009955). This study was completed in January 2017. The SFCJPA received a second grant from DWR (Grant Agreement #4600009954) for design and permitting for some project components in East Palo Alto and Menlo Park in 2013, with work beginning in 2017 and continuing throughout this grant period. The grant schedule was extended via Amendment #1 that was executed February 2018.

   The City of Palo Alto funded the completed feasibility study for the Palo Alto shoreline in 2019.

   The SFCJPA, with the City of East Palo Alto applied for additional grant funding to advance the project in East Palo Alto via a California Office of Emergency Response Hazard Mitigation Grant Program (CalOES HMGP) in 2019, with execution of the grant agreement September 1, 2022.

   The SFCJPA applied for a grant with the San Francisco Bay Restoration Authority (SFBRA) in 2021 and was selected for award in early 2022, with execution of the grant agreement (SFB0041-RA035) on September 15, 2022. On March 3, 2023, the Governing Board of the SFBRA approved a supplemental award of up to $3,980,000 in grant funding to the SFCJPA for planning and preliminary design of the SAFER Bay Project in East Palo Alto and Menlo Park. This work was authorized by the SFCJPA Board on May 25, 2023. This funding was used to develop the technical evaluations needed to advance designs and develop the Draft Environmental Report.

NOTE 6 – UNEARNED GRANT INCOME

Unearned Grant Income – funds from funders received in this fiscal year and the previous fiscal year but have not been spent as of June 30, 2023.

The amount of unearned grant income for year ended June 30, 2023 is $321,997 - funders included:

The California Department of Water Resources advanced costs to be used for the design, California Environmental Quality Act documentation and construction of the S.F. Bay to Highway 101 Flood Protection, Ecosystem Restoration, San Francisco Bay Area Restoration Author and Recreation Project on San Francisquito Creek.

NOTE 7 – SUBSEQUENT EVENTS

Management has reviewed its financial statements and evaluated subsequent events through March 26, 2026, the date the financial statements were issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompany financial statements other than what is disclosed.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
SCHEDULE OF AUTHORITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023
LAST 10 YEARS*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.00981%	0.00898%	0.00815%	0.00815%	0.00815%	0.00739%	0.00619%	0.00600%	0.00264%
Proportionate share of the net pension liability	$ 459,032	$ 170,512	$ 326,367	$ 326,367	$ 326,367	$ 299,990	$ 244,013	$ 159,686	$ 164,311
Covered- employee payroll	$ 533,646	$ 481,434	$ 495,259	$ 505,076	$ 505,195	$ 487,624	$ 451,433	$ 285,466	$ 260,616
Proportionate share of fiduciary net position	$1,645,203	$1,622,308	$1,139,345	$1,139,345	$ 1,139,345	$ 1,044,546	$ 747,412	$ 655,409	$ 280,882
Proportionate Share of the net pension liability as percentage of covered-employee payroll	86.02%	35.42%	65.90%	64.62%	64.60%	61.52%	54.05%	55.94%	63.05%
Plan fiduciary net position as a percentage of the total pension liability	78.19%	90.49%	77.73%	77.73%	77.73%	77.69%	75.39%	75.70%	71.17%

Notes to Schedule:
Benefit changes: None

Changes in assumptions: Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%
In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows.
Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term.
The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

GASB 68 Required Schedule

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2023
LAST 10 YEARS*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 46,213	$ 53,085	$ 35,252	$ 49,048	$ 42,282	$ 38,046	$ 36,177	$ 38,335	$ 37,657
Contributions in relation to the actuarially determined contributions	(46,213)	(53,085)	(35,252)	(49,048)	(42,282)	(38,046)	(36,177)	(38,335)	(37,657)
Contribution Deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	533,646	481,434	495,259	505,076	505,195	$487,624	$451,433	$285,466	$260,616
Contributions as a percentage of covered-employee payroll	8.66%	11.03%	7.12%	9.71%	8.37%	7.80%	8.01%	13.43%	14.45%
Notes to Schedule									
Valuation date:	6/30/2022	6/30/2021	6/30/2019	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2013

GASB 68 required schedule

SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024



SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024
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GRANT & SMITH, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Francisquito Creek Joint Powers Authority
Menlo Park, California

Opinion

We have audited the accompanying financial statements of the San Francisquito Creek Joint Powers Authority (the "Authority"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority's, as of June 30, 2024 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority's, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions,

misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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

Management is responsible for the other information included in the annual report. The other information comprises management's discussion and analysis but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Grant & Smith, LLP

Oakland, California
March 26, 2026

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2024

This Management's Discussion and Analysis is intended to serve as a narrative overview and analysis of the financial activities of the San Francisquito Creek Joint Powers Authority (the "Authority") for the year ended June 30, 2024 The information presented here should be read in conjunction with the information furnished in the financial statements and notes to the financial statements.

Overview of the Financial Statements

The Authority's financial statements include the statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows. Also included are the notes to the financial statements.

The statement of net position shows the difference between assets and liabilities. Net position is classified into three categories: invested in capital assets (net of related debt), restricted, and unrestricted.

The statement of revenues, expenses and changes in net position shows the revenues and expenses that contributed to the change in net position during the year.

The statement of cash flows summarizes the cash inflows and outflows based on type of activity, including cash flows from operations, non-capital financing activities, capital and related financing activities, and investing activities. The Authority had no capital and related financing activity during the year ended June 30, 2024.

Notes to the financial statements provide additional information that is essential to a full understanding of the information provided in the financial statements.

Financial Analysis

The most significant events affecting the comparability of the Authority's financial statements for the year ended June 30, 2024, to the prior year are highlighted below.

Statement of Net Position

The net position of the Authority increased by $444,233 from the prior year. The composition of net position as of June 30, 2023 and 2024 is shown in the following table:

	FY 22-23	*FY 23-24*	*Change*
Cash	$1,978,562	$2,791,338	812,776
Prepaid Expenses	9,742	10,232	490
Inventory		653	653
Total assets	1,988,304	2,802,223	813,969
Deferred Outflows of Resources	129,895	135,056	5,161
Accounts Payable	13,135	40,960	(27,825)
Accrued Salaries and Benefits	117,690	119,996	(2,306)
Credit Card Payable	898	1,831	(933)
Unearned Grant Income	48,428	321,997	(273,569)
Net Pension Liability	459,031	531,044	(72,013)
Total liabilities	639,182	1,028,696	(376,646)
Deferred Inflows of Resources	5,741	3,915	1,799
Net Position	$1,473,303	$1,904,668	$444,233

Unearned Grant Income increased by $273,569. Net pension Liability increased by $72,013 due to pension investments not earning what was expected and change in assumptions.

Statement of Revenues, Expenses and Changes in Net position

During the year ended June 30, 2024, the Authority's net position increased by $444,233 from the prior year. This change in net position is shown in the following table:

	FY 22-23	*FY 23-24*	*Change*
Total operating revenues	$1,759,670	$1,878,990	$119,320
Total operating expenses	1,119,101	1,308,943	(189,842)
Operating profit (loss)	640,569	570,047	(70,522)
Net non-operating revenues(expenses)	26,373	(125,814)	(152,187)
Change in net position	666,942	444,233	(222,709)
Net position, beginning of year	806,361	1,473,303	666,942
Net position, end of year	$ 1,473,303	$ 1,917,536	$444,233

Operating revenues are comprised of Member Entity contributions. Each member contributed $375,798 in fiscal year 2023-2024 and $351,934 in 2022-2023.

Operating expenses are comprised of the personnel cost of the Authority's four employees, project consultants, legal and accounting, insurance and office expenses. The Authority's operating expenses for the year ended June 30, 2024, increased by $189,842 which is primarily due to the following:

- Approximate $200,000 increase in Personnel Costs (mostly retirement benefits)

Summary of Known Facts, Decisions or Conditions

The following are currently known facts decisions or conditions that could have a significant impact on the financial position or changes in financial position of the Authority:

- The Authority's operational budget is primarily funded by annual member agency contributions per the Authority's approved operating budget. The Authority members are only bound in a voluntary Joint Powers Agreement, and each approves a contribution from its general budget as part of the annual budgeting process. Thus, while the Authority's project commitments extend for years, its operating funds and operating reserves do not extend beyond one fiscal year.

Requests for Information

The annual financial report is designed to provide a general overview of the Authority's finances and operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Ms. Margaret Bruce
Executive Director
San Francisquito Creek Joint Powers Authority
750 Menlo Ave #250
Menlo Park, CA 94025

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2024

ASSETS

CURRENT ASSETS		
Cash and Investments	$	2,791,338
Inventory		653
Prepaid Expenses		10,232
Total Assets		2,802,223
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pension	$	135,056

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts Payable	$	40,960
Accrued Salaries and Benefits		119,996
Credit Card Payable		1,831
Unearned Grant Income		321,997
Total Current Liabilities		484,784
NONCURRENT LIABILITY		
Net Pension Liability		531,044
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pension		3,915
Total Deferred Inflows of Resources		3,915
NET POSITION-UNRESTRICTED	$	1,917,536

See accompanying notes.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024

	ACTUAL
OPERATING REVENUES-MEMBER	
Entity Contributions:	
City of Palo Alto	$ 375,798
City of East Palo Alto	375,798
City of Menlo Park	375,798
Santa Clara Valley Water District	375,798
San Mateo County Flood Control District	375,798
Total Operating Revenues	1,878,990
OPERATING EXPENSES:	
Personnel:	
Salaries and Wages	565,089
Benefits	308,643
Payroll Taxes	59,225
Internship Program	11,330
Personnel Services	29,817
Legal	135,288
Grant Administrator	63,540
Office Expense	120,765
Contingency	15,246
Total Operating Expenses	1,308,943
Operating Profit(Loss)	570,047
NON-OPERATING REVENUES (EXPENSES):	
Interest	85,231
Miscellaneous Income	6,773
Member Reserve Contribution	234,874
Consultant Services/Project	(452,692)
Total Non-Operating Revenues(Expenses)	(125,814)
CHANGES IN NET POSITION	444,233
NET POSITION, BEGINNING OF YEAR	1,473,303
NET POSITION, END OF YEAR	$ 1,917,536

See accompanying notes.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
STATEMENT OF CASH FLOWS
AS OF JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Member Entities	$	1,878,990
Cash Paid to Employees for Services		(865,598)
Cash Paid for all Expenses Other Than Employees		(801,063)
Cash Received from Miscellaneous Sources		6,773
Cash Provided by Operating Activities		219,102
CASH FLOWS FROM INVESTING ACTIVITY		
Interest Received		85,231
CASH FLOWS FROM CAPITAL FINANCING ACTIVITY		
Cash Earned from Unearned Grant Income		273,569
Cash Received from Member Entities for Reserves		234,874
		508,443
Increase in Cash		812,776
CASH & INVESTMENTS, BEGINNING OF YEAR		1,978,562
CASH & INVESTMENTS, END OF YEAR	$	2,791,338
RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO OPERATING LOSS:		
Cash Provided(Used) by Operating Activities	$	219,102
Cash Received for Reserves		234,874
Increase in Prepaid Expenses		490
Increase in Inventory		653
Increase in Deferred Outflow		5,161
Increase in Accounts Payable		182,290
Increase in Deferred Inflow		1,796
Decrease in Accrued Salaries and Benefits		(74,319)
Operating Profit(Loss)	$	570,047

See Accompanying Notes.

NOTE 1 – NATURE OF OPERATIONS

The San Francisquito Creek Joint Powers Authority (the "Authority") was created in May 1999 as a joint powers authority by the City of Menlo Park, the City of Palo Alto, the City of East Palo Alto, the Santa Clara Valley Water District and the San Mateo Flood Control District (the "Member Entities"). The Authority was formed to manage the joint contribution of services and to provide policy direction on issues of mutual concern related to the San Francisquito Creek, including bank stabilization, channel clearing and other creek maintenance, planning of flood control measures, preserving and enhancing environmental values and instream uses, and emergency response coordination.

The Authority is governed by a five-member board, comprised of one director appointed by each Member Entity. The Authority is legally separate and fiscally independent from each of the Member Entities, which means it can incur debt, set and modify its own budgets and fees, enter into contracts, and sue or be sued in its own name. The accompanying financial statements reflect the financial activity of the Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liability is incurred, regardless of the timing of the related cash flows.

The accounts of the Authority are organized on the basis of an enterprise fund. Enterprise funds account for activities: (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; (ii) that are required by laws or regulations that the activity's cost of providing services, including capital costs (such as depreciation or debt service) be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Authority are contributions from the Member Entities to cover operating costs of the Authority. Operating expenses include administrative salaries and consultant services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Revenue and costs related to the Corps Project (see Note 5) are classified as non-operating revenues and expenses.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The Authority follows Governmental Accounting Standards Board (GASB) pronouncements.

Budget

The Board of Directors each year adopts an operating budget consistent with generally accepted accounting principles. This budget is not effective until approved by the governing body of each Member Entity. There were no significant revisions to the budget during the year.

Member Entity Contributions

Under terms of the joint power agreement, the Authority's Board annually estimates the operating costs of the Authority for the coming fiscal year and proposes a formula for allocating the costs to the Member Entities. The Member Entities then make contributions representing their share of the needed operating costs to the Authority. Each Member Entity contributed $375,798 during the year ended June 30, 2024, to cover Authority operating costs for the year.

Accumulated Vacation and Sick Leave

By Authority policy, employees earn 96 hours per year of personal leave as well as 112 to 160 hours of vacation, depending on years of service. Up to 180 hours of personal leave and up to 280 hours of vacation can be carried over from year to year until used. The Authority has accrued $119,996 for this liability at June 30, 2024. Sick leave benefits do not vest and have not been accrued; they are recorded as expense in the period the sick leave is taken. More than 40 hours and up to 120 hours of any combination of accrued vacation leave and accrued administrative leave may be converted to cash, payable to an employee once during each fiscal year at a time requested by the employee.

Grants Received

Grants are reported as non-operating revenue as soon as all eligibility requirements have been met.

Estimates

Management has made estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual values could differ from these estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Authority has $135,056 of deferred outflows related to its pension plan, including differences between expected and actual experience, changes in assumptions and differences between expected and actual investment earnings on plan investments.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Authority has $3,915 of deferred inflows related to its pension plan, including differences between expected and actual experience, and changes in assumptions.

Net Position

The difference between assets, liabilities and deferred inflows/outflows of resources is reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position classified as net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding principal of related debt. Restricted net position is the net position that has external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions, or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

NOTE 3 – CASH AND INVESTMENTS

The cash and investments balance as of June 30, 2024 consisted of:

LAIF	$ 2,187,264
U.S Bank	603,996
Chase	78
Total	$ 2,791,338

During the year ended June 30, 2024, $604,074 of the Authority's cash was maintained in bank accounts. California law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for all municipal deposits. This collateral remains with the institution but is held in the Authority's name and places the Authority ahead of general creditors of the institution.

Investments authorized by the California Government Code for Authority Purchase include:

- Securities of the United States Government
- Securities of United States Government Agencies
- Bankers Acceptances
- Commercial Paper
- Certificates of Deposit
- Supranational Obligations
- County Pooled Investment Funds
- California Local Agency Investment Fund
- Securities of California Local Agencies
- Repurchase Agreements
- Medium Term Corporate Notes
- Mutual Funds
- Bank Deposits
- Securities of California and Other States

$2,187,264 was maintained in the State Treasurer's investment pool (Local Agency Investment Fund). Oversight of LAIF is provided by the Pooled Money Investment Board consisting of the Treasurer, Controller and Director of Finance for the State of California. The Authority's position in the pool is equal to the value of the pool shares. The income from the pooled investments is allocated between the participants based on the daily cash balance maintained.

NOTE 4 – EMPLOYEE RETIREMENT PLAN

The Authority provides retirement benefits to its four employees through the Miscellaneous Plan a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees Retirement System ("CalPERS"). The Plan acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Authority 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 Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2024, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 65
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 – 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8%	6.75%
Required employer contribution rates	13.751%	6.55%

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

Contribution Description

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. The total plan contributions are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is on the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2024 the contributions recognized as pension expense was as follows:

Contributions – Employer	$ 94,085

Pension Liabilities, Pension Expense and Deferred Inflows/Outflows of Resources Related to Pension

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

As of June 30, 2024 the Authority reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$ 176,211

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2023 and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of the contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability for the plan as of June 30, 2022 and 2023 was as follows:

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

Pension Liabilities, Pension Expense and Deferred Inflows/Outflows of Resources Related to Pension (Continued)

	Percentage
Proportion – June 30, 2022	.00908%
Proportion – June 30, 2023	.00988%
Change – Increase (Decrease)	.0008%

For the year ended June 30, 2024, the Authority recognized pension expense of $94,085. At June 30, 2024, the Authority reported deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent To the Measurement Date	$ 94,085	
Differences Between Expected and Actual Experience	25,238	$ (3,915)
Changes of Assumptions	29,827	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	79,991	
Total	$ 229,141	$ (3,915)

Actuarial Assumptions

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal Cost method
Actuarial Assumptions	
Discount Rate	6.9%
Inflation	2.3%
Salary Increases	Varies by Entry Age & Service
Payroll Growth	2.8%
Investment Rate of Return	6.9% (a)
Mortality Rate Table	Derived using CalPERS Membership Data for all funds (b)
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.30% thereafter

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

(a) Net of pension plan investment expenses, including inflation.
(b) The mortality table used was developed based on CalPERS specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021 that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 6.9 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.9 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.9 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 6.9 percent investment return assumption used in this accounting valuation is net of administrative expenses.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return(a)(b)
Global Equity Cap-Weighted	30.0%	4.54%
Global Equity NonCap-Weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	(5.00%)	(0.59%)
Total	100.00%	

(a) An expected inflation of 2.3% used for this period.
(b) Figures are based on the 2021-22 Asset Liability Study.

Pension Plan Fiduciary Net Position

Detailed information about the plan fiduciary net position is available in the separately issued CalPERS Financial reports.

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

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

	Discount Rate -1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1% (7.9%)
Plan's Net Pension Liability	$ 856,991	$ 531,044	$ 262,763

NOTE 4 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

Employees Covered

The following employees were covered by the benefit terms for the CalPERS Plan

Active	4
Transferred	
Separated	
Retired	
Total	4

The amounts above are net of outflows and inflows recognized in the 2022-23 measurement period expense.

Amounts reported as deferred outflows and deferred inflows of resources related to pensions, other than the employer-specific item, will be recognized in future pension expense as follows:

Year Ending June 30,	Deferred Outflow/(Inflow) of Resources
2024	$ 41,059
2025	27,388
2026	60,398
2027	2,295
2028	0
Thereafter	0

NOTE 5 – PROJECTS

The SFCJPA has three projects, as described in their Comprehensive Plan and summarized below:

1. *Downstream Reach 1 (Estuary Reach) Project, from Highway 101 to San Francisco Bay:* This project, formally known as the San Francisquito Creek Flood Reduction, Ecosystem Restoration, and Recreation Project – San Francisco Bay to Highway 101 (Palo Alto and East Palo Alto), was completed in June 2019. The project was funded using local funds in accordance with the Second Amended and Restated Funding Agreement between SFCJPA members dated May 24, 2016, and two grants from the California Department of Water Resources (Proposition 1E Agreement #4600009670 for $8,700,000 between the SFCJPA and the California Department of Water Resources (DWR), and a 2015 Proposition 84

NOTE 5 – PROJECTS (CONTINUED)

Integrated Regional Water Management (IRWM) DWR grant #4600011486, with the Association of Bay Area Governments as the grantee, and the SFCJPA a subrecipient). The SFCJPA's Grant #4600009670 was audited by the California Department of Finance in 2018.

This project has a design goal of 100-year creek flood protection. The SFCJPA Board delegated the operations and maintenance of this project to Santa Clara Valley Water District and the City of East Palo Alto in 2014, and the agreement between those two entities was executed on October 27, 2021.

The SFCJPA is the lead for mitigation monitoring and reporting for the restoration components through Year 10. The Project's mitigation requirements were initiated in 2017 and, as such, Year 1 Mitigation Monitoring Report was submitted in December 2018, with this audit covering Year 7 of mitigation monitoring and reporting. Contracts for this work are reported as non-operating consultant services by the SFCJPA.

As the permit holder for the Reach 1 Project, the SFCJPA continued work on drafting the first Five Year Operation and Maintenance Report during this audit period and commissioned needed evaluations to complete the report.

2. *Urban Reach 2 Project, along the creek from West Bayshore Road to El Camino Real:* This project has been part of planning and design since the SFCJPA began, with focused efforts on the Reach 2 area since the 2012 agreement to fund an environmental Impact Report, also with a goal of 100-year flood protection. The 100-year flood protection project was not accepted by the public in 2013, so a less impactful but less protective project was planned. In September 2019, the SFCJPA Board certified the Environmental Impact Report for a project to protect the area from bank overtopping from a storm event equal to the flood of record in February 1998, or an approximate 70-year flood event. Project designs were advanced to 60%, and bridge design to 90%. Draft permit applications were submitted to the regulatory agencies in July 2022. Applications to Cities were submitted in August 2022.

   The flooding event of December 31, 2022, was the second highest measured creek flow. The overtopping occurred at locations that were not predicted by the HEC-RAS model that was the basis of the 60% to 90% designs. Valley Water evaluated the model and presented findings at the June 8, 2023 SFCJPA Board Meeting, with the key finding that the model underestimated flows by as much as two feet such that the creek has about 25% less capacity than previously thought and concluded that the previous designs were inadequate.

NOTE 5 – PROJECTS (CONTINUED)

The SFCJPA commissioned an independent review of the hydraulic model that was completed February 2024. This review confirmed Valley Water's assessment of reduced creek capacity, necessitating revised designs.

The SFCJPA initiated monthly meetings with members, to discuss "Plan B," and in the January 2024 meeting, it was decided to develop a Request for Proposal (RFP) for the updated Reach 2 design work, which the SFCJPA drafted with member review and input. The RFP was issued February 29, 2004. Five bids were received, with the highest ranked

proposal was selected for award based on a review panel of SFCJPA members. A contract was executed with WRA Environmental Consultants on April 26, 2024.

The Army Corps of Engineers work was restarted during this audit period, but all work was focused on recertification of the updated hydrology and existing conditions HEC-RAS model that continued through this audit period (The updated hydrology was certified in August 2024).

As noted in previous audits, agreements with the Army Corps of Engineers require a cost share, and the Authority has reported all Corps Project costs as non-operating consultant services, and the Corps share of such costs as Federal contribution.

3. *SAFER Bay Project- tidal flood risk reduction and sea level rise resiliency-* A feasibility study for Menlo Park and East Palo Alto was completed in 2016 using grant funding from DWR (Agreement No. 4600009955). This study t was completed in January 2017. The SFCJPA received a second grant from DWR (Grant Agreement #4600009954) for design and permitting for some project components in East Palo Alto and Menlo Park in 2013, with work beginning in 2017 and grant reporting continuing throughout this grant period, but no invoicing. The grant schedule was extended via Amendment #1 that was executed February 2018. Amendment #2 was a no-cost amendment to update scope and schedule, and this amendment was executed March 9, 2021. The SFCJPA used this grant to issue a Notice of Preparation for an Environmental Impact Report in April 2022.

   The City of Palo Alto funded the completed feasibility study for the Palo Alto shoreline in 2019 and in 2020 the City moved forward with Valley Water's South Bay Shoreline Project.

   The City of East Palo Alto, with support from SFCJPA, applied for grant funding to advance the project in East Palo Alto via a California Office of Emergency Response Hazard Mitigation Grant Program in 2019, with execution of the grant agreement September 1, 2022.

NOTE 5 – PROJECTS (CONTINUED)

The SFCJPA applied for a grant for planning and preliminary design of the SAFER Bay Project in East Palo Alto and Menlo Park with the San Francisco Bay Restoration Authority (SFBRA) in 2021 and was selected for award in early 2022, with execution of the grant agreement on September 15, 2022 (SFB0041-RA035). On March 3, 2023, the Governing Board of the SFBRA approved a supplemental award of up to $3,980,000, and the grant agreement was amended on August 31, 2023, for a total of $4,980,000. Work under this agreement includes the technical studies needed for CEQA with a programmatic and project level Environmental Impact Report for all reaches of the SAFER Bay Project in East Palo Alto and Menlo Park, San Mateo County.

NOTE 6 – UNEARNED GRANT INCOME

Unearned Grant Income – funds from funders received in this fiscal year and the previous fiscal year but have not been spent as of June 30, 2024.

The amount of unearned grant income for year ended June 30, 2024 is $321,997 - funders included:

The California Department of Water Resources advanced costs to be used for the design, California Environmental Quality Act documentation and construction of the S.F. Bay to Highway 101 Flood Protection, Ecosystem Restoration, San Francisco Bay Area Restoration Author and Recreation Project on San Francisquito Creek.

NOTE 7 – SUBSEQUENT EVENTS

Management has reviewed its financial statements and evaluated subsequent events through March 26, 2026 the date the financial statements were issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompany financial statements other than what is disclosed.

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
SCHEDULE OF AUTHORITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2024
LAST 10 YEARS*

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.00106020%	0.00981%	0.00898%	0.00815%	0.00815%	0.00815%	0.00739%	0.00619%	0.00600%	0.00264%
Proportionate share of the net pension liability	$ 531,044	$ 459,032	$ 170,512	$ 326,367	$ 326,367	$ 326,367	$ 299,990	$ 244,013	$ 159,686	$ 164,311
Covered- employee payroll	603,468	$ 481,434	$ 495,259	$ 505,076	$ 505,195	$ 603,468	$ 487,624	$ 451,433	$ 285,466	$ 260,616
Proportionate share of fiduciary net position	$ 1,898,785	$1,645,203	$1,622,308	$ 1,139,345	$1,139,345	$ 1,139,345	$ 1,044,546	$ 747,412	$ 655,409	$ 280,882
Proportionate Share of the net pension liability as percentage of covered-employee payroll	88.00%	95.35%	34.43%	64.62%	64.60%	54.08%	61.52%	54.05%	55.94%	63.05%
Plan fiduciary net position as a percentage of the total pension liability	77.97%	78.19%	90.49%	77.73%	77.73%	77.73%	77.69%	75.39%	75.70%	71.17%

Notes to Schedule:
Benefit changes: There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees such as Golden Handshakes, service purchases, and other prior service costs

Changes in assumptions:
There were no assumption changes. Effective with the June 30, 2021 valuation date (June 30, 2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017 through June 30, 2021, 7.65% for measurement dates June 30, 2015 through June 30, 2016, and 7.50% for measurement dates June 30, 2015 through June 30, 2016, and 7.50% for measurement date June 30, 2014

GASB 68 Required Schedule

SAN FRANCISQUITO CREEK JOINT POWERS AUTHORITY
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2024
LAST 10 YEARS*

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 59,225	$ 46,213	$ 53,085	$ 35,252	$ 49,048	$ 42,282	$ 38,046	$ 36,177	$ 38,335	$ 37,657
Contributions in relation to the actuarially determined contributions	(59,225)	(46,213)	(53,085)	(35,252)	(49,048)	(42,282)	(38,046)	(36,177)	(38,335)	(37,657)
Contribution Deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	603,468	592,503	481,434	495,259	505,076	603,468	$487,624	$451,433	$285,466	$260,616
Contributions as a percentage of covered-employee payroll	9.81%	7.80%	11.03%	7.12%	9.71%	7.01%	7.80%	8.01%	13.43%	14.45%
Notes to Schedule										
Valuation date:	6/30/2023	6/30/2022	6/30/2021	6/30/2019	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2013

GASB 68 required schedule

GRANT & SMITH, LLP
Certified Public Accountants

Independent Accountants' Agreed-Upon Procedures Report

The Board of Directors of San Francisquito Creek Joint Powers Authority

We have performed the procedures enumerated below related to the accompanying Summary of SAFER Bay Project Funding and invoice tracking spreadsheet prepared by San Francisquito Creek Joint Powers Authority. The San Francisquito Creek Joint Powers Authority is responsible for the invoice tracking spreadsheet and summary of SAFER BAY Project Funding.

San Francisquito Creek Joint Powers Authority have agreed to and acknowledged that the procedures performed by Grant Smith, LLC are sufficient and appropriate to meet the intended purpose of assisting users in evaluating the reconciliation of revenue and expenditures in regard to the SAFER Bay project since inception. This report may not be suitable for any other purpose. Additionally, the San Francisquito Creek Joint Powers Authority has agreed to and acknowledged that the procedures performed are sufficient and appropriate for its purposes. No other parties have agreed to or acknowledged the appropriateness of these procedures for the intended purpose or any other purpose.

The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. We make no representation regarding the appropriateness of the procedures either for the intended purpose or for any other purpose.

The procedures and the associated findings are as follows:

1. Obtained supporting documentation for expenditures charged to the Safer Bay project and verified the service provided was in alignment with the scope of the project and charged to the correct project.

   Finding: No exceptions were noted as a result of our procedure

2. Obtained each grant contract/agreement and assessed whether there is a grant matching requirement. For the contracts (grants) that have a matching requirement we determined the Authority has a tracking mechanism in place to track matching contributions to verify that the matching amount and matching source were in agreement with the contract.

Finding: No exceptions were noted as a result of our procedure

3. Obtained a sample of grant agreements to determine revenue sources were recorded correctly in accounting system. We verified the amounts reported on the invoice tracking spreadsheet to the accounting software QuickBooks.

   Finding: No exceptions were noted as a result of our procedure

4. Obtained a sample of deposits. We verified that the deposits were deposited in a separate bank account, specific to the SAFER Bay project.

   Finding: No exceptions were noted as a result of our procedure

We were engaged by San Francisquito Creek Joint Powers Authority to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants, which involves us performing the specific procedures agreed to and acknowledged above and reporting on findings based on performing those procedures. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accompanying SAFER Bay Project description and Table 1 (summary of SAFER Bay Project Funding) . Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of San Francisquito Creek Joint Powers Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

Grant & Smith, LLP

Oakland, California
March 26, 2026

SAFER Bay Project – The Strategy to Advance Flood protection, Ecosystem restoration and Recreation along San Francisco Bay Project, or SAFER Bay Project, will provide tidal flood risk reduction and sea level rise resiliency to residents and critical infrastructure in East Palo Alto and Menlo Park.

A feasibility study for Menlo Park and East Palo Alto was completed in 2016 using grant funding from DWR (Agreement No. 4600009955). This project and associated grant were completed and closed in January 2017.

The City of Palo Alto funded a feasibility study for the Palo Alto shoreline via an agreement in 2014 between the SFCJPA and the City of Palo Alto for $500,000. The feasibility study for Palo Alto was completed in 2019. In 2020, the City of Palo Alto moved forward with shoreline protection as part of the South Bay Shoreline Project, with Santa Clara Valley Water District (Valley Water) and US Army Corps of Engineers (USACE).

The SFCJPA received a second grant from DWR (Grant Agreement #4600009954) for the design and permitting for certain project components in East Palo Alto and Menlo Park in 2013, with work initiating in 2017, and grant reporting continuing through. There have been three amendments to this grant:

1. Amendment #1 extended the schedule and was executed in February 2018
2. Amendment #2 was a no-cost amendment to update scope and schedule, and this amendment was executed on March 9, 2021. The SFCJPA used this grant to issue a Notice of Preparation for an Environmental Impact Report in April 2022.
3. Amendment #3 was a no-cost amendment to update scope and schedule and was executed in August 2024. This amendment realigned the scope to focus on permitting and extended the schedule to December 31, 2028. This amendment relies on deliverables from East Palo Alto to complete the work scope.

The City of East Palo Alto, with support from SFCJPA, applied for grant funding to advance the project in East Palo Alto through a California Office of Emergency Response Hazard Mitigation Grant Program (CalOES HMGP) in 2019. The grant was executed between the City and CalOES on September 1, 2022, for Phase 1 funding in the amount of $3,486,930, with an additional grant of $156,323 for management costs. The $5.5M of required match was supplied by the City of East Palo Alto. In August 2025, the City of East Palo Alto executed a contract using Phase 1 HMGP funding to move engineering designs forward from the 30% deliverable to 60%, 90%, and 100% design.

The SFCJPA applied for a grant for planning and preliminary design of the SAFER Bay Project in East Palo Alto and Menlo Park with the San Francisco Bay Restoration Authority (SFBRA) in

2021. The project was selected for award in early 2022, with execution of the grant agreement on September 15, 2022 (SFB0041-RA035). On March 3, 2023, the Governing Board of the SFBRA approved a supplemental award of up to $3,980,000, and the grant agreement was amended on August 31, 2023, for a total of $4,980,000. Work under this agreement includes the technical studies needed for CEQA with a programmatic and project level Environmental Impact Report for all reaches of the SAFER Bay Project in East Palo Alto and Menlo Park, San Mateo County.

The SFBRA grant was used to move the conceptual designs in the 2016 public draft feasibility study forward for CEQA analysis. This included 30% design deliverables for the PG&E Ravenswood Substation in Menlo Park, and the South of Bay Road Reach in East Palo Alto. In addition, the restoration components required significant changes since originally envisioned, and the restoration components were also moved forward to a 30-35% design in the "Restoration Basis of Design" Document.

The City of Menlo Park, with assistance from the SFCJPA, applied for a FEMA Building Resilient Infrastructure and Communities (BRIC) grant in 2020, with $17.8M in match funding from PG&E ($10M) and Meta ($7.8M). Phase 1 design funding of $3,759,474.00 was awarded in May 2023. In April 2025, the BRIC program was canceled, meaning that the Phase 2 construction funding would not be available.

The SFCJPA applied for additional funding from the SFBRA Round 8 in October 2024 and was informed in February 2025 that $3,850,000 was recommended by staff to fund the restoration design and the additional funding needed for permitting. This funding is pending until CEQA is completed and the SFBRA Board considers the staff recommendation for approval.

Table 1 summarizes grant funding for the project.

Table 1 Summary of SAFER Bay Project Funding as of December 2025

Grant Agency	Grantee	Number	Grant Amount	Match	Match Source	SAFER Reach Included	Summary Scope for Included Reaches
CA Department of Water Resources	San Francisquito Creek Joint Powers Authority	DWR Grant No. 4600009954	$1,045,625	$448,125	Cities of East Palo Alto and Menlo Park	South of Bay Road, Restoration of Ponds R1/R2	Contract from 2013. Planning and Design. Scope includes CEQA and permits, 60%, 90% and 100% Designs for South of Bay Road reach and Restoration of Ponds R1/R2. Mod 3 moved funding for restoration permitting. *Cities will provide deliverables for this grant for 60%, 90% and 100% designs.*
San Francisco Bay Restoration Authority (Measure AA Parcel Tax 9-County Bay Area) Active	San Francisquito Creek Joint Powers Authority	SFB0041-RA035	$4,980,000	None	N/A	Planning grant for all reaches in Menlo Park and East Palo Alto	CEQA – Project level for South of Bay Road and Restoration of Ponds R1/R2. Programmatic level all other reaches. 30% Design South of Bay Road 30% Design Ponds R1/R2 10-30% North of

Grant Agency	Grantee	Number	Grant Amount	Match	Match Source	SAFER Reach Included	Summary Scope for Included Reaches
							Bay Road 10% for all other reaches
San Francisco Bay Restoration Authority (Measure AA Parcel Tax 9-County Bay Area) (Pending)	San Francisquito Creek Joint Powers Authority	PENDING – goes to SFBRA Board June 6, 2026	$3,850,000	None	N/A	Planning grant for design of unfunded restoration components and Pond SF2 engineered levee	Advance 30% designs for restoration and Pond SF2 levee to 60%-90% design
California Office of Emergency Response Hazard Mitigation Program (CalOES HMGP) Phase 1 Funding (active)	City of East Palo Alto	DR-4344-541-93R	$3,643,253	$1,162,310	City of East Palo Alto	South of Bay Road, Restoration of Ponds R1/R2	100% Design, NEPA, and permitting South of Bay Road

Grant Agency	Grantee	Number	Grant Amount	Match	Match Source	SAFER Reach Included	Summary Scope for Included Reaches
CalOES HMGP East Palo Alto Phase 2 Funding (pending)	City of East Palo Alto	DR-4344-541-93R	$18,454,137	$4,337,690	City of East Palo Alto	South of Bay Road, North of Bay Road to Tara in grant application Restoration of Ponds R1/R2	Construction of South of Bay Road
FEMA BRIC Phase 1 awarded May 31, 2023 (active)	City of Menlo Park	CalOES #081-46870-00 FIPS #081-46870	$ 3,759,474	$1,330,526	PG&E ($10M) and Meta ($7.8M)	Bedwell Bayfront Park, Bayfront Expressway, Tech Campus, Substation, Engineered protection and 10:1 ecotone levee, enhancements for Western Snowy Plover in Pond R3	90% Design, NEPA, and permitting of Menlo Park reaches except Dumbarton and Marsh Road
		Subtotals	$35,732,489	$7,278,651			
TOTAL	**$43,011,140**						

Notes: Phase 2 Funding is pending based on successful completion of Phase 1 and re-evaluated Benefit Cost Ratio greater than 1.
SFBRA Round 8 pending approval from SFBRA Governing Board June 2026.
FEMA BRIC program was canceled April 2025, but Phase 1 funding remains since it was contracted.

Grant Agency	Grantee	Number	Grant Amount	Match	Match Source	SAFER Reach Included	Summary Scope for Included Reaches
North of Bay Road, Dumbarton Approach, and Marsh Road reaches have limited funding – only for 10% design and not construction.							

The SFCJPA has been working with the HDR Team, composed of HDR Engineering, ESA and H.T. Harvey for the SAFER Bay Project. A Request for Proposals was issued by the SFCJPA in 2013, and the responsive proposals were reviewed and scored, with the two top scoring proposal teams interviewed by the SFCJPA and member agencies. The HDR Team had the highest scoring proposal and was awarded the project. On October 24, 2013, the SFCJPA and HDR entered into a Master Services Agreement (MSA) for the SAFER Bay Project by which the Consultant agreed to perform services in accordance with Task Orders issued by the Authority. To date, four Task Orders have been issued under the MSA; Task Orders 1 and 2 were closed by 2019, and Task Order 3 was closed as of January 26, 2023. Task Order 1 was used to complete the 2016 public draft feasibility study for East Palo Alto and Menlo Park. Task Order 2 was used to complete the 2019 public draft feasibility study for Palo Alto. Task Order 3 was intended for the East Palo Alto HMGP and DWR grants, but the SFCJPA realized the scope was not a good match since the HMGP grant was not yet awarded, and requested a revised scope in May 2021. It was determined that it would be easier to close Task Order 3 and open a new Task Order that was aligned with grant scope. Task Order 4 executed on January 26, 2023, for work funded by SFBRA Grant SFB0041-RA035 and remaining funding in DWR Agreement No. 4600009954 for planning and design of SAFER Bay Project. The SFCJPA has issued two amendments to the task order for additional work under the grant.

Other subcontractors working for the SFCJPA on the SAFER Bay project are Climate Resilient Communities, Nuestra Casa, Grassroots Ecology for outreach and educational purposes, and the Association of Ramaytush Ohlone for tribal consulting.

San Francisco Bay Joint Venture (SFBJV) Project Adoption

The SFCJPA applied for the SAFER Bay Project to be adopted by the San Francisco Bay Joint Venture (SFBJV) in early 2020. This program is not a requirement but is recommended for the SFBRA grant program. Adopted projects have increased visibility and are eligible for benefits and services from the SFBJV, including letters of support, funding support, access to SFBJV programs and resources such as their Design Review program, SediMatch, Conservation Delivery Committee meetings, other networking opportunities, and project tours for decision-makers.

The 2020 application included the City of Palo Alto, as it was unclear at the time how the City of Palo Alto would move forward following the 2019 Feasibility Study that they funded through a contract with the SFCJPA.

The SFBJV Board conditionally approved SAFER Bay Project for adoption in May 2020, which is functionally equivalent to full project adoption, except that the project would need to return to the SFBJV Board for final project adoption when designs have advanced. The SFCJPA applied for full project adoption in July 2024. The SFCJPA asked the City of Palo Alto if they would like to continue to be part of the SAFER Bay SFBJV, and as there were no downsides to doing so, the

City of Palo Alto said yes to continue to be part of the SFBJV SAFER Bay Project Adoption. In October 2024, the SFBJV Board adopted the SAFER Bay Project as a full SFBJV project.

To the Board of Directors of
San Francisquito Creek Joint Powers Authority
Menlo Park, California

We have audited the financial statements of the business-type activities of the San Francisquito Creek Joint Powers Authority as of June 30, for fiscal years 2024, 2023, 2022, 2021 & 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated April 1, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by San Francisquito Creek Joint Powers Authority are described in Note 1 to the financial statements. Updates were made to the SFCJPA accounting policies during fiscal years 2020- 2024. We noted no transactions entered into by San Francisquito Creek Joint Powers Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 26, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to San Francisquito Creek Joint Powers Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as San Francisquito Creek Joint Powers Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

1. Absence of Annual Audit

   Finding

   According to San Francisquito Creek Joint Powers Authority's Member's Agreement an annual audit is to be performed and filed as a public record with each member agency. Currently the Authority is completing five annual audits at one time. The Authority's failure to complete annual audits increases the risk of undetected errors, misstatements, and potential non-compliance issues.

   Response

   We agree that a lack of annual audits increases the risk of undetected errors, misstatements, or other potential non-compliance issues and have and are continuing to put in place procedures to ensure the timely completion of the annual audits.

2. Accounting Department Staffing

   Finding

   During our audit, we noted Authority frequently prioritized other duties over accounting duties. Certain routine accounting tasks play a key role in proving the accuracy of accounting data. We believe that certain administrative duties have been assigned to the accounting department over the years and this increase in workload has had a negative impact on the efficiency of the department. Currently, accounting personnel are performing numerous administrative duties.

   Recommendation

   We recommend the Authority consider hiring an additional employee to alleviate some of the responsibilities in either the accounting department or the administrative department. This position, if properly conceived and designed, could greatly benefit the Authority.

Response

We agree with this finding and recommendation. Steps have been taking over the past five years to improve the efficiency and effectiveness of the SFCJPA's administrative processes and practices. These have included: moving to professional office space with adequate room for file storage, purchasing office equipment able to make electronic (scanned) documents of accounting records, and establishing IT protocols and support services to ensure document security.

3. Separate Classes Centers For Projects Suggested

Finding

Currently, a single general ledger cost center is used for numerous projects and tracked in an excel spreadsheet. This practice makes it difficult to pull financial statements by project in a timely manner.

Recommendation

In order to more clearly reflect activity on a project basis, we strongly suggest that the Authority maintain separate classes for each project. This practice will also facilitate the reporting requirements for grants and contracts as well.

Response

We agree with this finding. We had already begun the process of implementing separate classes in our updated version of Quickbooks.

4. IT Assistance

Finding

The Authority, switched from a desk top version of an accounting software to the online version. Unfortunately, the conversion from desktop and online did not include all transactions and required the accounting department to manually reconcile the two systems and enter missing transactions into the online version. When providing financials for the audit the Authority provided support from both versions. The integrity of the data provided could not be relied upon without substantial testing.

Also noted during the audit that the Authority's accountant's computer has crashed a few times causing the audit to be postponed and the information to be rekeyed in.

Recommendation

The Authority needs adequate IT services. This would assist with making sure all data is backed up on a regular basis. Any system crashes would be repaired in a timely manner and the data restored.

Response

We agree that the Authority needs adequate IT services. Since October of 2020, the Authority has invested in professional support to assist our operations and continues to regularly review our tools and our IT support to ensure they are meeting the needs of the Authority.

Data lost due to laptop hard drive crashes which occurred prior to the implementation of shared and backed-up file systems and prior to the retention of regular IT support.

In August of 2020, the newly hired executive director implemented a shared file and cloud-based document storage and back-up system (DropBox). Prior to this, most agency records were maintained on individual laptops. In September of 2020, the executive director relocated the agency offices to a location with space for staff to have pandemic-safe individual offices and space for more filing cabinets for document storage. In October of 2020 the agency contracted with an individual IT professional to provide ad hoc IT support to the SFCJPA, including recommendations for security, software, and routine hardware replacement. This ad hoc support was replaced by a contract with an established business for IT support (RelyOnIT) in April 2022. The RelyOnIT support included upgrading our digital file management system to a professionally managed, secure, synchronized, cloud-based system. In August 2022, the agency relocated to new offices and added additional office space for supplies and file storage. Services provided by RelyOnIT include routine updates to employee technology (laptops), access to full-service and full-warrantee coverage for systems purchased through RelyOnIT's corporate purchasing channels, and a regular review of software licenses, security needs, internet connectivity, and any other information and office technology matters as they arise.

Other Matters

We applied certain limited procedures to Schedule of Authority's Proportionate Share of Net Pension Liability and Schedule of Employer Contributions, which are (is) required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the board of directors and management of San Francisquito Creek Joint Powers Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Grant & Smith, LLP

Oakland, California
March 26, 2026

DRAFT

SAN LUIS & DELTA-MENDOTA WATER AUTHORITY

AUDITED FINANCIAL STATEMENTS

February 29, 2024

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SAN LUIS & DELTA-MENDOTA
WATER AUTHORITY

AUDITED FINANCIAL STATEMENTS

February 29, 2024 and February 28, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
San Luis & Delta-Mendota Water Authority
Los Banos, California

Opinions

We have audited the accompanying financial statements of the San Luis & Delta-Mendota Water Authority (the Authority), as of February 29, 2024 and February 28, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of February 29, 2024 and February 28, 2023, and the 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 as well as accounting systems prescribed by the State Controller's Office and State regulations governing special districts.

Basis for Opinions

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

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2026, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and 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 Authority's internal control over financial reporting and compliance.

_____, 2026

Overview

The following Management's Discussion and Analysis of the San Luis & Delta-Mendota Water Authority (the Authority) provides an overview of the financial activities and transactions for fiscal year 2024 in comparison to fiscal years 2023 and 2022 in the context of the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended. This discussion and analysis should be read in conjunction with the Authority's audited financial statements and accompanying notes.

Financial Reporting

The Authority's accounting records are maintained in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board (GASB) which for the Authority is the accrual basis of accounting and, where not in conflict with GASB pronouncements, accounting principles prescribed by the Financial Accounting Standards Board (FASB).

Description of Basic Financial Statements

The Authority's basic financial statements include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows. The Statement of Net Position includes all of the Authority's assets, deferred outflows and liabilities, with the difference reported as net position. The Statement of Revenues, Expenses and Changes in Net Position report all of Authority's revenues and expenses during the period indicated. The Statement of Cash Flows shows the amount of cash received and paid out for operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

- **Statement of Net Position**

  The Statement of Net Position provides information about assets, liabilities, and net position of the Authority at a specific point in time. Assets are economic resources the Authority owns that have value and can either be sold or used by the Authority to provide services to its members. Assets include various pieces of equipment, vehicles, inventory, cash and investments, and accounts receivable.

  Liabilities are the amount of money that the Authority owes to others. This includes money owed to suppliers for materials, credits owed to members participating in activity agreements, money owed for member agency water transfers, prepayments for water conveyance, and amounts due to the Authority's pension plan.

  Net Position is the amount of money remaining if the Authority were to sell all of its assets and pay off all liabilities.

- **Statement of Revenues, Expenses and Changes in Net Position**

  The Statement of Revenues, Expenses and Changes in Net Position is more commonly known as the Income Statement. This statement provides information regarding the Authority's operations including revenues collected and expenses incurred over a one-year period. The net of these revenues and expenses represents the Authority's end of year net position.

- **Statement of Cash Flows**

  The Statement of Cash Flows reports the Authority's inflows and outflows of cash. This report provides management with information regarding cash on hand and the ability to pay expenses and purchase assets.

  A cash flow statement reflects changes over time rather than absolute dollar amounts at a particular point in time. The bottom line of the cash flow statement shows the net increase or decrease in cash for the period. Cash flow statements are divided into four activities: (1) operating activities; (2) noncapital financing activities; (3) capital financing activities; and (4) investing activities.

  1. Operating Activities – analyzes the cash flow from operational activities (operating revenues and expenses). This section of the cash flow statement reconciles the operating revenues to the actual cash the Authority received from or used in its operating activities.
  2. Noncapital Financing Activities – reflects the cash flow from non-operating activities such as water sales and grant activity.
  3. Capital Financing Activities – shows the cash flow from all financing activities. Typical cash flows from financing activities include funds received from borrowing, debt service payments, and the purchase and/or sale of capital assets.
  4. Investing Activities – reflects the cash flow from all investment activities including investment income and purchases or sales of investment securities.

Condensed Statement of Net Position

	2024	2023 (As Restated)	2023/2024 Variance	% Change	2022	2022/2023 Variance	% Change
Assets							
Current Assets	$ 66,008,597	$ 69,645,416	$ (3,636,819)	-5%	$ 60,619,300	$ 9,026,116	15%
Capital Assets, Net A/D	$ 5,739,106	$ 5,418,578	$ 320,528	6%	$ 4,911,603	$ 506,975	10%
Other Assets	$ 50,363,663	$ 48,974,597	$ 1,389,066	3%	$ 46,304,954	$ 2,669,643	6%
Total Assets	$122,111,366	$124,038,591	$ (1,927,225)	-2%	$111,835,857	$ 12,202,734	11%
Deferred Outflows of Resources	$ 167,542	$ 177,397	$ (9,855)	-6%	$ 187,252	$ (9,855)	-5%
Liabilities							
Current Liabilities	$ 40,374,076	$ 38,516,576	$ 1,857,500	5%	$ 47,606,381	$ (9,089,805)	-19%
Debt Borrowings, S/T	$ 3,272,446	$ 1,398,023	$ 1,874,423	134%	$ 2,255,190	$ (857,167)	-38%
Noncurrent Liabilities	$ 48,795,299	$ 47,794,778	$ 1,000,521	2%	$ 49,320,520	$ (1,525,742)	-3%
Total Liabilities	$ 92,441,821	$ 87,709,377	$ 4,732,444	5%	$ 99,182,091	$(11,472,714)	-12%
Net Position							
Total Net Position	$ 29,837,087	$ 36,506,611	$ (6,669,524)	-18%	$ 12,841,018	$ 23,665,593	184%

Current Assets

Current assets include cash and equivalents, accounts receivable, grants receivable, interest receivable, inventory and prepaid expenses.

Fiscal Year 2024 Compared to 2023. At February 29, 2024, current assets totaled $66.01 million which was a $3.64 million or 5% decrease from the prior year. This decrease, as compared to February 28, 2023, was primarily due to a decrease of $3.13 million in current cash and cash equivalents restricted for project use energy, in addition to a net decrease of $17.13 million in cash restricted for EO&M offset by an increase

in accounts receivable of $14.49 million and an increase in cash restricted for San Luis Joint Use of $1.77 million.

Fiscal 2023 Compared to 2022. At February 28, 2023, current assets totaled $69.65 million which was a $9.03 million or 15% increase from the prior year. This increase, as compared to February 28, 2022, was primarily due to a decrease of $8.09 million in cash and cash equivalents, an increase of $24.30 million in accounts receivable, and a decrease of $7.25 million in prepaid expenditures. Accounts receivable increased due to a $6.50 million receivable due from contractors for the (Reclamation) Project Use Energy year-end true-up and an additional $2.60 million receivable due for San Luis Joint Use. There were also two years of final accounting receivables outstanding in 2023 in comparison to one year outstanding in 2022.

Capital Assets Net of Depreciation

Capital assets net of depreciation includes automobiles, heavy equipment, furniture, equipment, computers, subscription assets, and lease assets net of all accumulated depreciation.

Fiscal Year 2024 Compared to 2023. At February 29, 2024, net capital assets totaled $5.75 million net of accumulated depreciation, which was an increase of approximately $0.33 million from $5.42 million in fiscal year 2023. This increase is a net result of purchases in vehicles and other furniture and equipment, and the addition of a lease asset.

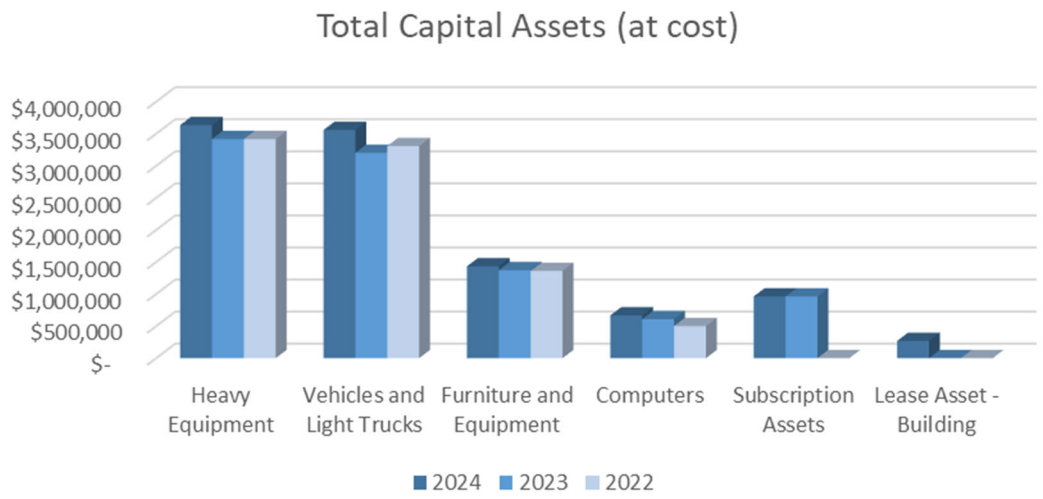
Fiscal Year 2023 Compared to 2022. At February 28, 2023, net capital assets totaled $5.42 million net of accumulated depreciation, which was an increase from $4.91 million in fiscal year 2022 of approximately $0.51 million. This increase is a net result of a GASB regulation which required the Authority to track and depreciate subscription and lease assets in fiscal year 2023.

	2024	2023 (As Restated)	2022
Heavy Equipment	$ 3,633,897	$ 3,416,235	$ 3,416,235
Vehicles and Light Trucks	$ 3,557,272	$ 3,202,000	$ 3,307,975
Furniture and Equipment	$ 1,432,541	$ 1,372,560	$ 1,361,272
Computers	$ 667,538	$ 607,805	$ 500,722
Subscription Assets	$ 962,607	$ 962,607	$ -
Lease Asset - Building	$ 269,061	$ -	$ -
Total Capital Assets at Cost	$ 10,522,916	$ 9,561,207	$ 8,586,204
Less Accumulated Depreciation	$ (4,783,810)	$ (4,142,629)	$ (3,674,601)
Net Capital Assets	$ 5,739,106	$ 5,418,578	$ 4,911,603

Major capital asset events during fiscal year 2024 include the following:

- Heavy equipment purchases totaled $0.22 million with no disposals.
- Vehicle purchases and replacements were $0.38 million with disposals totaling $0.03 million.
- Furniture and equipment purchases totaled $0.06 million with no disposals.
- Computer purchases totaled $0.06 million with no disposals.
- A new lease asset was capitalized in the amount of $0.27 million.

Additional information on the Authority's capital assets may be found in Note 4.



Other Assets

Other assets, which consist primarily of receivables from various financing participants, restricted cash and cash equivalents and investments, and a long-term receivable from members for the Rewind Project financing, increased from $48.97 million in fiscal year 2023 to $50.36 million in fiscal year 2024. This was mainly due to an increase in collections on the Rewind Project receivable of $2.06 million, an increase of $0.35 million in grant retention receivable, offset by a $1.33 million decrease in receivables from the Delta Habitat Conservation and Conveyance Program (DHCCP) financing participants. Changes related to the DHCCP debt refunding are further described in Note 7.

Current Liabilities

Current liabilities represent Authority obligations that are due within one year, which include accounts payable, prepayments for water conveyance, and the current portion of long-term liabilities.

Fiscal Year 2024 Compared to 2023. At February 29, 2024, current liabilities totaled $40.37 million, an increase of $1.86 million or 5% from the prior year. This change is due to a $17.09 million increase in accounts payable at fiscal year-end offset by a decrease in unearned revenues of $15.82 million.

Fiscal Year 2023 Compared to 2022. At February 28, 2023, current liabilities totaled $38.52 million, a decrease of $9.09 million or 19% from the prior year due to a $5.39 million decrease in accounts payable, a decrease of $3.05 million in unearned revenues, and a decrease of $0.50 million in accrued interest payable.

Debt Borrowings – Due within One Year

Debt Borrowings – due within one year increased from $1.40 million in 2023 to $3.27 million in fiscal year 2024 for an overall increase of $1.87 million.

Non-Current Liabilities

Fiscal Year 2024 Compared to 2023. Non-current liabilities increased $1.00 million from $47.79 million in fiscal year 2023 to $48.80 million in 2024. This minor increase was due to disbursements on the Unit 3

and 5 Rewind notes. More information on the Jones Pumping Plant Rewind Project and Refunding Revenue Bonds can be found in Note7.

Fiscal Year 2023 Compared to 2022. Debt Borrowings – long-term liabilities decreased $1.53 million from $49.32 million in 2022 to $47.79 million in 2023 due to two years of principal payments made on the Series 2021A Revenue Bonds and Series 2021B Refunding Revenue Bonds, as the March 1, 2023 payment was made on February 28, 2023. More information on the Units 5 and 6 Rewind and Refunding Revenue Bonds can be found in Notes 7.

Total Net Position

Total net position is a measure of equity that is comprised of the difference between total assets and total liabilities.

Fiscal Year 2024 Compared to 2023. The total net position at the end of fiscal year 2024 was $29.84 million, a decrease of $6.67 million from the end of fiscal year 2021. Net position decreased due to an operating loss of $10.49 million, offset by a net non-operating gain of $3.82 million.

Fiscal Year 2023 Compared to 2022. The total net position at the end of fiscal year 2023 was $36.51 million, an increase of $23.66 million from the end of fiscal year 2022. Net position increased mainly due to a net operating gain of $24.32 million, offset by a net non-operating loss of $0.64 million.

Revenues and Expenses

The following is a condensed presentation of revenues, expenses and changes in net position for the fiscal year ended February 29, 2024 in comparison to years ended February 28, 2023 and February 28, 2022:

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2024	2023 (As Restated)	2023/2024 Variance	% Change	2022	2022/2023 Variance	% Change
Revenues & Expenses							
Operating Revenues	$ 88,535,704	$ 92,517,190	$ (3,981,486)	-4%	$ 62,350,396	$ 30,166,794	48%
Non-Operating Revenues	$ 10,649,609	$ 33,327,697	$ (22,678,088)	-68%	$ 130,083,507	$ (96,755,810)	-74%
Operating Expenses	$ (99,020,801)	$ (68,199,719)	$ (30,821,082)	45%	$ (61,025,258)	$ (7,174,461)	12%
Non-Operating Expenses	$ (6,834,036)	$ (33,969,148)	$ 27,135,112	-80%	$ (130,426,829)	$ 96,457,681	-74%
Net Income (Loss)	$ (6,669,524)	$ 23,676,020	$ (30,345,544)		$ 981,816	$ 22,694,204	
Net Position - Beg. of Year	$ 36,506,611	$ 12,841,018			$ 11,859,202		
Restatement per GASB 96		$ (10,427)					
Net Position - Beg. of Year, as restated	$ 36,506,611	$ 12,830,591	$ 23,676,020	185%	$ 11,859,202	$ 971,389	8%
Net Position - End of Year	$ 29,837,087	$ 36,506,611	$ (6,669,524)	-18%	$ 12,841,018	$ 23,665,593	184%

Operating & Non-Operating Revenues

- **Operating Revenues**

The Authority's principal source of operating revenue is from O&M rates paid for the conveyance of water, extraordinary O&M, Project Use Energy fees, San Luis joint use facility fees and activity agreement membership dues, which typically accounts for approximately 75 percent of fiscal year revenues. Additional components have also been included in the O&M rates to cover payments required on the Jones Pumping Plant Rewind Project debt repayment with Reclamation beginning in 2020 and the Series 2021A bond financing beginning in 2021. See Note 7 for more information.

Fiscal Year 2024 Compared to 2023. Fiscal year 2024 operating revenues were $88.54 million, a decrease of $3.98 million as compared to fiscal year 2023. Details to support this decrease include:

1. Water conveyance fees increased $4.75 million.

2. Project Use Energy fees increased $10.49 million due to an increase in the estimated payment schedule received from Reclamation, as well as, an additional invoice accrued for the year end power true-up.

3. EO&M revenue decreased $21.25 million as there was no interim final accounting true-up in the current fiscal year as described in fiscal year 2023.

4. San Luis Joint Use facility fees increased an additional $2.43 million in fiscal year 2024 from $15.14 million in fiscal year 2023.

Fiscal Year 2023 Compared to 2022. Fiscal year 2023 operating revenues were $92.52 million, an increase of $30.17 million as compared to fiscal year 2022. Details to support this increase include:

5. EO&M revenue increased $23.36 million, due to the interim final water accounting for water year 2022 true-up recognized in fiscal year 2023.

6. Project Use Energy fees increased $6.72 million.

7. San Luis Joint Use facility fees increased $1.43 million from $13.67 million in fiscal year 2022 to $15.10 million in fiscal year 2023.

8. Water conveyance fees related to the Rewind rate components increased $0.98 million.

9. Refunds to water users of totaling $4.25 million creating an overall decrease in operating revenues in fiscal year 2023.

- **Non-Operating Revenues**

Fiscal Year 2024 Compared to 2023. Non-operating revenues decreased $22.68 million or 68% from fiscal year 2023 for a total of $10.65 million at February 29, 2024. This is largely due to the continued decrease in water transfer activity in fiscal year 2024.

Fiscal Year 2023 Compared to 2022. Non-operating revenues decreased $96.76 million or 74% from fiscal year 2022 for a total of $33.33 million at February 28, 2023. This decrease is mainly due to significantly reduced water transfer activity.

Operating & Non-Operating Expenses

- **Operating Expenses**

  Fiscal Year 2024 Compared to 2023. Total operating expenses for fiscal year 2024 were $99.02 million, an increase of $30.82 million from 2023. increase is primarily a result of increased Project Use Energy costs and EO&M reserve expenses from a change in estimate in the amount recognized in 2023 as described in Note 15.

  Fiscal Year 2023 Compared to 2022. Total operating expenses for fiscal year 2023 were $68.20 million, an increase of $7.17 million from 2022. This is mainly due to a $6.72 million increase in Project Use Energy costs and a $1.63 million increase in San Luis Joint Use facility costs.

- **Non-Operating Expenses**

  Fiscal Year 2024 Compared to 2023. Total non-operating expenses decreased $27.14 million or 80% from $33.97 million in fiscal year 2023 for a total of $6.83 million in non-operating expenses in fiscal year 2024. This increase is mainly due to a decrease of $25.50 million in water transfer expenses throughout the fiscal year.

  Fiscal Year 2023 Compared to 2022. Total non-operating expenses decreased $96.46 million or 74% from $130.43 million in fiscal year 2022 for a total of $33.97 million in non-operating expenses in fiscal year 2023. This decrease is mainly due to a decrease in expenses incurred from water transfer activities.

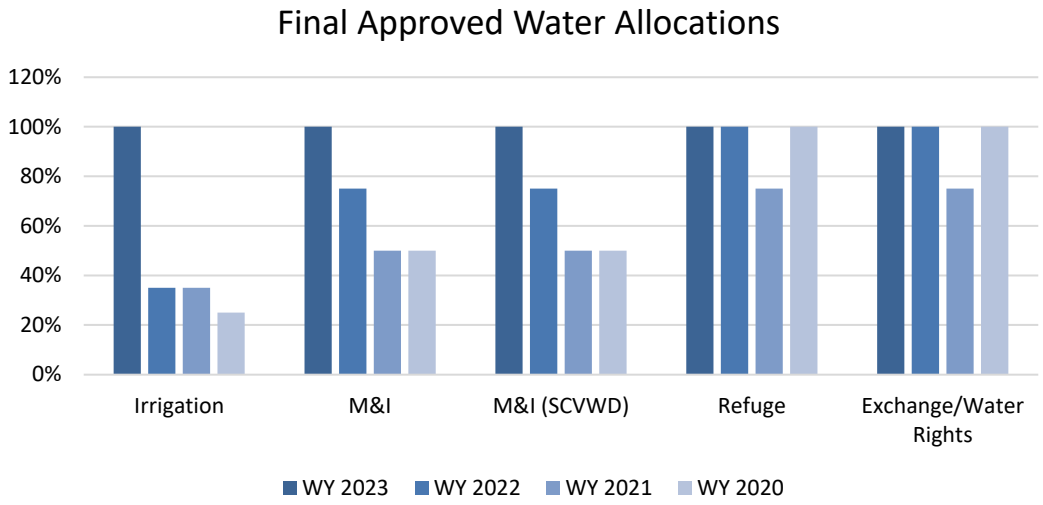
Long-Term Debt

Long-term debt increased from $47.79 million in fiscal year 2023 to $48.80 million in fiscal year 2024 for an overall increase of $1.00 million. This increase is attributed to the completion of unit 3 of the Jones Pumping Plant Rewind project and the repayment contract executed with Reclamation to fund the project.

Please see Note 7 for additional information on the Authority's long-term debt.

Economic Factors and Subsequent Years' Water Allocation

Water Allocations



Financial Contact

This financial report is intended to provide the Authority's members, creditors, investors and other interested parties an overview of the Authority's financial operations and fiscal condition. Should the reader have questions regarding information included in this report, or wish to request additional financial information, please contact the Authority's Director of Finance at P.O. Box 2157, Los Banos, CA 93635.

SAN LUIS & DELTA-MENDOTA
WATER AUTHORITY

STATEMENTS OF NET POSITION

February 29, 2024 and February 28, 2023

	2024	2023 (As Restated)
ASSETS		
Current Assets:		
Cash and cash equivalents:		
Unrestricted	$ 1,243	
Restricted - available for activity agreements	6,714,484	$ 6,365,809
Restricted - available for Project Use Energy		3,131,800
Restricted - available for extraordinary maintenance	5,328,503	22,457,920
Restricted - available for San Luis Joint Use	1,769,532	
Accounts receivable, net	51,308,610	36,822,161
Prepaid expenses	440,577	431,768
Inventory	445,648	435,958
Total Current Assets	66,008,597	69,645,416
Noncurrent Assets:		
Restricted cash and cash equivalents:		
Emergency reserve fund	2,280,327	2,137,002
Debt service	2,179,549	2,019,052
Grant retention receivable	347,677	
Restricted receivables:		
Due from other governments, Jones Pumping Plant Rewind Project	18,771,110	16,708,543
DHCCP financing participants	26,785,000	28,110,000
Capital assets, net	5,739,106	5,418,578
Total Noncurrent Assets	56,102,769	54,393,175
TOTAL ASSETS	122,111,366	124,038,591
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding of debt	167,542	177,397
LIABILITIES		
Current Liabilities:		
Accounts payable	32,765,412	15,672,932
Accrued payroll and related liabilities	497,152	343,030
Accrued interest payable	426,071	
Unearned revenue	6,685,441	22,500,614
Current portion of long-term liabilities	3,272,446	1,398,023
Total Current Liabilities	43,646,522	39,914,599
Noncurrent Liabilities:		
Long-term liabilities, net of current portion	48,795,299	47,794,778
Total Noncurrent Liabilities	48,795,299	47,794,778
TOTAL LIABILITIES	92,441,821	87,709,377
NET POSITION		
Investment in capital assets	4,888,476	4,646,337
Restricted for activity agreements	5,529,129	5,369,980
Restricted for emergency reserve fund	2,280,327	2,137,002
Restricted for extraordinary maintenance	22,520,874	28,567,224
Unrestricted	(5,381,719)	(4,213,932)
TOTAL NET POSITION	$ 29,837,087	$ 36,506,611

The accompanying notes are an integral part of these financial statements.

SAN LUIS & DELTA-MENDOTA
WATER AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended February 29, 2024 and February 28, 2023

	2024	2023 (As Restated)
OPERATING REVENUES		
Project Use Energy (PUE) fees	$ 32,109,051	$ 21,618,417
Water conveyance fees, operations and maintenance	20,014,196	15,266,617
San Luis Joint Use facility fees	17,528,093	15,101,167
Extraordinary operations and maintenance reserve revenue	6,420,375	27,668,158
Water conveyance fees - Rewind debt service	3,721,184	7,174,362
Membership assessments, activity budget	7,195,369	8,473,753
Delta Habitat Conservation and Conveyance Program (DHCCP) revenue	651,946	681,156
United States Bureau of Reclamation service contract	633,403	301,416
Other operating revenue	862,087	479,479
Refunds to water users	(600,000)	(4,247,335)
TOTAL OPERATING REVENUES	88,535,704	92,517,190
OPERATING EXPENSES		
Project Use Energy (PUE) costs	32,109,051	21,618,417
San Luis Joint Use facility costs	17,938,614	15,141,772
Salaries and related benefits	15,598,412	13,797,678
Extraordinary operations and maintenance reserve expense	16,361,652	1,114,484
Legal and professional services	4,961,112	4,175,037
Intertie conveyance	3,773,722	926,530
Jones Pumping Plant Rewind expense	3,115,260	6,969,542
Other operating expenses	2,097,518	1,777,943
Building, machinery and equipment	840,972	549,820
Grassland Basin Drainage specific	963,134	906,957
Auto expenses	619,384	604,665
Depreciation	641,970	616,874
TOTAL OPERATING EXPENSES	99,020,801	68,199,719
OPERATING INCOME (LOSS)	(10,485,097)	24,317,471
NONOPERATING REVENUES (EXPENSES)		
Investment income	1,264,589	216,025
Interest expense	(906,251)	(905,465)
Water transfer revenue	3,823,802	29,328,047
Water transfer expense	(3,823,802)	(29,328,047)
State/Federal grant revenue	4,322,218	2,193,076
State/Federal grant pass-through expense	(846,969)	(2,193,076)
Los Vaqueros Reservoir Expansion revenue	1,239,000	1,542,560
Los Vaqueros Reservoir Expansion expense	(1,239,000)	(1,542,560)
Other nonoperating expenses	(18,014)	47,989
TOTAL NONOPERATING REVENUES (EXPENSES)	3,815,573	(641,451)
CHANGE IN NET POSITION	(6,669,524)	23,676,020
NET POSITION AT BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	36,506,611	12,841,018
Change in accounting principle (GASB 96)		(10,427)
Net position at beginning of year, as restated	36,506,611	12,830,591
NET POSITION AT END OF YEAR	$ 29,837,087	$ 36,506,611

The accompanying notes are an integral part of these financial statements.

SAN LUIS & DELTA-MENDOTA
WATER AUTHORITY

STATEMENTS OF CASH FLOWS

For the Years Ended February 29, 2024 and February 28, 2023

	2024	2023 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	$ 58,333,283	$ 62,916,681
Cash payments to suppliers for goods and services	(69,157,785)	(51,639,195)
Cash payments to employees for services	(11,898,435)	(13,587,521)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(22,722,937)	(2,310,035)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Principal paid on long-term debt	(810,378)	(4,456,396)
Interest paid on long-term debt	(470,325)	(1,495,253)
Long-term debt issued	1,136,756	
Net water transfers	(27,267)	(27,267)
Noncapital grants received	5,111,663	2,725,012
Noncapital grant expended	(593,711)	(2,735,472)
Other nonoperating revenue received	1,239,000	47,989
Other nonoperating revenue expended	(1,229,357)	
NET CASH (USED) PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	4,356,381	(5,941,387)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(721,095)	(265,308)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(721,095)	(265,308)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	1,249,706	227,175
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	1,249,706	227,175
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(17,837,945)	(8,289,555)
Cash and cash equivalents, beginning of year	36,111,583	44,401,138
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 18,273,638	$ 36,111,583
Cash and cash equivalents - financial statement classification:		
Unrestricted	$ 1,243	
Restricted - available for current operations	6,714,484	$ 6,365,809
Restricted - available for Project Use Energy		3,131,800
Restricted - available for Rewind Project	5,328,503	22,457,920
Restricted - available for San Luis Joint Use	1,769,532	
Restricted for emergency reserve fund	2,280,327	2,137,002
Restricted for debt service	2,179,549	2,019,052
TOTAL CASH AND CASH EQUIVALENTS	$ 18,273,638	$ 36,111,583

(Continued)

SAN LUIS & DELTA-MENDOTA
WATER AUTHORITY

STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended February 29, 2024 and February 28, 2023

	2024	2023 (As Restated)
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	$ (13,553,593)	$ 24,317,471
Adjustments to reconcile operating income/(loss) to net cash provided by operating activities:		
Depreciation expense	641,971	616,874
Changes in operating assets and liabilities:		
Accounts receivable, net	(12,406,434)	(28,073,797)
Prepaid expenses	(8,809)	7,254,595
Inventory	(9,690)	(70,175)
Due from other governments, DHCCP financing participants	1,325,000	1,525,000
Accounts payable	16,839,222	(4,847,173)
Accrued payroll and related liabilities	154,122	187,889
Unearned revenue	(15,815,173)	(3,051,712)
Retention payable	(77,039)	(203,854)
Compensated absences	187,486	34,847
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	$ (22,722,937)	$ (2,310,035)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Noncash loan proceeds receivable from Reclamation	$ (3,068,496)	$ (1,136,756)
Change in long-term receivable for Rewind notes payable	(3,305,814)	1,136,756
Interest capitalized in Rewind notes payable	237,318	
Grant pass-through receivable	(106,125)	420,396
Water transfer pass-through receivable	(27,267)	(27,267)
Acquisition of assets with lease liability	(269,061)	
Amortization of deferred amount on refunding	9,855	9,855
Unrealized gain (loss) on investments	(54,862)	(26,439)

The accompanying notes are an integral part of these financial statements.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the San Luis & Delta-Mendota Water Authority conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

Financial Reporting Entity: The San Luis & Delta-Mendota Water Authority (Authority) was established as a joint powers authority under California law dated July 1, 1990. It serves 27 member agencies, 25 of which contract (Contractors) with the United States Bureau of Reclamation (Reclamation or USBR) for water supply from the Central Valley Project (CVP). The Authority delivers water to the most diverse set of member agencies in California. The member agencies provide water to approximately 1.2 million acres of highly productive farmland, 2 million California residents, and millions of waterfowl dependent upon the nearly 130,000 acres of managed wetlands within the Central Valley area of the Pacific Flyway. The Authority is governed by a 19-member Board of Directors and serves two important roles: (1) to act as the operations and maintenance entity for the Delta Division of the CVP and south of Delta CVP facilities that the Authority's member agencies depend on for the delivery of their water supply, and (2) to provide unified representation on common interests of Authority members.

The member agencies are as follows and are assigned to one of five divisions based on location:

Division 1 (Northern DMC):
- Banta-Carbona Irrigation District
- Byron Bethany Irrigation District
- City of Tracy
- Del Puerto Water District
- Patterson Irrigation District
- West Stanislaus Irrigation District

Division 2 (San Luis Unit):
- Panoche Water District
- Pleasant Valley Water District
- San Luis Water District
- Westlands Water District

Division 3 (Exchange Contractor and Grassland Water District):
- Central California Irrigation District
- Columbia Canal Company (Friend)
- Firebaugh Canal Water District
- Grassland Water District
- Henry Miller Reclamation District #2131

Division 4 (San Felipe Unit):
- San Benito County Water District
- Santa Clara Valley Water District (Valley Water)

Division 5 (Southern DMC/Mendota Pool):
- Broadview Water District
- Eagle Field Water District
- Fresno Slough Water District
- James Irrigation District
- Laguna Water District
- Mercy Springs Water District
- Oro Loma Water District
- Pacheco Water District
- Reclamation District 1606
- Tranquillity Irrigation District
- Turner Island Water District

The Authority has determined that there are no component units that meet the criteria for inclusion within the reporting entity.

The Authority is a member of the following joint power authorities/agencies (JPAs): Association of California Water Agencies (ACWA), ACWA Joint Powers Insurance Authority, and the State and Federal Water Contractors Agency and the Los Vaqueros Reservoir Joint Powers Authority, which was dissolved in 2025. The Authority is generally not responsible for the liabilities for the JPAs under the JPA agreements and only has a residual interest in any assets held by the JPAs upon termination of the agreements. However, see Note 10 for a discussion of the effect of changes due to a state law related to pension liabilities.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of Presentation – Fund Accounting: The Authority's resources are allocated to and accounted for in these basic financial statements using an enterprise fund type of the proprietary fund group. A fund is a self-balancing set of accounts. Enterprise funds are used to 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 (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on the economic resources measurement focus. Under the economic resources measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the fund are included on the statement of net position. Net position is segregated into the investment in capital assets, amounts restricted and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. Enterprise funds and agency funds use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for operations and maintenance of the Delta-Mendota Canal, Project Use Energy (PUE) fees, San Luis Joint Use facility fees (fees for the Authority's share of facilities used jointly by Reclamation and the California Department of Water Resources and funding participants) and related facilities. Operating expenses for the enterprise fund include the cost of operations and maintenance of the Delta-Mendota Canal and related facilities, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Cost reimbursement grant revenues are recognized as revenue when the reimbursable costs are incurred under the accrual basis of accounting.

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

Charges to Members: The Authority charges operation, maintenance and replacement (OM&R) water rates for the conveyance of water to recover "OM&R Costs." The First Amended and Restated Memorandum of Understanding (MOU) Between Friant Water Users Authority and San Luis & Delta-Mendota Water Authority Relating to Allocation, Collection and Payment of Operation, Maintenance & Replacement Costs for Water Delivered Through Certain Central Valley Project Facilities (Friant MOU) defines OM&R Costs as "Costs of providing OM&R for the Project Facilities pursuant to the SLDMWA Transfer Agreement, including without limitation conveyance pumping costs associated therewith." This MOU was subsequently amended and became effective July 8, 2024.

The charges are paid by water contractors each month for the next calendar month based on the estimated acre-feet of water deliveries and estimated rates set by the Authority and approved by the Board of Directors, which includes the Authority's estimated OM&R Costs, Department of Water Resources (DWR) and Reclamation's PUE estimated operations and maintenance costs determined at the beginning of the fiscal year, as indicated on the water contractors' advance payment form.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Charges for services provided but unbilled at the end of the year are recorded as revenue on an estimated basis. Amounts received in advance or in excess of the user charge for a billing period are recorded as unearned revenues until such time as these amounts are either refunded or applied against future user charges.

The Authority's water delivery rates are based on budgeted costs and expected delivery volumes. At the end of each year, as actual costs and volumes are known, a final accounting is performed to true up the actual cost to each contractor. The final accounting can result in amounts due to and from contractors. The resulting receivables or payables to contractors are recorded in the year that the final accounting is performed.

The Authority completed the final accounting for water year 2021 and the interim final accounting for water year 2022 that is reflected in the financial statements for the year ended February 28, 2023. The final accounting resulted in additional unearned revenue of $8,049,762 related to water year 2021 and an additional billing of $18,350,496 related to water year 2022. The Water Year 2021/Fiscal Year 2022 final accounting resulted in sixteen contractors with an overpayment of their account while twenty-one contractors had balances due; the net result was $8 million in overpayments. The large additional billing for water year 2022 was the result of a critically dry water year (Critical), where volumes realized through the O'Neill Pumping Plant were at 71% of forecasted level, combined with USBR San Luis Joint Use expenses being about $2.6 million higher than budgeted. PUE is billed by USBR on an estimated basis and trued up after the end of the Federal Fiscal Year. The $6.5 million shortfall on PUE relates to a combination of the under-absorption of budgeted power costs (PUE), and an additional true-up charge from USBR for Water Year 2022/Fiscal Year 2023 of $2.97 million. As a result of the final and interim final accounting for water years 2021 and 2022, the Authority recognized revenue of $17.7 million during the year ended February 28, 2023.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Authority considers all highly liquid investments with an original maturity of three months or less, including restricted assets, to be cash equivalents, which includes investments in the California Local Agency Investment Fund (LAIF), the Investment Trust of California (CalTRUST) and money market mutual funds.

Accounts Receivable: Billed, but unpaid, services are recorded as accounts receivable. Receivables include a year-end accrual for services provided through the end of the fiscal year that were not billed at year-end.

Receivables are also recognized from water contractors at year-end when conveyance fees are trued-up based on actual water deliveries and operations and maintenance costs. See Notes 7 and 11 for a description of C.W. "Bill" Jones Pumping Plant Rewind Project and financing participant receivables.

Prepaid Expenses: Prepaid expenses at February 29, 2024 and February 28, 2023 represented payments made to the Association of California Water Agencies Joint Powers Insurance Authority for various forms of insurance. Prepaid expenses at February 29, 2024 and February 28, 2023 also included activity agreement costs that benefited periods beyond year-end.

Restricted Assets: Restricted assets consist of amounts held in the debt service revenue, the emergency reserve fund required under the Reclamation Transfer Agreement, as described in Note 8, and assets restricted under activity agreements with member agencies for specific projects, amounts collected for project use energy that have not been spent, and amounts collected for extraordinary maintenance costs that have not yet been spent.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Inventory: Inventory consists of various parts and materials needed to operate and maintain the Delta-Mendota Canal and other facilities. It is valued on an average cost basis.

Capital Assets Purchased by the Water Authority: Capital assets are recorded at historical cost. It is the Authority's policy to capitalize assets with a cost of $5,000 or more with useful lives in excess of one year. The costs of assets sold or retired (and the related amounts of accumulated depreciation) are eliminated from the balance sheet in the year of sale or retirement, and the resulting gain or loss is recognized in operations. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation and amortization are calculated using the straight-line method over the following estimated useful lives.

Description	Estimated Life
Heavy equipment	15-30 years
Vehicles and light trucks	10-30 years
Furniture and equipment	10-30 years
Computers	5-20 years

Right-to-use lease assets are recognized at the lease commencement date and represent the Authority's right to use an underlying asset for the lease term. Right-to-use lease assets are measured at the initial value of the lease liability plus any payments made to the lessor before the commencement of the lease term, less any lease incentives received from lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right-to-use lease assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period of the Authority's building lease is 4 years.

Right-to-use subscription IT assets are recognized at the subscription commencement data and represent the Authority's right to use the underlying IT asset for the subscription term. Right-to-use subscription IT assets are measured at initial value of the subscription liability plus and payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right-to-use subscription term or useful life of the underlying asset using the straight-line method. The amortization period of the District's IT assets is 6 years.

Donated capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. The United States Bureau of Reclamation transferred assets relating to the conveyance of water, maintenance, and operation of certain Central Valley Project facilities to the Authority at March 1, 1998. Depreciation on these assets has been computed and reported in the financial statements using the straight-line method over their useful lives.

Unearned Revenue: Unearned revenue arises when resources are received by the Authority prior to the incurrence of qualifying operations and maintenance costs. The Authority's unearned revenues represent water conveyance fees, PUE fees, rewind reimbursements and San Luis Joint Use facility fees not earned at year-end by incurring qualifying expenses. In subsequent periods, when both revenue recognition criteria are met, or when the Authority has legal claim to the resources, the liability for unearned revenue is removed from the statement of net position and revenue is recognized.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Lease and Subscription Liabilities: Lease liabilities represent the Authority's obligation to make lease payments arising from leases. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The lease payments are discounted at the rate inherent in the lease agreement or, if not determinable, at an estimated incremental borrowing rate.

Subscription liabilities represent the Authority's obligation to make subscription payments arising from subscription contracts. Subscription liabilities are recognized at the subscription commencement date based on the present value of the future subscription payments expected to be made during the subscription term. The subscription payments are discounted at the rate inherent in the lease agreement or, if not determinable, at an estimated incremental borrowing rate.

Compensated Absences: Accumulated unpaid employee vacation benefits are recognized as a compensated absences liability in the year vested. Vacation is fully payable at separation. Sick leave is accumulated without limit but is not payable at separation and is not recognized as part of the Authority's compensated absences liability except for the available sick leave cash-out balance described below.

According to the Authority's ICMA Retirement Health Savings Plan (Plan) adopted March 1, 2005, upon retirement from the Authority, the participant's available sick leave cash out is required to be contributed to the Plan and is deposited in an individual account held for the benefit of the participant. The available sick leave cash out balance is defined as the lesser of one-half of accumulated sick leave on the effective date of separation or 500 hours for employees 1) that have ten years of service and are at least 55 years of age, or 2) employees with fifteen years of service regardless of age.

Net Position: Net position is categorized as the investment in capital assets, restricted and unrestricted.

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 and other capital payables 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 or laws and regulations of other governments and restrictions imposed by law through contractual provisions or enabling legislation.

Unrestricted Net Position: This category represents net position of the Authority, not restricted for any project or other purpose.

Reclassifications: Certain 2023 expenses were reclassified during 2024 to conform with the current presentation. These reclassifications had no effect on 2023 total expenses or change in net position.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Pronouncements: In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement addresses issues related to

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

public-private and public-public partnership arrangements (PPPs). PPPs are arrangements in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This statement requires that PPPs that meet the definition of a lease apply guidance in Statement No. 87, *Leases*, as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of a service concession arrangement. This Statement provides accounting and financial reporting requirements for all other PPPs: those that either (1) meet the definition of an SCA or (2) are not within the scope of Statement No. 87, as amended. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements that include an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This Statement was implemented during the year ended February 29, 2024 and had no effect on the Authority's financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. This Statement 1) defines the term 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 to a SBITA; and 4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITA are based on the standards established in Statement No. 87, Leases, as amended. This Statement was implemented during the year ended February 29, 2024 and resulted in recording a SBITA asset and liability as described in Notes 4 and 7.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022.* This Statement enhances comparability in accounting and financial reporting and consistency in authoritative literature, including the classification and reporting of derivative instruments within the scope of Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument; clarification of provisions of Statement 87, *Leases*, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset and identification of lease incentives; clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement term, classification as short-term and recognition of a subscription liability; extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt; accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP); disclosures related to nonmonetary transactions; pledges of future revenues when resources are not received by the pledging government; clarification of provisions in Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, related to the focus of the government-wide financial statements; terminology updates related to provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position; and terminology used in Statement No. 53 to refer to resource flows statements. This Statement will be implemented during the year ended February 28, 2025.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections, an Amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for each type of accounting change, including changes in accounting principles, changes in accounting estimates and changes to or within the financial reporting entity, and error corrections. This Statement requires changes in accounting principles and error corrections to be reported retroactively by restating prior periods; requires changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period; and requires changes in accounting estimates to be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of new pronouncements in absence of specific transition provisions in the new pronouncement. This Statement also requires the aggregate amount of adjustments to and restatements of beginning net position, fund balance or fund net position, as applicable, to be displayed by reporting unit in the financial statements. Furthermore, this Statement requires information presented in required supplementary information or supplementary information to be restated for error corrections, if practicable, but not for changes in accounting principles. This Statement will be implemented during the year ended February 28, 2025.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized for leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or paid in cash or settled through noncash means and leave that has been used but not paid in cash or settled through noncash means. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in the liability for compensated absences. This Statement requires that a liability for certain types of compensated absences, including parental leave, military leave and jury duty leave, not be recognized until the leave commences. Certain salary related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. Governments are allowed to disclose the net change in the liability if identified as such in the footnotes to the financial statements. This Statement will be implemented during the year ended February 28, 2025.

In December 2023, the GASB issued Statement No. 102, Certain Risk Disclosures. This Statement requires a government to assess whether a concentration or constraint makes a primary government, or reporting unit that reports a liability for revenue debt, vulnerable to the risk of a substantial impact and to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to occur within 12 months of the date the financial statements are issued. If the criteria in the Statement have been met for a concentration or constraint, the government should disclose information in notes to financial statements in sufficient detail to enable users of financial statements understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The provisions of this Statement are effective for years beginning after June 15, 2024.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability, including 1) certain topics and disclosures in Management's Discussion and Analysis; 2) requiring the

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

display of inflows and outflows of unusual and infrequent items to be reported separately as the last presented flow(s) of resources prior to the net change in resources flows in the government-wide, governmental fund, and proprietary fund statement of resources flows; 3) changing the definition of proprietary fund nonoperating revenues and expenses to include subsidies received and provided, contributions to permanent and term endowments, revenues and expenses related to financing, resources from the disposal of capital assets and inventory and investment income and expenses and defines operating revenues and expenses as revenue and expenses other than nonoperating revenue and expenses; 4) requires major component units to be presented separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements; and 5) requires budgetary comparison schedules to be reported as Required Supplementary Information (RSI), requires the presentation of variances between original and final budget amounts and final budget and actual amounts in the RSI and requires the explanation of significant variances to be reported in notes to the RSI. The provisions of this Statement are effective for years beginning after June 15, 2025.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires lease assets recognized in accordance with GASB Statement No. 87, Leases, right-to-use assets recognized in accordance with GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, subscription assets recognized in accordance with GASB Statement. No 96, *Subscription-Based Information Technology Arrangements*, and other intangible assets to be disclosed separately in capital assets footnote disclosures. This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should disclose the ending historical cost and accumulated depreciation by major class of asset and the carrying amount of debt for which the assets are pledged as collateral by major class of asset held for sale under this Statement. The provisions of this Statement are effective for fiscal years beginning after June 15, 2025.

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*. This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This Statement also requires the date through which subsequent events have been evaluated to be disclosed. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. The provisions of this Statement are effective for fiscal years beginning after June 15, 2026.

The Authority is currently analyzing the impact of these new Statements.

NOTE 2 – CASH AND INVESTMENTS:

Cash and investments were classified as follows as of the last day of February:

	2024	2023
Cash and cash equivalents:		
Unrestricted	$ 1,243	
Restricted - available for current operations	6,714,484	$ 6,365,809
Restricted - available for project use energy		3,131,800
Restricted - available for extraordinary maintenance	5,328,503	22,457,920
Restricted - available for San Luis Joint Use	1,769,532	
Restricted - emergency reserve fund	2,280,327	2,137,002
Restricted - debt service	2,179,549	2,019,052
Total cash and investments	$ 18,273,638	$ 36,111,583

Cash and investments were classified as follows under GASB Statement No. 40 as of the last day of February:

	2024	2023
Cash and investments consisted of the following:		
Cash on hand	$ 1,000	$ 1,000
Deposits with financial institutions	3,295,147	7,144,579
Investments	14,977,491	28,966,004
Total cash and investments	$ 18,273,638	$ 36,111,583

Investment Policy: The Authority's investment policy was approved by Resolution 2013-367. The policy allows the Authority to invest in Federal Deposit Insurance Corporation insured bank deposits, LAIF, the Investment Trust of California (CalTRUST) and United States Treasury notes, bonds, bills or certificates of indebtedness secured by the full faith and credit of the United States Government.

Investments Authorized by Debt Agreements: Investment of debt proceeds held by the bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Authority's investment policy. Under the Authority's Indenture of Trust agreements, debt proceeds may be invested in direct U.S. Government obligations and highly rated: 1) U.S. Government agency obligations with remaining maturities not exceeding three years; 2) U.S. dollar denominated deposit accounts, certificates of deposit, federal funds and banker's acceptances of domestic commercial banks maturing no more than 360 days after the date of purchase; 3) commercial paper maturing in no more than 270 days from the date of purchase; 4) money market funds; 5) municipal obligations; 6) CalTRUST; LAIF; and investment agreements.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Authority manages its exposure to changes in market interest rates by diversifying its investments by security type and institution.

NOTE 2 – CASH AND INVESTMENTS (Continued):

The following table illustrates the distribution of the Authority's investments by maturity:

February 29, 2024	Fair Value	12 Months or Less	More than 12 to 24 Months	More than 24 to 60 Months
Local Agency Investment Fund	$ 64,678	$ 64,678		
CalTRUST	12,783,539	12,291,836		$ 491,703
Held by bond trustee:				
Money market funds	2,129,274	2,129,274		
Totals	$ 14,977,491	$ 14,485,788	$ -	$ 491,703

February 28, 2023	Fair Value	12 Months or Less	More than 12 to 24 Months	More than 24 to 60 Months
Local Agency Investment Fund	$ 4,544,425	$ 4,544,425		
CalTRUST	22,107,403	21,636,710		$ 470,693
Held by bond trustee:				
Money market funds	2,314,176	2,314,176		
Totals	$ 28,966,004	$ 28,495,311	$ -	$ 470,693

Credit Risk: The Authority limits its exposure to credit risk, that is, the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment, by limiting its investments to instruments with the top ratings issued by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Authority's investment policy, or debt agreements, and the actual Standard & Poor's rating as for each investment type:

February 29, 2024	Fair Value	Minimum Legal Rating	AAA	AAf	AA-f	Not Rated
Local Agency Investment Fund	$ 64,678	N/A				$ 64,678
CalTRUST	12,783,539	N/A	$ 11,754,139	$ 537,697	$ 491,703	
Held by bond trustee:						
Money market funds	2,129,274	AAA	2,129,274			
	$ 14,977,491		$ 13,883,413	$ 537,697	$ 491,703	$ 64,678

February 28, 2023	Fair Value	Minimum Legal Rating	AAA	AAf	AA-f	Not Rated
Local Agency Investment Fund	$ 4,544,425	N/A				$ 4,544,425
CalTRUST	22,107,403	N/A		$ 21,636,710	$ 470,693	
Held by bond trustee:						
Money market funds	2,314,176	AAA	$ 2,314,176			
	$ 28,966,004		$ 2,314,176	$ 21,636,710	$ 470,693	$ 4,544,425

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

NOTE 2 – CASH AND INVESTMENTS (Continued):

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. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At February 29, 2024 and February 28, 2023, the carrying amount of the Authority's deposits was $3,295,147 and $7,144,579 and the balance in financial institutions was $4,964,948 and $7,238,783 respectively. Of the balance in financial institutions, $250,000 at February 29, 2024 and February 28, 2023 was covered by federal depository insurance and the remaining amounts were collateralized by the pledging financial institution's assets held in a common pool for the Authority and other governmental agencies, but not in the name of the Authority.

Investments in External Investment Pools: The Authority is a voluntary participant in the following external investment pools: Local Agency Investment Fund (LAIF) and the Investment Trust of California (CalTRUST). LAIF is regulated by the California Government Code under the oversight of the Treasurer of the State of California. CalTRUST is administered under the oversight of a Board of Trustees comprised of experienced investment managers. The weighted average maturity of investments held by LAIF was 218 and 281 days as of February 29, 2024 and February 28, 2023, respectively.

The Authority also invests in the CalTRUST liquidity, short-term, and medium-term pools. The fair value of the Authority's investments in these pools are reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by the pools for their entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The amount that may be withdrawn from CalTRUST is based on the net asset value per share and the number of shares held by participants in each pool. The weighted average maturity in the liquidity funds in CalTRUST was 40 and 15 days as of February 29, 2024 and February 28, 2023, respectively. The weighted average maturity of short term-funds in CalTRUST was 318 and 336 days as of February 29, 2024 and February 28, 2023, respectively. The weighted average maturity of medium-term funds in CalTRUST was 861 and 810 days as of February 29, 2024 and February 28, 2023, respectively.

Fair Value Measurement: The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority's investments in LAIF, CalTRUST and money market funds are not subject to the fair value hierarchy or are measured at net asset value. All securities classified in Level 2 are valued using pricing models based on market data, such as matrix or model pricing from outside pricing services. These valuation techniques include third party benchmark yields, reported trades, broker/dealer quotes and other techniques.

NOTE 3 – ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES:

Accounts receivable and other receivables consisted of the following as of the last day of February:

	2024	2023
Other receivables	$ 66,593	$ 20,241
Due from other governments	51,233,273	36,790,518
Interest receivable	8,744	11,402
Total accounts receivable	51,308,610	36,822,161
Grant retention receivable	347,677	
Long-term Jones Pumping Plant Rewind Project receivable	18,771,110	16,708,543
Long-term DHCCP financing participants receivable	26,785,000	28,110,000
Total	$ 97,212,397	$ 81,640,704

NOTE 4 – CAPITAL ASSETS:

Capital asset activity was as follows during the years ended the last day of February:

February 29, 2024 Capital Assets	Balance at March 01, 2023 (As Restated)	Additions	Retirements	Balance at February 29, 2024
Capital assets, being depreciated:				
Heavy equipment	$ 3,416,235	$ 217,662		$ 3,633,897
Vehicles and light trucks	3,202,000	383,719	$ (28,447)	3,557,272
Furniture and equipment	1,372,560	59,981		1,432,541
Computers	607,805	59,733		667,538
Subscription assets	962,607			962,607
Lease asset - building		269,061		269,061
Total capital assets, being depreciated	9,561,207	990,156	(28,447)	10,522,916
Less accumulated depreciation:				
Heavy equipment	(1,040,902)	(151,312)		(1,192,214)
Vehicles and light trucks	(1,440,600)	(185,458)	790	(1,625,268)
Furniture and equipment	(1,010,384)	(47,054)		(1,057,438)
Computers	(442,612)	(64,393)		(507,005)
Subscription assets	(208,131)	(104,067)		(312,198)
Lease asset - building		(89,687)		(89,687)
Total accumulated depreciation	(4,142,629)	(641,971)	790	(4,783,810)
Capital assets, net	$ 5,418,578	$ 348,185	$ (27,657)	$ 5,739,106

NOTE 4 – CAPITAL ASSETS (Continued):

February 28, 2023 Capital Assets	Balance at March 1, 2022 (As Restated)	Additions	Retirements	Balance at February 28, 2023 (As Restated)
Capital assets, being depreciated:				
Heavy equipment	$ 3,416,235			$ 3,416,235
Vehicles and light trucks	3,307,975	$ 161,730	$ (267,705)	3,202,000
Furniture and equipment	1,361,272	11,288		1,372,560
Computers	500,722	107,083		607,805
Subscription assets	962,607			962,607
Total capital assets, being depreciated	9,548,811	280,101	(267,705)	9,561,207
Less accumulated depreciation:				
Heavy equipment	(894,226)	(146,676)		(1,040,902)
Vehicles and light trucks	(1,465,477)	(228,035)	252,912	(1,440,600)
Furniture and equipment	(919,874)	(90,510)		(1,010,384)
Computers	(395,024)	(47,588)		(442,612)
Subscription assets	(104,066)	(104,065)		(208,131)
Total accumulated depreciation	(3,778,667)	(616,874)	252,912	(4,142,629)
Capital assets, net	$ 5,770,144	$ (336,773)	$ (14,793)	$ 5,418,578

NOTE 5 – ACCOUNTS PAYABLE:

Accounts payable consisted of the following as of the last day of February:

	2024	2023
Other governments	$ 30,287,260	$ 13,206,972
Vendors	2,478,152	2,465,960
Total	$ 32,765,412	$ 15,672,932

NOTE 6 – UNEARNED REVENUE:

The water contractors pay water conveyance fees based on estimated water deliveries in the month prior to the water delivery date. The Project Use Energy rate component is based on cost estimates provided by Reclamation and the San Luis Joint Use facility rate component is based on the California Department of Water Resources budget. These fees are reported as unearned revenue at each year-end if not spent for qualifying expenses. Unearned revenue consisted of the following as of the last day of February:

	2024	2023
Contractors:		
O&M (including Rewind Project)	$ 3,143,451	$ 7,870,869
Project Use Energy	1,701,895	11,290,540
San Luis Joint Use	1,840,095	3,326,178
Activity Agreements		13,027
Total	$ 6,685,441	$ 22,500,614

NOTE 7 – LONG-TERM LIABILITIES:

The following is a summary of changes in the Authority's long-term liabilities:

February 29, 2024	Balance at March 1, 2023 (as Restated)	Additions	Reductions	Balance at February 29, 2024	Due Within One Year
Revenue Bonds, Series 2021A	$ 7,200,000			$ 7,200,000	$ 250,000
Refunding Revenue Bonds, Series 2021B	28,110,000			28,110,000	1,325,000
	35,310,000			35,310,000	1,575,000
USBR Unit 3 Rewind Note	2,982,706	$ 3,305,814		6,288,520	332,868
USBR Unit 5 Rewind Note	5,116,932		$ (248,028)	4,868,904	168,796
USBR Unit 6 Rewind Note	3,569,905		(380,441)	3,189,464	179,489
Total debt	46,979,543	3,305,814	(628,469)	49,656,888	2,256,153
Grant retention payable	129,643		(77,039)	52,604	
Lease liability		269,061	(81,991)	187,070	89,460
Subscription liability	772,241		(99,918)	672,323	103,214
Compensated absences	1,311,374	187,486		1,498,860	823,619
Total	$ 49,192,801	$ 3,762,361	$ (887,417)	$ 52,067,745	$ 3,272,446

February 28, 2023	Balance at March 1, 2022 (as Restated)	Additions	Reductions	Balance at February 28, 2023 (as Restated)	Due Within One Year
Revenue Bonds, Series 2021A	$ 7,690,000		$ (490,000)	$ 7,200,000	
Refunding Revenue Bonds, Series 2021B	31,150,000		(3,040,000)	28,110,000	
	38,840,000		(3,530,000)	35,310,000	
USBR Unit 3 Rewind Note	1,845,950	$ 1,136,756		2,982,706	
USBR Unit 5 Rewind Note	5,400,663		(283,731)	5,116,932	$ 248,028
USBR Unit 6 Rewind Note	4,212,570		(642,665)	3,569,905	380,441
Total debt	50,299,183	1,136,756	(4,456,396)	46,979,543	628,469
Grant retention payable	333,497		(203,854)	129,643	
Subscription liability	868,968		(96,727)	772,241	99,918
Compensated absences	1,276,527	657,884	(623,037)	1,311,374	669,636
Total	$ 52,778,175	$ 1,794,640	$ (5,380,014)	$ 49,192,801	$ 1,398,023

Revenue Bonds (OM&R Project), Series 2021A (Direct Placement):

On January 26, 2021, the Authority issued the Revenue Bonds (OM&R Project), Series 2021A (the 2021A Bonds) in the amount of $8,020,000. The 2021A Bonds were issued to provide funds to finance a portion of the cost of certain extraordinary maintenance (Unit 1 and Unit 4 Rewind project) to the Jones Pumping Plant and to fund a deposit into a debt service reserve fund.

The 2021A Bonds are special obligations of the Authority and are secured by operations, maintenance, and replacement (OM&R) revenues received by the Authority for the operation, maintenance, and replacement of certain Central Valley Project facilities pursuant to a Transfer Agreement entered into by the Authority and the United States of America acting through the Department of Interior Bureau of Reclamation. Debt

NOTE 7 – LONG-TERM LIABILITIES (Continued):

service on the 2021A bond obligations is sourced by a debt service reserve component included in all rates charged for water deliveries within the transferred works. Excluded from this charge are water deliveries to FWA contractors and water deliveries in the Mendota Poll that do not flow through the Delta Mendota Canal. The 2021A Bonds are secured by a gross lien on OM&R revenues and are payable from OM&R revenues prior to operation and maintenance costs. The 2021A Bonds are on a parity with the obligation of the Authority to pay principal of and interest on two repayment contracts with Reclamation which financed extraordinary maintenance at the Jones Pumping Plant, aggregating approximately $17,500,000 in principal amount and other operation and maintenance obligations incurred by the Authority from time-to-time in accordance with the OM&R Master Resolution. The 2021A Bonds have a rate covenant requiring the Authority to collect OM&R revenues equal to 1.10 times payments due on all Operation and Maintenance Obligations (all obligations on parity with the 2021A Bonds) and 1.00 times other operations and maintenance costs as defined in the agreement. The 2021A Bonds bear interest at 1.26% to 3.20% and are payable semi-annually on March 1 and September 1, beginning March 1, 2021, through March 1, 2045. Upon default the 2021A Bonds may be declared to be immediately due and payable and a default interest rate of 8% would apply on past due principal.

Refunding Revenue Bonds (DHCCP Development Project), Series 2021B (Direct Placement):

On January 26, 2021, the Authority issued the Refunding Revenue Bonds (DHCCP Development Project), Series 2021B (the 2021B Bonds) in the amount of $32,725,000. The 2021B Bonds were issued to provide funds to defease $30,080,000 of the outstanding Refunding Revenue Bonds (DHCCP Development Project), Series 2013A (the 2013A Bonds). The 2013A Bonds were issued to finance planning, preliminary design and environmental activities of the Delta Habitat Conservation and Conveyance Program (DHCCP), a program consisting of joint efforts by agencies of the federal government, State of California and local agencies to fund and plan habitat conservation and water supply activities in the Sacramento-San Joaquin River Delta/San Francisco Bay Estuary (the "Bay-Delta"), including Bay-Delta water conveyance options. Byron Bethany Irrigation District and Laguna Water District repaid their 2013A bond debt service obligation in the amount of $501,269 and opted not to participate in the 2021 refunding.

The 2021B Bonds are special obligations of the Authority payable solely from a lien on revenues defined in the agreement, including portions of payments received by the Authority pursuant to the DHCCP Activity Agreements by and between the Authority and the Financing Participants (Financing Participant payments) and from amounts in certain funds and accounts established under the Indenture of Trust pursuant to which the 2021B Bonds are issued. The Financing Participants have agreed to collect revenues sufficient to pay their specified percentage of the required principal and interest payments due on the Bond under the DHCCP Activity Agreements. Westlands Water District has agreed pursuant to its DHCCP Activity Agreement to pay 100% of the principal and interest on the 2021B Bonds. The Authority then reimburses Westlands Water District for a portion of such principal and interest payments from amounts that the Authority receives from other Financing Participants, including Broadview Water District, Mercy Springs Water District, Eagle Field Water District, Pacheco Water District, Panoche Water District and San Luis Water District. The Authority has agreed not to pledge, lien, charge or create any other encumbrance on the revenues pledged under the 2021B Bond indenture. A receivable is recognized for the funding participants' obligation to provide revenues sufficient to make principal payments on the Bond under the DHCCP Activity Agreements. Interest revenue is recognized from the participants on the accrual basis each year. The 2021B Bonds bear interest at .35% to 3.04% and are payable semi-annually on March 1 and September 1, beginning March 1, 2021. The bonds mature at various amounts through March 1, 2042. Upon default the 2021B Bonds may be declared to be immediately due and payable and a default interest rate of 8% would apply on past due principal.

NOTE 7 – LONG-TERM LIABILITIES (Continued):

In January of 2021, $3,684,099 of unused funds from the previously defeased Revenue Notes (DHCCP Development Project), Series 2009A were deposited to an irrevocable escrow account held by a fiscal agent and were used to fully repay the 2013A Bonds in the amount of $4,145,000 on March 1, 2023.

Pledged Revenue: The Authority pledged future OM&R revenues to repay the 2021A Bonds in the original amount of $8,020,000. The 2021A Bonds are payable solely from OM&R revenues through March 1, 2045. Total principal and interest remaining to be paid on the 2021A Bonds was $9,901,347 and $10,002,214 at February 29, 2024 and February 28, 2023, respectively. Total cash basis principal and interest paid on the 2021A Bonds was $448,276 and $449,820 and the total cash basis OM&R revenues was $51,348,959 and $42,109,524 for the years ended February 29, 2024 and February 28, 2023, respectively.

The Authority pledged future Financing Participation revenues to repay the 2021B Bonds in the original amount of $32,725,000. The 2021B Bonds are payable from Financing Participant payment amounts held in an escrow account and are payable through March 1, 2042. Total principal and interest remaining to be paid on the 2021B Bonds was $35,311,868 and $35,727,070, at February 29, 2024 and February 28, 2023, respectively. Total cash basis principal and interest paid for the 2021B was $2,180,131 and $2,178,646 and the total Financing Participant Payments in total on the Bonds was $1,975,404 and $2,184,858 at February 29, 2024 and February 28, 2023, respectively. The total Financing Participant payments above include amounts reported as a reduction of the receivable from financing participants on the statements of net position, which were used to make DHCCP debt service payments.

USBR Jones Pumping Plant Rewind Notes (Private Placement):

In June 2020, the Authority entered into an agreement to receive up to $12,700,000 for units 2, 3, 4 and 5 from the USBR to rewind the Units of the C.W. "Bill" Jones Pumping Plant. The obligation was on a cost reimbursement basis, with a separate repayment contract created on the substantial completion date for each unit. After entering into the agreement, the Authority chose to self-fund the rewind of Unit 2 and to finance the other three units through this financing method. At February 28, 2022, the rewinds of Units 5 and 6 were completed and at February 28, 2024, the rewind of Unit 3 was completed and repayment agreements were in place with the United States Bureau of Reclamation. The Authority has added additional charges to water conveyance fees to repay the existing obligations for Units 3, 5 and 6. A long-term receivable is recognized for the contractors' obligation to provide sufficient water conveyance fees to repay the Rewind Notes for Units 3, 5 and 6. The receivable is equal to the principal outstanding, less revenue previously collected for principal payments. Revenue collected for interest payments is recognized in the year the interest payments are due.

USBR Unit 3 Rewind Note (Private Placement):

In June 2020, the Authority entered into an agreement to receive up to $6.8 million from the USBR to rewind Unit 6 of the C.W. "Bill" Jones Pumping Plant. The obligation was on a cost reimbursement basis and the Authority incurred $6,288,520, including Reclamation costs. The remaining amount will be repaid in installments of $332,868 per year on the last day of February from February 2025 to February 2047. Interest due is at the average U.S. Department of Treasury interest rate based on average market yields of obligations of comparable maturities at the beginning of the fiscal year when work began on the project, adjusted to the nearest 1/8 of 1 percent, which is 1.875%. The agreement requires an additional 0.5% interest rate per month to be paid if the obligation becomes delinquent more than 60 days.

NOTE 7 – LONG-TERM LIABILITIES (Continued):

The Authority has added additional charges to water conveyance fee to repay the obligation. A long-term receivable is recognized for the contractors' obligation to provide sufficient water conveyance fees to repay the Unit 3 Rewind Note. The receivable is equal to the principal outstanding, less revenue previously collected from the contractors for principal payments. Revenue collected for interest payments is recognized in the year the interest payments are due.

USBR Unit 5 Rewind Note (Private Placement):

In June 2020, the Authority entered into an agreement to receive up to $5.9 million from the USBR to rewind Unit 5 of the C.W. "Bill" Jones Pumping Plant. The obligation was on a cost reimbursement basis and the Authority incurred $5,612,808 as of February 29, 2024. A preliminary repayment schedule was provided by the USBR showing the amount would be repaid in installments of $248,028 per year on the last day of February from February 2022 to February 2044. A revised repayment schedule was presented to the Authority in October 2022, updating the annual installment amount to $282,305 with a stated interest rate of 1.25%. The repayment schedule was further revised in March 2025 and the USBR agreed to apply all previous payments as a reduction in principal and create a new amortization schedule for the debt with annual installment payments of $266,174 at 2.0% interest. The agreement requires an additional 0.5% interest rate per month to be paid if the obligation becomes delinquent more than 60 days. The Authority has added an additional component to the water rates to repay the obligation. A long-term receivable is recognized for the contractors' obligation to provide sufficient water conveyance fees to repay the Unit 5 Rewind Note. The receivable is equal to the principal outstanding, less revenue previously collected from the contractors for principal payments. Revenue collected for interest payments is recognized in the year the interest payments are due.

USBR Unit 6 Rewind Note (Private Placement):

In February 2018, the Authority entered into an agreement to receive up to $5 million from the USBR to rewind Unit 6 of the C.W. "Bill" Jones Pumping Plant. The obligation was on a cost reimbursement basis and the Authority incurred $5,154,120, including Reclamation costs. The Note was scheduled to be paid in annual installments of $380,441 but was revised during 2025 and the remaining amount will be repaid in installments of $255,239 per year on the last day of February from February 2020 to February 2039. Interest due is at the average U.S. Department of Treasury interest rate based on average market yields of obligations of comparable maturities at the beginning of the fiscal year when work began on the project, adjusted to the nearest 1/8 of 1 percent, which is 2.375%. The agreement requires an additional 0.5% interest rate per month to be paid if the obligation becomes delinquent more than 60 days. The Authority has added an additional component to the water rates in order to repay the obligation.

A long-term receivable is recognized for the contractors' obligation to provide sufficient water conveyance fees to repay the Unit 6 Rewind Note. The receivable is equal to the principal outstanding, less revenue previously collected from the contractors for principal payments. Revenue collected for interest payments is recognized in the year the interest payments are due.

Lease Liability:

On February 23, 2023, the Agency entered into a lease extension agreement with the California Association of Realtors to lease office space with payments of $8,525 per month starting in 2023 with yearly CPI increase through February 28, 2026. The Authority recorded a lease asset and a lease liability for the present value of the lease payments over the lease term. For purposes of discounting future lease payments, the Authority used the prime plus 1% as of the start of the lease term of 8.75%. The lease asset is being

NOTE 7 – LONG-TERM LIABILITIES (Continued):

amortized over 4 years, which is the term of the current lease. As of February 29, 2024, the cost and accumulated amortization of the lease assets were $269,061 and $89,687, respectively.

Subscription Based Information Technology Arrangement (SBITA):

The Authority entered into a SBITA contract for accounting software in May 2020 that was extended during May 2025 through April 2030. The Authority implemented GASB Statement No. 96 during the year ended February 29, 2024, which resulted in the Authority recording a restatement to recognize a SBITA asset and liability as of March 1, 2022. The Authority is required to make quarterly payments ranging from $30,968 to $30,952 through February 2030. The SBITA term ends in May 2030. The subscription agreement was discounted using a rate of 3.25%. The discount rate was based on the prime rate at the March 1, 2022 GASB 96 implementation date. The subscription asset cost was $962,607 and accumulated amortization was $312,197 and $208,131 as of February 29, 2024 and February 28, 2023, respectively.

The annual debt service requirements to maturity for the long-term liabilities were as follows:

February 29, 2024

Year Ended Last Day of February,	Revenue Bonds, Series 2021A Principal	Revenue Bonds, Series 2021A Interest	Total Debt Service
2025	$ 250,000	$ 200,158	$ 450,158
2026	255,000	196,977	451,977
2027	255,000	193,763	448,763
2028	260,000	189,323	449,323
2029	265,000	183,600	448,600
2030-2034	1,430,000	820,966	2,250,966
2035-2039	1,660,000	588,480	2,248,480
2040-2044	1,950,000	299,840	2,249,840
2045	875,000	28,240	903,240
Total	$ 7,200,000	$ 2,701,347	$ 9,901,347

Year Ended Last Day of February,	Refunding Revenue Bonds, Series 2021B Principal	Refunding Revenue Bonds, Series 2021B Interest	Total Debt Service
2025	$ 1,325,000	$ 645,236	$ 1,970,236
2026	1,335,000	633,326	1,968,326
2027	1,350,000	618,079	1,968,079
2028	1,365,000	599,473	1,964,473
2029	1,390,000	577,696	1,967,696
2030-2034	7,340,000	2,456,849	9,796,849
2035-2039	8,275,000	1,486,697	9,761,697
2040-2043	5,730,000	274,512	6,004,512
Total	$ 28,110,000	$ 7,291,868	$ 35,401,868

NOTE 7 – LONG-TERM LIABILITIES (Continued):

Year Ended Last Day of February,	USBR Rewind Note, Unit 3 Principal	USBR Rewind Note, Unit 3 Interest	Total Debt Service
2025	$ 332,868	$ -	$ 332,868
2026	221,200	111,668	332,868
2027	225,347	107,521	332,868
2028	229,573	103,296	332,869
2029	233,877	98,991	332,868
2030-2034	1,236,831	427,510	1,664,341
2035-2039	1,357,214	307,127	1,664,341
2040-2044	1,489,315	175,026	1,664,341
2045-2047	962,295	36,311	998,606
Total	$ 6,288,520	$ 1,367,450	$ 7,655,970

Last Day of February,	USBR Rewind Note, Unit 5 Principal	USBR Rewind Note, Unit 5 Interest	Total Debt Service
2025	$ 168,796	$ 97,378	$ 266,174
2026	172,171	94,002	266,173
2027	175,615	90,559	266,174
2028	179,127	87,046	266,173
2029	182,710	83,464	266,174
2030-2034	969,846	361,023	1,330,869
2035-2039	1,070,788	260,080	1,330,868
2040-2044	1,182,237	148,632	1,330,869
2045-2047	767,614	30,907	798,521
Total	$ 4,868,904	$ 1,253,091	$ 6,121,995

Year Ended Last Day of February,	USBR Rewind Note, Unit 6 Principal	USBR Rewind Note, Unit 6 Interest	Total Debt Service
2025	$ 179,489	$ 75,750	$ 255,239
2026	183,752	71,487	255,239
2027	188,116	67,123	255,239
2028	192,584	62,655	255,239
2029	197,158	58,081	255,239
2030-2034	1,058,290	217,904	1,276,194
2035-2039	1,190,075	86,119	1,276,194
Total	$ 3,189,464	$ 639,119	$ 3,828,583

NOTE 7 – LONG-TERM LIABILITIES (Continued):

Year Ended Last Day of February,	Lease Liability Principal	Lease Liability Interest	Total Debt Service
2025	$ 89,460	$ 12,837	$ 102,297
2026	97,610	4,688	102,298
Total	$ 187,070	$ 17,525	$ 204,595

Year Ended Last Day of February,	Subscription Liability Principal	Subscription Liability Interest	Total Debt Service
2025	$ 103,214	$ 20,657	$ 123,871
2026	106,556	17,253	123,809
2027	110,071	13,738	123,809
2028	113,702	10,107	123,809
2029	117,453	6,356	123,809
2030	121,327	2,481	123,808
Total	$ 672,323	$ 70,592	$ 742,915

February 28, 2023

Year Ended Last Day of February,	Revenue Bonds, Series 2021A Principal	Revenue Bonds, Series 2021A Interest	Total Debt Service
2024	$ -	$ 100,867	$ 100,867
2025	250,000	200,158	450,158
2026	255,000	196,977	451,977
2027	255,000	193,763	448,763
2028	260,000	189,323	449,323
2029-2033	1,395,000	856,246	2,251,246
2034-2038	1,605,000	640,720	2,245,720
2039-2043	1,890,000	361,280	2,251,280
2044-2045	1,290,000	62,880	1,352,880
Total	$ 7,200,000	$ 2,802,214	$ 10,002,214

Year Ended Last Day of February,	Refunding Revenue Bonds, Series 2021B Principal	Refunding Revenue Bonds, Series 2021B Interest	Total Debt Service
2024	$ -	$ 325,202	$ 325,202
2025	1,325,000	645,236	1,970,236
2026	1,335,000	633,326	1,968,326
2027	1,350,000	618,079	1,968,079
2028	1,365,000	599,473	1,964,473
2029-2033	7,195,000	2,609,865	9,804,865
2034-2038	8,060,000	1,710,585	9,770,585
2039-2043	7,480,000	475,304	7,955,304
Total	$ 28,110,000	$ 7,617,070	$ 35,727,070

NOTE 7 – LONG-TERM LIABILITIES (Continued):

Year Ended Last Day of February,	USBR Rewind Note, Unit 3 Principal	USBR Rewind Note, Unit 3 Interest	Total Debt Service
2024	$ -	$ -	$ -
2025	332,868	-	332,868
2026	221,200	111,668	332,868
2027	225,347	107,521	332,868
2028	229,573	103,296	332,869
2029-2033	1,214,067	450,274	1,664,341
2034-2038	1,332,235	332,106	1,664,341
2039-2043	1,461,904	202,437	1,664,341
2044-2047	1,271,326	60,148	1,331,474
Total	$ 6,288,520	$ 1,367,450	$ 7,655,970

Year Ended Last Day of February,	USBR Rewind Note, Unit 5 Principal	USBR Rewind Note, Unit 5 Interest	Total Debt Service
2024	$ 248,028	$ -	$ 248,028
2025	168,796	97,378	266,174
2026	172,172	94,002	266,174
2027	175,615	90,559	266,174
2028	179,127	87,046	266,173
2029-2033	950,829	380,039	1,330,868
2034-2038	1,049,792	281,076	1,330,868
2039-2043	1,159,056	171,813	1,330,869
2044-2047	1,013,517	51,179	1,064,696
Total	$ 5,116,932	$ 1,253,092	$ 6,370,024

Year Ended Last Day of February,	USBR Rewind Note, Unit 6 Principal	USBR Rewind Note, Unit 6 Interest	Total Debt Service
2024	$ 380,441	$ -	$ 380,441
2025	179,489	75,750	255,239
2026	183,752	71,487	255,239
2027	188,116	67,123	255,239
2028	192,584	62,655	255,239
2029-2033	1,033,739	242,455	1,276,194
2034-2038	1,162,467	113,728	1,276,195
2039	249,317	5,921	255,238
Total	$ 3,569,905	$ 639,119	$ 4,209,024

Note that the Unit 3 amortization schedule provided by Reclamation above included $3,305,814 of expenses incurred after February 28, 2023. The liability recorded by the Authority at February 28, 2023 does not include this amount.

NOTE 7 – LONG-TERM LIABILITIES (Continued):

Year Ended Last Day of February,	Subscription Liability		Total Debt Service
	Principal	Interest	
2024	$ 99,918	$ 23,953	$ 123,871
2025	103,214	20,657	123,871
2026	106,556	17,253	123,809
2027	110,071	13,738	123,809
2028	113,702	10,107	123,809
2029-2030	238,780	8,837	247,617
Total	$ 772,241	$ 94,545	$ 866,786

NOTE 8 – RESTRICTED NET POSITION

Restricted for Activity Agreement Projects: The Authority collected amounts from agencies to perform specific projects under activity agreements. The amounts collected and not yet expended are reported as restricted net position.

Restricted for Emergency Reserve Fund: The Reclamation Transfer Agreement requires the Authority to maintain an emergency reserve fund to finance (1) unusual operations, maintenance and repair (OM&R) costs; (2) costs associated with addressing conditions which threaten or cause interruption of water service; (3) unforeseen or extraordinary OM&R costs; and (4) costs associated with addressing conditions which threaten the safety or integrity of Project works. As stated in the Authority's transfer agreement, the Authority is required to maintain a targeted minimum reserve fund amount equal to 15% of the most current three years average annual actual OM&R costs incurred for the Project Works. The balance of this fund at February 29, 2024 and February 28, 2023 was $2,280,327 and $2,137,002, respectively.

Restricted for Extraordinary Maintenance: The Authority collects amounts from its member agencies for certain extraordinary maintenance projects as part of the water rates based on a budget approved by the Board. Unexpended amounts are reported as restricted for those projects.

NOTE 9 – RETIREMENT BENEFITS:

The Authority provides retirement benefits for all of its full-time employees through two defined contribution pension plans organized under Internal Revenue Code (IRC) Section 401(a) and a voluntary IRC Section 457 Deferred Compensation Plan. The benefit terms and contribution rates of the plans are established by and may be amended by the Board of Directors.

IRC Section 401(a) Plans: The Authority provides two IRC Section 401(a) plans (the Plans): The 401a Executive Defined Contribution Plan (Plan 109325) and the 401a Defined Contribution Plan (Plan 109164). Plan 109325 requires the employee to contribute 5% of "base annual salary" to the Plan and the Authority matches 5%. Plan 109164 requires the Authority to contribute an amount equal to 8% of the employee's "base annual salary" to the Plan. "Base annual salary" is defined as gross base annual salary, which excludes overtime, merit pay awards, shift differential premiums, or any other special pay. All employer

NOTE 9 – RETIREMENT BENEFITS (Continued):

and employee contributions and earnings on those contributions are vested immediately. Employees may contribute up to 25% of their total compensation with a maximum of $30,000 per year of combined employer and employee contributions, subject to IRC contribution limits. For the years ended February 29, 2024 and February 28, 2023, the employer contributions to the Plans were $1,116,861 and $961,181 and the employee contributions were $175,858 and $174,899, respectively.

IRC Section 457 Plan: Employees are also eligible to participate in a voluntary IRC Section 457 Deferred Compensation Plan (the Plan) from date of employment. If an employee elects to participate, the Authority will match up to 5% of the employee's base gross annual salary, which excludes overtime, merit pay awards, shift differential premiums, or any other special pay. Employee contributions are based on W-2 earnings. All employer and employee contributions and earnings on those contributions are vested immediately. The funding limit is the lesser of $7,500 per year, or 33% of includable compensation, which equates to 25% of total compensation. For the years ended February 28, 2024 and 2023, the employer contributions were $371,410 and $310,119 and the employee contributions were $755,392 and $674,810, respectively.

NOTE 10 – COMMITMENTS AND CONTINGENCIES:

Litigation: The Authority is involved in various litigation matters, including one matter where the Authority is a named defendant. See below for more detail regarding this matter. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material adverse effect on the Authority's financial statements.

State and Federal Allowances, Awards and Grants: The Authority has received state and federal funds for specific purposes that are subject to review and audit by the granting agencies. Although such audits could generate expense disallowances under such terms of the grants, it is believed that any required reimbursements will not be material.

Grassland Basin Drainage Management Activity Litigation: California Sportfishing Protection Alliance et al. v. Nickels et al. (formerly PCFFA et al. v. Nickels et al.) litigation filed by a coalition of fishermen's organizations and an individual in late 2011 remained pending in federal court throughout Fiscal Year 2026. The litigation alleged that the Authority and the United States Bureau of Reclamation (Reclamation) have violated the Clean Water Act by failing to obtain a National Pollution Elimination System Discharge (NPDES) permit for discharges of drainage water from the Grassland Bypass Project, conducted under the Authority's Grassland Basin Drainage Management Activity Agreement.

The case has a lengthy litigation history, proceeding from summary judgment proceedings in the U.S. District Court for the Eastern District of California, to the Ninth Circuit Court of Appeals, back to the district court, and again to the Ninth Circuit. On September 5, 2025, the Ninth Circuit Court of Appeals issued an opinion and entered judgment in favor of the United States and the Authority. Subsequently, plaintiffs filed a petition for rehearing en banc with the Ninth Circuit that the Ninth Circuit Court denied. Most recently, on February 17, 2027, plaintiffs filed a petition for certiorari with the United States Supreme Court; at the present time an unfavorable outcome is possible, but not probable, and were there such an unfavorable outcome, the amount of any liability cannot reasonably be determined.

Employment Litigation: The Authority understands that on February 25, 2026, a former Authority employee filed a complaint alleging various California Labor Code and common law employment violations in Merced County Superior Court. As of March 4, 2026, the Authority has not been served with

NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued):

this lawsuit, but understands that in the complaint plaintiff seeks damages, unpaid overtime wages and meal/rest period premiums, waiting time penalties, pre-judgment and post-judgment interest, reasonable attorney fees and costs, and such other and further relief as the Court deems just and proper. At the present time, an unfavorable outcome is possible, but not probable, and were there such an unfavorable outcome, the amount of any liability cannot reasonably be determined.

B.F. Sisk Dam Raise and Reservoir Expansion Project Activity: The B.F. Sisk Dam is approximately 382 feet high and 3.5 miles in length and is located in a historically seismically active area. Studies and analysis indicate that a major earthquake could result in substantial consequences, though the possibility of dam failure is remote. The U.S. Bureau of Reclamation (Reclamation) and the California Department of Water Resources completed a corrective action study indicating a 12-foot raise in the embankment height of the North and South Valley sections would reduce the potential for dam failure due to earthquake induced cracking. In connected action to the B.F Sisk Safety of Dams (SOD) Modification project, the Authority has worked with Reclamation to evaluate an additional 10-foot raise across the entire Dam (the "B.F. Sisk Dam Raise and Reservoir Expansion Project" or "Reservoir Expansion Project") above the safety purpose to expand the capacity of the San Luis Reservoir by approximately 130,000 acre-feet.

Since November 2019, the Authority has worked with Reclamation to analyze and pursue the Reservoir Expansion Project. This pursuit has included the engagement of consultants including CDM Smith, Inc. and the Hallmark Group, and the preparation of several key documents relating to the Project, including a Supplemental Environmental Impact Study/Environmental Impact Report (SEIS/EIR), feasibility study. The Final SEIS/EIR and the Feasibility Study were completed in December 2020, and the Secretary of Interior deemed the project feasible. Reclamation and the Authority signed a Record of Decision and Notice of Determination for the Project, respectively, on October 20, 2023.

In March of 2022, the Authority organized an activity agreement among members interested in funding the project, with an initial funding budget of $1,000,000.

In January 2025, the Authority and Reclamation executed an Agreement for the Management of the Expanded San Luis Reservoir and Cost Share of Charges Associated with Raising of the B.F. Sisk Dam and Increased Storage Capacity of the Federally Administered San Luis Reservoir (Management and Cost Share Agreement), Contract No. 24-WC-20-6280. The Authority's activity agreement was also amended in February 2025.

Subsequently, Reclamation and the Authority negotiated and in August 2025, executed, a Contributed Funds Agreement and Spend Plan, Exhibits A and B to the Management and Cost Share Agreement, respectively. As of March, 2026, the Authority continues to work with Reclamation and Activity Agreement members to pursue the Project.

Extraordinary Operation and Maintenance Projects: The Authority has recently completed and is in the process of pursuing various significant extraordinary operation and maintenance (EO&M) projects, which are described in the following Sections.

Jones Pumping Plant Rewind Project: The Jones Pumping Plant Unit Rewind Project (JPP Rewind Project) consists of the rehabilitation of the 22,500 HP motors on each of the six pumping units at the Jones Pumping Plant that have reached the end of their service life. The Project consisted of removing and replacing the 32-ton stator core, removing and replacing 228 stator coils, rehabilitating the 70-year-old stator frame, and

NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued):

removing, refurbishing, and re-installing the 40 rotor field poles. Water deliveries were not reduced during the rehabilitation work of the Jones Pumping Plant.

Each unit motor was rehabilitated individually over the course of approximately 5 years. The Authority and Reclamation completed the necessary rehabilitation on the first unit (Unit 6) in February 2019. The rehabilitation of Unit 6 was financed by the Authority through a repayment contract, in the approximate amount of $5.15 million, from Reclamation made to the Authority pursuant to the first Reclamation Repayment Contract, dated February 5, 2018 (the 2018 Reclamation Repayment Contract). The Authority collected the cost of the rehabilitation of the second unit (Unit 2), which was completed in June 2020, through OM&R rates. The rehabilitation work on the third unit (Unit 5) began in March 2020, and was completed in May 2021. The rehabilitation of Unit 5 was paid by the Authority using proceeds of a second loan, in the approximate amount of $5.59 million, from Reclamation made to the Authority pursuant to the Reclamation Repayment Contract, dated June 29, 2020 (the 2020 Reclamation Repayment Contract). The proceeds from the 2020 Reclamation Repayment Contract provides funding for the rehabilitation work on two units, the third unit (Unit 5) and the sixth unit (Unit 3).

The rehabilitation of the fourth unit (Unit 1) began in November 2020 and was completed in April 2022. The fifth unit (Unit 4) rehabilitation began in June 2021. The fourth and fifth units were funded using proceeds from revenue bonds (Bonds) and payments received and to be received from FWA, as set forth in that certain Funding Agreement dated November 6, 2020, by and between the Authority and FWA (the FWA JPP Funding Agreement). Pursuant to the FWA JPP Funding Agreement, FWA paid $1,755,108 to the Authority in November 2020 and is obligated to make four additional payments to the Authority on or before the dates the Authority makes progress payments to the contractor for the rehabilitation of Unit 1 and Unit 4, for a total contribution from FWA of $4,939,866, subject to adjustment to reflect FWA 's share of the actual cost of rehabilitation of the fourth and fifth units. Pursuant to the FWA JPP Funding Agreement, FWA also paid $104,536, a proportionate share of the cost of issuing the Bonds.

The rehabilitation work on the sixth and final unit (Unit 3), began in February 2022 and was paid for using the proceeds of a loan from the 2020 Reclamation Repayment Contract.

On September 9, 2020, Reclamation confirmed to the Authority that the Project constitutes extraordinary maintenance work. As extraordinary maintenance work, the Authority is permitted to collect OM&R revenues to pay the principal of and interest on the Bonds pursuant to the Transfer Agreement and the Friant MOU.

As of October 21, 2025, the Authority has completed the five-year process of rewinding the six units of the Jones Pumping Plant. The Unit 1, 3, and 4 approved contract amounts were $4,382,771, $4,564,875, and $4,428,956 and the remaining commitments, including unpaid retention, were $1,464,430, $2,830,222, and $2,745,041. The following table summarizes the Jones Pumping Plant Rewind project at completion:

Unit Sequence	Unit No.	Begin Date	Completion Date	Cost	Funding Source
1st	6	Dec-17	Feb-19	$5.15M	Financed through Reclamation
2nd	2	Aug-19	Jun-20	$5.17M	Self-Funded
3rd	5	Mar-20	May-21	$5.61M	Reclamation Loan
4th	1	Nov-20	Feb-22	$4.38M	Financed by Public Bond
5th	4	Jul-21	Oct-22	$4.56M	Financed by Public Bond
6th	3	Apr-22	Aug-23	$6.29 M	Financed through Reclamation
			TOTAL	$31.16M	

NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued):

Jones Pumping Excitation Cabinet and Control Panel Project:

On March 31, 2023, the Commissioner of the Bureau of Reclamation approved and authorized $25,000,000 for planning, design, and subsequent implementation of the Jones Pumping Plant Excitation Cabinet and Control Panel Refurbishment. This project to replace the existing rotating direct current excitation system with a static-type excitation system that includes automatic Volt-Amperes Reactive Power (VAR) control on each of the six (6) main pumping units allowing more accurate control of VARs during unit operation. Work will also include replacing the existing unit control boards with new walk-in control panels, installation of a new Programmable Logic Controller (PLC)-based control system, new protective relays, along with all the components contained within and on the cabinets. The new control panels will have a new annunciator, new control switches and relays and a new HMI (Human Machine Interface). The SCADA control boards will also be upgraded to include a new PLC for improved feedback on and control of the plant. Work will be completed by a contractor, and the Water Authority intends to hire a consultant to manage the construction contract. The Authority entered contract 23-WC-20-6181 with Reclamation on November 15, 2024 to fund and ultimately repay the cost of this project over a period of 27 years. The contract allows for an advance of funds to meet cash requirements for the project and requires quarterly progress reports to be submitted to Reclamation.

In 2018, the Water Authority contracted with Reclamation's Technical Services Center (TSC) to complete the design for the Project. The deliverables from TSC included the Project technical specifications, drawings, and final construction cost estimate. Upon receiving the 100% design package, the Water Authority prepared contract documents, solicited contractors, and awarded the contract in the amount of $25.25M to Power Pros on August 18, 2025.

The funding of $25 million through the Infrastructure Investment and Jobs Act (BIL) awarded in 2018 will be utilized to see this project through final construction, which is estimated to take three years with the additional amount of $250,000 to be sourced from EO&M funds. The excitation system replacement and associated upgrades will be completed sequentially, progressing to the next unit immediately upon completion of the previous unit. The unit order of the excitation system replacement was determined based upon the system performance record analyzed prior to award of the construction contract and could be subject to change if the system performance warrants an order change. The age of the components in the cabinets have created the following conditions: wires/conductors are old and brittle and too short to relocate, screw heads are worn and difficult to tighten, and the ice cube relays are not rated for the job they are performing. The ceiling wiring troughs of the control panels also need to be redesigned to accommodate new wiring paths.

O'Neill Pumping Plant Transformer Replacement Project:

The O'Neill Pumping-Generating Plant (Plant) is a vital part of the Central Valley Project as it allows for the storage and delivery of both project and non-project water. The power transformers have been in service since 1968, and a 2019 condition assessment determined that the transformers were at the end of their useful life and recommended that they be rehabilitated. The design of the rehabilitation of all four (4) transformers was completed by TSC and solicited by the Authority in 2023. Thes scope of work includes retro-filling all four transformers with synthetic ester fluid, along with the replacement of gaskets, low side and neutral bushings, valves, liquid level gauges, thermowells gauges, temperature gauges, coatings, oil preservation system (conservator), fans and temperature controls, and a protective relay upgrade. An emergency hot oil recondition was performed in 2020 to ensure the transformers remained eligible for rehabilitation and proved successful in prolonging the life of the transformers. Because it is unknown how much time is

NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued):

extended with the hot oil reconditioning, quarterly testing of the oil is required. A 2024 analysis of the quarterly test results by TSC determined that the transformers were still stable and should last another year while ongoing efforts are made to complete the project.

The project costs were estimated at $7.7M and were funded from EO&M revenues. The full amount was collected during fiscal years 2021, 2022, 2023, 2024, and 2026.

On July 25, 2024, the Authority awarded a 5 year project management and engineering support services contract to DHR Hydro for $139,200 and on June 25, 2025 the Authority entered a letter of agreement with TSC to advance funds to TSC and Reclamation for design and administrative work pertaining to this project in the amount of $1,415,668, paid in installments from July 1, 2025 through March 1, 2029 as follows:

TSC	CGB-Region	CGB-Area Office	Total	Advancement Date
$424,721	$91,000	$15,000	$530,721	7/1/2025
$313,141	$52,800	$15,000	$380,941	3/1/2026
$320,232	$43,200	$15,000	$378,432	3/1/2027
$152,101	$43,200	$15,000	$210,301	3/1/2028
$162,673	$79,600	$15,000	$257,273	3/1/2029

The Authority awarded a contract for the rehabilitation work to Cal Electro Inc. (CEI) on May 8, 2023 for $3.1M, subject to change orders. Due to technical problems encountered during the first transformer replacement and anticipated remobilization costs, CEI has issued three additional change orders totaling $2.2M, bringing the contract total to $5.36M. The sum of the expected costs of the DHR, BOR, and CEI contracts are still within the budgeted funding for this project at this date.

O'Neill Pumping/Generating Plant Pump Upgrades Project:

The O'Neill pump/generating units need complete rehabilitation with the completion of four sub-projects including a Unit Rewind, a Governor Upgrade, new Pump Bowl Design & Fabrication, and Pump Assembly and Penstock Rehabilitation. The projects will include a combination of repairs, replacements, and improvements. The Unit Rewind is a replacement of the existing windings and a refurbishment of the rotor field poles. The Governor System Upgrade is an improvement or modernization of the existing pump vane controls consisting of replacing all electrical and mechanical controls with new improved components. The Pump Bowl Design & Fabrication project is a full replacement of the existing pump bowl with newly fabricated bowls that incorporate a modification for improved and safer maintenance access. The Pump Assembly and Penstock Rehabilitation is a repair or rehabilitation of the existing pump assembly and penstock with a new coating and replacement components as needed.

The Authority applied for FY24 Aging Infrastructure Account (AIA) funding of $67.3M for the total project, which was subsequently revised to $85.8M, and on May 15, 2024, was awarded $11.6M as a scalable award. The scalable feature of the award allows for future tranches to be awarded for this project to address the total request. The scalable amount includes the planning and design of the project and the completion of one unit. On July 17, 2024, the Authority awarded a contract to Pentair to design and construct the replacement pump bowls for the six pumps at the O'Neill facility. The contract includes design costs of $667,650 and manufacturing costs of $3M per bowl. On January 14,2026 the Authority entered

NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued):

into repayment agreement 26-WC-20-6390 governing the repayment of the first award but also allows for subsequent awards under this funding source to be governed by this same agreement. The agreement allows for advance funding for the project and requires quarterly status reporting.

Delta-Mendota Canal Subsidence Correction Project: The Delta-Mendota Canal (DMC) is a 116.5-mile-long canal that conveys water from the Delta region near Tracy, California to the Mendota Pool near Mendota, California. The DMC is one of the major components of the Delta Division of the U.S. Bureau of Reclamation's (Reclamation) Central Valley Project (CVP) and is considered critical infrastructure.

The DMC was originally designed to convey a variable flow rate, starting at 4,600 cubic feet per second (cfs) at the upstream end and reducing to 3,211 cfs at the downstream end. Since its construction, several factors (including land subsidence) have impacted the ability of the DMC to meet the needs of the communities and ecosystems which rely on it for their water supply. Parts of the DMC have experienced differential changes in land surface elevation, forcing the facility to be operated at a lower level to ensure that water does not overflow the canal banks and cause damage. The first phase of this multi-phased project has received approximately $5 million in federal funding. This phase consists of manufacturing and installing two additional pumping units and appurtenances into the two additional pump bays of the Delta-Mendota Canal/California Aqueduct Intertie Pumping Plant.

Appraisal level studies were completed in September 2021, and the Feasibility Study was completed and accepted by Reclamation Policy in late 2024. In order to complete the Feasibility Report, environmental compliance activities and associated reviews, the Authority and Reclamation entered into a Memorandum of Agreement and a Cooperative Agreement (CA) in September 2021. The CA is a 50/50 cost share agreement between Reclamation and the Authority in which both agencies will contribute $2.8 million to the project over the next two years. This includes over $1,000,000 provided within the Authority's FY21 and FY22 EO&M budgets. The Authority funded $1,572,000 for this project during FY23. Completion of the environmental activities within the existing CA are ongoing. The Authority requested a no cost time extension to the agreement, which was executed on 12/18/2025 and extends the agreement through 02/28/2027.

The Authority has been working in partnership with Reclamation to restore the conveyance capacity of the DMC by raising the canal lining and embankments, as well as other structures such as bridges, overchutes, and pipe crossings. Most recently, Phase 1 has been developed and will be implemented first. Phase 1 consists of raising the lining and embankment from milepost 3.5 to milepost 7.2 and in certain areas along the upper DMC with significant sags in the liner and performing underwater lining repairs along the upper and lower DMC.

The Authority executed a Funding Agreement with DWR for the DMC Subsidence Correction Project in April 2022, with an initial funding amount of $3,037,925. In May 2025, an amendment to the agreement was executed with a total funding amount of $45,220,000. As of August 2025, DWR has reimbursed the Authority $9,596,920 and retained $1,066,366. The remaining $34,556,755 is required to be liquidated by DWR by June 2027.

Reclamation has awarded $279 million to the Project through the Infrastructure Investment and Jobs Act (IIJA), although a Repayment Contract has not yet been negotiated or executed. IIJA funds were awarded through three application periods, $25M in FY23, $50M in FY24, and $204M in FY25. The FY26 application award is pending.

NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued):

Joint Powers Authority Contingent Liabilities: The State and Federal Contractors Water Agency (SFCWA) was formed by various water agencies in August of 2009 as a joint powers authority according to California law. The Authority, along with five other water agencies, was an initial party to the agreement. In 2018, a decision was made to wind down SFCWA activities, with the ultimate objective of terminating the entity and related agreements that formed the entity.

The SFCWA has received a status update on review of the pension and other postemployment benefits liabilities and is evaluating whether it holds sufficient assets to cover existing and projected liabilities through the time of termination.

California Assembly Bill (AB) 1912 requires member agencies of an agency established pursuant to a joint powers agreement that participates in, or contracts with, a public retirement system to mutually agree as to the apportionment of the agency's retirement obligation among themselves prior to filing a notice of termination. AB 1912 could result in the Authority being held responsible for a portion of the SFCWA's retirement obligation if SFCWA does not have sufficient assets to fund the obligation. As described in Note A, the Authority is a party to a number of joint powers agreements. Due to AB 1912, the Authority could be held responsible for funding a portion of any unfunded public retirement system pension obligation of a joint powers authority (JPA) at the time of termination if the JPA does not have sufficient assets to fully fund its public retirement system pension obligation.

Proposition 1 Integrated Regional Water Management Program Grant – Westside San Joaquin River Funding Region: In May 2020 and July 2020, the Authority was awarded two State of California Round 1 Proposition 1 Integrated Regional Water Management (IRWM) Implementation grants, totaling $3,132,791 to assist in implementing projects in the San Joaquin River Funding Area, which is part of the Westside-San Joaquin Integrated Regional Water Management Plan, for which the Authority serves as the Regional Water Management Group. The Authority was required to demonstrate a minimum grant match of $19,479,516 and the Local Project Sponsors are responsible for all project costs exceeding the grant limit. The Authority's share of the project costs is expected to be $10,000.

The local match is expected to be satisfied with in-kind and consultant services of $19,479,516, expected to be provided by the Local Project Sponsors through the Activity Agreement with the Authority. The Authority has already received its share of the project cost reimbursement, and the grant is expected to end March 31, 2026.

NOTE 11 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS:

The Authority is a member of the Association of California Water Agencies Joint Powers Insurance Authority (JPIA) for general liability, property, workers' compensation and employer's liability, and health benefits insurance. The JPIA is a special district in the State of California and its formation and operation are subject to the provisions of the California Government Code. The purpose of the JPIA is to provide risk sharing pools to meet the needs of its member water agencies. Each member selects one representative to serve as a director on the JPIA Board of Directors. The relationship is such that the JPIA is not considered a component unit of the Authority for financial reporting purposes.

For general liability, auto liability and public officials' liability insurance, the Authority is fully responsible for claims up to $25,000. Coverage between $25,000 and $5,000,000 is provided through the JPIA risk pool and coverage over $5,000,00 to $55,000,000 is provided through insurance purchased by the JPIA on behalf

NOTE 11 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS (Continued):

of its members. The Authority also has cyber liability and crime coverage up to $3,000,000 with deductibles of $50,000 to $100,000.

The Authority has coverage up to $2,000,000 for workers' compensation and employer's liability through the JPIA risk pool and $2,000,000 of excess coverage is purchased by the JPIA on behalf of its members to the $4,000,000 statutory limits.

For the liability and workers' compensation programs, retrospective premium adjustments are determined for each policy year. The adjustment can result in an additional charge or a refund to the member entity. The adjustment is computed as the difference between premiums received from the member entity and direct and pooled claims losses and other costs, net of investment income, including unallocated claims expenses, excess insurance premiums, and administrative expenses.

The Authority has deductibles for the property program ranging from $500 for vehicle coverage to $50,000 or $5 per kilowatt hour for turbine units and associated equipment. The JPIA has a pooled self-insured retention (SIR) level of $10,000,000 for the fiscal years ending February 29, 2024 and February 28, 2023. The JPIA provides coverage above its SIR up to $500,000,000 through purchased insurance.

In July 2012, the ACWA/JPIA Employee Benefits Program was established to provide medical and dental and vision coverage for members' employees and dependents. The preferred provider organization plans offered in the medical and dental coverage are self-insured. The JPIA carries reinsurance with Sun Life Assurance Company of Canada for coverage losses in excess of its self-insured retention of $500,000 per beneficiary incurred during the policy period.

Settled claims have not exceeded any of the Authority's coverage amounts in any of the last three fiscal years and there were no significant reductions in the Authority's coverage during the fiscal years ended February 29, 2024 and February 28, 2023.

NOTE 12 - MEMORANDUM OF UNDERSTANDING WITH FRIANT WATER AUTHORITY

The Authority and the Friant Water Users Authority (FWUA) entered into a memorandum of understanding, effective March 1, 1998 (Original Friant MOU) with respect to operation, maintenance and replacement (OM&R) of the Jones Pumping Plant, Delta-Mendota Canal/California Aqueduct Intertie and Pumping Plant, Kesterson Reservoir, Mendota Pool, O'Neil Pumping-Generating Plant, San Luis Drain and other facilities (Project Works) owned by the United States acting through Reclamation. The Original Friant MOU was amended and restated as of September 1, 2002 by the Authority and FWUA (Friant MOU). On June 30, 2004, the Friant Water Authority (FWA) succeeded to the rights and obligations of FWUA under the Friant MOU.

Settlement Water is provided to Settlement Contractors, as defined in the Friant MOU, under settlement and exchange agreements with Reclamation. Pursuant to Friant MOU, FWA is responsible for reimbursing the Authority's OM&R Costs (defined in the Friant MOU) related to the conveyance or delivery of Settlement Water to specified Settlement Contractors. FWA collects amounts necessary to reimburse the Authority for such OM&R from its contractors, which have entered into water repayment or other water contracts with Reclamation from the Friant Division of the Central Valley Project (Friant Division Contractors).

NOTE 12 - MEMORANDUM OF UNDERSTANDING WITH FRIANT WATER AUTHORITY (Continued)

Under the Friant MOU, FWA acknowledges that the Friant Division Contractors have a critical interest in the OM&R of the Project Works allocable to Settlement Water delivered to the Settlement Contractors and have agreed to pay OM&R Costs incurred by the Authority under the Transfer Agreement associated with the delivery of settlement water to the Settlement Contractors in accordance with the Friant MOU. As further set forth in the Friant MOU, FWA collects amounts to pay such OM&R to the Authority from Friant Division Contractors as permitted under the Friant Transfer Agreement entered into by FWA and Reclamation effective March 1, 1998. FWA succeeded to the rights and obligations of FWUA under the Friant Transfer Agreement on June 30, 2004. FWA executed a renewed Friant Transfer Agreement with Reclamation effective October 5, 2020.

NOTE 13 – RESTATEMENT

The Authority implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, during the year ended February 29, 2024., which resulted in the Authority accruing a subscription agreement as subscription asset and liability as of March 1, 2022. The effect on total assets, liabilities, and the change in net position for the year ended February 28, 2023 were restated as follows:

	As Previously Reported	Change in Accounting Principle for GASB 96	As Restated
Total Assets as of February 28, 2023	$ 123,284,115	$ 754,476	$ 124,038,591
Total Liabilities as of February 28, 2023	$ 86,937,136	$ 772,241	$ 87,709,377
Net Position as of March 1, 2022	$ 12,841,018	$ (10,427)	$ 12,830,591
Change in net position for the year ended February 28, 2023	$ 23,683,358	$ (7,338)	$ 23,676,020

NOTE 14 – SUBSEQUENT EVENTS:

Jones Pumping Plant Excitation Cabinet and Control Panel Refurbishment Project: Reclamation approved allocations to the Authority of $25 million for the Jones Pumping Plant Excitation Cabinet and Control Panel Refurbishment Project in November 2024 from funding provided to Reclamation through the Infrastructure Investment and Jobs Act. Two advance payments have been received to date for the total amount of $1.125 million.

In August 2025 the Authority executed a construction agreement in the amount of $25,250,000 to begin refurbishing the excitation cabinet and control panels for Jones Pumping Plant. The $250,000 needed in excess of the funding award is to be collected through water rates. The project is scheduled to be completed in FY29.

O'Neill Pumping-Generating Plant Power Transformers Rehabilitation Project: In May 2023, the Board of Directors approved a construction agreement for O'Neill Pumping-Generating Plant Power Transformer

NOTE 14 – SUBSEQUENT EVENTS (Continued)

Rehabilitations with expenditure of up to $3,155,800. Since 2023, three contract change orders have been issued bringing the total contract amount to $5,358,818. The last contract change order was issued August 2025. The project is schedule to be completed in FY30.

O'Neill Pumping–Generating Plant (OPP) Unit Upgrades: The OPP Unit Upgrades includes the following four projects; 1. Pump Bowl Fabrication, 2. Governor Modernization, 3. Unit Rewinds, and 4. Pump and Penstock Rehabilitation. Reclamation approved allocations to the Authority for $11.6M from the Infrastructure Investment and Jobs Act (IIJA) for the OPP Unit Upgrades in the USBR FY24 application period, with the FY26 award pending. A repayment agreement has been negotiated and was executed on 01/14/2026. One advance payment request has been submitted to Reclamation with distribution of funds pending. The Authority has advanced the Pump Bowl Fabrication and Governor Modernization Project and executed a two-phase agreement with the original manufacturer in the amount of $21,466,457. The Governor and first pump bowl will be delivered in 2026. $1.2M was expended in FY26, with $8.3M budgeted for FY27.

Second Amended and Restated Memorandum of Understanding with Friant Water Authority: As noted above in Note 12, the Authority and FWA are parties to an MOU relating to the allocation, collection and payment of operation, maintenance and replacement (OM&R) costs for water delivered through certain Central Valley Project (CVP) facilities (First Amended MOU).

Following facilitated negotiations, in January 2024, FWA and the Authority reached agreement in principle and executed a Memorandum of Agreement that confirmed the general terms of proposed amendments to the First Amended MOU, settlement terms regarding the disputes, and amendments to other Authority and FWA governing documents. The Second Amended and Restated Memorandum of Understanding with Friant Water Authority became effective July 8, 2024.

Second Amended and Restated Joint Exercise of Powers Agreement: Article V.A.1. of the Second Amended MOU provides that the FWA is entitled to representation on the Board in that a FWA representative may vote on any action item funded in whole or in part, from any OM&R fund or Reserves to which Friant Division Contractors have or will have contributed. In order to allow for FWA participation in Board meetings as described in Article V.A.1 of the Second Amended MOU, the Authority amended the Amended and Restated JPA, which did not allow for such FWA participation.

The Authority Board of Directors adopted a resolution authorizing adoption of the Second Amended and Restated Joint Exercise of Powers Agreement on May 13, 2024 (Resolution No. 2024-529). Article 35 of the Amended and Restated JPA states that it may be amended upon written approval by a majority of all members of the Authority. The Authority has twenty-seven member agencies, thus, adoption of the Second Amended and Restated JPA was contingent upon the Authority receiving written approval from at least fourteen of its member agencies. The Authority received the required written approval, and the Second Amended and Restated JPA became effect on July 8, 2024. Following the Second Amended and Restated JPA becoming effective, the Authority complied with state filing requirements and shared a copy of the Second Amended and Restated JPA with member agencies and FWA.

In order to allow for FWA participation in Board meetings and for the development of the Planning Committee as described in Article V.A.1 and Article V.A.4 of the Second Amended MOU, the Board also adopted a Resolution authorizing amendment of the Authority's Bylaws, which initially did not allow for such actions, with such amendment taking effect concurrently with the Second Amended and Restated JPA becoming effective (Resolution No. 2024-530).

NOTE 14 – SUBSEQUENT EVENTS (Continued):

On March 17, 2026, the Department of Interior announced an award package for critical water infrastructure projects of $889 million provided by (PL 119-21) One Big Beautiful Bill. Included in the award was $235 million earmarked for the DMC Subsidence Correction Project. The funding represents a non-reimbursable award that will support the project.

Advance by Westlands Water District: In February 2026, the Westlands Water District's Board of Directors approved an advance to the Authority for the DMC Subsidence Correction Project of $4.1 million at 4.35% over 5 years, with delegated authority to increase the amount up to $11 million, if necessary. The advance will be repaid with credits on Westlands Water District's O&M Reserve payments.

NOTE 15 – CHANGE IN ESTIMATE

During the year ended February 29, 2024, the Authority determined that estimated extraordinary operations and maintenance (EO&M) reserve revenue recognized during the year ended February 28, 2023 should be reduced by $8,420,249. This change in estimate was recognized as additional EO&M reserve expense during the year ended February 29, 2024 as it would have resulted in negative EO&M revenue in 2024.

SUPPLEMENTARY INFORMATION

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SAN LUIS & DELTA-MENDOTA
WATER AUTHORITY

SUPPLEMENTARY INFORMATION
STATEMENT OF FIDUCIARY NET POSITION - SECTION 401A RETIREMENT PLAN 109164

February 29, 2024 and February 28, 2023

	2024	2023
ASSETS		
Contributions receivable - employer	$ 32,340	
Loan balance	581,781	$ 517,384
Investments:		
Money market funds	150,820	121,130
Target date funds	2,903,652	2,496,261
Stock mutual funds	11,963,111	11,114,696
Bond funds	890,184	1,000,944
International stock funds	1,832,786	889,575
Total Investments	17,740,553	15,622,606
TOTAL ASSETS	18,354,674	16,139,990
TOTAL NET POSITION RESTRICTED FOR RETIREMENT BENEFITS	$ 18,354,674	$ 16,139,990

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - SECTION 401A RETIREMENT PLAN 109164

For the Years Ended February 29, 2024 and February 28, 2023

ADDITIONS		
Contributions - employer	$ 941,002	$ 811,235
Contributions - employee		24,953
Contributions - rollovers into plan	51,964	
Net appreciation in fair value of investments	2,025,842	(803,487)
Loans issued	611,229	202,997
Loan interest	28,345	22,041
Other credits		72,050
TOTAL ADDITIONS	3,658,382	329,789
DEDUCTIONS		
Benefit payments	815,160	512,949
Loan repayments	611,229	272,531
Administrative expenses	17,309	16,368
TOTAL DEDUCTIONS	1,443,698	801,848
NET INCREASE (DECREASE) IN NET POSITION	2,214,684	(472,059)
Net position restricted for retirement benefits - beginning of year	16,139,990	16,612,049
NET POSITION RESTRICTED FOR RETIREMENT BENEFITS - END OF YEAR	$ 18,354,674	$ 16,139,990
Number of Participants in Retirement Plan:		
Active	95	86
Retiree	26	32

SAN LUIS & DELTA-MENDOTA
WATER AUTHORITY

SUPPLEMENTARY INFORMATION
STATEMENT OF FIDUCIARY NET POSITION - SECTION 401A RETIREMENT PLAN 109325

February 29, 2024 and February 28, 2023

	2024	2023
ASSETS		
Contributions receivable - employer	$ 12,085	
Investments:		
Money market funds	65,666	$ 44,372
Target date funds	1,450,076	1,305,968
Stock mutual funds	3,122,538	2,623,988
Stable value	1,016,793	929,621
Bond funds	275,969	290,086
International stock funds	257,543	239,245
Real estate fund	9,846	8,777
Total Investments	6,198,431	5,442,057
TOTAL ASSETS	6,210,516	5,442,057
TOTAL NET POSITION RESTRICTED FOR RETIREMENT BENEFITS	$ 6,210,516	$ 5,442,057

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - SECTION 401A RETIREMENT PLAN 109325

For the Years Ended February 29, 2024 and February 28, 2023

ADDITIONS		
Contributions - employer	$ 175,858	$ 149,946
Contributions - employee	175,858	149,946
Increase/(decrease) in fair value of investments	758,467	(380,723)
Other credits		185
TOTAL ADDITIONS	1,110,183	(80,646)
DEDUCTIONS		
Benefit payments	337,190	96,581
Administrative expenses	4,534	4,573
TOTAL DEDUCTIONS	341,724	101,154
NET INCREASE (DECREASE) IN NET POSITION	768,459	(181,800)
Net position restricted for retirement benefits - beginning of year	5,442,057	5,623,857
NET POSITION RESTRICTED FOR RETIREMENT BENEFITS - END OF YEAR	$ 6,210,516	$ 5,442,057

Number of Participants in Retirement Plan:		
Active	19	18
Retiree	11	11

COMPLIANCE REPORT

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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*

To the Board of Directors
San Luis & Delta-Mendota Water Authority
Los Banos, California

We have audited, 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, the financial statements of the San Luis & Delta-Mendota Water Authority (the Authority) as of and for the year ended February 29 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April _____2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the auditing procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 entity'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 over financial reporting 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as Finding 2024-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 financial statements. 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*.

The Authority's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

April ____, 2026

SAN LUIS & DELTA-MENDOTA WATER AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended February 29, 2024

CURRENT YEAR FINDNGS

FINANCIAL STATEMENT AUDIT

INTERNAL CONTROL OVER FINANCIAL REPORTING

Finding 2024-001: **Significant Deficiency –** Internal Controls over Financial Reporting and Year-End Closing Procedures

Condition: The design and implementation of internal controls is crucial to the effective operation of a government and for accurate financial reporting. Although improvement was noted, turnover in personnel, the shortage of qualified support staff and the complexity of the Authority's accounting processes has resulted in a significant number of adjustments being identified during the audit process and has delayed completion of the audit. The large number of adjustments identified during the course of the audit indicates that the Authority does not have adequate internal controls in place to prevent or detect misstatements on a timely basis.

Although improvement was noted, we identified a number of adjustments and closing entries that appeared to be due to the practice of posting transactions in the operations and maintenance fund and subsequently "realigning" balances between funds. This practice makes it difficult to trace a transaction through the general ledger detail to the source document.

Criteria: Internal controls over financial reporting should be in place to ensure the Authority has the ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. The Finance Department staff did not identify and record all year-end closing entries prior to the start of the audit.

Cause: The Authority has had turnover in the accounting staff and has experienced delays in getting needed information from other agencies.

Effect: A number of audit adjustments needed to be posted to properly report balances in the Authority's financial statements. The volume of entries also increases the risk of error in preparing the financial statements.

Recommendation: Note that the year ended February 29, 2024 was completed prior to the February 28, 2023 audit being completed so the same recommendations have been included in the February 29, 2024 financial statements. We recommend implementing procedures and staff training necessary to record direct revenues and expenses in the fund generating those transactions at the date of the initial receipt or payment to avoid having to realign balances in preparation for the audit. We understand the Authority has made progress in posting transactions in the appropriate fund at the date of initial receipt or payment subsequent to year-end. However, it appears true fund accounting is not being done during the year, as entries are needed as part of the closing process to bring the funds into balance. The Authority needs to ensure that the funds are in balance prior to the start of the audit. The Authority needs to ensure that all balance sheet accounts are reviewed and reconciled to supporting schedules prior to the beginning of the audit. The Authority needs to ensure it has sufficient qualified staff so that the books can be closed timely and accurately.

Management's Response: A number of corrective actions have been taken, including:

- Monthly finance department meetings have been implemented to ensure all deadlines are being met and allow for open communication between finance department staff.

  - During meetings staff review upcoming deadlines, outstanding items, month-end close processes, and review of internal accounting processes.

- Staff is working with an outside consultant to generate reports within the Authority's accounting program and decrease the amount of offline and manual reporting.

- Implementation of a month-end closing process to encourage more real time reporting both internally and to the Board.
  - Finance staff was assigned the task of developing a duties list for items completed at their desk on a monthly, quarterly, or annual basis. From there, a step-by-step process was developed in order to complete each task. These processes will then be used to begin cross training within the department.

- Standard operating procedures are being implemented throughout the Authority to encourage seamless and efficient processes.

- Implementation of an accounting calendar with deadlines for the entire fiscal year. The dates have been added to an accounting planner to give upcoming reminders allowing staff to allocate their time accordingly.

- Accounts are being delegated to staff in order to ensure accounts are being reconciled on a monthly basis.

COMPLIANCE AND OTHER MATTERS

None.

STATUS OF PRIOR YEAR FINDINGS

INTERNAL CONTROL OVER FINANCIAL REPORTING

Finding 2023-001 – Significant Deficiency– Internal Controls over Financial Reporting and Year-End Closing Procedures

Condition: The design and implementation of internal controls is crucial to the effective operation of city government and for accurate financial reporting. Turnover in personnel, the shortage of qualified support staff and the complexity of the Authority's accounting process has resulted in a significant number of adjustments being identified during the audit process and has delayed completion of the audit. The large number of adjustments identified during the course of the audit indicates that the Authority does not have internal controls in place to prevent or detect misstatements on a timely basis.

We noted a number of adjustments and closing entries were due to the practice of "realigning" balances between funds. This practice makes it difficult to trace a transaction through the general ledger detail to the source document.

Current Status: Finding 2024-001 is a continuation of this Finding.

COMPLIANCE AND OTHER MATTERS

Finding 2023-002 – Significant Deficiency - Untimely Audit Submission in Accordance with OMB Uniform Guidance

Federal Grantor: U.S. Department of the Interior, Bureau of Reclamation

Compliance Requirement: Reporting

Condition: The Authority did not electronically submit its February 28, 2023 Single Audit reporting package (Single Audit Report, Data Collection Form, and a Corrective Action Plan) within the required time period.

Criteria: The Authority was required to submit its February 28, 2023 audited financial statements and single audit reporting package to the federal audit clearinghouse no later than November 30, 2023, 9 months after the fiscal year-end (2 Code of Federal Regulations 200.512(a)).

Current Status: The Authority submitted its single audit reporting package for the year ended February 28, 2023 and did not require a single audit during the year ended February 29, 2024. Consequently, this finding is considered resolved.

Finding 2023-003 – Significant Deficiency – Corrections needed to SEFA

Award No.: 15.574

Federal Grantor: U.S. Department of the Interior, Bureau of Reclamation.

Compliance Requirement: Other compliance requirements.

Condition: The schedule of Expenditures of Federal Awards (SEFA) was not complete, and expenditures reported on the SEFA were revised during the single audit.

Criteria: 2 CFR Part 200, Subpart F (Uniform Guidance) Section 200.502 states, "The auditee should prepare a Schedule of Expenditures of Federal Awards for the period covered by the auditee's financial statements." Internal controls over the SEFA should be in place to ensure accrual basis expenses incurred under the federal program are properly reported as expenses on the SEFA and are properly reported as revenue in the financial statements prior to the start of the single audit.

Current Status: The Authority submitted its single audit reporting package for the year ended February 28, 2023 and did not require a single audit during the year ended February 29, 2024. Consequently, this finding is considered resolved.

Finding 2023-004 – Significant Deficiency – Untimely Submission of Semi-annual Federal Financial Reports

Award No.: 15.574

Federal Grantor: U.S. Department of the Interior, Bureau of Reclamation.

Compliance Requirement: Reporting.

Condition: The semi-annual Federal Financial Reports (SF-425) for the first five reporting periods of October 1, 2021, to March 31, 2022, April 1, 2022, to September 30, 2022, October 1, 2022, to March 31, 2023, April 1, 2023, to September 30, 2023, and October 1, 2023, to March 31, 2024, were all submitted on June 19, 2024.

Current Status: The Authority submitted the untimely financial reports for the year ended February 28, 2023 and did not require a single audit during the year ended February 29, 2024. Consequently, this finding is considered resolved.

DRAFT

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GOVERNANCE LETTER

To the Board of Directors
San Luis & Delta-Mendota Water Authority
Los Banos, California

We have audited the financial statements of the San Luis & Delta-Mendota Water Authority (the Authority) for the year ended February 29, 2024. Professional standards require that we provide you with the information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 13, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. During the year ended February 29, 2024, the Authority implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, which resulted in the Authority reporting a SBITA asset and liability in the financial statements, as described in Notes 4 and 7 to the financial statements. The application of existing policies was not changed during the year. We noted no transaction entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were lives used to depreciate capital assets, water conveyance fees charged to members, the computation of receivables and unearned revenue, the computation of payables, especially project use energy, joint facility use fee payables and pump rewind project payables, qualifying expenses incurred under grants, and computation of the emergency reserve fund reported as restricted net position. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements were the disclosures related to the Revenue Bonds, Series 2021A, Revenue Refunding Bonds, Series 2021B and the sources of repayment in Note 7, disclosure of the rewind project financing in Note 7, the emergency reserve fund disclosed in Note 8, retirement benefits reported in Note 9, commitments and contingencies in Note 10 and subsequent events in Note 14. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. However, the volume of adjustments and closing entries posted and compressed timeline were difficulties encountered in completing the audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We posted 29 adjustments and closing entries during the audit. Entries were made to accrue receivables and payables, adjust unearned revenue and revenue, record a subscription-based information technology arrangement (SBITA) and a lease payable, account for debt-related transactions, adjust long-term liabilities and related current portions, record capital asset and depreciation activity, update restrictions of net position and reclassify certain accounts for financial statement presentation purposes.

The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that the effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, the uncorrected misstatements are immaterial to the financial statements under audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated _____, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, which is required supplementary information (RSI) that supplements our financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the supplementary information listed in the table of contents of the financial statements related to the Authority's retirement plans, which accompany the financial statements, but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

_____, 2026

SAN LUIS AND DELTA-MENDOTA WATER AUTHORITY
SUMMARY OF UNADJUSTED AUDIT DIFFERENCES
YEAR ENDED FEBRUARY 29, 2024

Description (Nature) of Audit Difference	Financial Statements Effect - Amount of Overstatement (Understatement) of: Total Assets	Total Liabilities	Equity	Change in Net Position
Engineering costs related to Unit 3 Rewind incurred in 2023 and recorded in 2024.				$ (59,160)
Cost reimbursement grant revenue recognized in 2024 for expenses incurred in 2023.				498,770
Long-term subscription liabilities not accrued as required by GASB 96.	$ (224,064)	$ (186,542)	$ (37,522)	
Net Unadjusted Audit Differences - This Year	(224,064)	(186,542)	(37,522)	439,610
Financial Statement Captions	$ 122,111,366	$ 92,441,821	$ 29,837,087	$ 6,669,524
Net Audit Differences as % of F/S Captions	-0.18%	-0.20%	-0.13%	6.59%

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MANAGEMENT LETTER

To the Board of Directors and Management
San Luis & Delta-Mendota Water Authority
Los Banos, California

In planning and performing our audit of the financial statements of the San Luis & Delta-Mendota Water Authority (the Authority) as of and for the year ended February 28, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given those 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.

During our audit, we became aware of the following matters that have been included in this letter for your consideration:

Accounting Procedures

We recommend as a best practice that accounting procedures used to account for major transaction classes and complicated agreements with other agencies be documented for use in case of employee turnover. We understand many of these procedures have been documented and others are in progress. Transaction classes that the Authority should consider documenting how to process include the rate setting process, capital assets, unearned revenues, project use energy, joint facility use, DHCCP debt and member payment transactions and any other complicated transactions.

Other Recommendations

We recommend the Authority use the auditor trial balance and make account names consistent with how reported in the financial statements so the purpose of the account is apparent from the account name without obtaining and reviewing supporting documentation for the account.

* * * * *

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than the specified parties.

_____, 2026

Santa Clara Valley Water District

File No.: 26-0573

Agenda Date: 7/28/2026
Item No.: 4.4.

COMMITTEE AGENDA MEMORANDUM
Board Audit Committee

Government Code § 84308 Applies: Yes ☐ No ☒
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:
Discuss 2026 Annual Audit Plan (Risk Assessment, Asset Management, Pacheco Reservoir Project, and Investigations Process), Receive Status of Open Board-Directed Audit Engagements, and Provide Feedback as Needed.

RECOMMENDATION:

A. Discuss 2026 annual audit plan (Risk Assessment, Asset Management, Pacheco Reservoir Project, and Investigations Process),
B. Receive status of open Board-directed audit engagements, and
C. Provide feedback as needed.

SUMMARY:

The Board Audit Committee (BAC) has directed the initiation of eight audit engagements that remain open as of July 2026.

- The **Board Policy Compliance Audit** is in the reporting phase, and the draft report has been updated based on management's initial review, and an updated draft has been submitted to management in preparation for exit conferences.
- The **Water Usage and Demand Forecasting** audit has concluded the fieldwork and the draft report stage. The final report with management's responses will be presented to the BAC on 7/28/26.
- The **Contracting Practices** audit is in the reporting phase; management has been briefed on the audit findings, and the draft report will be submitted to management for review this month.
- The **Capital Project Delivery** audit commenced later than anticipated and remains in the fieldwork stage, with completion projected for late Q3 2026.
- The **Asset Management** audit commenced in February 2026, and initial interviews have taken place. The draft report is expected to be submitted to management for initial review in Q3 of Calendar Year 2026.
- The **Investigations Process** audit commenced in April 2026 with an initial planning and a

second scoping phase, and the draft report is expected to be submitted to management for initial review in Q1 of Calendar Year 2027. The initial planning phase is almost complete, and staff anticipate moving into Phase 2 in early Q3 of Calendar Year 2026.
- The **Pacheco Reservoir Project** audit is anticipated to commence in Q3 of Calendar Year 2026.
- The **Districtwide Risk Assessment** is anticipated to commence in Q3 or Q4 of Calendar Year 2026, upon notice to proceed by the BAC.

The purpose of this agenda item is to discuss the 2026 Annual Audit Plan, provide status of other open audit engagements, and receive any feedback the Board deems appropriate.

ENVIRONMENTAL JUSTICE IMPACT:
There are no Environmental Justice impacts associated with this item. The Annual Audit Workplan serves as a tool for communicating audit priorities as determined by the BAC and the Board of Directors.

ATTACHMENTS:
None.

UNCLASSIFIED MANAGER:
Darin Taylor, 408-630-3068

Santa Clara Valley Water District

File No.: 26-0574

Agenda Date: 7/28/2026
Item No.: 4.5.

COMMITTEE AGENDA MEMORANDUM
Board Audit Committee

Government Code § 84308 Applies: Yes ☐ No ☒
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:
Review and Discuss 2026 Board Audit Committee (BAC) Work Plan.

RECOMMENDATION:
Review and discuss topics of interest raised at prior BAC meetings and approve any necessary adjustments to the 2026 BAC Work Plan.

SUMMARY:
Per the BAC's Charter, Article III, Paragraph 6.2, "The Committee shall, in coordination with Valley Water's Clerk of the Board, develop a proposed Annual Work Plan. Items shall be included in the Annual Work Plan based upon a majority vote of the Committee."

Under direction of the Clerk, Work Plans are used by all Board Committees to increase Committee efficiency, provide increased public notice of intended Committee discussions, and enable improved follow-up by staff. Work Plans are dynamic documents managed by Committee Chairs and are subject to change.

The 2026 BAC work plan (Attachment 1) identifies planned discussion topics for the upcoming year and when those topics may appear before the committee. The June 2026 and July 2026 meetings have been consolidated into a single meeting scheduled for July 28, 2026. In addition, the Water Usage and Demand Forecasting Audit Report with Management Response has been added to the July 28, 2026 BAC meeting agenda.

Looking forward, the topics of discussion identified for August 19, 2026, BAC Meeting can be summarized as follows:

1. Discuss 2027 Annual Audit Plan
2. Audit Recommendation Implementation Status Update
3. 2026 Annual Audit Plan
4. 2026 BAC Work Plan

Upon review, the BAC may make changes to be incorporated into the work plan.

ENVIRONMENTAL JUSTICE IMPACT:
The BAC Work Plan is not subject to environmental justice analysis. The BAC Work Plan serves as a tool utilized by the BAC to identify topics to be discussed during the public meeting and when that topic may be presented.

ATTACHMENTS:
Attachment 1: 2026 BAC Work Plan

UNCLASSIFIED MANAGER:
Wendy Ho, 408-630-3874

BOARD AUDIT COMMITTEE 2026 WORKPLAN
January 1, 2026 to December 31, 2026

#		Jan-21	Feb-18	Mar-18	Apr-15	May-20	6/17/2026 Canceled	Jul-28	Aug-19	Sep-16	Oct-21	Nov-18	Dec-16
	DATE:												
	No. of Topics:	8	5	6	5	4	0	6	4	7	6	3	3
#	Board Audit Committee Management												
1	Discuss and Conduct Annual Self-Evaluation	•			•								
2	Request and Discuss CAE Activity Report to Evaluate Performance	•		•									
3	Discuss Board Audit Committee Audit Charter			•									
4	Discuss Scope of Annual Audit Training			•									
5	Receive Annual Audit Training							•					
6	Review and Update BAC Work Plan	•	•	•	•	•		•	•	•	•	•	•
7	Provide Draft BAC Work Plan for Upcoming Year												•
	Board Audit Committee Special Requests												
8	Review of Joint Powers Authority (JPA) audits							•					
9	Discuss Initiating Chief Audit Executive RFP	•	•										
10	Discuss Plante Moran Contract (expires 07/05/26)	•											
	Board-directed Audits												
11	2021 Permitting Best Practices					•							
12	2023 CIP Performance									•			
13	2024 Human Resources Audit				•								
14	2024 Information Technology Audit (Closed-Session)				•								
15	2024 Board Policies and Compliance Audit												
16	2025 Water Conservation Audit	•											
17	2025 Centralized and Decentralized Contracting Practices												
18	2025 Capital Project Delivery Audit												
19	2025 Water Usage and Demand Forecasting Audit							•					
20	2026 Audit - TBD												
	Other Audits												
21	2024 SCW Program Performance Audit										•		
	CAE Standing Topics												
22	Review and Update Annual Audit Plan	•	•	•	•	•		•	•	•	•	•	•
23	Discuss next Annual Audit Plan								•	•			
24	Discuss Draft 2027 Annual Audit Plan										•		
25	Discuss Proposed 2027 Annual Audit Plan, Assign Audit Firms, and Recommend Proposed 2027 Annual Audit Plan with assignments for Board Approval											•	
	Miscellaneous 3rd-Party Financial Audits												
26	Financial Status - Periodic Updates		•			•				•			
27	Discuss Financial Audit for upcoming Fiscal Year (presented by Vasquez)							•					
28	Audit Report of the Water Utility Enterprise Funds									•			
29	Audited Financial Statements										•		
30	Single Audit Report			•									
	Staff Standing Topics												
31	Audit Recommendations Implementation Status		•						•				
32	Receive Audit Analysis Report from CAE	•									•		
	Committee Clerk Action Items (not included in count shown in Row 3 above)												
33	Provide BAC Summary Report to full Board	•	•	•	•	•		•	•	•	•	•	•
34	Election of BAC Chair and Vice Chair	•											
	BAC Topics for Future Work Plan												
35	Provide Report on Tri-annual Risk Assessment (Target CY 2026)									•			

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