DEPARTMENT OF WATER RESOURCES
P.O. BOX 942836
SACRAMENTO, CA 94236-001
(916) 653-5791

March 25, 2022

Filed with the Municipal Securities Rulemaking Board (MSRB) through the Electronic Municipal Market Access (EMMA) website of the MSRB

Enclosed per the Continuing Disclosure Certificates and Continuing Disclosure Agreement referenced in the immediately following paragraph is the State of California Department of Water Resources' Annual Report for the fiscal year ended June 30, 2021.

Except as noted in Appendix A, the annual report is consistent with the requirements of the Continuing Disclosure Certificates with respect to State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series V, dated December 1, 1998, Series AL, dated September 5, 2012, Series AN, dated September 27, 2012, Series AM, dated March 5, 2013, Series AP, dated March 26, 2013, Series AQ, dated June 18, 2013, Series AR, dated March 6, 2014, Series AS, dated October 30, 2014, Series AT, dated November 6, 2014, Series AV, dated May 24, 2016, Series AW, dated October 20, 2016, Series AX, dated December 19, 2017, Series AY, dated December 19, 2017, Series AZ, dated October 18, 2018, Series BA, dated April 24, 2019, Series BB, dated August 6, 2020, Series BC, dated August 6, 2020, Series BD, dated May 19, 2021, and Series BE, dated May 19, 2021. Except as noted in Appendix A, the annual report is also consistent with the requirements of the Continuing Disclosure Agreement applicable to the Department of Water Resources with respect to the Northern California Power Agency Lodi Energy Center Revenue Bonds, Issue Two (California Department of Water Resources), 2010 Series B, dated June 24, 2010.

The audited Annual Comprehensive Financial Statements of the Department of Water Resources are expected to be filed on the EMMA website by the end of August 2022. See Appendix A.

If you require additional information, please contact me at Vinay.Behl@water.ca.gov or Abby Hernandez at Juana.Hernandez@water.ca.gov.

Sincerely,

Vinay Behl

Vinay Narjit Singh Behl, CPA
Comptroller & Chief Financial Officer
Manager, Division of Fiscal Services

State of California
Department of Water Resources
S.E.C. Rule 15c2-12 Annual Report as of June 30, 2021

The State of California Department of Water Resources (the "Issuer") hereby provides its annual report for the fiscal year ended June 30, 2021 in connection with (1) the below described bonds issued by the Department of Water Resources, and (2) the below described Lodi Energy Center Revenue Bonds, Issue Two, issued by the Northern California Power Agency:

Bond Issues:

A. Bonds Issued by the Department of Water Resources that are covered by the Continuing Disclosure Certificate, dated December 1, 1995 and its supplements.

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series V, dated December 1, 1998 (the "Series V Bonds")

CUSIPs: 13067WLD2

B. Bonds Issued by the Department of Water Resources that are covered by the Continuing Disclosure Certificate, dated September 7, 2011 and its supplements.

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AL, dated September 5, 2012 (the "Series AL Bonds")

CUSIPs: 13067WHK1

C. Bonds Issued by the Department of Water Resources that are covered by the Continuing Disclosure Certificate, dated September 27, 2012 and its supplements.

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AN, dated September 27, 2012 (the "Series AN Bonds")

CUSIPs: 13067WHT2 13067WCB6

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AM, dated March 5, 2013 (the "Series AM Bonds")

CUSIPs: 13066KV48

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AP, dated March 26, 2013 (the "Series AP Bonds")

CUSIPs: 13066K2N8

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AQ, dated June 18, 2013 (the "Series AQ Bonds")

CUSIPs: 13066K3K3

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AR, dated March 6, 2014 (the "Series AR Bonds")

CUSIPs: 13066K4C0 13066K4D8

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AS, dated October 30, 2014 (the "Series AS Bonds")

CUSIPs: 13067WKN1 13067WKP6 13067WKQ4 13067WKR2

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AT, dated November 6, 2014 (the "Series AT Bonds")

CUSIPs: 13067WCE0

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AV, dated May 24, 2016 (the "Series AV Bonds")

CUSIPs: 13067WCL4 13067WCM2 13067WCN0 13067WCP5 13067WCQ3
13067WCR1 13067WCS9 13067WCT7 13067WCU4 13067WCV2
13067WCW0 13067WCX8 13067WCY6 13067WCZ3

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AW, dated October 20, 2016 (the "Series AW Bonds")

CUSIPs: 13067WLQ3 13067WLR1 13067WLS9 13067WLT7 13067WLU4
13067WLV2 13067WLW0 13067WLX8 13067WLY6 13067WLZ3
13067WMC3 13067WME9

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AX, dated December 19, 2017 (the "Series AX Bonds")

CUSIPs: 13067WNM0 13067WNN8 13067WNP3 13067WNQ1 13067WNR9
13067WNS7 13067WNT5 13067WNU2 13067WNV0 13067WNW8
13067WNX6

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AY, dated December 19, 2017 (the "Series AY Bonds")

CUSIPs: 13067WPE6 13067WPF3 13067WPG1 13067WPH9 13067WPJ5
13067WPK2 13067WPL0 13067WPM8

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series AZ, dated October 18, 2018 (the "Series AZ Bonds")

CUSIPs: 13067WPR7 13067WPS5 13067WPT3 13067WPU0 13067WPV8
13067WPW6 13067WPX4 13067WPY2 13067WPZ9 13067WQA3
13067WQB1 13067WQC9 13067WQD7

D. Bonds Issued by the Department of Water Resources that are covered by the Continuing Disclosure Certificate, dated April 24, 2019 and its supplements.

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series BA, dated April 24, 2019 (the "Series BA Bonds")

CUSIPs:	13067WQH8	13067WQJ4	13067WQK1	13067WQL9	13067WQM7
	13067WQN5	13067WQP0	13067WQQ8	13067WQR6	13067WQS4
	13067WQT2	13067WQU9	13067WQV7		

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series BB, dated August 6, 2020 (the “Series BB Bonds”)

CUSIPs:	13067WRP9	13067WRQ7	13067WRR5	13067WRS3	13067WRT1
	13067WRU8	13067WRV6	13067WRW4	13067WRX2	13067WRY0
	13067WRZ7	13067WSA1	13067WSB9	13067WSC7	

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series BC, dated August 6, 2020 (the “Series BC Bonds”)

CUSIPs:	13067WQZ8	13067WRA2	13067WRB0	13067WRC8	13067WRD6
	13067WRE4	13067WRF1	13067WRG9	13067WRH7	13067WRJ3
	13067WRK0	13067WRL8	13067WRM6	13067WRN4	

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series BD, dated May 19, 2021 (the “Series BD Bonds”)

CUSIPs:	13067WSD5	13067WSE3	13067WSF0	13067WSG8	13067WSH6
	13067WSJ2	13067WSK9	13067WSL7	13067WSM5	13067WSN3
	13067WSP8	13067WSQ6			

State of California Department of Water Resources Central Valley Project Water System Revenue Bonds, Series BE, dated May 19, 2021 (the “Series BE Bonds”)

CUSIPs:	13067WSS2	13067WST0	13067WSU7	13067WSV5	13067WSW3
	13067WSX1	13067WSY9	13067WSZ6	13067WTA0	13067WTB8
	13067WTC6	13067WTD4	13067WTE2	13067WTF9	

E. Lodi Energy Center Bonds Issued by the Northern California Power Agency

Northern California Power Agency Lodi Energy Center Revenue Bonds, Issue Two (California Department of Water Resources), 2010 Series B dated June 24, 2010 (the “Lodi Energy Center Bonds”)

CUSIPs: 664845DG6

Note: The CUSIP numbers specified above are as of December 31, 2021. The CUSIP numbers are provided for the convenience of Bondholders. The Issuer is not responsible for the accuracy or completeness of such numbers.

State of California
Department of Water Resources
S.E.C. Rule 15c2-12 Annual Report as of June 30, 2021

Annual Report

Attached hereto is the Issuer's "annual report" for the fiscal year ended June 30, 2021 as required by (1) the Continuing Disclosure Certificate, dated December 1, 1995, and all subsequent Supplemental Continuing Disclosure Certificates thereto and the Amended and Restated Continuing Disclosure Certificate dated December 2, 2009 and all subsequent Supplemental Continuing Disclosure Certificates thereto, (2) the Continuing Disclosure Certificate, dated September 7, 2011 and all subsequent Supplemental Continuing Disclosure Certificates thereto, (3) the Continuing Disclosure Certificate, dated September 27, 2012 and all subsequent Supplemental Continuing Disclosure Certificates thereto, and (4) the Continuing Disclosure Certificate dated April 24, 2019 and all subsequent Supplemental Continuing Disclosure Certificates thereto (collectively the “Department’s Bond Disclosure Certificates”) for the above listed Department Bonds. The attached annual report also satisfies the Department of Water Resources requirements under the Continuing Disclosure Agreement, dated June 24, 2010, for the above listed Lodi Energy Center Bonds (the “Lodi Energy Center Disclosure Agreement”). See Appendix A hereto.

Other Matters

This annual report is provided solely for compliance with the provisions of the Department's Bond Disclosure Certificates, and the Lodi Energy Center Disclosure Agreement. The filing of this annual report does not constitute or imply any representation (i) that all of the information provided is material to investors, (ii) regarding any other financial, operating or other information about the Issuer, the Series V, AL, AN, AM, AP, AQ, AR, AS, AT, AV, AW, AX, AY, AZ, BA, BB, BC, BD, or BE Bonds, or the Lodi Energy Center Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the fiscal year to which this report relates (other than as referred to in this report), or that no other information exists, which may have a bearing on the Issuer's financial condition, the security for the Series V, AL, AN, AM, AP, AQ, AR, AS, AT, AV, AW, AX, AY, AZ, BA, BB, BC, BD, or BE Bonds, or the Lodi Energy Center Bonds, or an investor's decision to buy, sell, or hold the Series V, AL, AN, AM, AP, AQ, AR, AS, AT, AV, AW, AX, AY, AZ, BA, BB, BC, BD, or BE Bonds, or the Lodi Energy Center Bonds. The information contained in this report has been obtained from sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. No statement in this annual report should be construed as a prediction or representation about future financial performance of the Issuer. The information provided herein may relate to bonds or other obligations of the Issuer in addition to the ones listed above.

Dated: March 25, 2022

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

By Vinay Behl
Comptroller & Chief Financial Officer
Manager, Division of Fiscal Services

State of California
Department of Water Resources
S.E.C. Rule 15c2-12 Annual Report as of June 30, 2021

TABLE OF CONTENTS[1]

[1] Unless otherwise indicated, the information provided for each Continuing Disclosure Certificate item is responsive to each of the two categories of continuing Disclosure Certificates referred to in this report (the Department's Bond Disclosure Certificates and the Lodi Energy Center Disclosure Agreement).

UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021 (Continuing Disclosure Certificate, Item 1)

Notice to the Municipal Securities Rulemaking Board That a Complete Annual Report Has Not Been Filed Due to the Absence of Financial Statements is attached hereto in Appendix A.

DEBT SERVICE RESERVE ACCOUNT (Continuing Disclosure Certificate, Section 4 Item 2a or (b)1, as applicable –Department's Bond Disclosure Certificates only)

As of December 31, 2021, the amount on deposit in the Debt Service Reserve Account was $235,588,003.96, which is at least equal to the Reserve Account Requirement for the outstanding bonds. Of this amount, $185,158,588.60 is invested in the State Treasurer's Pooled Money Investment Account (PMIA), and $50,429,415.36 is invested in U.S. Government securities.

INVESTMENTS (Continuing Disclosure Certificate or and Continuing Disclosure Agreement, Section 4 Item 2b or (b)2, as applicable)

The Department uses the State's Centralized Treasury System. Moneys on deposit in the State's Centralized Treasury System are invested by the Treasurer in the Pooled Money Investment Account (the "PMIA"). As of December 31, 2021, the PMIA held approximately $145.1 billion of State moneys, and $36.3 billion of moneys invested for about 2,396 local governmental entities through the Local Agency Investment Fund. The assets of the PMIA as of December 31, 2021, are shown in the following table:

Type of Security		Amount (in millions)	Percent of Total
U.S. Treasury Bills and Notes	$	118,655	65.40%
Federal Agency Debentures		13,860	7.64%
Certificates of Deposit		13,350	7.36%
Bank Notes		50	0.03%
Federal Agency Discount Notes		19,163	10.56%
Time Deposits		3,808	2.10%
Commercial Paper		11,492	6.33%
FHLMC/REMICs		7	0.00%
Corporate Bonds		310	0.17%
PMIA Loans		744	0.41%
Total	$	181,439	100.00%

WATER SUPPLY (Continuing Disclosure Certificate or Continuing Disclosure Agreement, Section 4 Items 2c, 2d or (b)3,4, as applicable)

In the year ending December 31, 2020, the State Water Project delivered 20 percent of Contractor water requests. As of March 23, 2021, the Department approved deliveries for 5 percent of requested deliveries for the calendar year ending December 31, 2021.

SOURCE OF POWER FOR OPERATING THE STATE WATER PROJECT
FOR THE YEAR ENDED DECEMBER 31, 2021
(Continuing Disclosure Certificate or Continuing Disclosure Agreement, Section 4 Item 2(e) or (b)5, as applicable)

(In Gigawatt Hours)

SOURCES:

State Water Project Hydroelectric Plants	
Gianelli (San Luis)	66
Castaic	354
Devil Canyon	192
William E. Warne (Pyramid)	219
Hyatt-Thermalito (Oroville)	503
Alamo	13
Thermalito Diversion Dam	13
Mojave Siphon	10
Total	1,370
State Water Project Thermal Plant (Reid Gardner)	0
Power Purchases	1,079
Energy via Exchanges	0
TOTAL SOURCES	**2,449**
POWER SALES	**1,022**
NET TRANSACTIONS THROUGH CAISO*	**-1,342**
SWP LOAD	**2,769**

*A negative amount implies net purchase transactions while a positive amount implies net sales transactions.

CONTRACTOR WATER DELIVERIES FROM AND PAYMENTS TO STATE WATER PROJECT FOR THE YEAR ENDED DECEMBER 31, 2021
(Continuing Disclosure Certificate or Continuing Disclosure Agreement, Section 4 Items 2f, 2g or (b)6, 7, as applicable)

	Deliveries (in acre-feet)	Payments (in thousands)
Alameda County Flood Control and Water Conservation District, Zone 7	28,187	$ 42,780
Alameda County Water District	20,926	11,048
Antelope Valley-East Kern Water Agency	20,151	44,684
City of Yuba City	1,389	898
Coachella Valley Water District	17,238	65,832
County of Butte	3,067	2,573
County of Kings	5,718	1,219
Crestline-Lake Arrowhead Water Agency	1,444	2,299
Desert Water Agency	3,472	22,637
Dudley Ridge Water District	24,525	5,834
Empire West Side Irrigation District	150	375
Kern County Water Agency	582,547	162,519
Littlerock Creek Irrigation District	856	667
The Metropolitan Water District of Southern California	409,601	662,493
Mojave Water Agency	2,238	30,550
Napa County Flood Control and Water Conservation District	13,086	9,665
Oak Flat Water District	1,600	673
Palmdale Water District	9,336	8,135
Plumas County Flood Control and Water Conservation District	379	300
San Bernardino Valley Municipal Water District	16,822	67,402
San Gabriel Valley Municipal Water District	1,628	11,112
San Gorgonio Pass Water Agency	2,533	28,371
San Luis Obispo County Flood Control and Water Conservation District	3,664	9,130
Santa Barbara County Flood Control and Water Conservation District	10,608	47,191
Santa Clara Valley Water District	84,763	27,894
Santa Clarita Water Agency*	46,919	31,363
Solano County Water Agency	29,906	11,824
Tulare Lake Basin Water Storage District	12,314	12,108
Ventura County Flood Control District	2,456	6,245
Total	**1,357,523**	**$ 1,327,821**

*Effective January 1, 2018, state law SB 634, reorganized the Castaic Lake Water Agency and the Newhall County Water District into a new agency named the Santa Clarita Valley Water Agency which has succeeded in interest to Castaic's water supply contract.

SELECTED FINANCIAL DATA FOR CERTAIN CONTRACTORS FOR THE YEAR ENDED JUNE 30, 2021 (Continuing Disclosure Certificate, Section 4 Item 2(h) or (b)8 or, as applicable – Department's Bond Disclosure Certificates only)

B-1: Audited Financial Statements of Certain Contractors

The audited financial statements of the Metropolitan Water District of Southern California, Santa Barbara County Flood Control and Water Conservation District/Central Coast Water Authority, San Bernardino Valley Municipal Water District, Alameda County Flood Control and Water Conservation District Zone 7, Kern County Water Agency, and San Gorgonio Pass Water Agency for the year ended June 30, 2021 are attached in **Appendix B-1**. These financial statements are incorporated herein by this reference.

DWR did not prepare or assist in the preparation of such financial statements. No expressed or implied representation is made hereby as to the relative importance of the financial condition of any such water contractor to the creditworthiness of any of the Issuer's Central Valley Project (CVP) Water System Revenue Bonds. Please refer to the most recent official statement relating to such bonds for a description of such relative importance.

B-2: Estimated Direct and Overlapping Debt of Certain Contractors

The data presented in **Appendix B-2** summarize certain information regarding taxes and tax-supported debt outstanding within the service territory of each of the six Contractors that are expected to provide the largest amounts of revenue for payment of the Bonds based on projected payments to the Department through the final maturity of the Bonds. These six Contractors and the expected percentage contribution of each to such revenues over the term of the Bonds are as follows (these percentages may change over time).

CVP Contractor	Projected Percentage Contributio
The Metropolitan Water District of Southern California	43%
Kern County Water Agency	13%
San Bernardino Valley Municipal Water District	9%
Santa Barbara County Flood Control and Water Conservation District/Central Coast Water Authority	6%
Alameda County Flood Control and Water Conservation District - Zone 7 Water Agency	6%
San Gorgonio Pass Water Agency	5%
Twenty-three other Contractors	18%
Total	**100%**

The Department has made no independent verification of the data contained in the Appendix and makes no representations as to its correctness, completeness, or comparability.

SELECTED FINANCIAL DATA FOR CERTAIN CONTRACTORS FOR THE YEAR ENDED JUNE 30, 2021 (Continuing Disclosure Certificate, Section 4 Item 2i – Lodi Energy Center Disclosure Agreement only)

C-1: Audited Financial Statements of Certain Contractors

The audited financial statements of the Metropolitan Water District of Southern California for the year ended June 30, 2021 and Kern County Water Agency for the year ended June 30, 2021 are attached in **Appendix B-1**. The audited financial statements of the Coachella Valley Water District, for the year ended June 30, 2021 are attached in **Appendix C-1.** These financial statements are incorporated herein by this reference.

DWR did not prepare or assist in the preparation of such financial statements. No expressed or implied representation is made hereby as to the relative importance of the financial condition of any such water contractor to the creditworthiness of any of the Lodi Energy Center Bonds. Please refer to the most recent official statement relating to such bonds for a description of such relative importance.

C-2: Estimated Direct and Overlapping Debt of Certain Contractors

The data presented in **Appendix B-2** relating to the Metropolitan Water District of Southern California and Kern County Water Agency, and **Appendix C-2** relating to Coachella Valley Water District, summarize certain information regarding taxes and tax-supported debt outstanding within the service territory of each of the three Contractors that are expected to provide the largest payments (other than payments allocable to CVP Water System Revenue Bond financed facilities) to the Department under the Water Supply Contracts. These three Contractors and their expected percentage of such payment to the Issuer under the Water Supply Contracts are as follows:

Lodi Energy Center

Contractor	Projected Percentage Contribution	Appendix Reference
The Metropolitan Water District of Southern California	52%	B-2
Kern County Water Agency	13%	B-2
Coachella Valley Water District	5%	C-2
Twenty-six other Contractors	30%	
Total	**100%**	

The Department has made no independent verification of the data contained in the Appendix and makes no representations as to its correctness, completeness, or comparability.

ANNUAL COMPREHENSIVE FINANCIAL REPORT

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
Zone 7 Water Agency

FOR THE YEAR ENDED JUNE 30, 2021 (WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2020)
Livermore, CA

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Annual Comprehensive Financial Report
For the Year Ended June 30, 2021
(With Summarized Information for the Year Ended June 30, 2020)

Table of Contents

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Annual Comprehensive Financial Report
For the Year Ended June 30, 2021
(With Summarized Information for the Year Ended June 30, 2020)

Table of Contents (Continued)

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Annual Comprehensive Financial Report
For the Year Ended June 30, 2021
(With Summarized Information for the Year Ended June 30, 2020)

Table of Contents (Continued)

Page

STATISTICAL SECTION (Unaudited)

This page intentionally left blank.

WATER AGENCY
Delivering Quality, Reliability and Safety

100 North Canyons Parkway
Livermore, CA 94551
(925) 454-5000

December 3, 2021

To the Board of Directors:

The Annual Comprehensive Financial Report for the Zone 7 Water Agency

We are pleased to present the Annual Comprehensive Financial Report ("ACFR") of the Alameda County Flood Control and Water Conservation District, Zone 7, California (Agency), for the fiscal year ended June 30, 2021 (with summarized information for the year ended June 30, 2020).

The Annual Comprehensive Financial Report is prepared in accordance with Generally Accepted Accounting Principles in the United States of America ("GAAP") as promulgated by the Governmental Accounting Standards Board ("GASB").

The intended purpose of the financial report is to provide the Board of Directors, the customers of the Agency, and other interested parties with reliable information on the finances of the Agency. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive internal control framework it established for this purpose. Because the cost of internal control should not surpass its benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of material misstatements.

The Pun Group, LLP, a firm of licensed certified public accountants, has issued an unmodified ("clean") opinion on the Agency financial statements for the year ended June 30, 2021. The purpose of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2021, are free of material misstatement. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis ("MD&A") immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. This transmittal letter is designed to complement and be read in conjunction with the MD&A.

The Annual Comprehensive Financial Report follows the guidelines recommended by the Government Finance Officers Association of the United States and Canada ("GFOA") and the Agency is submitting this CAFR to GFOA for review and certification.

Agency Profile

Zone 7 Water Agency is a dependent special district established under the Alameda County Flood Control and Water Conservation District Act. The Act (Chapter 55 of the California Water Code Appendix) was passed by the State Legislature in 1949. The Agency was established by a vote of the residents of the Livermore-Amador Valley area in 1957, with its own independent elected board to provide local control of integrated water resources. The Agency's Administrative Office is located in the City of Livermore in Alameda County. Livermore was founded in 1869 and is one of California's oldest wine regions. The Agency currently serves an estimated population of 266,000 people and is responsible for providing wholesale treated (drinking) and untreated (agricultural) water, flood control, and groundwater management throughout eastern Alameda County.

The Agency provides wholesale potable (treated) water to retail water suppliers, untreated irrigation water, and flood protection services. Its territory includes 425 square miles of eastern Alameda County. The Agency has broad power to finance, construct, and operate a system for the transportation, storage, treatment, and distribution of water.

The Agency imports water into the Valley from the State Water Project ("SWP"), operated by the Department of Water Resources ("DWR") of the State of California. The State issued bonds to finance the SWP. The Agency is one of 29 water contractors who share the cost of the debt service for the SWP bonds.

Aerial view of the South Bay Aqueduct and Dyer Reservoir. Credit: Department of Water Resources

The Agency's four retail water customers are the City of Livermore, the City of Pleasanton, Dublin-San Ramon Services District, and California Water Service Company – Livermore District. These retailers distribute the water to municipal and industrial customers in Dublin, Livermore, Pleasanton, and through a special agreement with Dublin-San Ramon Services District, the Dougherty Valley portion of San Ramon

History and Services

Since long before the Agency was created, the critical issues of water supply, water quality, and flood protection have shaped the region's ability to prosper. Although the Tri-Valley was far less populated during the first half of the 20th Century than it is today, a declining groundwater table and periods of drought had local farmers, vintners, and residents alike worried about their livelihoods, according to reports published in 1948. There was frequent flooding, particularly in northern Pleasanton, where Hacienda Business Park and various residential developments are now located.

The Agency was established in 1957 by local voters demanding local control over local water-resource planning, flood protection, and financing. The Agency has taken the Tri-Valley a long way in resolving many of its most pressing water supply, water quality, and flood protection problems. The locally elected, seven-member Board of Directors has continually formulated and implemented needed programs for flood protection and water resource management, incorporating co-benefits of recreation, and environmental protection and enhancements where feasible. Many issues have persisted over the decades, and their implications on local land use, local control, and local financing continue to surface. Indeed, challenges continue as the Agency works to improve water reliability and quality, along with flood protection, in the most economical and environmentally sound ways possible, and to accommodate new development approved by Tri-Valley cities and/or the County at no cost or harm to existing residents.

The Agency has long been known for its proactive groundwater basin stewardship. Continuing in that tradition, on December 21, 2016, the Agency Board of Directors adopted a resolution officially accepting the role of Groundwater Sustainability Agency ("GSA") for the Livermore Valley Groundwater Basin under the Sustainable Groundwater Management Act ("SGMA"). The Agency was one of several agencies recognized in the legislation as being a trusted groundwater basin manager and identified as the exclusive local agency eligible to perform the GSA role within its service area.

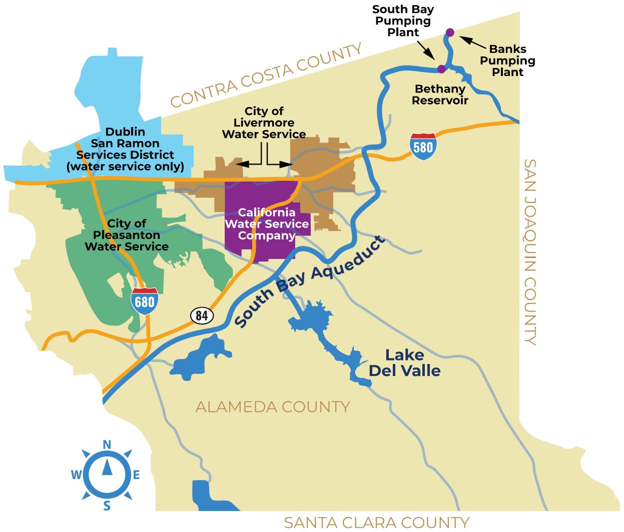
Through coordination with other local agencies in the region and neighboring groundwater basins, the Agency was able to notify the State that it will continue sustainable groundwater management for the entire portion of the Livermore Valley groundwater basin that is within the Agency's service area as well as a small portion that lies within Contra Costa County

Since its formation, the Agency has continued to take steps to expand its level of local control and autonomy. Most recently, in 2003, state legislation granted the Agency more authority over issues and projects of exclusive interest to the Agency, allowing the Board to improve economic efficiencies and reduce administrative duplication with the county.

Local control has allowed the Agency to develop master plans that sustainably integrate and optimize water supply reliability, water quality, flood management and environmental stewardship. Meanwhile, the Agency has participated with other water, recycled water, sewer, and storm water utilities in the greater Bay Area to explore potential opportunities to pool services/equipment for increased efficiency.

Agency Service Area

The Agency supplies treated drinking water to retailers serving a population of 266,000 people and businesses in Pleasanton, Livermore, Dublin, and through a special agreement with the Dublin-San Ramon Services District, the Dougherty Valley area in San Ramon. The Agency also supplies untreated irrigation water to local vineyards, farms, and golf courses, and provides both flood protection and groundwater management in eastern Alameda County.



Agency-Wide Strategic Overview

On June 17, 2020, the Board adopted the 2020-2024 Five-Year Strategic plan and a revised Mission and Vision Statement with updated Values & Goals.

Mission

Deliver safe, reliable, efficient, and sustainable water and flood protection services.

Vision

Provide excellent water and flood protection services to enhance the quality of life, economic vitality, and environmental health of the communities we serve.

Values

> "Our shared values guide all our actions."
> – Valerie Pryor, General Manager

- **Transparency** – We operate in an open and transparent fashion.
- **Customer Service** – We are prompt, respectful, and courteous in all of our interactions.
- **Collaboration** – We embrace collaboration to enhance our services.
- **Environmental Sensitivity** – We deliver our services in an environmentally-sensitive manner.
- **Fiscal Responsibility** – We operate in a productive, cost effective, and efficient manner.
- **Innovation** – We encourage innovation, creativity, and ingenuity.
- **Integrity** – We maintain the highest ethical standards and open, honest communications.
- **Leadership and Service** – We maintain a diverse team of highly skilled professionals devoted to honest and accountable stewardship of our resources.
- **Proactivity** – We proactively address issues and embrace continuous improvement.
- **Safety** – We are committed to public and employee safety.

Organization-Wide Goals

GOAL A | Reliable Water Supply and Infrastructure

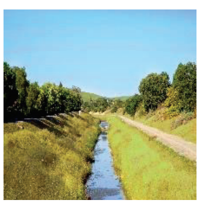
Provide customers with reliable water supply and infrastructure.

GOAL B | Safe Water

Provide customers with safe water.

GOAL C | Groundwater Management

Manage and protect the groundwater basin as the State designated Groundwater Sustainability Agency.



GOAL D | Effective Flood Protection

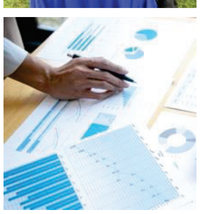
Provide an effective system of flood protection.

GOAL E | Effective Operations

Provide the Agency with effective leadership, administration, and governance.

GOAL F | Stakeholder Engagement

Engage our stakeholders to foster understanding of their needs, the Agency, and its functions.



GOAL G | Fiscal Responsibility

Operate the Agency in a fiscally responsible manner.

Economic Condition and Fiscal Outlook

The Agency's Administrative Office is located in the City of Livermore, in Alameda County which is part of the Tri-Valley area of Dublin-Livermore-Pleasanton. The Tri-Valley is located 39 miles east of San Francisco, California and 28 miles north of Silicon Valley. This area is a crossroads, not only literally (for commuters traveling from the Central Valley to Silicon Valley and other employment destinations) but also figuratively (for major employers including both vineyards and high-tech firms.) With a combined population now of 266,000 residents, the Tri-Valley area is proving to be one of the fastest growing areas in the Bay Area.

DUBLIN, located in the desirable Tri-Valley region, has emerged as an outstanding community for families. Known as the "New American Backyard", Dublin is an attractive destination for businesses and residents alike who want access to transportation (two major freeways and two BART stations), excellent schools, beautiful parks and public facilities, safe neighborhoods, and a wide variety of housing types. Dublin has progressive policies that promote quality growth in office, retail, and residential development. Dublin continues to work to expand and enhance the quality of life for all members of our community.

LIVERMORE is a community that reflects an eclectic blend of science, arts, western culture, and award-winning wineries and breweries. The City's renowned reputation in science, technology, and innovation is showcased by the Lawrence Livermore and Sandia National Laboratories, and its regional i-GATE Innovation Hub and "Switch" facility. The San Francisco Premium Outlets and the vibrant downtown highlight a wide range of shopping, dining, and entertainment opportunities for Livermore's 89,000 residents and visitors. Livermore's diverse community amenities, business friendly atmosphere, and strong public schools make it the perfect location for entrepreneurs and businesses of all sizes including new arrivals Tesla Motors and the Gillig Bus Company.

PLEASANTON carries a small-town ambiance with a metropolitan edge that contributed to its inclusion as the only Bay Area city on Money Magazine's 2010 list of America's 100 Best Small Cities. This City of 70,000 supports a thriving business community of more than 4,000 companies, from Fortune 500 to home-grown innovation firms. Pleasanton's highly educated population and workforce reflect the community values education and preeminent school system. Downtown Pleasanton is a charming historic destination with a mix of unique shops, services, and restaurants. Nearby Stoneridge Shopping Center features more than 165 specialty stores.

Most of the Agency's service area lies within the County of Alameda which possesses a large and diverse economic base, consisting of research and high technology, professional services, agriculture, finance, retail trade, medical and health services, government services and many others. The 2020-21 local roll included assessments of 512,246 taxable properties within Alameda County. The assessed value of these properties totaled $343 billion, a $21.5 billion or a 6.69% increase above the previous year assessment roll. The growing economy and increase in real estate values and new construction are responsible for this 6.69% increase. Since 2014, the Assessment Roll has increased by 40% or $97.5 billion. Other factors leading to this year's assessment growth included the mandatory inflation index of 2% being applied to all property's assessed values that were not affected by assessment declines in prior years. This inflation index, roll corrections, base value restorations, and other miscellaneous factors added $5.6 billion. Reassessments due to sales/transfers of real estate added $10.5 billion, new construction activity added $4.3 billion, while business personal property assessments increased by $1.1 billion. A copy of the 2020-21 annual report is available at the Alameda County Assessor Office website. COVID-19 did not appear to impact the FY 2020-21 assessment roll.

Cities within the Agency service area remained relatively stable in population over the period from 2020 to 2021. The cities of Dublin and Pleasanton saw slight declines in population growth (0.7% and 0.4% respectively)[1] and the city of Livermore had a slight increase in population of 0.1%. The service area experienced a continued decline in the construction of new developments following the March 2020 COVID-19 Shelter in Place orders.

The COVID-19 pandemic had a significant impact on the local economy, particularly on unemployment rates in 2020. As of October 2021, the unemployment rate was reported at 5% versus 7.9% in October 2020[2]. These numbers demonstrate the impact of the COVID-19 pandemic on Alameda County residents has subsided and the local economy is recovering.

Long-Term Financial Planning / Strategic Planning

Credit Rating: In 2018, the Agency issued $64,010,000 Livermore Valley Water Financing Authority Water Revenue Bonds, 2018 Series A to finance the construction of an ozone treatment facility at the Del Valle Water Treatment Plant and to refinance bonds associated with the Cawelo Groundwater Banking Program. In July 2020, Fitch conducted a surveillance review and as a result, upgraded Zone 7's bond rating from AA to AA+. In June 2021, after their annual surveillance review, Fitch Ratings affirmed Zone 7's bond rating of AA+. Fitch Rating is one of the largest American credit rating agencies and is one of three nationally recognized statistical rating organizations designated by the U.S. Securities and Exchange Commission in 1975. Fitch based its rating affirmation on the following factors:

- Strong financial leadership
- Fixed rate component of the water rate structure1
- Strong reserves to weather the current economic downturn
- Healthy levels of capital investment to maintain the Agency's infrastructure
- Strong balance of stored groundwater and banked water to deal with SWP and hydrology variability

[1] State of CA, Department of Finance, E-1 Population Estimates for Cities, Counties, and the State, released May 2021: https://dof.ca.gov/Forecasting/Demographics/Estimates/E-1/

[2]Unemployment State rates: https://data.edd.ca.gov/Labor-Force-and-Unemployment-Rates/Labor-Force-and-Unemployment-Rate-for-California-S/8z4h-2ak6

- Dedication to expanding water supply through investment in water supply and reliability projects

Water Rates: The Agency's largest revenue source is the sale of water, acting as a wholesaler for four water supply retailers in Livermore, Pleasanton, Dublin and by a special agreement with the Dublin San Ramon Services District, the Dougherty Valley area in San Ramon. In 2018, Zone 7's Board of Directors approved a four-year rate schedule that included a set increase each year from Calendar Year 2019-2022. Under that schedule, the next and final rate increase of 6.7%, of the four-year rate schedule, will go into effect on January 1, 2022. The Agency will conduct a new rate study in Summer 2022.

Strategic Planning: On June 18, 2020, the Board adopted a 2020-24 Five-Year Strategic Plan. The Strategic Plan was developed through a collaborative process with the Board of Directors, management, and staff. The planning consultant interviewed each of the seven Board members regarding their perspectives on the future challenges for the Agency. These interviews were followed by a management workshop. Four workshop sessions with Agency employees and supervisors mined key strengths, weaknesses, opportunities, and threats facing the Agency. The Board discussed the strategic challenges facing the Agency and refined a vision, mission, and set of goals for the 5-Year Strategic Plan at a Board Retreat in early 2020. Based upon staff input and Board direction, the management team then developed "initiatives" for each of these goals. The Strategic Plan will be reevaluated regularly to adjust as conditions warrant.

Capital Improvement Plan: The Capital Improvement Program ("CIP") describes the capital investments the Agency intends to make over a multi-year period. The CIP is the basis from which final capital budgeting decisions flow. The Agency prepares a ten-year CIP for the Water System and is currently in the process of transitioning to a ten-year CIP for the Flood Protection System. The CIP is updated about every other year.

For purposes of the CIP, capital outlay is distinguished from capital projects. Capital outlay includes only those projects or equipment purchases between $5,000 and $50,000 and having more than one year of useful life. Capital outlay is funded through the operating budget. All capital projects or equipment purchases of at least $50,000 or over and having five years of useful life are included in the capital improvement planning process.

The Del Valle Water Treatment Plant, which has been serving Zone 7 well since it was built in the 1970s, has been upgraded to utilize a powerful disinfectant called ozone. The Ozonation Project, which is part of Zone 7's CIP, represents a capital investment of $49 million, funded by bonds. Construction of the new facility was completed in July 2020. The new treatment system is fully online and will improve overall water quality for an estimated 40 million gallons per day (mgd) production. The project included the modification of existing facilities and construction of new facilities including an ozone generation building, contactor structure, existing filters modifications, chemical feed facilities, Power and Water Resource Pooling Authority ("PWRPA") electrical facilities and a plant utility water pump station. This project will improve water quality, enhance the water treatment process, and increase production reliability. Zone 7 is also investing in ozonation at the Patterson Pass Water Treatment Plant; that system is scheduled to go online in 2022.

Significant Accomplishments

Water Supply, Reliability, and Quality

Drought Conditions: Fiscal year 2020-21 was a critically dry year and the second dry year in a row for the State of California. On September 1, 2021, the Board (Resolution No. 21-67) declared a state of drought emergency within its service area and a Stage 2 water shortage. This declaration included mandatory conservation of 15% to align with Governor Newsom's drought emergency proclamation.

The Agency maintains a diverse water supply portfolio (local groundwater, groundwater banks in Kern County, and surface water) and proactively pursued and secured water transfers in Spring 2021. Because of the Agency's actions, water demands are continuing to be met, and no additional rate increases are needed.

Sustainable Groundwater Management: The Sustainable Groundwater Management Act ("SGMA") is historic legislation which requires local agencies to adopt groundwater management plans and monitor and manage groundwater resources in a sustainable way. In 2014, the State of California's Sustainable Groundwater Management Act recognized the Agency's sustainable groundwater management program by naming the Agency the exclusive Agency to continue this role in its service area. At the end of 2016, the Agency officially accepted the new role and filed an Alternative Sustainable Groundwater Management Plan. Early in 2017, the Agency's Board of Directors adopted a Sustainable Groundwater Management Ordinance to clarify the Agency's responsibilities related to groundwater management for the Livermore-Amador Valley groundwater basin as well as a small portion that lies within Contra Costa County.

In April 2020, DWR awarded Zone 7 Water a $500,000 Sustainable Groundwater Management grant to support development of the previously approved Alternative Groundwater Sustainability Plan (GSP). Currently Zone 7 provides groundwater basin oversight services such as data collection, monitoring, modeling, and annual reporting. The funding will be used to help develop and implement the 2022 Update of the Alternative GSP (next five-year iteration of the plan), enabling the Agency to continue sustainability efforts in managing the Livermore Valley Groundwater Basin and provide reliable water to our customers.

Water Quality: All water supplied during 2020 not only met, but often performed better than the regulatory standards set by the state and federal governments. In July 2020, the Agency met major milestones in improving infrastructure by completing the Del Valle Water Treatment Plant Ozone project. With new state-of-the-art facilities for ozonation, the Agency can maintain its commitment of not only meeting but performing better than regulatory compliance requirements to provide an additional margin of safety and address local concerns for taste, odor, and water hardness. Ozone treatment is the technology of choice for disinfecting water, reducing chlorine-related byproducts, and killing even more pathogens than chlorine making the Agency's water cleaner, safer and better tasting – straight from the tap. The Agency is also making continued progress toward the completion of the construction of the ozone project at the Patterson Pass water treatment plant. That system is scheduled to go online in 2022.

Flood Protection: The Agency's Five-Year Strategic Plan includes an initiative to update the flood protection strategy. A consultant with expertise in flood protection engineering provided a high-level assessment of the Agency's flood protection policies and of the overall flood protection system currently in place.

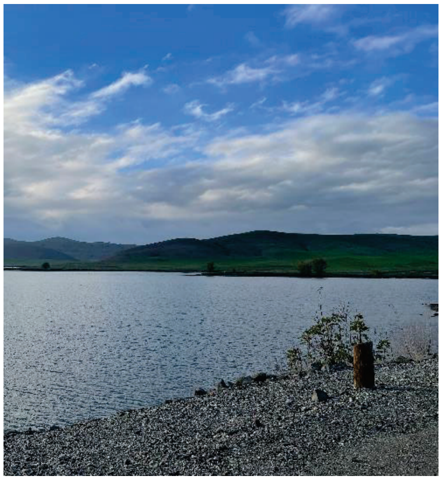
The recommendation of the consultant was to pursue a new flood system management plan, which would incorporate some of the existing plans, but provide a more contemporary approach to the existing Stream Management Master Plan by focusing on flood protection goals and incorporating climate change into a revised strategy. It would also look for opportunities to engage partner agencies during development and expand engagement with the community in discussions about flood risk and the revised approach.

In Spring 2021, the Agency hired a consultant to complete Phase I of the Flood Management Plan. This Phase includes establishing Agency flood management guidance such as flood management guiding principles, flood performance goals and objectives, flood system definition, and best management practices.

The following are some of the key accomplishments related to the Flood Protection Program in FY 2020-21:

- Continued pursuing programmatic permits from California Department of Fish and Wildlife, Regional Water Quality Control Board, and the United States Army Corps of Engineers
- Prioritized district wide bank repairs and continued to plan for an additional 7 repairs in 2022.
- The Arroyo Mocho Stanley Reach Bank Stabilization Project was authorized for construction in April 2021 and work began in May 2021. By end of June 2021, about 50% of the channel restoration had been completed.
- Zone 7 awarded USGS 3D Elevation Program grant to acquire high-definition elevation data, in collaboration with the USGS.
- The Bank Stabilization, Arroyo Del Valle Project restored 220 linear feet of levee and included 150 ft of geogrid support.
- A report of Evaluation and Cost Analyses for Repair Alternatives was completed to evaluate potential repair alternatives and conceptual-level construction cost estimates for Zone 7's chronically problematic reaches of earthen flood control channels along the I-680 freeway corridor in Pleasanton area is completed.
- Bi-annual inspection and reports on conditions of Zone 7 bridges were completed.

Long-Term Water Supply Reliability: Back-to-back dry years are a challenge for water suppliers as water becomes a scarce resource. With 2021 being the second dry year in a row, the Agency worked to maintain water supply reliability for its customers. The Agency will continue investment and participation in water supply reliability projects as part of its mission to deliver safe, reliable, efficient, and sustainable water, such as the Los Vaqueros Reservoir Expansion and Sites Reservoir projects.



The Agency will also continue to pursue the following projects, with direction from the Board of Directors, as long as the projects demonstrate progress toward attaining new sustainable water supplies both regionally and locally and are fiscally feasible:

- Bay Area Regional Desalination Project
- Delta Conveyance
- Los Vaqueros Reservoir Expansion
- Potable Reuse
- Sites Reservoir
- Water Transfers
- Intertie with a neighboring water agency

The Agency will also continue to evaluate and pursue water conservation activities to help the Retailers comply with State mandates for long-term water use efficiency standards beginning in 2023.

Additional long-term planning milestones from this year include the completion of the 2020 Urban Water Management Plan and the 2020 Tri-Valley Municipal and Industrial Water Demand Study.

<u>2020 Urban Water Management Plan:</u> Every five (5) years, the Agency completes an Urban Water Management Plan (UWMP). The UWMP describes the availability and reliability of the Agency's water supplies and current and projected water use. The UWMP lays out supply and demand projections for the next 20 years under normal and drought conditions, and thus serves as an important long-term planning tool and a means of communicating to the public. The 2020 Urban Water Management Plan was adopted by the Board on May 19, 2021 (Resolution No. 21-43).

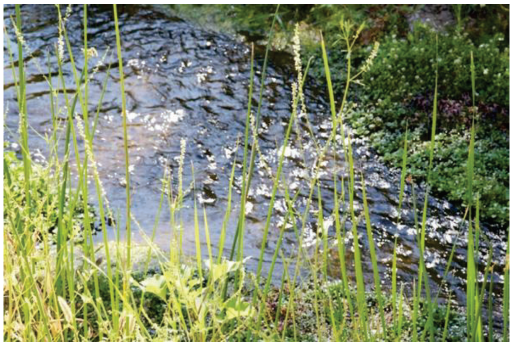
<u>2020 Tri-Valley Municipal and Industrial Water Demand Study:</u> The Agency completed the 2020 Tri-Valley Municipal and Industrial Water Demand Study (Demand Study) to better plan for long-term reliability for the Tri-Valley region. The Demand Study was a regional effort and included close collaboration with the Agency's retailers. A land use-based tool for projecting municipal and industrial water demands at buildout was developed as well to support the Demand Study. The Agency will use this tool to continue updating the region's water demand projections as the Tri-Valley moves closer to buildout, which will inform investments in water supplies and infrastructure.

Communications and Outreach: The Agency adopted the 2020-24 Five-Year Strategic Plan in June 2020. The revised plan is a living document that guides Agency communications and allow for adaptability in a climate where many variables are not constant, including drought and water supply conditions, disaster and emergencies, economic climate, and new technology advancements.

Newly Designed Website: Milestones in communications included the launch of the Agency's newly designed website. The website is part of the Agency's Strategic Plan and features a new vibrant design, upgraded cybersecurity protocols, a streamlined site navigation structure, and refreshed content. The Agency's new website hosts many resources for the Tri-Valley community and now features education resources for educators.

Schools' Program: The Zone 7 Schools Program was designed around the idea that teaching kids to be water-savvy today translates to water-wise adults for generations to come. While classroom visits were not possible due to COVID - 19 restrictions, fully accessible virtual lessons were created to continue our valued program. Lessons in the program are aligned with the Next Generation Sciences Standards for K-12 content, created and taught by certified educators. Funded by Zone 7 Water Agency and supported by its Board of Directors, the program invests in youth water system education and appreciation. The program reached over 6,000 students during the 2020-21 school year through 253 virtual presentations.

Workforce Development: The Agency continued its proactive role as a Baywork signatory in FY 2020-21. Bayworks's signatories strategically invest resources together to sustain and develop the reliable workforce needed to serve our customers and protect the environment both now and for future generations. As a signatory agency, Zone 7 is better able to expand its reach throughout the Bay Area, particularly among job seekers. The partnership also provides job training opportunities and skills advancement for prospective and existing employees in the workforce and enables the sharing of best practices with other water agencies.



Living Arroyos Program: The Agency continued to partner with the City of Livermore, the City of Pleasanton and the Livermore Area Recreation and Park District to engage the community in participating in watershed stewardship activities. The benefits of this strategic partnership are cost sharing, leveraging unique resources, aligning the community vision of the watershed, avoiding redundancy, and achieving long-term management goals.

Living Arroyos Program Volunteer Day

The program's Saturday volunteer workdays allow residents to assist with restoring creek banks with native vegetation while learning about local ecology. The program also employs college students and young professionals as interns, allowing them to learn stream management techniques hands-on to augment their classroom learning.

Living Arroyos was recognized by CASQA for the 2020 CASQA Outstanding Sustainable Stormwater Project/Program Award. The City of Livermore nominated Living Arroyos/Adopt a Creek Spot Program for consideration and the CASQA Awards committee selected Living Arroyos as a winning program.

Accomplishments since the program's inception, include:

- Involvement of 350 community volunteers
- 1,386 volunteer hours comprised of tree planting, grass seeding, weed management, trash collection, and mulching activities
- 7,923 trees planted
- 2,539 live plant stakes installed
- 58,439 gallons of weeds removed
- 9,630 gallons of trash removed

Financial Policies

Financial Reserve Policy: The Financial Reserve policy was initially adopted by the Board in 2005 and updated with the adoption of an Interim Reserve policy on April 17, 2013. On September 28, 2016, the Board adopted a Final Reserve Policy (Resolution No. 16-166). The 2016 revisions helped to further strengthen the Agency's financial position.

On May 15, 2019, the Board adopted Resolution No. 19-37, approving a revised reserve policy. The new policy eliminated Drought Contingency and Rate Stabilization Reserves and created a Reserve for Economic Uncertainties. The Reserve for Economic Uncertainties is prudent to help maintain a high bond rating and to protect the Agency from the effects of fluctuations in water usage and the cost of imported water to which the Agency is vulnerable, and other unforeseen events such as a natural disaster, water shortage emergency, or other unanticipated adverse situations. The reserve is targeted at 15% of budgeted volume-based water sales revenue. The revised policy also eliminated the Building Sinking Fund Reserve which was liquidated with the purchase of the North Canyons Building and added the Debt Rate Stabilization Reserves that were established as part of the debt issuance in 2018.

Investment Policy: The Agency's Investment Policy was adopted by the Board on June 16, 2021 (Resolution No. 21-48). The Agency's Investment Policy is in compliance with the California Government

Code, Section 53600 et seq. The investment of idle funds is delegated by Agency's Board to the Assistant General Manager – Finance as the Treasurer who assumes full responsibility for the transactions of the investment program. The objectives of the investment policy are safety of principal, liquidity, return on investment or yield, and diversity. The Investment Policy applies to the Agency's pooled investment fund which encompasses all monies under the direct oversight of the Agency Treasurer and is reviewed on an annual basis.

Debt Policy: The Debt policy was adopted by the Board in June 2017 (Resolution No. 17-52). The Debt Policy provides the guidelines under which specific projects outlined in the biennial planning process and documented in the Capital Improvement Plan may be best financed. Debt issuance should be evaluated on a case-by-case basis as well as within the Agency's general debt management program. The Agency recognizes that changes in the capital markets and other unforeseen circumstances may require action deviating from this Debt Management Policy. In cases requiring any exception to this policy, approval from the Board will be required. The Debt Management Policy is not applicable to intra-agency borrowing.

Budget Controls: The Agency maintains budgetary controls, the objectives of which are to ensure compliance with legal provisions, embodied in the two-year budget approved by the Board. Activities of the governmental funds and proprietary funds are included in the annual appropriated budget. Additionally, as a management tool, project-length financial plans are included in the annual Capital Improvement Program. The legal level of budgetary control (that is the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level, further limited by two categories, the operating budget (consisting of total operations and operating projects) and the capital budget (consisting of capital project expenditures).

The Agency also maintains an encumbrance accounting system as one process to accomplish budgetary control. Budget adjustments that increase or decrease revenue projections, appropriations or reserves of any fund at the fund level require Board approval. Budget and actual comparisons are provided in this report for the Governmental Fund (Flood Protection). The guidelines used by the Agency in developing this formal budget process are those recommended by the Government Finance Officers Association.

Internal Control: The Agency management is responsible for establishing and maintaining adequate internal controls to assure the Agency operations are effective and efficient, that applicable laws and regulations are followed, and financial reports are reliable. Existing internal controls are monitored, and changes are implemented as needed. These controls are designed to provide reasonable, but not absolute, assurance that (1) assets are safeguarded against waste, fraud and inefficient use; and (2) the Agency's financial records can be relied upon to produce financial statements in accordance with accounting principles generally accepted in the United States of America. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived, and that cost-benefit analyses require estimates and judgments by management. We believe that the Agency's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Other Information

Independent Audit

An independent audit by certified public accountants is important in determining the reliability of the Agency's financial statements. The importance of such verification has been recognized by the federal and state governments, and the general public. The Agency contracted with the accounting firm of The Pun Group, LLP for this audit. The audit was conducted in accordance with auditing standards generally accepted in the United States of America. The firm's report has been included in the financial section of this report.

Awards

Certificate of Achievement for Excellence in Financial Reporting: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a "Certificate of Achievement for Excellence in Financial Reporting" to the Agency for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized the Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current the Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

GFOA Distinguished Budget Award: For the sixth time, the Agency was awarded the Government Finance Officers Association's Distinguished Budget Award for its two-year budget (FY 2020-22). The award is the highest form of recognition in governmental budgeting and reflects the Agency's commitment to public transparency and accountability. Documents submitted to the Budget Awards Program are reviewed by selected members of the GFOA professional staff and by outside reviewers with experience in public-sector budgeting. In order to receive the budget award, the Agency had to satisfy fourteen nationally recognized criteria.

Acknowledgements

The preparation of this Annual Comprehensive Financial Report represents a successful team effort by staff from many departments within the Agency who have demonstrated their dedication and professionalism in the creation of this report. We also wish to thank the Agency's auditors, The Pun Group, LLP for their assistance and guidance and the Board for their structural guidance and consistent fiduciary focus.

Respectfully submitted,

DocuSigned by:
Valerie Pryor
FFAEC424A8EE4C9...

Valerie Pryor

General Manager

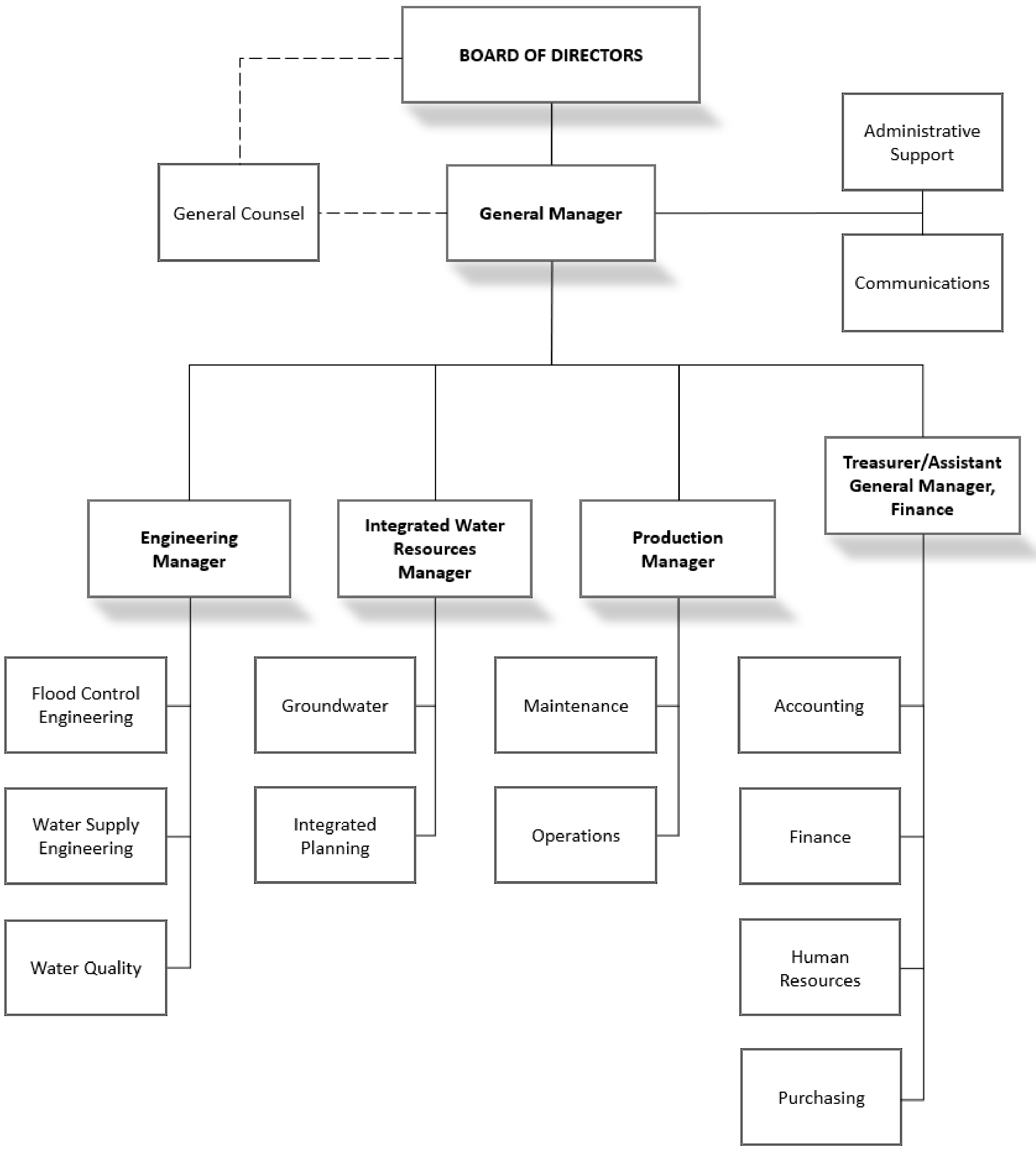
DocuSigned by:
Osborn Solitei
30C75F5FFCB44E5...

Osborn Solitei

Treasurer/Assistant
General Manager, Finance

Alameda County Flood Control and Water Conservation District - Zone 7 Water Agency

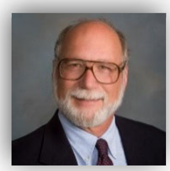
Functional Organizational Chart
Fiscal Year 2020-2021



LIST OF ELECTED OFFICIALS AND AGENCY MANAGEMENT

Angela Ramirez Holmes, *President*
Board Member since 2012 -- Term Expires June 30, 2024

Sarah Palmer, *Vice President*
Board Member since 2006 -- Term Expires June 30, 2022



Sands Figuers
Board Member 1988-2000; again since 2008 -- Term Expires June 30, 2024

Dennis Gambs
Board Member since 2018 -- Term Expires June 30, 2022

Laurene Green
Board Member since 2020 -- Term Expires June 30, 2024

Olivia Sanwong
Board Member since 2018 -- Term Expires June 30, 2022

Michelle Smith McDonald
Board Member since 2019 -- Term Expires June 30, 2022

Executive Management Team

Valerie Pryor, *General Manager*

Osborn Solitei, *Treasurer/Assistant General Manager, Finance*

Alameda County Flood Control and Water Conservation District, Zone 7

2021 Annual Comprehensive Financial Report
Project Team

Audit/Financial Statement Coordinator

Osborn Solitei
Treasurer/Assistant General Manager, Finance

Teri Yasuda
Accounting Manager

Flora Guo	**Elizabeth Foss**	**JaVia Green**
Sr. Auditor/ Accountant	Financial Analyst	Financial Analyst

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Alameda County Flood Control & Water Conservation District - Zone 7 Water Agency California

For its Comprehensive Annual Financial Report For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

This page intentionally left blank.

THE PUN GROUP
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Alameda County Flood Control and
Water Conservation District – Zone 7 Water Agency
Livermore, California

Report on Financial Statements

We have audited the accompanying financial statements of governmental activities, business-type activities and each major fund, and aggregate remaining fund information of the Alameda County Flood Control and Water Conservation District – Zone 7 Water Agency (the "Agency"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

2121 North California Blvd., Suite 290, Walnut Creek, California 94596
Tel: 925-974-3394 • Fax: 949-777-8850
www.pungroup.cpa

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business-type activities and each major fund, and the aggregate remaining fund information of the Agency as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed in the Table of Contents as part of the basic financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Prior-Year Comparative Information

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2020, from which such summarized information was derived.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements as a whole. The Introductory Section, Supplemental Information and Statistical Section, listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards in the United States of America. In our opinion, the Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2020 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 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 Agency's internal control over financial reporting and compliance.

The Pun Group, LLP

Walnut Creek, California
December 3, 2021

This page intentionally left blank.

The Government Accounting Standards Board Statement Number 34 requires that management prepare a Management's Discussion and Analysis ("MD&A") section as a component of the audited Financial Statements.

The Alameda County Flood Control and Water Conservation District – Zone 7 Water Agency ("Agency") MD&A presents management's analysis of the Agency's financial condition and activities for the year ended June 30, 2021 and 2020. The MD&A is intended to serve as an introduction to the Agency's basic Financial Statements. This information should be read in conjunction with the audited financial statements that follow this section. A narrative overview and comparative analysis of fiscal year 2021 to 2020 information is presented in this report. Readers are encouraged to consider the information presented here as complementary to the information contained in the accompanying financial statements. All amounts, unless otherwise indicated, are expressed in whole dollars.

The information in this MD&A is presented in the following order:

- Financial Highlights
- Overview of Financial Statements
- Capital Assets
- Debt Administration
- Request for Information

Financial Highlights

- The Agency's net position increased by $18.5 million or 3.5 percent from $536.0 million to $554.5 million mainly due to an increase in total assets of $17.0 million. The increase was offset by a decrease in long-term debt of $2.1 million, pension liability of $1.4 million and OPEB liability of $0.6 million. The current liabilities and compensated absences increased by $2.2 million and $0.6 million respectively. Total revenues decreased by $11.4 million for the fiscal year ended June 30, 2021.

- Total revenues decreased by $11.4 million or 8.8 percent from $129.8 million to $118.4 million mainly due to decrease in charges for services of $6.5 million from the previous year as a result of slower construction and development activities in the service area due to COVID-19 pandemic. The decrease in development activities is offset by an increase in water sales due to increased residential water demand and an increase in property tax during the fiscal year due to increased property assessed valuations.

- Total expenses increased by $3.6 million or 3.7 percent from $96.2 to 99.8 million mainly due to increase of $5.4 million for the Water Enterprise projects during the fiscal year. The increase is offset by $1.2 million decrease in the State Water Project pass-through payments to California State Department of Water Resources (DWR) and $0.6 million decrease in Flood Protection projects during the fiscal year.

- Capital assets increased by $30.1 million or 10.0 percent from $300.0 million to $330.1 million mainly due to the construction of the Del Valle Water Treatment Ozone Plant and construction in progress of the Patterson Pass Water Treatment Plant ozone and upgrade projects.

Overview of Financial Statements

This discussion and analysis serves as an introduction to the Agency's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The report also contains other required supplementary information in addition to the basic financial statements.

Agency-wide financial statements

The Agency-wide financial statements are designed to provide readers with an overview of the Agency's finances. The Agency-wide financial statements present the financial picture of the Agency from the economic resources measurement focus using the accrual basis of accounting.

The statement of net position presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The statement of activities presents information showing how the Agency's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide statements distinguish functions of the Agency that are principally supported by taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include the Flood Protection Fund and Flood Protection Development Impact Fee Fund. The business-type (proprietary) activities include the Water Enterprise System.

The government-wide financial statements can be found in the financial section of this report.

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 objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency's two kinds of funds - governmental and proprietary - use different accounting approaches.

<u>Governmental funds</u>

The Agency's governmental funds consist of three funds: Flood Protection Operations, Flood Protection Development Impact Fee and Non-Major Governmental Fund. These funds are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting method which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed near-term view of the Agency's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs.

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

The basic governmental fund financial statements can be found in the financial section of this report.

Proprietary funds

The Agency's proprietary funds consist of five enterprise funds: Water Enterprise Operations, State Water Facilities, Water Enterprise Capital Expansion, Water Facilities and Water Supply and Reliability. Proprietary funds are generally used to account for services for a government's business-type activities (activities supported by fees or charges). 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 costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user rates, charges, and fees. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities, using the accrual method of accounting. The basic proprietary fund financial statements can be found in the financial Section of this report.

Notes to the basic financial statements

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

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Agency's progress in funding its obligation to provide pension and other post-employment healthcare benefits to its employees. Such required supplementary information can be found in the financial section of this report.

Government-wide Financial Analysis

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position provide an indication of the Agency's financial condition and also indicate whether the financial condition of the Agency improved during the last fiscal year. The Agency's net position reflects the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. An increase in net position over time typically indicates an improvement in financial condition. A summary of the Agency's Statement of Net Position is presented below:

Statement of Net Position
June 30, 2021 and 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Assets:						
Current assets	$ 99,003,755	$ 91,526,897	$ 229,167,360	$ 249,823,311	$ 328,171,115	$ 341,350,208
Capital assets	32,772,306	32,993,757	297,359,476	266,963,758	330,131,782	299,957,515
TOTAL ASSETS	131,776,061	124,520,654	526,526,836	516,787,069	658,302,897	641,307,723
Deferred Outflows of Resources						
Pension related	526,710	303,995	4,908,905	3,218,541	5,435,615	3,522,536
OPEB related	105,154	22,369	980,030	236,832	1,085,184	259,201
Total Deferred Outflows of Resources	631,864	326,364	5,888,935	3,455,373	6,520,799	3,781,737
Liabilities:						
Current liabilities	4,134,364	1,867,531	11,486,294	11,557,498	15,620,658	13,425,029
Noncurrent liabilities	1,672,810	1,664,696	81,900,173	85,492,376	83,572,983	87,157,072
TOTAL LIABILITIES	5,807,174	3,532,227	93,386,467	97,049,874	99,193,641	100,582,101
Deferred Inflows of Resources						
Pension related	802,440	600,408	7,478,671	6,356,820	8,281,111	6,957,228
OPEB related	271,536	134,210	2,530,687	1,420,957	2,802,223	1,555,167
Total Deferred Inflows of Resources	1,073,976	734,618	10,009,358	7,777,777	11,083,334	8,512,395
Net Position:						
Net Investment in capital assets	32,772,306	32,993,757	246,793,230	227,930,485	279,565,536	260,924,242
Restricted	72,715,433	69,648,891	110,609,342	131,461,963	183,324,775	201,110,854
Unrestricted	20,039,036	17,937,525	71,617,374	56,022,343	91,656,410	73,959,868
TOTAL NET POSITION	$ 125,526,775	$ 120,580,173	$ 429,019,946	$ 415,414,791	$ 554,546,721	$ 535,994,964

As the above table indicates, the total assets increased by $17.0 million or 2.7 percent from $641.3 million to $658.3 million during the fiscal year ended June 30, 2021. The increase is mainly due to the construction of the Del Valle Water Treatment Ozone Plant and construction in progress of the Patterson Pass Water Treatment Plant ozone and upgrade projects as the Agency used the 2018 Water Revenue Bonds in the acquisition fund. The government-wide statement of net position for the Agency's governmental and business-type activities indicates that as of June 30, 2021, total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $554.5 million compared to $536 million at June 30, 2020.

The largest portion of the Agency's net position, $279.5 million or 50 percent reflects its investment in capital assets (e.g., land, buildings, equipment and infrastructure). These capital assets are used to provide services to citizens; therefore, these assets are not available for future spending.

Deferred outflows of resources is the amount of the effect of pension and Other Postemployment Benefits Other than Pension (OPEB) accounting that defers the contributions made after the measurement date until the next fiscal year as a subsequent offset to the net pension and OPEB liability among other pension and OPEB related deferrals. The deferred outflows of resources due to pensions (GASB Statement No. 68) at June 30, 2021 and 2020 were $5.4 million and $3.5 million, respectively. The deferred outflows of resources due to other postemployment benefits (OPEB) (GASB Statement No. 75) at June 30, 2021 and 2020 were $1.1 million and $0.3 million, respectively.

Deferred inflows of resources is the result of pension and OPEB accounting and is comprised of changes in assumptions and differences between expected and actual investment returns in the ACERA pension plan and OPEB plan, which will be amortized as a component of pension expense over time. The deferred inflows of resources due to pensions (GASB Statement No. 68) at June 30, 2021 and 2020 were $8.3 million and $6.9 million, respectively. The deferred inflows of resources due to other postemployment benefits (OPEB) (GASB Statement No. 75) at June 30, 2021 and 2020 were $2.8 million and $1.5 million, respectively.

For Fiscal year ended June 30, 2021, total liabilities reflect a decrease of $1.4 million from $100.6 million to $99.2 million mainly due to a $1.4 million decrease in the net pension liability, $0.6 million decrease in OPEB liability, $2.1 million retirement in bonds payable. The decrease is offset by an increase of $0.6 million in compensated absences and $2.3 million in accounts payable and accrued expenses

The total net position increased by $18.5 million or 3.5 percent from $536 million to $554.5 million mainly due $30.2 million increase in capital assets as a result of the construction of the Del Valle Water Treatment Ozone Plant and construction in progress of the Patterson Pass Water Treatment Plant ozone and upgrade projects. The current and other assets decreased by $13.1 million from the prior year mainly due to a decrease in restricted cash in the Water Enterprise Operations Fund as a result of use of the 2018 Water Revenue Bonds proceeds for construction of Del Valle Water Treatment Plant and Patterson Pass Water Treatment Plant ozone projects and due to decrease in charges for services as a result of slower construction and development activities in the service area.

Statement of Net Position

June 30, 2020 and 2019

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets:						
Current assets	$ 91,526,897	$ 87,435,578	$ 249,823,311	$ 264,275,707	$ 341,350,208	$ 351,711,285
Capital assets	32,993,757	33,164,265	266,963,758	225,236,620	299,957,515	258,400,885
TOTAL ASSETS	124,520,654	120,599,843	516,787,069	489,512,327	641,307,723	610,112,170
Deferred Outflows of Resources						
Pension related	303,995	922,269	3,218,541	8,380,552	3,522,536	9,302,821
OPEB related	22,369	96,193	236,832	874,092	259,201	970,285
Total Deferred Outflows of Resources	326,364	1,018,462	3,455,373	9,254,644	3,781,737	10,273,106
Liabilities:						
Current liabilities	1,867,531	2,960,200	11,557,498	12,078,936	13,425,029	15,039,136
Noncurrent liabilities	1,664,696	2,836,991	85,492,376	95,690,541	87,157,072	98,527,532
TOTAL LIABILITIES	3,532,227	5,797,191	97,049,874	107,769,477	100,582,101	113,566,668
Deferred Inflows of Resources						
Pension related	600,408	369,654	6,356,820	3,359,005	6,957,228	3,728,659
OPEB related	134,210	68,096	1,420,957	618,784	1,555,167	686,880
Total Deferred Inflows of Resources	734,618	437,750	7,777,777	3,977,789	8,512,395	4,415,539
Net Position:						
Net Investment in capital assets	32,993,757	33,164,265	227,930,485	210,675,110	260,924,242	243,839,375
Restricted	69,648,891	66,872,665	131,461,963	127,521,329	201,110,854	194,393,994
Unrestricted	17,937,525	15,346,434	56,022,343	48,823,266	73,959,868	64,169,700
TOTAL NET POSITION	$ 120,580,173	$ 115,383,364	$ 415,414,791	$ 387,019,705	$ 535,994,964	$ 502,403,069

As the above table indicates, the total assets increased by $31.2 million or 5.1 percent from $610.1 million to $641.3 million during the fiscal year ended June 30, 2020. The increase is mainly due to construction in progress at the Del Valle Water Treatment Plant and Patterson Pass Water Treatment Plant ozone and upgrade projects as the Agency used the 2018 Water Revenue Bonds in the acquisition fund.

The government-wide statement of net position for the Agency's governmental and business-type activities indicates that as of June 30, 2020, total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $536 million compared to $502.4 million at June 30, 2019.

The largest portion of the Agency's net position, $260.9 million or 49 percent reflects its investment in capital assets (e.g. land, buildings, equipment and infrastructure). These capital assets are used to provide services to citizens; therefore, these assets are not available for future spending.

Deferred outflows of resources is the amount of the effect of pension and Other Postemployment Benefits Other than Pension (OPEB) accounting that defers the contributions made after the measurement date until the next fiscal year as a subsequent offset to the net pension and OPEB liability among other pension and OPEB related deferrals.

The deferred outflows of resources due to pensions (GASB Statement No. 68) at June 30, 2020 and 2019 were $3.5 million and $9.3 million, respectively. The deferred outflows of resources due to other postemployment benefits (OPEB) (GASB Statement No. 75) at June 30, 2020 and 2019 were $0.3 million and $1.0 million, respectively.

Deferred inflows of resources is the result of pension and OPEB accounting and is comprised of changes in assumptions and differences between expected and actual investment returns in the ACERA pension plan and OPEB plan, which will be amortized as a component of pension expense over time. The deferred inflows of resources due to pensions (GASB Statement No. 68) at June 30, 2020 and 2019 were $6.9 million and $3.7 million, respectively. The deferred inflows of resources due to other postemployment benefits (OPEB) (GASB Statement No. 75) at June 30, 2020 and 2019 were $1.5 million and $0.7 million, respectively.

For Fiscal year ended June 30, 2020, total liabilities reflect a decrease of $13.0 million from $113.6 million to $100.6 million mainly due to a $7.7 million decrease in the net pension liability, $1.6 million decrease in OPEB liability, $1.5 million in accounts payable and accrued expenses and a $2.1 million retirement in bonds payable.

The total net position increased by $33.6 million or 6.7 percent from $502.4 million to $536 million mainly due $41.6 million increase in capital assets as a result of the construction at the Del Valle Water Treatment Plant ozone project, Patterson Pass Water Treatment Plant ozone and upgrade projects. The current and other assets decreased by $10.4 million from the prior year mainly due to a decrease in restricted cash in the Water Enterprise Operations Fund as a result of use of the 2018 Water Revenue Bonds proceeds for construction of Del Valle Water Treatment Plant and Patterson Pass Water Treatment Plant ozone.

Statement of Activities and Changes in Net Position
For the Years Ended June 30, 2021 and 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Charges for services	$ 2,636,027	$ 1,694,933	$ 95,880,047	$ 103,347,579	$ 98,516,074	$ 105,042,512
Grants and other contributions	81,730	79,929	6,640,849	6,509,157	6,722,579	6,589,086
Capital grants and contributions	474,319	488,451	-	26,226	474,319	514,677
General revenues:						
Property taxes	10,344,149	9,834,264	-	-	10,344,149	9,834,264
Investment earnings and others	1,053,076	3,325,314	1,259,099	4,468,253	2,312,175	7,793,567
Total revenues	14,589,301	15,422,891	103,779,995	114,351,215	118,369,296	129,774,106
Expenses:						
Flood Protection Operations	8,948,348	9,547,702	-	-	8,948,348	9,547,702
Flood Protection Development Impact Fee	208,142	168,503	-	-	208,142	168,503
Flood Protection Grants	474,319	497,987	-	-	474,319	497,987
State Water Project	-	-	23,173,321	24,333,554	23,173,321	24,333,554
Water Enterprise	-	-	67,013,409	61,634,465	67,013,409	61,634,465
Total expenses	9,630,809	10,214,192	90,186,730	85,968,019	99,817,539	96,182,211
Change in net position before transfers	4,958,492	5,208,699	13,593,265	28,383,196	18,551,757	33,591,895
Transfers, net	(11,890)	(11,890)	11,890	11,890	-	-
Change in net position	4,946,602	5,196,809	13,605,155	28,395,086	18,551,757	33,591,895
Net position at beginning of year	120,580,173	115,383,364	415,414,791	387,019,705	535,994,964	502,403,069
Net position at end of year	$ 125,526,775	$ 120,580,173	$ 429,019,946	$ 415,414,791	$ 554,546,721	$ 535,994,964

The statements of Revenues, Expenses and Changes in Net Position identify the various revenue and expense items which impact the change in net position. The Agency's overall net position increased $18.5 million from the prior year. The table above indicates the Agency total revenues decreased by $11.4 million or 8.8 percent to $118.4 million from $129.8 million in the prior year. The decrease is mainly due to a decrease in charges for services of $6.5 million from the previous year as a result of slow construction and development activities in the service area due to COVID-19 pandemic. Investment earnings also decreased by $4 million due to the Federal Reserve cutting the Federal Funds rates to support the economy during the COVID-19 pandemic. Other revenues also decreased by $1.5 million mainly due to a $1.2 million one-time U.S. Army Corp of Engineers refund received in the prior fiscal year. The decrease is offset by a modest $0.6 million increase in property tax revenue.

Total expenses increased slightly by $3.6 million or 3.7 percent from $96.2 million to $99.8 million mainly due to an increase of $5.4 million for the Water Enterprise projects during the fiscal year. The increase is offset by $1.2 million decrease in the State Water Project pass-through payments to California State Department of Water Resources (DWR) and $0.6 million decrease in Flood Protection projects during the fiscal year.

Statement of Activities and Changes in Net Position
For the Years Ended June 30, 2020 and 2019

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Charges for services	$ 1,694,933	$ 3,522,081	$ 103,347,579	$ 106,647,694	$ 105,042,512	$ 110,169,775
Grants and other contributions	79,929	70,969	6,509,157	6,723,525	6,589,086	6,794,494
Capital grants and contributions	488,451	125,352	26,226	-	514,677	125,352
General revenues:						
Property taxes	9,834,264	9,144,785	-	-	9,834,264	9,144,785
Investment earnings and others	3,325,314	1,664,573	4,468,253	5,187,260	7,793,567	6,851,833
Total revenues	15,422,891	14,527,760	114,351,215	118,558,479	129,774,106	133,086,239
Expenses:						
Flood Protection Operations	9,547,702	10,308,973	-	-	9,547,702	10,308,973
Flood Protection Development Impact Fee	168,503	367,976	-	-	168,503	367,976
Flood Protection Grants	497,987	125,352	-	-	497,987	125,352
State Water Project	-	-	24,333,554	21,420,192	24,333,554	21,420,192
Water Enterprise	-	-	61,634,465	63,564,015	61,634,465	63,564,015
Total expenses	10,214,192	10,802,301	85,968,019	84,984,207	96,182,211	95,786,508
Change in net position before transfers	5,208,699	3,725,459	28,383,196	33,574,272	33,591,895	37,299,731
Transfers, net	(11,890)	(12,444)	11,890	12,444	-	-
Change in net position	5,196,809	3,713,015	28,395,086	33,586,716	33,591,895	37,299,731
Net position at beginning of year	115,383,364	111,670,349	387,019,705	353,432,989	502,403,069	465,103,338
Net position at end of year	$ 120,580,173	$ 115,383,364	$ 415,414,791	$ 387,019,705	$ 535,994,964	$ 502,403,069

The statements of Revenues, Expenses and Changes in Net Position identify the various revenue and expense items which impact the change in net position. The Agency's overall net position increased $33.6 million from the prior year. The table above indicates the Agency total revenues decreased by $3.3 million or 2.5 percent to $129.8 million from $133.1 million in the prior year. The decrease is mainly due to a decrease in charges for services of $5.1 million from the previous year as a result of slow construction and development activities in the service area due to COVID-19 pandemic. Investment earnings also decreased by $0.5 million due to the Federal Reserve cutting the Federal Funds rates to support the economy during the COVID-19 pandemic. The decrease is offset by a $0.7 million increase in property tax revenue and $1.4 million increase in other revenues as a result of a $1.2 million one-time U.S. Army Corp of Engineers refund received during the fiscal year.

Total expenses increased slightly by $0.4 million or 0.4 percent from $95.8 million to $96.2 million mainly due to increase of $2.9 million for the State Water Project pass-through payments to California State Department of Water Resources (DWR). The increase was offset by $1.9 million decrease in Water Enterprise Capital Expansion projects and $0.8 million in Flood Protection Operations projects during the fiscal year.

Governmental Activities

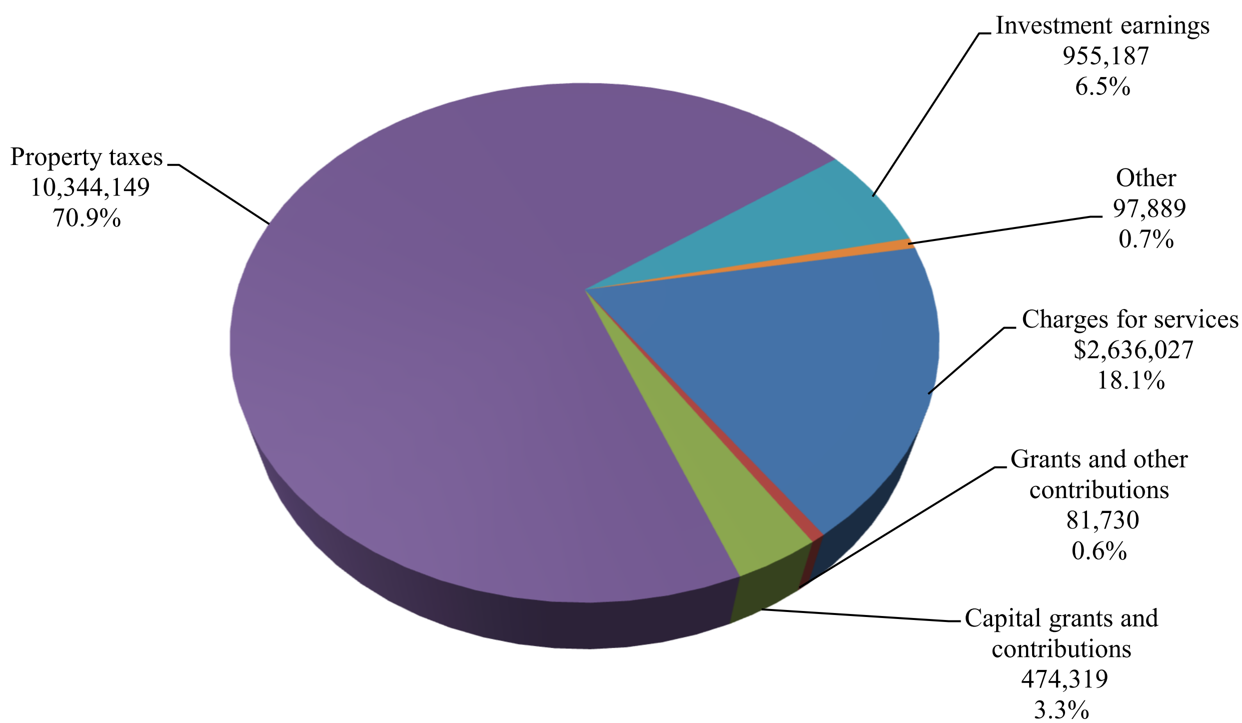
The net position for the Agency's governmental activities increased by $4.9 million from $120.6 million to $125.5 million. The net position increased from the prior year mainly due to a $7.5 million increase in current and other assets as a result of an increase in cash and investments from development activities in the service area. Total revenues were $14.6 million and total expenses (including transfers) were $9.6 million.

Revenues: Significant changes in revenue are as follows:

Total revenues decreased by $0.8 million from the prior year or 5.4 percent.

- Charges for services increase by $1.0 million or 55.5 percent mainly due to construction and development activities in the Livermore and Dublin-Dougherty Valley service areas.
- Property tax revenue increased by $0.5 million or 5.2 percent because of slightly higher total assessed value.
- Investment earnings decreased by $0.8 million due to a decrease in interest rates by the actions of the Federal Reserve cutting the Federal Funds rates to support the economy during the COVID-19 pandemic.

Revenues by Source - Governmental Activities



Expenses: Total expenses decreased by $0.6 million or 5.7 percent in the governmental activities mainly due to less flood protection maintenance and the flood emergency repair program activities during the fiscal year. In March 2021, the Board approved the Flood Management Plan Phase I which will direct the Agency's future maintenance activities and capital project for flood protection.

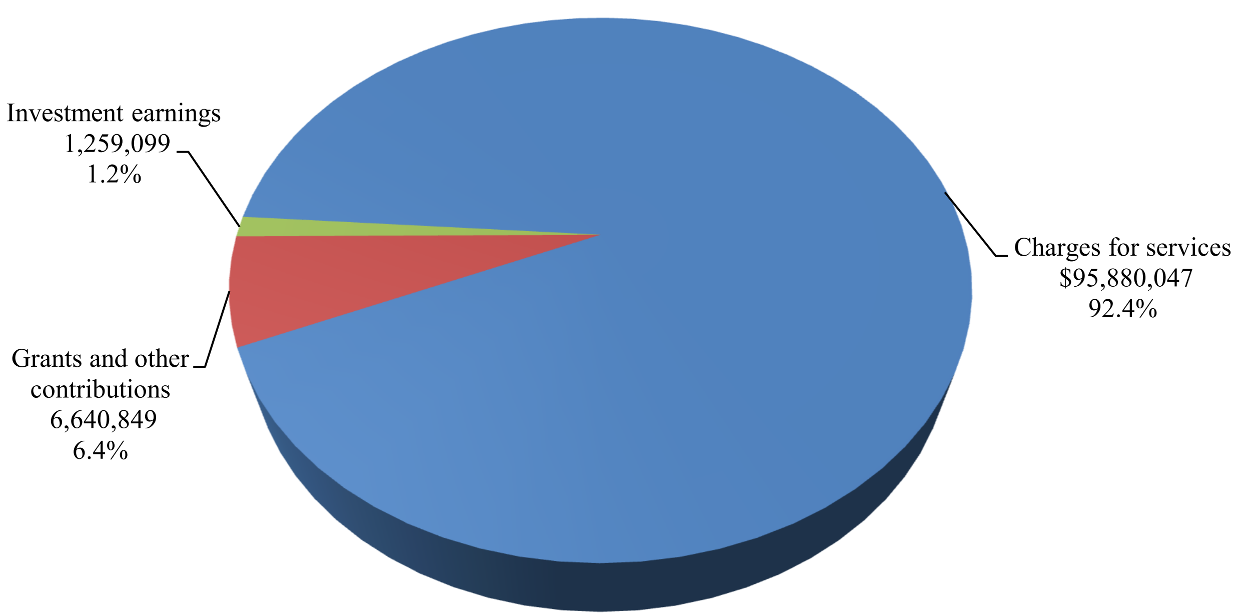
Business-Type Activities

The net position for the Agency's business-type activities increased by $13.6 million from $415.4 million to $429 million during the current year. The net position increased from the prior year mainly due to a $30.4 million increase in capital assets as a result of the construction of the Del Valle Water Treatment Plant ozone project, Patterson Pass Water Treatment Plant ozone and upgrade projects. Total revenues were $103.8 million and total expenses (including transfers) were $90.2 million.

Revenues: Significant changes in revenues are as follows:

- Charges for services: includes water rate revenue and connections fees. Charges for services decreased by a net of $7.5 million from the prior year. The decrease is mainly due to a $8.8 million or 39.4 percent decrease in connection fee revenues as a result of slower construction and development activities in the service area due to COVID-19 pandemic. The decrease is offset by a $1.2 million increase in water sales due to increased residential water demand and $1.1 million increase in property taxes as a result of increased property assess valuations.
- Investment earnings: decreased by $3.2 million or 71.8 percent due to the Federal Reserve cutting the Federal Funds rates to support the economy during the COVID-19 pandemic.
- Grants and other contributions: include intergovernmental revenue such as DWR refunds and grant proceeds. Grants and other contributions increased by $0.1 million or 2.0 percent mainly due to the DWR refunds. DWR refunds and credits vary year to year based on the level of prior year expenditures.

Revenues by Source - Business-type Activities

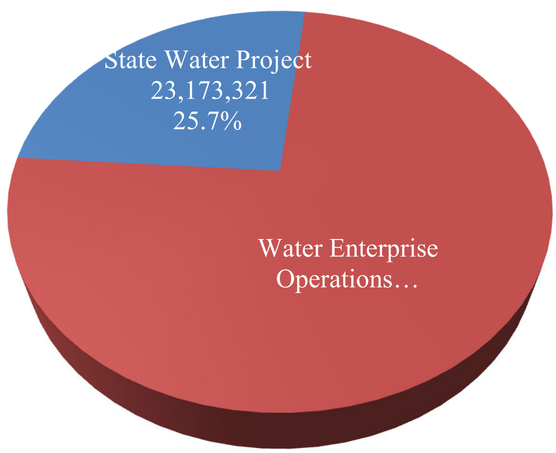


Expenses: Significant changes in expenses are as follows:

Total expenses: The total is $90.2 million which is a $4.2 million or 4.9 percent increase from the prior year mainly attributed to the following:

- State Water Project: Expenses decreased by $1.2 million or 4.8 percent mainly due to State Water Project costs delays. The delays are due to Cal-Fire permits reviews, subsidence project delays and dam safety project delays.
- Water Enterprise: includes Water Enterprise Operations, Water Enterprise Capital Expansion, and Non-Major Enterprise Funds. Expenses increased by $5.4 million or 8.7 percent mainly due to $6.2 million in the retirement of the Patterson Pass Water Treatment Plant Ultra Filtration (UF) and UF Ferric Chloride storage assets, $1.0 million increase expenses in the Water Enterprise Capital Expansion fund as result of other services, which include payments for Sites Reservoir and Los Vaqueros Expansion Projects. The increase is offset by a decrease of $1.8 million in the Water Enterprise Operations mainly due to salaries, wages, and benefits.

Expenses by Source - Business-type Activities



Governmental Funds

The Agency's governmental funds consist of three funds; Flood Protection Operations, Flood Protection Development Impact Fee and Non-Major Governmental Funds. As of June 30, 2021, the Agency's governmental funds reported combined ending fund balance of $94.7 million.

- **Flood Protection Operations Fund** – This fund provides for general administration and the maintenance and operation of regional flood protection facilities. The Agency manages a watershed of 425 square miles in eastern Alameda County, receiving drainage from parts of Contra Costa, Santa Clara and San Joaquin Counties. More than 37 miles of flood control channels and regional drainage facilities are owned and maintained by the Agency. This fund finances a comprehensive year-round maintenance program that includes repairing slides and erosion, refurbishing access roads and associated drainage ditches, installing and repairing gates and fences, and maintaining landscaped areas. This fund pays for renewal/replacement and improvement projects for the existing flood protection system. As of June 30, 2021, its fund balance was $22.1 million, an increase of $2.1 million from prior fiscal year. The increase in fund balance is mainly due to a 5.2 percent increase in property tax resulting from higher total assessed valuation and less expenditures incurred during the year than revenue earned. The $22.1 million fund balance is committed as follows; $17.6 million for capital projects, $4.5 million for operating contingency.

- **Flood Protection Development Impact Fee Fund –** The purpose of this fund is to ensure that the Agency is able to meet future needs for expansion-related flood control facilities. The program is primarily intended to provide funding for any flood control facilities required for new development. Funds are expended on the planning, design, lands and right of way acquisition, environmental review, permitting, and construction for drainage projects. As of June 30, 2021, its restricted fund balance was $72.7 million, an increase of $3.1 million from prior fiscal year. The increase in fund balance was mainly due to less expenses incurred during the year than revenue earned. In accordance with the Agency Goal D – Effective Flood Project, Strategic Initiative Plan No. 10, the Board approved Flood Management Plan Phase I in March 2021 which will direct the Agency's future maintenance activities and capital project for flood protection.

Proprietary Funds

The Agency's proprietary fund statements provide the same type of information as is found in the government-wide financial statements, but in more detail.

- **State Water Facilities Fund** – This fund finances the "fixed cost" payment to the State Department of Water Resources ("DWR") to import water to the Agency. The purpose is to pay the costs for use of the State water delivery system, which includes repayment of voter approved, State incurred, long-term debt. Net position of the State Water Facilities Fund as of June 30, 2021 was $38.1 million, an increase of $5.6 million from the prior fiscal year.

  Operating revenue increased by $0.2 million due to an increase in the Dougherty Valley Surcharge Assessment. Intergovernmental revenue increased by $0.3 million, and the property tax override levy increased by $1.1 million from the prior fiscal year due the Board approval of an increase assessed property tax override. Operating expenses decreased by $1.2 million or 4.8 percent due to delays with the DWR fixed charges associated with the State Water Project.

- **Water Enterprise Operations** is a fund that accounts for operations in a manner similar to a private business enterprise. Operations are accounted for in such a manner as to show net income or loss in the fund is intended to be entirely or predominately self-supported from user charges. The purpose of Water Enterprise Operations is to ensure that the current water treatment and delivery systems are maintained effectively, and that capital replacement and improvement needs are funded. This also pays for capital projects including the renewal, replacement and improvement of the current water treatment and delivery system.

  Net position of the Water Enterprise Operations Fund as of June 30, 2021 was $320.4 million, an increase of $36.7 million from prior fiscal year. Operating revenues increased by a net of $0.1 million due to an increase in water sales as a result of increased residential water demand.

  Investment earnings decreased by $1.2 million mainly due to the Federal Reserve cutting the Federal Funds rates to support the economy during the COVID-19 pandemic. Operating expenses were $39.9 million a decrease of $1.8 million from the prior fiscal year. In operating expenses, salaries, wages and benefits decreased by $2.9 million from the previous year, chemical purchases decreased by $0.8 million mainly due to the use of Ozone for water treatment. The decrease were offset by $1.8 million increase in water purchases due to more water transfer purchased as a result of low State Water Project allocation and $0.7 million increase in utilities as a result of groundwater pumping and use of Ozone facilities for water treatment.

- **Water Enterprise Capital Expansion** – The purpose of this fund is to ensure that the Agency is able to meet future needs for increased water demands. The program is primarily intended to provide funding for new facilities and additional water supplies to serve additional capacity requirements of new development, many of them fixed (i.e., bond payment obligations for debt incurred by others to increase capacity). As of June 30, 2021, the net position for the fund was $66.3 million, a decrease of $26.4 million from prior fiscal year.

  Operating revenues were $8.8 million less than the prior fiscal year. The decrease is mainly due to a $8.8 million or 39.4 percent decrease in connection fee revenues as a result of slower construction and development activities in the service area. Operating expenses were $1.0 million or 5.8 percent more than prior fiscal year mainly due to Sites Reservoir and Los Vaqueros Expansion Projects costs. Non-operating revenues (expenses) decreased by $1.8 million from prior year mainly due to interest income from investments.

Governmental Funds Budgetary Highlights

A comparative budgetary statement for the Agency's governmental fund (Special Revenue Fund) for the year ended June 30, 2021:

	Final Budgeted Amounts	Actual Amounts Budgetary Basis	Budget Variance June 30, 2021	Budget Variance June 30, 2020
REVENUES:				
Property taxes	$ 9,572,352	$ 10,344,149	$ 771,797	$ 551,161
Intergovernmental revenues	64,700	81,730	17,030	15,229
Charges for services	47,650	78,651	31,001	(20,841)
Investment earnings	102,365	237,812	135,447	269,904
Others	35,000	97,889	62,889	1,535,288
Total Revenue	$ 9,822,067	$ 10,840,231	$ 1,018,164	$ 2,350,741
EXPENDITURES:				
Flood Protection:				
Salaries and employee benefits	2,660,107	2,319,263	340,844	(278,290)
Services and supplies	10,353,937	6,364,255	3,989,682	5,295,733
Capital outlay:				
Equipment and capital structures	541,000	1,340	539,660	2,285,340
Total Expenditures	$ 13,555,044	$ 8,684,858	$ 4,870,186	$ 7,302,783
EXCESS REVENUES OVER EXPENDITURES	(3,732,977)	2,155,373	5,888,350	9,653,524
Other Financing Sources (Uses)				
Transfers (out) (Note 3)	(14,145)	(11,890)	(2,255)	(2,255)
NET CHANGE IN FUND BALANCE	$ (3,747,122)	2,143,483	$ 5,890,605	$ 9,655,779
Fund balance, beginning of year		20,010,475		
FUND BALANCE, END OF YEAR		$ 22,153,958		

The Agency's actual special revenue fund revenues are over the budget by $1.0 million due to higher assessed property values by $0.7 million and $0.1 million from investment earnings.

Variations between budget and actual expenditures in the special revenue fund reflect overall expenditures less than the final budget by $4.9 million. The variance is primarily due the re-prioritization and deferral of capital projects while the Flood Master Plan Phase I approved by the Board in March 2021 is being developed.

Capital assets

As of June 30, 2021, the agency's investment in capital assets totaled $279.5 million (net of accumulated depreciation) which is an increase of $18.6 million from the net investment in capital assets balance of $260.9 million at June 30, 2020. The increase in capital assets was primarily due to construction in progress for the Patterson Pass Water Treatment Plant (PPWTP) upgrades and ozone projects and construction of the Del Valle Water Treatment Plant (DVWTP) Ozone Plant.

There were many capital project activities in FY 2020-21. They include the DVWTP and PPWTP ozone projects, PPWTP upgrade project, Arroyo Mocho, Arroyo Mocho Granada/Medeiros project and other miscellaneous repair projects. Additional information on the Agency's capital assets is provided in Note 4 of the financial statement.
A comparison of the Agency's capital assets over the past three fiscal years is presented below:

Capital Assets
Business-type Activities
For the Years Ended June 30, 2021, 2020 and 2019
(In millions of dollars)

			2021 vs. 2020			2020 vs. 2019	
	2021	2020	$ Change	% Change	2019	$ Change	% Change
Easements	$ 1.9	$ 1.9	$ -	0%	$ 1.8	$ 0.1	6%
Land	9.6	9.6	-	0%	9.6	-	0%
Treatment Plants	146.6	117.2	29.4	25%	117.2	-	0%
Construction in Progress	83.2	89.3	(6.1)	-7%	44.5	44.8	101%
Office Building	7.1	7.1	-	0%	7.1	-	0%
Pipelines	53.9	53.9	-	0%	53.9	-	0%
Reserviors	2.9	1.9	1.0	53%	1.9	-	0%
Water Entitlements	36.7	36.7	-	0%	36.7	-	0%
Wellfields	31.2	31.2	-	0%	31.2	-	0%
Supervisory Control and Data Acquisition Project	9.7	9.7	-	0%	9.7	-	0%
Others	9.6	9.0	0.6	7%	5.7	3.3	58%
Subtotal	392.4	367.5	24.9	7%	319.3	48.2	15%
Less Accumulated depreciation/amortization	95.0	100.5	(5.5)	-5%	94.1	6.4	7%
Capital assets, net	$ 297.4	$ 267.0	$ 30.4	11%	$ 225.2	$ 41.8	19%

Capital Assets
Governmental Activities
For the Years Ended June 30, 2021, 2020 and 2019
(In millions of dollars)

			2021 vs. 2020			2020 vs. 2019	
	2021	2020	$ Change	% Change	2019	$ Change	% Change
Land	$ 21.2	$ 21.2	$ -	0%	$ 21.2	$ -	0%
Easements	0.1	0.1	-	0%	0.1	-	0%
Flood Control Channels	12.4	12.4	-	0%	12.4	-	0%
Construction in Progress	1.4	1.3	0.1	8%	1.2	0.1	8%
Office Building	1.5	1.5	-	0%	1.5	-	0%
Others	1.0	1.0	-	0%	1.0	-	0%
Subtotal	37.6	37.5	0.1	0%	37.4	0.1	0%
Less Accumulated depreciation/amortization	4.8	4.5	0.3	7%	4.2	0.3	7%
Capital assets, net	$ 32.8	$ 33.0	$ (0.2)	-1%	$ 33.2	$ (0.2)	-1%

Debt Administration and Bond Rating

As of June 30, 2021, the Agency had $61.3 million in outstanding debt and $5.3 million of unamortized bond premium. However, the Agency partners with other public agencies and pays for debt incurred on the Agency's behalf. For example, the Agency pays the State incurred debt for capital projects to maintain, improve or expand the State Water Project infrastructure. The Agency, under the terms of its contract with the State, is obligated to pay its share of the debt payments regardless of the amount of water purchased.

The Agency has a bonded indebtedness limit that shall not exceed 5 percent of the assessed valuation of all taxable property in any zone lying, in whole or in part of the agency's service area, per Alameda County Flood Control and Water Conservation District Act, (ACT 20), §36.6.

Bond Ratings:

A credit rating is a value assigned by one or more of the recognized rating agencies that "grade" a jurisdiction's credit, or financial trustworthiness. The three primary rating agencies are Moody's Investors Service ("Moody's"), Standard & Poor's Rating Services ("S&P"), and Fitch Ratings ("Fitch"). These rating agencies serve as independent assessors of municipal and corporate credit strength. Rating agencies generally focus on four major areas when assigning credit ratings: finances, management, economy, and outstanding debt. In the Agency credit rating for the Livermore Valley Water Financing Authority (LVWFA), Water Revenue Bonds, 2018 Series A, were as follows:

	Ratings	
Type of Bond	**S & P**	**Fitch**
LVWFA Water Revenue Bonds, 2018 Series A	AA+/Stable	AA+/Stable

On June 24, 2021, Fitch Rating affirmed the Livermore Valley Water Financing Authority's series 2018 water revenue bonds rating of 'AA+'.

On July 17, 2020, Fitch Rating upgraded the Livermore Valley Water Financing Authority's series 2018 water revenue bonds issued on behalf of the Alameda County Flood Control and Water Conservation District, Zone 7 bonds to 'AA+' from 'AA'. The Rating outlook is stable. Fitch based its rating upgrade on the following factors: strong financial leadership; fixed rate component of the water rate structure; strong reserves to weather the current economic downturn; healthy levels of capital investment to maintain the Agency's infrastructure; strong balance of stored groundwater and banked water to deal with SWP and hydrology variability; and dedication to expanding water supply through investment in water supply and reliability projects

Additional information on the Agency's long-term debt is provided in Note 5 of the financial statements.

Economic factors and next year's budget and rates

- The Board of Directors adopted the Agency's two-year budget on June 17, 2020 and on June 16, 2021, adopted a Mid-Cycle budget amendment for FY 2021-22. The budget provides funding for the Agency's operating, capital and debt service payments for the fiscal years ending June 30, 2021 and 2022.

- In October 2021, the Alameda County's average unemployment rate was reported at 5% versus 7.9% in October 2020.

- In 2018, the Board of Directors approved a four-year rate schedule that included a set increase each year from Calendar Year 2019-2022. Under that schedule, the next rate increase of 6.7% was scheduled to go into effect on January 1, 2021. With the disruption to economic activity that the COVID-19 pandemic caused, the Board adopted a budget that utilized one-time savings and the deferral of some work in order to delay CY 2021 rate increase and keep rates at the same level as the CY 2020 treated water rates, through December 31, 2021. This action was taken to provide relief and stability to the Tri Valley residents and businesses. The rates for CY 2021 and CY 2022 are shown in the table below:

Calendar Year	CY 2021	CY 2022
Volume-based Rate per CCF	$ 2.10	$ 2.06
Fixed Charge Recovery	40.0%	42.5%
Total Fixed Charges	$ 21,497,919	$ 25,716,705

Requests for Information

This financial report is designed to provide our customers, ratepayers, investors and creditors with a general overview of the Agency's finances and to demonstrate accountability for the money it receives. Requests for additional financial information should be addressed to the Finance Department, Zone 7 Water Agency, 100 N. Canyons Parkway, Livermore, CA 94551. This report is also available online at http://www.zone7water.com.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Statement of Net Position
June 30, 2021
(With summarized information as of June 30, 2020)

ASSETS	Governmental Activities	Business-Type Activities	Total 2021	Total 2020
Current assets:				
Pooled cash in County Treasury (Note 2)	$ 82,115,520	$ 67,898,239	$ 150,013,759	$ 155,168,477
Cash and investments - Agency Treasury (Note 2)	14,885,240	136,122,843	151,008,083	149,297,733
Restricted cash (Note 2)	1,071,531	10,133,582	11,205,113	20,395,441
Accounts receivable, net	1,005,466	13,956,487	14,961,953	15,570,897
Internal balances	(74,002)	74,002	-	-
Prepaid expenses	-	982,207	982,207	917,660
Total current assets	99,003,755	229,167,360	328,171,115	341,350,208
Noncurrent assets:				
Capital assets (Note 4):				
Rights of way, water entitlements, easements and construction in progress	22,654,144	131,225,721	153,879,865	159,941,304
Depreciable, net of accumulated depreciation	10,118,162	166,133,755	176,251,917	140,016,211
Total noncurrent assets	32,772,306	297,359,476	330,131,782	299,957,515
Total assets	131,776,061	526,526,836	658,302,897	641,307,723
DEFERRED OUTFLOWS OF RESOURCES				
Pension related (Note 7)	526,710	4,908,905	5,435,615	3,522,536
OPEB related (Note 8)	105,154	980,030	1,085,184	259,201
Total deferred outflows of resources	631,864	5,888,935	6,520,799	3,781,737

See accompanying Notes to the Financial Statements.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Statement of Net Position (Continued)
June 30, 2021
(With summarized information as of June 30, 2020)

LIABILITIES	Governmental Activities	Business-Type Activities	Total 2021	Total 2020
Current liabilities:				
Accounts payable and accrued expenses	3,102,376	9,199,012	12,301,388	10,041,560
Deposits payable	1,031,988	328,115	1,360,103	1,355,553
Compensated absences (Note 6)	-	514,167	514,167	657,916
Bonds payable (Note 5)	-	1,445,000	1,445,000	1,370,000
Total current liabilities	4,134,364	11,486,294	15,620,658	13,425,029
Noncurrent liabilities:				
Compensated absences, due in more than one year	-	1,093,323	1,093,323	532,014
Bonds payable (Note 5)	-	65,216,411	65,216,411	67,335,423
Net pension liability (Note 7)	1,667,376	15,539,802	17,207,178	18,610,738
Net OPEB liability (Note 8)	5,434	50,637	56,071	678,897
Total noncurrent liabilities	1,672,810	81,900,173	83,572,983	87,157,072
Total liabilities	5,807,174	93,386,467	99,193,641	100,582,101
DEFERRED INFLOWS OF RESOURCES				
Pension related (Note7)	802,440	7,478,671	8,281,111	6,957,228
OPEB related (Note 8)	271,536	2,530,687	2,802,223	1,555,167
Total deferred inflows of resources	1,073,976	10,009,358	11,083,334	8,512,395
NET POSITION				
Net investment in capital assets	32,772,306	246,793,230	279,565,536	260,924,242
Restricted for capital projects and water expansion	72,715,433	110,609,342	183,324,775	201,110,854
Unrestricted	20,039,036	71,617,374	91,656,410	73,959,868
Total net position	$ 125,526,775	$ 429,019,946	$ 554,546,721	$ 535,994,964

See accompanying Notes to the Financial Statements.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Statement of Activities
For the Year Ended June 30, 2021
(With summarized information for the year ended June 30, 2020)

		Program Revenues			
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Total**
Governmental Activities:					
Flood protection operations	$ 8,948,348	$ 78,651	$ 81,730	$ -	$ 160,381
Flood protection development impact fee	208,142	2,557,376	-	-	2,557,376
Flood protection grants	474,319	-	-	474,319	474,319
Total Governmental Activities	9,630,809	2,636,027	81,730	474,319	3,192,076
Business-Type Activities:					
State water project	23,173,321	24,633,172	3,803,475	-	28,436,647
Water Enterprise	67,013,409	71,246,875	2,837,374	-	74,084,249
Total Business-Type Activities	90,186,730	95,880,047	6,640,849	-	102,520,896
Total Primary Government	$ 99,817,539	$ 98,516,074	$ 6,722,579	$ 474,319	$ 105,712,972

See accompanying Notes to the Financial Statements.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Statement of Activities (Continued)
For the Year Ended June 30, 2021
(With summarized information for the year ended June 30, 2020)

Functions/Programs	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Business-Type Activities	Total 2021	Total 2020
Governmental Activities:				
Flood protection operations	$ (8,787,967)	$ -	$ (8,787,967)	(9,365,054)
Flood protection development impact fee	2,349,234	-	2,349,234	1,423,711
Flood protection grants	-	-	-	(9,536)
Total Governmental Activities	(6,438,733)	-	(6,438,733)	(7,950,879)
Business-Type Activities:				
State water project	-	5,263,326	5,263,326	2,640,512
Water Enterprise	-	7,070,840	7,070,840	21,274,431
Total Business-Type Activities	-	12,334,166	12,334,166	23,914,943
Total Primary Government	(6,438,733)	12,334,166	5,895,433	15,964,064
General Revenues:				
Property taxes:				
Secured	9,586,161	-	9,586,161	9,078,288
Unsecured	482,845	-	482,845	449,664
Supplemental	275,143	-	275,143	306,312
Investment earnings	955,187	1,259,099	2,214,286	6,213,743
Other	97,889	-	97,889	1,579,824
Total General Revenues	11,397,225	1,259,099	12,656,324	17,627,831
Transfers, net	(11,890)	11,890	-	-
Changes in Net Position	4,946,602	13,605,155	18,551,757	33,591,895
Net Position - Beginning of Year	120,580,173	415,414,791	535,994,964	502,403,069
Net Position - End of Year	$ 125,526,775	$ 429,019,946	$ 554,546,721	$ 535,994,964

See accompanying Notes to the Financial Statements.

This page intentionally left blank.

FUND FINANCIAL STATEMENTS

This page intentionally left blank.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

This page intentionally left blank.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Balance Sheet
Governmental Funds
June 30, 2021
(With summarized information as of June 30, 2020)

	Flood Protection Operations	Flood Protection Development Impact Fee	Total Non-Major Governmental Funds	Totals 2021	Totals 2020
ASSETS					
Current assets					
Cash in County treasury (Note 2)	$ 22,248,795	$ 59,866,725	$ -	$ 82,115,520	$ 77,386,517
Cash in Agency treasury (Note 2)	2,679,428	12,205,812	-	14,885,240	12,634,092
Restricted cash (Note 2)	1,071,531	-	-	1,071,531	1,071,352
Accounts receivable, net	94,091	726,274	185,101	1,005,466	440,388
Due from other funds	70,119	-	-	70,119	234,344
Total assets	$ 26,163,964	$ 72,798,811	$ 185,101	$ 99,147,876	$ 91,766,693
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued liabilities	$ 2,978,021	$ 83,375	$ 40,980	$ 3,102,376	$ 835,546
Deposits payable	1,031,985	3	-	1,031,988	1,031,985
Due to other funds	-	-	144,121	144,121	239,796
Total liabilities	4,010,006	83,378	185,101	4,278,485	2,107,327
Fund balances (Note 1N):					
Restricted	-	72,715,433	-	72,715,433	69,648,891
Committed:					
Flood protection capital projects	17,597,536	-	-	17,597,536	14,951,157
Flood protection operating contingency	4,556,422	-	-	4,556,422	5,059,318
Total fund balances	22,153,958	72,715,433	-	94,869,391	89,659,366
Total liabilities and fund balances	$ 26,163,964	$ 72,798,811	$ 185,101	$ 99,147,876	$ 91,766,693

See accompanying Notes to the Financial Statements.

This page intentionally left blank.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position
June 30, 2021

Total Fund Balances - Total Governmental Funds		$	94,869,391

Amounts reported for Governmental Activities in the Statement of Net position are different from those reported in the Governmental Funds

CAPITAL ASSETS

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Nondepreciable	$ 22,654,144	
Depreciable, net	10,118,162	32,772,306

PENSION

Net pension liability and the related deferred outflows of resources and deferred inflows of resources are not due and payable in the current period or not available for current expenditures and are not reported in the governmental fund financial statements:

Pension related deferred outflows of resources	526,710
Net pension liability	(1,667,376)
Pension related deferred inflows of resources	(802,440)

OPEB

Net OPEB liability and the related deferred outflows of resources and deferred inflows of resources are not due and payable in the current period or not available for current expenditures and are not reported in the governmental fund financial statements:

OPEB related deferred outflows of resources	105,154
Net OPEB liability	(5,434)
OPEB related deferred inflows of resources	(271,536)

Net Position of Governmental Activities	$	125,526,775

See accompanying Notes to the Financial Statements.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2021
(With summarized information for the year ended June 30, 2020)

	Flood Protection Operations	Flood Protection Development Impact Fee	Total Non-Major Governmental Funds	Totals 2021	Totals 2020
Revenues:					
Property taxes	$ 10,344,149	$ -	$ -	$ 10,344,149	$ 9,834,264
Intergovernmental	81,730	-	474,319	556,049	568,380
Charges for services	78,651	2,557,376	-	2,636,027	1,694,933
Investment earnings	237,812	717,375	-	955,187	1,745,490
Other revenues	97,889	-	-	97,889	1,579,824
Total revenues	10,840,231	3,274,751	474,319	14,589,301	15,422,891
Expenditures:					
Current:					
Salaries and employee benefits transferred from district-wide	2,319,263	35,778	46,166	2,401,207	2,205,357
Services and supplies	6,364,255	172,364	428,153	6,964,772	8,008,597
Capital outlay:					
Equipment and capital infrastructure	1,340	67	-	1,407	13,059
Total expenditures	8,684,858	208,209	474,319	9,367,386	10,227,013
Revenues over (under) expenditures	2,155,373	3,066,542	-	5,221,915	5,195,878
Other financing (uses):					
Transfers out	(11,890)	-	-	(11,890)	(11,890)
Total other financing (uses)	(11,890)	-	-	(11,890)	(11,890)
Net change in fund balances	2,143,483	3,066,542	-	5,210,025	5,183,988
Fund balances:					
Beginning of year	20,010,475	69,648,891	-	89,659,366	84,475,378
End of year	$ 22,153,958	$ 72,715,433	$ -	$ 94,869,391	$ 89,659,366

See accompanying Notes to the Financial Statements.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Reconciliation of the Net Change in Fund Balances - Total Governmental Funds with the Change in Net Position of Governmental Activities
For the Year Ended June 30, 2021

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

Net Change in Fund Balances - Total Governmental Funds	$ 5,210,025
Amounts reported for Governmental activities in the Statement of Activities were reported differently because:	
CAPITAL ASSETS TRANSACTIONS	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
The capital outlay expenditures are therefore added back to fund balance	75,611
Depreciation expense is deducted from the fund balance	(297,062)
ACCRUALS OF PENSIONS AND OPEB	
Net pension liability and related deferred inflows and outflows of resources	(40,586)
Net OPEB liability and related deferred inflows and outflows of resources	(1,386)
Change in Net Position of Governmental Activities	$ 4,946,602

See accompanying Notes to the Financial Statements.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Flood Protection Operations Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Property taxes	$ 9,572,352	$ 9,572,352	$ 10,344,149	$ 771,797
Intergovernmental revenue	64,700	64,700	81,730	17,030
Charges for services	47,650	47,650	78,651	31,001
Investment earnings	102,365	102,365	237,812	135,447
Other revenue	35,000	35,000	97,889	62,889
Total Revenues	9,822,067	9,822,067	10,840,231	1,018,164
Expenditures:				
Current:				
Flood protection:				
Salaries and benefits	2,660,107	2,660,107	2,319,263	340,844
Services and supplies	8,521,937	10,353,937	6,364,255	3,989,682
Capital outlay:				
Equipment and capital structure	541,000	541,000	1,340	539,660
Total Expenditures	11,723,044	13,555,044	8,684,858	4,870,186
Revenues over (under) expenditures	(1,900,977)	(3,732,977)	2,155,373	5,888,350
Other Financing (Uses):				
Transfers out	(14,145)	(14,145)	(11,890)	2,255
Total Other Financing (Uses)	(14,145)	(14,145)	(11,890)	2,255
NET CHANGE IN FUND BALANCE	$ (1,915,122)	$ (3,747,122)	2,143,483	$ 5,890,605
FUND BALANCE:				
Beginning of year			20,010,475	
End of year			$ 22,153,958	

See accompanying Notes to the Financial Statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Statement of Net Position
Proprietary Funds
June 30, 2021
(With summarized information as of June 30, 2020)

	State Water Facilities	Water Enterprise Operations	Water Enterprise Capital Expansion	Non-Major Enterprise Funds	Totals 2021	Totals 2020
ASSETS						
Current assets:						
Cash in County treasury (Note 2)	$ 22,979,940	$ 35,337,400	$ 4,978,953	$ 4,601,946	$ 67,898,239	$ 77,781,960
Cash in Agency treasury (Note 2)	14,231,941	46,242,659	75,648,243	-	136,122,843	136,663,641
Restricted cash and investments (Note 2)	-	9,300,357	833,225	-	10,133,582	19,324,089
Receivables, net	-	12,451,275	1,505,212	-	13,956,487	15,130,509
Due from other funds	-	74,002	-	-	74,002	5,452
Prepaid deposits	842,083	140,124	-	-	982,207	917,660
Total current assets	38,053,964	103,545,817	82,965,633	4,601,946	229,167,360	249,823,311
Noncurrent assets:						
Capital assets (Note 4):						
Right of ways, water entitlements and construction in progress	-	131,225,721	-	-	131,225,721	137,362,771
Improvements, net of depreciation	-	166,133,755	-	-	166,133,755	129,600,987
Total noncurrent assets	-	297,359,476	-	-	297,359,476	266,963,758
Total assets	38,053,964	400,905,293	82,965,633	4,601,946	526,526,836	516,787,069
DEFERRED OUTFLOWS OF RESOURCES						
Pension related (Note 7)	-	4,745,836	163,069	-	4,908,905	3,218,541
OPEB related (Note 8)	-	947,474	32,556	-	980,030	236,832
Total deferred outflows of resources	-	5,693,310	195,625	-	5,888,935	3,455,373

See accompanying Notes to the Financial Statements.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2021
(With summarized information as of June 30, 2020)

	State Water Facilities	Water Enterprise Operations	Water Enterprise Capital Expansion	Non-Major Enterprise Funds	Totals 2021	Totals 2020
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	1,659	5,545,913	3,651,440	-	9,199,012	9,206,014
Deposits	-	-	-	328,115	328,115	323,568
Compensated absences (Note 6)	-	514,167	-	-	514,167	657,916
Bonds payable (Note 5)	-	885,000	560,000	-	1,445,000	1,370,000
Total current liabilities	1,659	6,945,080	4,211,440	328,115	11,486,294	11,557,498
Noncurrent liabilities:						
Compensated absences (Note 6)	-	1,093,323	-	-	1,093,323	532,014
Bonds payable (Note 5)	-	53,374,027	11,842,384	-	65,216,411	67,335,423
Net pension liability (Note 7)	-	15,023,587	516,215	-	15,539,802	17,004,631
Net OPEB liability (Note 8)	-	48,955	1,682	-	50,637	620,308
Total noncurrent liabilities	-	69,539,892	12,360,281	-	81,900,173	85,492,376
Total liabilities	1,659	76,484,972	16,571,721	328,115	93,386,467	97,049,874
DEFERRED INFLOW OF RESOURCES						
Pension related (Note 7)	-	7,230,238	248,433	-	7,478,671	6,356,820
OPEB related (Note 8)	-	2,446,620	84,067	-	2,530,687	1,420,957
Total deferred inflows of resources	-	9,676,858	332,500	-	10,009,358	7,777,777
NET POSITION (Note 1M)						
Net investment in capital assets	-	246,793,230	-	-	246,793,230	227,930,485
Restricted for:						
Capital projects and water expansion	38,052,305	6,300,000	66,257,037	-	110,609,342	131,461,963
Unrestricted	-	67,343,543	-	4,273,831	71,617,374	56,022,343
Total net position	$ 38,052,305	$ 320,436,773	$ 66,257,037	$ 4,273,831	$ 429,019,946	$ 415,414,791

See accompanying Notes to the Financial Statements.

This page intentionally left blank.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2021
(With summarized information for the year ended June 30, 2020)

	Major Funds				Totals	
	State Water Facilities	Water Enterprise Operations	Water Enterprise Capital Expansion	Non-Major Enterprise Funds	2021	2020
OPERATING REVENUES:						
Water sales	$ -	$ 57,012,484	$ -	$ -	$ 57,012,484	$ 55,777,208
Connection and development fees	-	-	13,609,527	-	13,609,527	22,461,926
Charges for services	-	313,607	-	-	313,607	500,371
Other revenues	2,016,999	188,478	122,779	-	2,328,256	3,054,566
Total operating revenues	2,016,999	57,514,569	13,732,306	-	73,263,874	81,794,071
OPERATING EXPENSES:						
Salaries, wages and benefits	-	14,215,508	445,332	-	14,660,840	17,855,597
Contractual services	5,612	4,232,376	-	-	4,237,988	4,496,222
Technical supplies	-	440,665	-	-	440,665	277,074
Chemical purchases	-	1,793,501	-	-	1,793,501	2,556,168
Water purchases	23,167,709	4,584,666	16,667,609	-	44,419,984	43,724,787
Water storage	-	1,179,750	-	-	1,179,750	1,282,526
Utilities	-	3,203,479	-	-	3,203,479	2,521,296
Maintenance and repairs	-	1,608,859	-	-	1,608,859	1,950,838
Equipment and building rents	-	72,727	-	-	72,727	60,504
Other services and supplies	-	1,297,256	1,658,640	-	2,955,896	1,856,461
Risk management	-	532,293	-	-	532,293	806,154
Depreciation (Note 4)	-	6,760,363	-	-	6,760,363	6,429,526
Total operating expenses	23,173,321	39,921,443	18,771,581	-	81,866,345	83,817,153
OPERATING INCOME (LOSS)	(21,156,322)	17,593,126	(5,039,275)	-	(8,602,471)	(2,023,082)
NONOPERATING INCOME (LOSS):						
Property taxes	22,616,173	-	-	-	22,616,173	21,553,508
Intergovernmental revenue	3,803,475	84,440	2,752,934	-	6,640,849	6,509,157
Investment earnings	303,505	501,026	382,227	72,341	1,259,099	4,468,253
Loss on disposal of assets	-	(6,186,608)	-	-	(6,186,608)	-
Interest expense for debt service	-	(1,811,150)	(322,627)	-	(2,133,777)	(2,150,866)
Total Nonoperating Income (Loss)	26,723,153	(7,412,292)	2,812,534	72,341	22,195,736	30,380,052
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	5,566,831	10,180,834	(2,226,741)	72,341	13,593,265	28,356,970
TRANSFERS AND CAPITAL CONTRIBUTIONS:						
Capital contributions	-	-	-	-	-	26,226
Transfers in (Note 3)	-	26,551,658	1,651,639	-	28,203,297	64,294,496
Transfers out (Note 3)	-	-	(25,844,350)	(2,347,057)	(28,191,407)	(64,282,606)
Total Transfers and and Capital Contributions	-	26,551,658	(24,192,711)	(2,347,057)	11,890	38,116
CHANGES IN NET POSITION	5,566,831	36,732,492	(26,419,452)	(2,274,716)	13,605,155	28,395,086
NET POSITION:						
Beginning of year	32,485,474	283,704,281	92,676,489	6,548,547	415,414,791	387,019,705
End of year	$ 38,052,305	$ 320,436,773	$ 66,257,037	$ 4,273,831	$ 429,019,946	$ 415,414,791

See accompanying Notes to the Financial Statements.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021
(With summarized information for the year ended June 30, 2020)

	State Water Facilities	Water Enterprise Operations	Water Enterprise Capital Expansion
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers and users	$ 2,017,581	$ 58,110,337	$ 696,580
Cash received from connection and development fees	-	-	13,609,527
Cash paid to suppliers for goods and services	(23,185,385)	(20,387,144)	(17,025,766)
Cash paid to employees for services	-	(15,766,847)	(597,642)
Net Cash Provided (Used) by Operating Activities	(21,167,804)	21,956,346	(3,317,301)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	-	26,551,658	1,651,639
Transfers (out)	-	(68,550)	(25,844,350)
Property tax	22,616,173	-	-
Intergovernmental	3,803,475	84,440	2,752,934
Net Cash Provided (Used) by Noncapital Financing Activities	26,419,648	26,567,548	(21,439,777)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of property, plant, and equipment	-	(43,342,689)	-
Proceeds from contribution	-	-	-
Premiums payments on long term debt	-	(840,000)	(530,000)
Interest paid	-	(2,282,339)	(559,700)
Net Cash (Used) by Capital and Related Financing Activities	-	(46,465,028)	(1,089,700)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	303,505	501,026	382,227
Net Cash Provided by Investing Activities	303,505	501,026	382,227
Net Increase (Decrease) In Cash and Cash Equivalents	5,555,349	2,559,892	(25,464,551)
CASH AND CASH EQUIVALENTS:			
Beginning of year	31,656,532	88,320,524	106,924,972
End of year	$ 37,211,881	$ 90,880,416	$ 81,460,421
CASH AND CASH EQUIVALENTS:			
Cash and investments	$ 22,979,940	$ 35,337,400	$ 4,978,953
Cash and investments with fiscal agent	14,231,941	46,242,659	75,648,243
Cash and investments, restricted	-	9,300,357	833,225
Total cash and cash equivalents	$ 37,211,881	$ 90,880,416	$ 81,460,421
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	$ (21,156,322)	$ 17,593,126	$ (5,039,275)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation		6,760,363	-
Changes in assets and liabilities:			
Receivables	-	600,221	573,801
Prepaids	(12,064)	(52,483)	-
Accounts payable and accrued expenses	-	(1,273,817)	1,300,483
Compensated absences	-	417,560	-
Deposits	582	(4,453)	-
Net pension liability, deferred inflows and deferred outflows	-	(1,894,195)	(139,147)
Net OPEB liability, deferred inflows and deferred outflows	-	(189,976)	(13,163)
Net Cash Provided (Used) by Operating Activities	$ (21,167,804)	$ 21,956,346	$ (3,317,301)

See accompanying Notes to the Financial Statements.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2021
(With summarized information for the year ended June 30, 2020)

	Non-Major Enterprise Funds	Totals 2021	Totals 2020
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers and users	$ 9,000	$ 60,833,498	$ 55,903,603
Cash received from connection and development fees	-	13,609,527	22,461,926
Cash paid to suppliers for goods and services	-	(60,598,295)	(60,099,633)
Cash paid to employees for services	-	(16,364,489)	(16,429,861)
Net Cash Provided (Used) by Operating Activities	9,000	(2,519,759)	1,836,035
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	-	28,203,297	15,767,822
Transfers (out)	(2,347,057)	(28,259,957)	(15,761,384)
Property tax	-	22,616,173	21,553,508
Intergovernmental	-	6,640,849	6,509,157
Net Cash Provided (Used) by Noncapital Financing Activities	(2,347,057)	29,200,362	28,069,103
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of property, plant, and equipment	-	(43,342,689)	(48,156,664)
Proceeds from contribution	-	-	26,226
Premiums payments on long term debt	-	(1,370,000)	(1,305,000)
Interest paid	-	(2,842,039)	(2,908,912)
Net Cash (Used) by Capital and Related Financing Activities	-	(47,554,728)	(52,344,350)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	72,341	1,259,099	4,468,253
Net Cash Provided by Investing Activities	72,341	1,259,099	4,468,253
Net Increase (Decrease) In Cash and Cash Equivalents	(2,265,716)	(19,615,026)	(17,970,959)
CASH AND CASH EQUIVALENTS:			
Beginning of year	6,867,662	233,769,690	251,740,649
End of year	$ 4,601,946	$ 214,154,664	$ 233,769,690
CASH AND CASH EQUIVALENTS:			
Cash and investments	$ 4,601,946	$ 67,898,239	$ 77,781,960
Cash and investments with fiscal agent	-	136,122,843	136,663,641
Cash and investments, restricted	-	10,133,582	19,324,089
Total cash and cash equivalents	$ 4,601,946	$ 214,154,664	$ 233,769,690
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	$ -	$ (8,602,471)	$ (2,023,082)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	6,760,363	6,429,526
Changes in assets and liabilities:			
Receivables	-	1,174,022	(3,426,451)
Prepaids	-	(64,547)	(86,660)
Accounts payable and accrued expenses	-	26,666	(440,067)
Compensated absences	-	417,560	(59,939)
Deposits	9,000	5,129	(2,091)
Net pension liability, deferred inflows and deferred outflows	-	(2,033,342)	1,452,933
Net OPEB liability, deferred inflows and deferred outflows	-	(203,139)	(8,134)
Net Cash Provided (Used) by Operating Activities	$ 9,000	$ (2,519,759)	$ 1,836,035

See accompanying Notes to the Financial Statements.

This page intentionally left blank.

NOTES TO THE FINANCIAL STATEMENTS

This page intentionally left blank

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the Alameda County Flood Control and Water Conservation District – Zone 7 Water Agency (the "Agency") have been prepared in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") as applied to governmental agencies. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Agency's significant policies:

A. Financial Reporting Entity

The Agency is a public corporation, organized and existing under the constitution and laws of the State of California. The Agency provides various services including the purchase, treatment and sales of water and the maintenance of flood control channels within the boundaries of its service area.

In evaluating how to define the Agency for financial reporting purposes, management has considered all potential component units. The primary criteria for including a potential component unit within the reporting entity are the governing body's financial accountability and a financial benefit or burden relationship and whether it is misleading to exclude. A primary government is financially accountable and shares a financial benefit or burden relationship, if it appoints a voting majority of an organization's governing body and it is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

Joint Powers Authority (JPA)

The Livermore Valley Water Financing Authority (the "Authority") was formed on November 1, 2017 to assist in the financing of public capital improvements. The Authority is a joint exercise agency organized under the laws of the State of California and was composed of the Alameda County Flood Control and Water Conservation District, Zone 7 (the "Agency") and the California Statewide Communities Development Authority ("CSCDA"). The Agency Board of Directors serves as the governing board of the Authority. The Authority transactions are reported in Water Enterprise Operations and Water Enterprise Capital Expansion funds. Related debt is included in the long-term obligations of the Agency on the business-type activities column of the statement of net position.

B. Basis of Accounting and Measurement Focus

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance or net position, revenues and expenditures or expenses, as appropriate. Agency resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

Government-Wide Financial Statements

The government-wide financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the Agency in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated. The following interfund activities have been eliminated:

- Due from and to other funds
- Transfers in and out

Governmental Fund Financial Statements

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, current liabilities, and deferred inflows of resources are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

Revenues are recorded when received in cash, except those revenues subject to accrual (generally 60 days after year-end) which are recognized when due. Under this method, revenues are recognized when measurable and available. Property taxes, benefit assessments, interest, grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences are recorded when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Reconciliations of the fund financial statements to the government-wide financial statements are provided to explain the differences.

The Agency reported the following major governmental funds in the accompanying financial statements:

The ***Flood Protection Operations Fund*** is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the Agency that are not accounted for through other funds.

The ***Flood Protection Development Impact Fee Fund*** is used for the acquisition, construction, engineering and improvement of the flood protection and /or storm water drainage elements of the Stream Management Master Plan of Zone 7, or to reduce the principal or interest of any bonded indebtedness thereof.

The Agency reports the following non-major governmental funds:

The ***Environmental Protection Agency (EPA) Grant*** - *Federal Fund* is used to account for revenues and expenses resulting from the EPA Preparing for the Storm grant.

The ***Cal-OES Grant*** – Federal passed through grant to the California Governor's Office of Emergency Services (Cal-OES) is used to account for revenues and expenditures for damages caused by January 2017 storms.

The ***Department of Water Resources (DWR) Sustainable Groundwater Management Grant***- State Fund is used to account for revenues and expenses resulting from the 2022 Alternative Groundwater Sustainability Plan Grant.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major Proprietary Fund.

Proprietary funds are accounted for using the *"economic resources"* measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statements (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Enterprise Operations fund is the sale of water to outside customers. Operating expenses for the fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Agency reports the following major proprietary funds:

The ***State Water Facilities Fund*** is used for fixed State water charges and State water project bonded indebtedness.

The ***Water Enterprise Operations Fund*** accounts for enterprise operation and administration, emergency and support services, variable State water charges, water facilities maintenance and operation, renewal and replacement program, water facilities, water resources and water supply planning.

The ***Water Enterprise Capital Expansion Fund*** is used for Water Enterprise capital expansion projects and water purchases.

The Agency reports the following non-major proprietary funds:

The ***Water Facilities Fund*** is used for Chain of Lakes mitigation and planning reserve, quarry discharge exports, miscellaneous fees and deposits, and permit inspection deposits.

The ***Water Supply and Reliability Fund*** is used for future water, water storage and Delta- related projects.

C. Cash and Cash Equivalents

For purposes of the statement of cash flows the Agency defines cash and cash equivalents to include all cash and temporary investments with original maturities of three months or less from the date of acquisition, including restricted assets, and all pooled deposits.

A portion of the Agency's cash is pooled with the Alameda County Treasurer, who acts as disbursing agent for the Agency. The fair 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 the Treasury Pool for the entire Treasury Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by the Treasury Pool, which are recorded on an amortized cost basis. Interest earned on investments pooled with the Treasurer is allocated quarterly to the appropriate fund based on its respective average daily balance for that quarter.

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Investment and Fair Value Measurements

The Agency invests in individual investments and in the County Treasury investment pool. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system.

The Agency's investments are carried at fair value, as required by generally accepted accounting principles. The Agency adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the financial statements, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The three levels of the fair value measurement hierarchy are described below:

- Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.
- Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

If the fair value of an investment is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

E. Receivables

Accounts receivable arise from billings to customers for water and certain improvements made to customers' property. Uncollectible amounts from individual customers are not significant.

F. Capital Assets

Capital assets are those purchased or acquired with a useful life greater than one year and an original cost greater than $250,000 for infrastructure, buildings, building improvements, land improvements and software. The Agency capitalizes equipment and land with a useful life greater than one year and an original cost greater than $5,000. These assets are reported at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized but are expensed as incurred.

Note 1 – Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

Capital Assets	Useful Life
Treatment plants	40 years
Treatment plants improvements	10-40 years
Sludge drying ponds	40 years
Pipeline	40 years
Equipment	3-10 years
Reservoir	40 years
Office building	40 years
Wellfields	40 years
Flood control channels	50 years
Rights of way	Indefinite
Water entitlement	Indefinite

G. Budgets and Budgetary Accounting

Formal budgets are employed as a management control during the year for the Funds.

Budgets for the Governmental Funds are prepared to include encumbrances at year-end. Budget comparisons presented are on GAAP budgetary basis.

H. Encumbrances – Governmental Fund Financial Statements

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the Flood Protection Operations Fund and Flood Protection Development Impact Fee Fund. Encumbrances at June 30, 2021 are as follows:

Fund	Encumbrances
Flood Protection Operations Major Funds	$ 4,958,376

I. Property Taxes

The Agency receives property taxes and fixed state water charges from Alameda County. The Agency recognizes property taxes as revenue in the fiscal year of levy, based on the assessed value as of September 1 of the preceding fiscal year. They become a lien on the first day of the year they are levied. Secured property tax is levied on September 1 and due in two installments, on November 1 and March 1. They become delinquent on December 10 and April 10, respectively. Unsecured property taxes are due on July 1 and become delinquent on August 31. The Agency elected to receive the property taxes from the County under the Teeter Bill. Under this program the Agency receives 100% of the levied property taxes in periodic payments, with the County assuming responsibility for delinquencies.

Note 1 – Summary of Significant Accounting Policies (Continued)

J. Compensated Absences

The Agency's policy allows employees to accumulate earned but unused vacation and overtime compensation, subject to a vesting policy. The cost of vacation is recorded in the period it is earned. The Agency will recognize accrued vacation to the maximum of vacation earned during the preceding two years prior to separation of service. Accumulated employee sick leave benefits are not recognized as liabilities of the Agency, as these benefits do not vest with the employee. Therefore, sick leave is recorded as an expenditure in the period that the benefit is taken.

K. Long-Term Debt and Related Costs

Long-term debt is reported at face value, net of applicable premium and discounts. Costs related to the issuance of debt are reported as an expense. Deferred charge on refunding from advance refundings of debt are classified as a deferred outflow of resources and are amortized as interest expense over the remaining life of the old bonds, or the life of the new bonds, whichever is shorter.

L. Pension and OPEB

For purposes of measuring the aggregate net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension/OPEB reporting:

Valuation Date	December 31, 2019
Measurement Date	December 31, 2020
Measurement Period	January 1, 2020 to December 31, 2020

Gains and losses related to changes in total pension/OPEB liability and fiduciary net position are recognized in pension/OPEB expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions/OPEB and are to be recognized in future pension/OPEB expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Note 1 – Summary of Significant Accounting Policies (Continued)

M. Net Position

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

Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, related debt, and deferred inflows of resources.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets as to the use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Agency cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and fees charged for the provision of future water resources.

Unrestricted – 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.

N. Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Restricted fund balances are the portion of fund balance that have externally enforceable limitations on their usage through legislation or limitations imposed by creditors, grantor, laws and regulations of other governments or enabling legislation.

Committed – Committed fund balances are self-imposed limitations by the highest level of decision-making authority, namely the Board of Directors, prior to the end of the reporting period. Board of Directors adoption of a resolution is required to commit resources or to rescind the commitment. Encumbrances and nonspendable amounts subject to Board commitments are included along with spendable resources.

O. Spending Policy

Government-Wide Financial Statements and the Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the Agency's policy is to apply restricted fund balances first, then unrestricted fund balances as needed.

When expenditures are incurred for purposes where only unrestricted fund balances are available, the Agency uses the unrestricted resources in the following order: (1) Committed, (2) Assigned, (3) Unassigned, except for instances wherein an ordinance specifies the fund balance.

Note 1 – Summary of Significant Accounting Policies (Continued)

P. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 expenses during the reporting period. Actual results could differ from those estimates.

Q. Implementation of Governmental Accounting Standards Board (GASB) Pronouncement

During the fiscal year ended June 30, 2021, the Agency implemented the following accounting standards:

- In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB Statement No. 84), to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying fiduciary activities of all state and local governments. It also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The implementation of this statement did not have a significant impact to the Agency's financial statements.

- In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61* (GASB Statement No. 90), to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. The implementation of this statement did not have a significant impact to the Agency's financial statements.

- In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report.*, to establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. Those provision are effective for fiscal years ending after December 15, 2021. The Agency has elected early implementation. The implementation of this statement did not have a significant impact to the Agency's financial statements.

R. New GASB Pronouncements

- In June 2017, GASB issued Statement No. 87, *Leases* (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. GASB Statement No. 87 originally effective for the Agency's fiscal year ending June 30, 2021, has been postponed to fiscal year ending June 30, 2022..

Note 1 – Summary of Significant Accounting Policies (Continued)

R. New GASB Pronouncements (Continued)

- In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB Statement No. 91), to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 91 originally effective for the Agency's fiscal year ending June 30, 2022, has been postponed to fiscal year ending June 30, 2023.

- In January 2020, GASB issued Statement No. 92, *Omnibus 2020* (GASB Statement No. 92), to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics. GASB Statement No. 92 originally effective for the Agency's fiscal year ending June 30, 2021, has been postponed to fiscal year ending June 30, 2022.

- In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* (GASB Statement No. 93), to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR) which is expected to cease to exist in its current form at the end of 2021. GASB Statement No. 93 originally effective for the Agency's fiscal year ending June 30, 2022, has been postponed to fiscal year ending June 30, 2023.

- In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB Statement No. 94) to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). GASB Statement No. 94 is effective for the Agency's fiscal year ending June 30, 2023.

- In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB Statement No. 96), to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. GASB Statement No. 96 is effective for the Agency's fiscal year ending June 30, 2023.

Note 1 – Summary of Significant Accounting Policies (Continued)

R. New GASB Pronouncements (Continued)

- In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32* (GASB Statement No. 97), to (1) increase consistency and comparability related to the reporting of fiduciary component units; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB Statement No. 97 is effective for the Agency's fiscal year ending June 30, 2022.

Note 2 – Cash and Investments

The Agency's cash and investments consist of the following at June 30, 2021:

Pooled Cash and investment in County Treasury	$ 150,013,759
Cash and investments - Agency Treasury	151,008,083
Restricted cash and investments	11,205,113
Total cash and investments	$ 312,226,955
Cash and investment in Government Funds	$ 98,072,291
Cash and investments in Proprietary Funds	214,154,664
Total cash and investments	$ 312,226,955

Investments Authorized by California Government Code and the Agency's Investment Policy

The Agency's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the Board of Supervisors. The objectives of the policy are, in order of priority: safety of principal, liquidity and yield.

The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code 53601, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

The Agency's external investment pool is not registered with the Securities and Exchange Commission but rather the County Board of Supervisors created the Treasury Oversite Committee to establish regulations of the pooled investments.

A copy of the County investment policy is available upon request from the Alameda County Auditor- Controller's Office at 1221 Oak Street, Room 249, Oakland, California, 94612.

Note 2 – Cash and Investments (Continued)

Investments Authorized by California Government Code and the Agency's Investment Policy (Continued)

The non-pooled cash and investments are invested in accordance with the Agency's Investment Policy and the California Government Code which allows the Agency to invest in the following, provided the credit ratings of the issuers are acceptable to the Agency and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the Agency's Investment Policy where the Agency Investment Policy is more restrictive.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality Portfolio	Maximum in Portfolio	Maximum Investment in One Issuer
Repurchase Agreements	360 Days	A	20%	(A)
California Local Agency Investment Fund	Upon Demand	N/A	(A)	(B)
U.S. Treasury Obligations	5 Years	N/A	(A)	(A)
U.S. Agency Securities	5 Years	N/A	(A)	(A)
Municipal Bonds and Notes	5 Years	N/A	40%	(A)
Bankers' Acceptances	180 Days	A1, P1	40%	25%
Commercial Paper	270 Days	A1, P1	25%	10%
Negotiable Certificates of Deposit	5 Years	A, A2	30%	5%
Certificates of Time Deposit	360 Days	A, A2	30%	5%
Medium Term Corporate Notes	5 Years	A3, A-	30%	5%
Money Market Mutual Funds	Upon Demand	N/A	20%	(A)
California Asset Management Program	Upon Demand	N/A	10%	(A)

(A) No Board established limit.
(B) LAIF limit is $75,000,000.

The Agency is in compliance with the Board approved Investment Policy and California Government Code requirements.

Disclosure 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. As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the Treasury Pool 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 maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Note 2 – Cash and Investments (Continued)

Disclosure Relating to Interest Rate Risk (Continued)

As of June 30, 2021, approximately 48.8 percent of the securities in the Treasury Pool had maturities of one year or less as reported by Alameda County Treasurer.

Information about the sensitivity of the fair values of the Agency's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investment by maturity or earliest calldate:

Investment Type	12 Months or less	13 to 24 Months	Total
Pooled Cash and Investments in County Treasury			
Cash in County Pool	$ -	$ -	$ 150,013,759
Cash and Investments - Agency Treasury			
U.S. Treasury Notes	-	57,940,259	57,940,259
Commercial Paper	31,443,210	-	31,443,210
Corporate Bonds	1,194,971	34,580,768	35,775,739
Money Markey Fund	24,630,805	-	24,630,805
Total	57,268,986	92,521,027	149,790,013
Cash in bank			1,218,070
Total Cash and Investments - Agency Treasury			151,008,083
Restricted Cash and Investments			
Money Market Fund	10,133,582	-	10,133,582
	10,133,582	-	10,133,582
Cash in bank - Money Market			1,071,531
Total Restricted Cash and Investments			11,205,113
Total Cash and Investments			$ 312,226,955

Note 2 – Cash and Investments (Continued)

Disclosure Relating to 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 Treasury Pool does not have a rating provided by a nationally recognized statistical rating organization. Presented below is the actual ratings as of June 30, 2021 for each investment type as provided by Moody's Investor Service:

Investment Type	Aaa	Aa1	Aa2	A1	A2	Baa2	P-1	Total
Pooled Cash and Investments in County Treasury								
Not rated:								
Cash in County Pool	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$150,013,759
Cash and Investments - Agency Treasury								
U.S. Treasury Notes	57,940,259	-	-	-	-	-	-	57,940,259
Commercial Paper	-	-	-	-	-	-	31,443,210	31,443,210
Corporate Bonds	-	6,058,690	3,296,434	10,781,218	14,444,425	1,194,972	-	35,775,739
Money Market Fund	24,630,805	-	-	-	-	-	-	24,630,805
Not rated:								
Cash in bank								1,218,070
Total Cash and Investments - Agency Treasury	82,571,064	6,058,690	3,296,434	10,781,218	14,444,425	1,194,972	31,443,210	151,008,083
Restricted Cash and Investments								
Cash in bank - Money Market	1,071,531	-	-	-	-	-	-	1,071,531
Not rated:								
Money Market Fund								10,133,582
Total Restricted Cash and Investments	1,071,531	-	-	-	-	-	-	11,205,113
Total Cash and Investments								$312,226,955

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 the Treasury Pool).

Disclosure Relating to Concentration of Credit Risk

The investment policy of the County Pool contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the 2021 Alameda County Annual Comprehensive Financial Report.

Note 2 – Cash and Investments (Continued)

Fair Value Hierarchy

The Agency 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 fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

As of June 30, 2021, the Agency had $150,013,759 of cash and investments pooled with the Alameda County Treasurer that is exempt from the fair value hierarchy. The fair value of the pooled investment fund is provided by the Alameda County Treasurer and is valued using quoted prices for identical instruments in markets that are not active. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources.

The following is a summary of the fair value hierarchy of the fair value of investments of the Agency as of June 30, 2021:

	Level 1	Level 2	Total
Cash and Investments - Agency Treasury			
Investments by Fair Value Level			
U.S. Treasury Notes	$ 57,940,259	$ -	$ 57,940,259
Commercial Paper	-	31,443,210	31,443,210
Corporate Bonds	-	35,775,739	35,775,739
Investments Measured at Amortized Cost			
Money Market Fund	-	-	24,630,805
Total Cash and Investments - Agency Treasury	57,940,259	67,218,949	149,790,013
Restricted Cash and Investments			
Investments Measured at Amortized Cost			
Money Market Fund	-	-	10,133,582
Total Restricted Cash and Investments	-	-	10,133,582
Total Investments			$ 159,923,595

Level 1 of the fair value hierarchy are valued using quoted prices in active markets. Level 2 of the fair value hierarchy are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

Note 3 – Interfund Transfers

Fund Making Transfer	Fund Receiving Transfers	Amount Transferred	
Governmental Fund			
Flood Protection Operations Funds	Water Enterprise Operations Fund	$ 11,890	(A)
Enterprise Funds:			
Water Enterprise Capital Expansion Fund	Water Enterprise Operations Fund	25,844,350	(B)
Water Supply and Reliability Fund	Water Enterprise Capital Expansion Fund	1,651,639	(C)
Water Supply and Reliability Fund	Water Enterprise Operations Fund	695,418	(D)
		$ 28,203,297	

(A) Tranfer to fund vehicle replacement.
(B) Transfer of completed construction projects and other capital assets.
(C) Transfer to fund Sites Reservoir Project and Los Vaqueros Reservior Project.
(D) Transfer to fund Delta Conveyance Finance Authority Administration costs.

Note 4 – Capital Assets

A. Governmental Activities

Summary of changes in governmental activities capital assets for the year ended June 30, 2021 is as follows:

Governmental Activities:	Balance July 1, 2020	Additions	Balance June 30, 2021
Capital assets not being depreciated:			
Rights of Way	$ 21,203,051	$ -	$ 21,203,051
Easements	36,960	-	36,960
Construction in progress	1,338,522	75,611	1,414,133
Total capital assets not being depreciated	22,578,533	75,611	22,654,144
Capital assets being depreciated:			
Flood control channels	12,393,619	-	12,393,619
Other infrastructure	1,048,885	-	1,048,885
Office Building	1,459,756	-	1,459,756
Equipment	13,059	-	13,059
Total capital assets being depreciated	14,915,319	-	14,915,319
Less accumulated depreciation for:			
Flood control channels	(4,232,230)	(231,734)	(4,463,964)
Other infrastructure	(150,777)	(26,222)	(176,999)
Office Building	(115,564)	(36,494)	(152,058)
Equipment	(1,524)	(2,612)	(4,136)
Total accumulated depreciation	(4,500,095)	(297,062)	(4,797,157)
Total capital assets being depreciated, net	10,415,224	(297,062)	10,118,162
Total governmental activities	$ 32,993,757	$ (221,451)	$ 32,772,306

Depreciation expense in the amount of $297,062 was charged to Flood Protection of the primary government.

Note 4 – Capital Assets (Continued)

A. Governmental Activities (Continued)

Construction in progress at June 30, 2021 comprises the following projects:

Arroyo Mocho Medieros	$ 1,234,429
Arroyo Mocho Granada/Murrieta	81,958
North Canyons Administration Building HVAC Project	97,746
Total	$ 1,414,133

B. Business-Type Activities

Summary of changes in business-type activities capital assets for the year ended June 30, 2021 is as follows:

Business--Type Activities:	Balance July 1, 2020	Additions	Deletions	Transfer	Balance June 30, 2021
Capital assets not being depreciated:					
Rights of way	$ 9,553,081	$ -	$ -	$ -	$ 9,553,081
Water entitlements	36,655,364	-	-	-	36,655,364
Easements	1,862,074	-	-	-	1,862,074
Construction in progress	89,292,252	42,773,382	-	(48,910,432)	83,155,202
Total capital assets not being depreciated	137,362,771	42,773,382	-	(48,910,432)	131,225,721
Capital assets being depreciated:					
Equipment	4,851,401	569,307	-	-	5,420,708
Treatment plants	117,172,449	-	(18,437,749)	47,886,063	146,620,763
Office building	7,103,276	-	-		7,103,276
Reservoir	1,934,197	-	-	1,024,369	2,958,566
Pipelines	53,929,752	-	-	-	53,929,752
Wellfields	31,202,337	-	-	-	31,202,337
SCADA project	9,704,664	-	-	-	9,704,664
Other infrastructure	4,154,940	-	-	-	4,154,940
Total capital assets being depreciated	230,053,016	569,307	(18,437,749)	48,910,432	261,095,006
Less accumulated depreciation for:					
Equipment	(3,278,784)	(578,408)	-	-	(3,857,192)
Treatment plants	(56,775,281)	(3,321,845)	12,251,141	-	(47,845,985)
Office buildings	(1,500,238)	(177,582)	-	-	(1,677,820)
Reservoirs	(1,296,125)	(71,830)	-	-	(1,367,955)
Pipelines	(20,182,995)	(1,241,533)	-	-	(21,424,528)
Wellfields	(9,576,468)	(780,058)	-	-	(10,356,526)
SCADA project	(7,521,115)	(485,233)	-	-	(8,006,348)
Other infrastructure	(321,023)	(103,874)	-	-	(424,897)
Total accumulated depreciation	(100,452,029)	(6,760,363)	12,251,141	-	(94,961,251)
Total capital assets being depreciated, net	129,600,987	(6,191,056)	(6,186,608)	48,910,432	166,133,755
Total business-type activities	$ 266,963,758	$ 36,582,326	$ (6,186,608)	$ -	$ 297,359,476

Depreciation expense in the amount of $6,760,363 was charged to Water Enterprise Operations of the primary government.

Note 4 – Capital Assets (Continued)

B. Business-Type Activities (Continued)

Construction in Progress at June 30, 2021 comprises the following projects:

Busch Valley Well 1	$1,820,077
Patterson Pass Water Treatment Plant New Clearwell	231,185
Patterson Pass Water Treatment Plant Upgrades	45,936,874
Patterson Pass Water Treatment Plant Ozonation	33,050,176
Chain of Lakes (COL) Pipeline	493,609
NC Administration Building HVAC Project	367,711
Busch Valley Booster Pump Station	50,742
MGDP Concentrate Conditioning Facility	175,437
DVWTP Post Ozone Modifications	149,105
COL PFAS Treatment Facility	34,127
DVWTP Polymer Mixing System Replacement	131,895
Arroyo Mocho/Lake H Diversion	404,297
PPWTP New Media Filters	215,202
California Water Service Turnout 6 Replacement	38,227
MGDP Concentrate Sump Pump & VFD Replacement	56,538
Total	$ 83,155,202

Note 5 – Long Term Debt

Summary of changes in business-type activities long-term debt for the year ended June 30, 2021 is as follows:

	Original Issue Amount	Balance July 1, 2020	Retirements	Balance June 30, 2021	Amount due within one year	Amount more than one year
2018 Water Revenue Bonds	$ 64,010,000	$ 62,705,000	$ 1,370,000	$ 61,335,000	$ 1,445,000	$ 59,890,000
Plus: Unamortized Bond Premium	7,506,832	6,000,423	674,012	5,326,411	-	5,326,411
Total long-term debt		$ 68,705,423	$ 2,044,012	$ 66,661,411	$ 1,445,000	$ 65,216,411

2018 Water Revenue Bonds

On March 11, 2018, the Agency, via the Livermore Valley Water Financing Authority, issued the 2018 Water Revenue Bonds in the amount of $64,010,000. Proceeds of the issuance are used to pay the cost of the 2018 Water Project, consisting of a water treatment plant and related facilities, prepay $15,290,000 of the Agency's obligations in connection with the Cawelo Water District Certificates of Participation, Series 2006, and to pay costs of issuance. Interest rates range from 3% to 5%. Principal and interest payments are due annually beginning July 1, 2019 through July 1, 2048.

The Agency's bond covenants contain events of default that require the net revenue of the Agency to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the Agency to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the Agency; or if any court or competent jurisdiction shall assume custody or control of the Agency. The Agency's bonds also contain a subjective acceleration clause that allows the trustees or holders, who hold the majority of the aggregate principal amount of the bonds, to accelerate payment of the entire principal amount outstanding and interest accrued to become immediately due if they determine that a material adverse change occurs.

Note 5 – Long Term Debt (Continued)

2018 Water Revenue Bonds (Continued)

At June 30, 2021, the debt service payments to maturity, including interest payments, were as follows:

Year ending June 30,	Principal	Interest	Total
2022	$ 1,445,000	$ 2,771,663	$ 4,216,663
2023	1,520,000	2,697,538	4,217,538
2024	1,595,000	2,619,663	4,214,663
2025	1,680,000	2,537,788	4,217,788
2026	1,770,000	2,451,538	4,221,538
2027-2031	10,305,000	10,800,813	21,105,813
2032-2036	12,085,000	7,948,338	20,033,338
2037-2041	9,940,000	5,688,219	15,628,219
2042-2046	12,180,000	3,442,950	15,622,950
2047-2049	8,815,000	559,500	9,374,500
Total Payments Due	61,335,000	$ 41,518,006	$ 102,853,006
Unamortized Premium	5,326,411		
Total	$ 66,661,411		

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The Agency has evaluated the 2018 Water Revenue Bonds issue subject to the arbitrage rebate requirements and does not have a rebatable arbitrage liability as of June 30, 2021 and 2020.

Note 6 – Compensated Absences

Summary of changes in compensated absences for the year ended June 30, 2021 is as follows:

Beginning Balance	$ 1,189,930
Additions	737,828
Payments	(320,268)
Ending Balance	$ 1,607,490
Current portion	$ 514,167
Non-current Portion	$ 1,093,323

Accrued vacation and sick leave are liquidated by the fund that has recorded the liability.

Note 7 – Alameda County Employees' Retirement Association Pension Plan

Plan Descriptions – Substantially all Agency permanent employees are required to participate in the Alameda County Employees' Retirement Association (ACERA), a cost-sharing multiple employer public defined benefit retirement plan (Plan). The latest available actuarial and financial information for the Plan is for the year ended December 31, 2020. ACERA issues a publicly available financial report that includes financial statements and supplemental information of the Plan. That report is available by writing to Alameda County Employees' Retirement Association, 475 14th Street #1000, Oakland, California 94612.

Benefits Provided – The Plan provides for retirement, disability, and death and survivor benefits. Annual cost of living (COL) adjustments to retirement allowances can be granted by the Retirement Board as provided by State statutes. Retirement benefits are based on age, length of service, date of membership and final average salary.

Subject to vested status, employees can withdraw contributions plus interests credited, or leave them as a deferred retirement when they terminate, or transfer to a reciprocal retirement system.

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

	Tier 1	Tier 2	Tier 4
Hire date	Prior to July 1, 1983	July 1, 1983 to December 31, 2012	On or after January 1, 2013
Benefit formula	2.61% at 62	2.43% at 65	2.5% at 67
Benefit vesting schedule	Age 50 with 5 years of service and a total of 10 years of qualifying membership, or age 70 regardless of service, or after 30 years, regardless of age.		Age 52 with 5 years of service or age 70 regardless of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50	52
Maximum monthly benefits, as a % of eligible compensation	100%	100%	100%
Required employee contribution rates	7.83% - 15.17%	5.41% - 11.42%	8.85%
Required employer contribution rates	19.00% and 28.49%	18.34% and 27.51%	26.63%

Contributions –The pension plan under the 1937 Act has no legal contractual maximum contribution rates. The employers and members contribute to ACERA based on rates recommended by an independent actuary and adopted by the Board of Retirement. Covered employees are required by statute to contribute toward their pensions. Member contribution rates are formulated on the basis of their age at the date of entry and the actuarially calculated benefits and are between 5.41 and 15.17 percent of their annual covered salary effective September 2020. Member contributions are refundable upon termination from the retirement system.

State and Federal laws as well as the California Constitution provide the authority for the establishment of ACERA benefit provisions. In most cases where the 1937 Act provides options concerning the allowance of credit for service, the offering of benefits, or the modification of benefit levels, the law generally requires approval of the employer's governing board for the option to take effect. Separately, in 1984 the Alameda Board of Supervisors and the Board of Retirement approved the adoption of Article 5.5 of the 1937 Act. This adoption permitted the establishment of a Supplemental Retirees Benefit Reservice (SRBR) for ACERA.

Note 7 – Alameda County Employees' Retirement Association Pension Plan (Continued)

Article 5.5 provides for the systematic funding of the SRBR and stipulates that its assets be used only for the benefit of retired members and their beneficiaries. The 1937 Act grants exclusive authority over the use of the SRBR funds to the Board of Retirement. Supplemental benefits currently provided through the SRBR include supplemental COLA, retiree death benefit and retiree health benefits including the Monthly Medical Allowance (MMA), dental and vision care, and Medicare Part B reimbursement. The provision of all supplemental benefits from the SRBR is subject to available funding and annual review and authorization by the Board of Retirement. SRBR benefits are not vested.

In 2006 the Board of Retirement approved the allocation of SRBR funds to Postemployment Medical Benefits and Other Pension Benefits. These two programs provide the supplemental benefits described above. For the year ended June 30, 2021, the contributions recognized as part of pension expense for the Plan were $1,317,549.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions – As of June 30, 2021, the Agency reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate share of Net Pension Liability
Miscellaneous	$ 17,207,178

The Agency'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 December 31, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019 rolled forward to December 31, 2020 using standard update procedures. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Agency's proportionate share of the net pension liability for the Plan is as follows:

Reporting Date as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered payroll	Net Pension Liability as a percentage of its covered payroll
2019	1.24%	$ 26,320,948	$ 11,839,254	222.32%
2020	1.11%	18,610,738	12,184,391	152.74%
2021	1.00%	17,207,178	11,869,970	144.96%

For the year ended June 30, 2021, the Agency recognized pension revenue of $1,992,757. Changes in the Net Pension Liability are recorded in the fund that recorded the liability. At June 30, 2021, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
Contributions made after measurement date	$ 1,518,488	$ -
Changes in assumptions	3,504,062	801,508
Difference between actual and expected experience	413,065	126,523
Difference between projected and actual earning on pension plan investments	-	3,866,670
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	3,486,410
Total	$ 5,435,615	$ 8,281,111

Note 7 – Alameda County Employees' Retirement Association Pension Plan (Continued)

The $1,518,488 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ending June 30,		Deferred Outflows / (Inflows) of Resources
2022	$	(1,625,137)
2023		(537,038)
2024		(1,880,962)
2025		(338,722)
2026		17,875
Total	$	(4,363,984)

Actuarial Assumptions – The total pension liabilities in the December 31, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	December 31, 2019
Measurement Date	December 31, 2020
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level percent of payroll
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation Rate	2.75%
Payroll Growth	3.25%
Projected Salary Increase	3.65% - 8.35% (1)
Cost of Living Adjustments	Tier 1: 3.00% ; Tier 2 and 4:2.00%
Investment Rate of Return	7.00% (2)
Mortality	RP-2014 (RPH-2014) Healthy Annuitant Mortality Tables

(1) Vary by service, including inflation
(2) Net of pension plan investment expenses, including inflation

Discount Rate – The discount rate used to measure the total pension liability was 7.00% for the Plan. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as December 31, 2020.

Note 7 – Alameda County Employees' Retirement Association Pension Plan (Continued)

The long-term expected rate of return on pension plan investments was determined in 2020 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	New Strategic Allocation	Long-Term Expected Arithmetic Real Rate of Return
Domestic Large Cap Equity	22.40%	5.43%
Domestic Small Cap Equity	2.50%	6.21%
Developed International Equity	17.00%	6.67%
Small Cap International Equity	3.00%	7.36%
Emerging Markets Equity	5.00%	8.58%
U.S. Core Fixed Income	11.50%	1.10%
High Yield Bonds	1.60%	2.91%
Global Fixed Income	3.00%	-0.63%
Private equity	10.50%	10.00%
Real Estate	8.00%	4.58%
Commodities	0.75%	3.46%
Infrastructure	1.75%	7.80%
Privae Credit	4.00%	8.50%
Absolute Return	9.00%	3.70%
Total	100.00%	

A change in the discount rate would affect the measurement of the Total Pension Liability (TPL). A lower discount rate results in a higher TPL and higher discount rates results in a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the Net Pension Liability (NPL) can be very significant for a relatively small change in the discount rate. The following presents the Agency's proportionate share of the net pension liability for the Plans, calculated using the discount rate for the Plan, as well as what the Agency'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:

Plan's Aggregate Net Pension Liability/(Asset)		
Discount Rate - 1% (6.00%)	Current Discount Rate (7.00%)	Discount Rate + 1% (8.00%)
$ 27,542,924	$ 17,207,178	$ 8,702,311

Note 8 – Postemployment Benefits Other Than Retirement

A. General Information about the Agency's Other Post Employment Benefit (OPEB) Plan

Plan Description – The Agency, through the County of Alameda (County), is a participant under the Alameda County Employees' Retirement Association's (ACERA) defined contribution plan for other postemployment benefits as established by the California Legislature under Article 5.5 of the County Employees Retirement Law of 1937. ACERA is a cost-sharing, multiple employer, defined benefit, public employee retirement system whose main function is to provide service retirement, disability, death, and survivor benefits to the General and Safety members employed by the County of Alameda. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75.

Note 8 – Postemployment Benefits Other Than Retirement (Continued)

A. General Information about the Agency's Other Post Employment Benefit (OPEB) Plan (Continued)

Funding Policy – The postemployment medical, dental and vision benefits are currently provided through the Supplemental Retirees Benefit Reserve (SRBR) as described in the Alameda County Employees' Retirement Association Pension Plan note. The SRBR is a funded trust that receives fifty percent of the investment earnings that are in excess of the assumed investment rate of return of the ACERA Defined Benefit Pension Plan. The Agency, through the County, does not make postemployment medical benefit payments directly to retirees and does not have the ability to fund these benefits. However, the Agency's pension contribution to ACERA would be lower if not for the excess interest transfer to the SRBR.

Benefits Provided – The following is a summary of Plan benefits as of June 30, 2021:

Membership Eligibility	*Service Retirees:* Retired with at least 10 years of services (including deferred vested members who terminate employment and receive a retirement benefit from ACERA). *Disabled Retirees:* A minimum of 10 years of service required for non-duty disability. There is no minimum service requirement for duty disability.
Benefit Eligibility	*1 Monthly Medical Allowance* *Service Retirees:* For retirees, a Maximum Monthly Medical Allowance of $578.65 per month is provided, effective January 1, 2020 and through December 31, 2020. For the period January 1, 2021 through December 31, 2021 the maximum allowance will remain at $578.65 per month. For those purchasing insurance through the Individual Medicare Exchange, the Monthly Medical Allowance was $443.28 per month for 2020 and 2021. These Allowances are subject to the following subsidy schedule: **Completed Years of Service** — **Percentage Subsidized** 10-14 — 50% 15-19 — 75% 20+ — 100% *Disabled Retirees:* Non-duty retirees receive the same Monthly Medical Allowance as services retirees. Duty disabled retirees receive the same Monthly Medical Allowance as those services retirees with 20 or more years of service.
	2 Medical Benefit Reimbursement Plan: The SRBR reimburses the full Medicare Part B premium to qualified retired members. To qualify for reimbursement, a retiree must - Have at least 10 years of ACERA service, - Be eligible for Monthly Medical Allowance, - Provide proof of enrollment in Medical Part B
	3 Dental and Vision Plans: The SRBR provides dental and vision benefits for retirees only. The maximum combined dental and vision premiums will be $46.28 in 2020 and $48.12 in 2021. The eligibility for these premiums is as follows: *Service Retirees:* Retired with at least 10 years of service. *Disabled Retirees:* For non-duty disabled retirees, 10 years of service is required. For grandfathered non-duty disabled retirees (with effective retirement dates on or before January 31, 2014), there is no minimum service requirement. For duty disabled retirees, there is no minimum service requirement.
Deferred Benefit	Members who terminate employment with 10 or more years of service before reaching Pension eligibility commencement age may elect deferred MMA and/or dental/vision benefits.
Death Benefit	Surviving spouses/domestic partners of members who die before the member commences retiree health benefits may enroll in an ACERA group medical plan on the date that the member would have been eligible to commence benefits. The surviving spouse/domestic partner must pay 100% of the premium. Because premiums for surviving spouses/domestic partners under age 65 include active participants for purposes of underwriting, the surviving spouses/domestic partners receive an implicit subsidy from the actives, which creates a liability for the SRBR.

Note 8 – Postemployment Benefits Other Than Retirement (Continued)

A. General Information about the Agency's Other Post Employment Benefit (OPEB) Plan (Continued)

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2021:

Active employees	98
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	Not available
Inactive employees entitled to but not yet receiving benefit payments	Not available
Total	98

B. Net OPEB Liability

Actuarial Methods and Assumptions **–** The Agency's net OPEB liability was measured as of December 31, 2020 and the net OPEB liability was determined by an actuarial valuation dated December 31, 2019 that was rolled forward using standard update procedures to determine the Agency's net OPEB liability as of June 30, 2021, based on the following actuarial methods and assumptions:

Valuation Date	December 31, 2019
Measurement Date	December 31, 2020
Actuarial Cost Method	Entry Age Cost Method
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.75%
Salary increases	3.25%
Investment Rate of Return	7.00%
Mortality Rate	RP-2014 Healthy Annuitant Mortality Table
Healthcare Trend Rates	Non-Medicare medical plan - Graded from 6.75% to ultimate 4.50% over 9 years
	Medicare medical plan - Graded from 6.25% to ultimate 4.50% over 7 years
	Dental - 0.00%for the first two years and 4.00% after
	Vision - 0.00% for the first five years and 4.00% after
	Medicare Part B - 4.50%

C. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Agency, as well as what the Agency's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current discount rate:

Net OPEB Liability/(Asset)		
Discount Rate - 1% (6.00%)	Current Discount Rate (7.00%)	Discount Rate + 1% (8.00%)
$ 1,355,946	$ 56,071	$ (1,021,108)

Net OPEB Liability/(Asset)		
1% Decrease (5.75% to 3.50%)	Healthcare Cost Trend Rate (6.75% to 4.50%)	1% Increase (7.75% to 5.50%)
$ (1,229,180)	$ 56,071	$ 1,648,125

Note 8 – Postemployment Benefits Other Than Retirement (Continued)

D. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the Agency recognized OPEB revenue of $201,763. Changes in the Net OPEB Liability are recorded in the fund that recorded the liability. At June 30, 2021, the Agency reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
Changes in assumptions	$ 681,231	$ 52,726
Difference between actual and expected experience	-	542,933
Difference between projected and actual earnings on OPEB plan investments	-	1,586,939
Changes in proportion and differences between employer contributions and proportionate share of contributions	403,953	619,625
Total	$ 1,085,184	$ 2,802,223

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Measurement Period Ending June 30,	Deferred Outflows/ (Inflows) of Resources
2022	$ (566,039)
2023	(257,447)
2024	(617,774)
2025	(386,164)
2026	41,854
Thereafter	68,531
	$ (1,717,039)

Note 9 – Insurance

The Agency participates in the Association of California Water Agencies Joint Powers Insurance Authority Property and Liability Insurance Programs for risk of loss. These programs provide general liability, including auto, property, crime, pollution, and cyber liability insurance coverage. The Agency is self-insured for worker's compensation claims under the County of Alameda self-insurance/ excess insurance program. The County is a member of the California State Association-Excess Insurance Authority (CSAC-EIA), a California Counties Joint Powers Authority whose purpose is to develop and fund programs of excess and primary insurance for its member counties. As of June 30, 2021, the Agency participated in the liability and property programs of the ACWA/JPIA as follows:

Type of Coverage	Coverage Limit	Self Insured/Deductible
General Liability, including Auto Liability	$55,000,000	$5,000,000
Workers' Compensation	Statutory Limit	3,000,000
Property	500,000,000	10,000
Crime	3,000,000	1,000
Pollution	10,000,000	250,000
Cyber Liability	5,000,000	50,000

Note 10 – Commitment and Contingent Liabilities

A. Litigation

The Agency is subject to various lawsuits or claims in the normal course of business including challenges over certain rates and changes and from time to time is involved in lawsuits in which damages are sought. The ultimate outcome of these matters is not presently determinable. In the opinion of the Agency, these actions when finally adjudicated will not have a material adverse effect on the financial position of the Agency.

B. Water Supply Commitments

As part of its water management activities the Agency has entered into various water supply commitment contracts to reduce the risk of supply shortages. Under these water right agreements, the Agency has agreed to pay annual amounts for the delivery of committed levels of water supplies.

California Department of Water Resources: The Agency has a cost-sharing water supply contract with the Department of Water Resources (DWR) which provides for the annual allocation of 80,619- acre feet (AF) of water through 2035. DWR as project manager and administrator, developed, constructed, operates and maintains the State Water Project (SWP) to provide water to the Agency and the other water wholesalers. The Agency costs under the contract consists of a variable operating cost component and a semi-fixed capital cost component, including debt service on bonds issued by DWR to construct the project and it determines the cost annually. In fiscal years 2021 and 2020, the costs under the contract were $25.1 million and $26.2 million, respectively.

Effective November 7th, 2003, Amendment No. 24 to the Water Supply Contract between the DWR and the Agency was executed to set forth their agreement regarding the Agency's responsibility for the repayment of costs for the development and construction of the South Bay Aqueduct Enlargement. The Agency's estimated obligation, including interest, was $314.7 million. In fiscal years 2021 and 2020, the costs under Amendment No. 24 were $17.1 million each year with a remaining obligation of $166.1 million as of June 30, 2021 to be paid by 2035.

Semitropic Water Storage District: In January 1998, the Agency, along with other water wholesalers entered into a Water Banking and Exchange Program Agreement with Semitropic Water Storage District and its Improvement District that entitles the Agency to storage of up to 65,000 AF, withdrawal, and exchange rights for the Agency's SWP supplies. In January 2005, an amendment was executed, enabling the Agency to participate in the Stored Water Recovery Unit Program. In fiscal year 2020 the Agency’s share of the operating, and maintenance costs and certain fees under the agreement were $0.6 million and in fiscal year 2021 were $1.2 million.

Mojave Water District: In April 2021, the Agency entered into a water transfer agreement with Mojave Water Agency (MWA) to transfer 4,490 acre-feet of MWA’s Table A allocation from the State Water Project (SWP) to the Agency in 2021. The Agency will pay MWA a rate of $850 for every acre-foot of water transferred from MWA with a total purchase cost not exceeding $3.8 million.

In June 2021, the Agency’s board approved a second water transfer agreement with MWA to transfer an additional 3,600 acre-feet of MWA’s Article 56 Carryover Water to the Agency in 2021. The Agency will pay MWA a rate of $1,000 for every acre-foot of water transferred from MWA with a total purchase cost not exceeding $3.6 million.

Note 10 – Commitment and Contingent Liabilities (Continued)

B. Water Supply Commitments (Continued)

State Water Contractors: In March 2021, the Agency entered into a water supply agreement with the State Water Contactors (SWC) known as the 2021 Dry Year Water Transfer Agreement. Under this agreement SWC administers and negotiates transfers amongst non-State Water Project sellers and buyers. The Agency costs under the contract consist of administrative costs and water purchase costs of $625 per acre-foot for up to 500 acre-feet with total coasts not exceeding $0.3 million.

Delta Conveyance Design and Construction Joint Powers Authority – On May 14, 2018, the Agency along with participating State Water Contractors formed the Delta Conveyance Design and Construction Joint Powers Authority ("DCA"). The DCA entered into an agreement with DWR establishing that the DCA will undertake those activities required to complete the design and construction of the Delta Conveyance Project. The Delta Conveyance Project will make physical and operational improvements to the State Water Project ("SWP") and the Central Valley Project ("CVP") necessary to: protect and maintain ecosystem health; maintain water quality; and restore and protect water supplies so that the SWP and CVP are capable of readily delivering water within a stable regulatory framework at costs that are not so high as to preclude, and in amounts that are sufficient to support, the financing of the investments necessary to fund construction and operation of facilities and/or improvements. In January 2020, DWR released a Notice of Preparation (NOP) of an Environmental Impact Report (EIR) pursuant to CEQA for a proposed single tunnel project with 6,000 cfs of capacity referred to as the 'Delta Conveyance Project' or Project referred to above. The Project is part of Governor Newsom's portfolio approach to water management. The Agency is participating in the Delta Conveyance Project at a 2.2% participation level of Zone 7's Table A amount of 80,619 acre-feet. Through a funding agreement with DWR for environmental planning costs, the Agency is contributing a total of $1.4 million in calendar years 2021 and 2022. To-date no debt has been issued by the DCA and it is unknown when debt will be issued.

Delta Conveyance Finance Authority - On July 3, 2018, the Agency along with two other agencies formed the Delta Conveyance Finance Authority ("DCFA"). Subsequently, eight additional agencies have joined the DCFA. The DCFA was formed with the intent of issuing debt to fund a Delta Conveyance project. Each member agency shares equally in DCFA administrative costs, but obligations from any future debt issuance will be split according to water allocations.

The Agency has a 2 percent share of State Water Project Table A allocations, but the Agency's actual cost share for delta conveyance may vary depending on project participation. To-date no debt has been issued by the DCFA and it is unknown when debt will be issued. On April 29, 2019, California Governor Gavin Newsom signed Executive Order N-10-19, directing State agencies to develop a comprehensive statewide strategy to build a climate-resilient water system, including modernization of conveyance through the California Bay-Delta through a single-tunnel project. Accordingly, on May 2, 2019 DWR withdrew proposed permits for the California WaterFix project in order to pursue a new environmental review and planning process for a Delta conveyance project aligned with the Governor's vision.

DWR initiated the State environmental review process for the revised project by issuing a Notice of Preparation on January 15, 2020 and the U.S. Army Corps of Engineers initiated the federal environmental review process by issuing a Notice of Intent August 20, 2020. State and federal permitting processes are currently expected to be completed in mid-2024. DWR initiated the State environmental review process for the revised project by issuing a Notice of Preparation on January 15, 2020 and the U.S. Army Corps of Engineers initiated the federal environmental review process by issuing a Notice of Intent August 20, 2020. State and federal permitting processes are currently expected to be completed in mid-2024.

Note 11 – Subsequent Events

On August 18, 2021, the Agency voted to join the Los Vaqueros Reservoir Joint Powers Authority (Authority). The Agency, along with seven other water agencies in the region, established the Authority for the purpose of enhancing regional water conveyance and storage, providing for public benefits by expanding existing conveyance facilities, constructing new conveyance facilities serving Los Vaqueros Reservoir, and expanding the Los Vaqueros Reservoir. Development and construction of new and expanded facilities is expected to cost about one billion dollars with over $600 million expected to be funded by state and federal programs with remaining costs funded by project partners, including the Agency. All new and expanded facilities are expected to be constructed and operational by 2030. Agency costs will be dependent on its project benefits which will be negotiated with the Authority as part of a Service Agreement. The Authority is authorized to issue bonds and levy charges on its members in accordance with the terms of their Service Agreement. Until it signs a Service Agreement, which is expected to occur sometime in fiscal year ended June 30, 2023, the Agency may withdraw from the Authority with no obligation to participate in or fund the project.

This page intentionally left blank

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

This page intentionally left blank.

COST-SHARING MULTIPLE EMPLOYER DEFINED PENSION PLAN:

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

This schedule reports the proportion (percentage) of the collective net pension liability, the proportionate share (amount) of the collective net pension liability, the employer's covered employee payroll, the proportionate share (amount of the collective net pension liability as a percentage of the employer's covered employee payroll and the pension plan's fiduciary net position as a percentage of the total pension liability.

SCHEDULE OF CONTRIBUTIONS

This schedule reports the cost sharing employer's contributions to the plan which are actuarially determined, the employer's actual contributions, the difference between the actual and actuarially determined contributions, and a ratio of the actual contributions divided by covered employee payroll.

This page intentionally left blank.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Required Supplementary Information
Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2021

Last Ten Fiscal Years

Cost-Sharing Multiple-Employer Defined Pension Plan

Measurement period	2017	2018	2019	2020
Plan's proportion of the net pension liability	1.26%	1.24%	1.11%	1.00%
Plan's proportionate share of the net pension liability	$ 19,859,054	$ 26,320,948	$ 18,610,738	$ 17,207,178
Plan's covered payroll	$ 12,229,930	$ 11,719,529	$ 12,130,078	$ 11,869,970
Plan's proportionate share of the net pension liability as a percentage of its covered payroll	162.38%	224.59%	153.43%	144.96%
Plan fiduciary net position as a percentage of the total pension liability	1.26%	1.24%	1.11%	1.00%

Measurement period	2014	2015	2016
Plan's proportion of the net pension liability	1.60%	1.18%	1.46%
Plan's proportionate share of the net pension liability	$ 22,241,545	$ 24,951,866	$ 25,488,068
Plan's covered payroll	$ 12,318,588	$ 13,014,942	$ 12,536,863
Plan's proportionate share of the net pension liability as a percentage of its covered payroll	180.55%	191.72%	203.30%
Plan fiduciary net position as a percentage of the total pension liability	1.60%	1.18%	1.46%

[1] Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2021

Last Ten Fiscal Years

Cost-Sharing Multiple-Employer Defined Pension Plan

Fiscal year	2018	2019	2020	2021
Actuarially determined contribution	$ 4,272,678	$ 4,468,041	$ 2,923,829	$ 2,711,470
Contributions in relation to the actuarially determined contribution	(4,272,678)	(4,468,041)	(2,923,829)	(2,711,470)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 11,997,578	$ 11,839,254	$ 12,184,391	$ 12,615,174
Contributions as a percentage of covered payroll	35.61%	37.74%	24.00%	21.49%

Fiscal year	2015	2016	2016	2017
Actuarially determined contribution	$ 4,324,438	$ 4,568,731	$ 4,568,731	$ 4,616,119
Contributions in relation to the actuarially determined contribution	(4,324,438)	(4,568,731)	(4,568,731)	(4,616,119)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 12,505,557	$ 12,840,271	$ 12,840,271	$ 12,351,170
Contributions as a percentage of covered payroll	34.58%	35.58%	35.58%	37.37%

Methods and assumptions used to determine contribution rates:

Valuation Date	December 31, 2019
Measurement Date	December 31, 2020
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level percent of payroll
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation Rate	2.75%
Payroll Growth	3.25%
Projected Salary Increase	3.65% - 8.35% (1)
Cost of Living Adjustments	Tier 1: 3.00% ; Tier 2 and 4:2.00%
Investment Rate of Return	7.00% (2)
Mortality	RP-2014 (RPH-2014) Healthy Annuitant Mortality Tables

(1) Vary by service, including inflation

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

COST-SHARING MULTIPLE EMPLOYER DEFINED PENSION PLAN:

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

This schedule reports the proportion (percentage) of the collective net OPEB liability, the proportionate share (amount) of the collective net OPEB liability, the employer's covered employee payroll, the proportionate share (amount of the collective net OPEB liability as a percentage of the employer's covered employee payroll and the OPEB plan's fiduciary net position as a percentage of the total OPEB liability.

SCHEDULE OF CONTRIBUTIONS

This schedule reports the cost sharing employer's contributions to the plan which are actuarially determined, the employer's actual contributions, the difference between the actual and actuarially determined contributions, and a ratio of the actual contributions divided by covered employee payroll.

This page intentionally left blank.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Required Supplementary Information
Schedule of the Plan's Proportionate Share of the Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2021

Last Ten Fiscal Years

Cost-Sharing Multiple-Employer Defined OPEB Plan

Measurement period	2017	2018	2019	2020
Plan's proportion of the net OPEB liability	1.43%	1.29%	0.78%	1.09%
Plan's proportionate share of the net OPEB liability	$ 298,850	$ 2,295,442	$ 678,897	$ 56,071
Plan's covered payroll	$ 12,229,930	$ 11,719,530	$ 12,130,078	$ 11,869,970
Plan's proportionate share of the net OPEB liability as a percentage of its covered payroll	2.44%	19.59%	5.60%	0.47%
Plan's fiduciary net position as a percentage of the total net OPEB liability	1.43%	1.29%	0.78%	1.09%

[1] Fiscal year 2018 was the 1st year of implementation, therefore only four years are shown.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2021

Last Ten Fiscal Years

Cost-Sharing Multiple-Employer Defined Benefit OPEB Plan

Fiscal Year	2018	2019	2020	2021
Actuarially determined contribution	$ -	$ -	$ -	$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 9,957,944	$ 9,400,208	$ 5,942,078	$ 8,531,883
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

*Fiscal year 2018 was the 1st year of implementation, therefore only three years are shown.

Notes to Schedule:

Valuation date	December 31, 2019
Measurement Date	December 31, 2020
Actuarial cost method	Entry Age Cost Method
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.75%
Payroll Growth	3.25%
Investment rate of return	7.00%
Mortality rates	RP-2014 Healthy Annuitant Mortality Table
Healthcare Trend Rates	Non-Medicare medical plan - Graded from 6.75% to ultimate 4.50% over 9 years Medicare medical plan - Graded from 6.25% to ultimate 4.50% over 7 years Dental - 0.00% for the first two years and 4.00% after Vision - 0.00% for the first five years and 4.00% after Medicare Part B - 4.50%

SUPPLEMENTARY INFORMATION

This page intentionally left blank.

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021
(With summarized information as of June 30, 2020)

	Environmental Protection Agency (EPA) Grant - Federal	Cal OES Grant Federal	Department of Water Resources (DWR) Grant - State	Totals 2021	Totals 2020
ASSETS					
Current Assets					
Accounts receivable, net	$ 49,365	$ 61,733	$ 74,002	$ 185,100	$ 247,791
Total assets	$ 49,365	$ 61,733	$ 74,002	$ 185,100	$ 247,791
LIABILITIES					
Current liabilities					
Accounts payable	$ 40,980	$ -	$ -	$ 40,980	$ 7,996
Due to other funds	8,385	61,733	74,002	144,120	239,795
Total liabilities	49,365	61,733	74,002	185,100	247,791
FUND BALANCES					
Unassigned	-	-	-	-	-
Total fund balances	-	-	-	-	-
Total liabilities and fund balances	$ 49,365	$ 61,733	$ 74,002	$ 185,100	$ 247,791

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2021
(With summarized information for the year ended June 30, 2020)

	Environmental Protection Agency (EPA) Grant-Federal	Cal OES Grant Federal	Department of Water Resources (DWR) Grant - State	Total Non-major Governmental Funds	
				2021	2020
REVENUES:					
Intergovernmental revenues	$ 176,165	$ 61,733	$ 236,421	$ 474,319	$ 488,451
Other revenue	-	-	-	-	9,536
Total revenues	176,165	61,733	236,421	474,319	497,987
EXPENDITURES:					
Current:					
Salaries and employee benefits transferred from district-wide	17,577	2,299	26,290	46,166	14,406
Services and supplies	158,588	59,434	210,131	428,153	483,581
Total expenditures	176,165	61,733	236,421	474,319	497,987
NET CHANGES IN FUND BALANCES	-	-	-	-	-
FUND BALANCES:					
Beginning of year	-	-	-	-	-
End of year	$ -	$ -	$ -	$ -	$ -

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Combining Statement of Net Position
Nonmajor Water Enterprise Funds
June 30, 2021
(With summarized information as of June 30, 2020)

	Water Facilities	Water Supply and Reliability	Totals 2021	Totals 2020
ASSETS				
Current assets:				
Cash in County Treasury	$ 4,020,186	$ 581,760	$ 4,601,946	$ 6,867,662
Total current assets	4,020,186	581,760	4,601,946	6,867,662
Total assets	4,020,186	581,760	4,601,946	6,867,662
LIABILITIES				
Current Liabilities:				
Deposits	328,115	-	328,115	319,115
Total current liabilities	328,115	-	328,115	319,115
Total liabilities	328,115	-	328,115	319,115
NET POSITION				
Unrestricted	3,692,071	581,760	4,273,831	6,548,547
Total net position	$ 3,692,071	$ 581,760	$ 4,273,831	$ 6,548,547

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Water Enterprise Funds
For the Year Ended June 30, 2021
(With summarized information for the year ended June 30, 2020)

	Water Facilities	Water Supply and Reliability	Totals 2021	Totals 2020
NONOPERATING REVENUES:				
Investment earnings	$ 45,938	$ 26,403	$ 72,341	$ 140,290
Income (loss) before transfers	45,938	26,403	72,341	140,290
Transfers (out)	-	(2,347,057)	(2,347,057)	(408,901)
CHANGES IN NET POSITION	45,938	(2,320,654)	(2,274,716)	(268,611)
NET POSITION:				
Beginning of the year	3,646,133	2,902,414	6,548,547	6,817,158
End of the year	$ 3,692,071	$ 581,760	$ 4,273,831	$ 6,548,547

Alameda County Flood Control and Water Conservation District
Zone 7 Water Agency
Combining Statement of Cash Flows
Nonmajor Water Enterprise Funds
For the Year Ended June 30, 2021
(With summarized information for the year ended June 30, 2020)

	Water Facilities	Water Supply and Reliability	Totals 2021	Totals 2020
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	9,000	-	9,000	-
Net cash provided (used) by operating activities	9,000	-	9,000	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers (out)	-	(2,347,057)	(2,347,057)	(408,901)
Net cash (used by) noncapital financing activities	-	(2,347,057)	(2,347,057)	(408,901)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	45,938	26,403	72,341	140,290
Net cash provided by investing activities	45,938	26,403	72,341	140,290
Net increase (decrease) in cash and cash equivalents	54,938	(2,320,654)	(2,265,716)	(268,611)
CASH AND CASH EQUIVALENTS:				
Beginning of year	3,965,248	2,902,414	6,867,662	7,136,273
End of year	$ 4,020,186	$ 581,760	$ 4,601,946	$ 6,867,662
RECONCILIATION OF OPERATING INCOME (LOSS) TO TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	$ -	$ -	$ -	$ -
Adjustments to reconcile operating income to cash flows				
Changes in assets and liabilities				
Deposits	9,000	-	9,000	-
Net cash provided by operating activities	$ 9,000	$ -	$ 9,000	$ -

This page intentionally left blank.

THE PUN GROUP
ACCOUNTANTS & ADVISORS

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*

Independent Auditors' Report

To the Board of Directors of the
Alameda County Flood Control and Water Conservation
District, Zone 7 Water Agency
Livermore, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Alameda County Flood Control And Water Conservation District, Zone 7 Water Agency (the "Agency"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 3, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

The Pun Group, LLP

Walnut Creek, California
December 3, 2021

STATISTICAL SECTION
(Unaudited)

This page intentionally left blank

Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Statistical Section Overview
(Unaudited)

This part of the Alameda County Flood and Water Conservation District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

Contents **Pages**

Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2012	2013 (a)	2014	2015	2016
Governmental Activities					
Net Investment in capital assets	$ 14,301,567	$ 16,232,189	$ 30,403,950	$ 30,385,318	$ 30,334,638
Restricted	36,696,155	60,596,601	41,506,430	49,177,969	56,059,067
Unrestricted	23,559,397	4,406,909	15,260,267	16,739,156	19,133,427
Total governmental activities net position	$ 74,557,119	$ 81,235,699	$ 87,170,647	$ 96,302,443	$ 105,527,132
Business-type activities					
Net Investment in capital assets	$ 205,651,283	$ 202,295,691	$ 211,603,471	$ 212,562,797	$ 188,968,433
Restricted	37,928,558	65,125,317	42,196,142	50,917,217	82,151,910
Unrestricted	41,291,980	40,127,373	57,821,385	36,428,063	30,717,428
Total business-type activities net position	$ 284,871,821	$ 307,548,381	$ 311,620,998	$ 299,908,077	$ 301,837,771
Primary government					
Net Investment in capital assets	$ 219,952,850	$ 218,527,880	$ 242,007,421	$ 242,948,115	$ 219,303,071
Restricted	74,624,713	125,721,918	83,702,572	100,095,186	138,210,977
Unrestricted	64,851,377	44,534,282	73,081,652	53,167,219	49,850,855
Total primary government net position	$ 359,428,940	$ 388,784,080	$ 398,791,645	$ 396,210,520	$ 407,364,903

(a) The Agency implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position".

Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Net Position by Component (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	2017	2018	2019	2020	2021
Governmental Activities					
Net Investment in capital assets	$ 31,990,546	$ 32,247,481	$ 33,164,265	$ 32,993,757	$ 32,772,306
Restricted	58,149,272	62,760,525	66,872,665	69,648,891	72,715,433
Unrestricted	20,484,357	16,662,343	15,346,434	17,937,525	20,039,036
Total governmental activities net position	$ 110,624,175	$ 111,670,349	$ 115,383,364	$ 120,580,173	$ 125,526,775
Business-type activities					
Net Investment in capital assets	$ 194,732,197	$ 198,348,996	$ 210,675,110	$ 227,930,485	$ 246,793,230
Restricted	97,494,721	107,414,628	127,521,329	131,461,963	110,609,342
Unrestricted	37,712,019	47,669,365	48,823,266	56,022,343	71,617,374
Total business-type activities net position	$ 329,938,937	$ 353,432,989	$ 387,019,705	$ 415,414,791	$ 429,019,946
Primary government					
Net Investment in capital assets	$ 226,722,743	$ 230,596,477	$ 243,839,375	$ 260,924,242	$ 279,565,536
Restricted	155,643,993	170,175,153	194,393,994	201,110,854	183,324,775
Unrestricted	58,196,376	64,331,708	64,169,700	73,959,868	91,656,410
Total primary government net position	$ 440,563,112	$ 465,103,338	$ 502,403,069	$ 535,994,964	$ 554,546,721

Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2012	2013 (a)	2014	2015	2016
Expenses					
Governmental activities:					
Flood Protection Operations	$ 8,499,485	$ 3,947,332	$ 1,488,735	$ 4,705,166	$ 5,328,998
Flood Protection Drainage DIF	5,903,778	705,688	4,029,268	499,169	794,922
Flood Protection Grants	-	-	-	-	-
Total governmental activities expenses	14,403,263	4,653,020	5,518,003	5,204,335	6,123,920
Business-type activities:					
State Water Project	13,858,280	14,002,380	13,681,891	16,359,406	20,621,344
Water Enterprise Funds	51,267,019	54,868,275	57,386,822	59,122,995	81,257,514
Total business-type activities expenses	65,125,299	68,870,655	71,068,713	75,482,401	101,878,858
Total primary government expenses	$ 79,528,562	$ 73,523,675	$ 76,586,716	$ 80,686,736	$ 108,002,778
Program Revenues					
Governmental activities:					
Charges for Services	$ 58,583	$ 53,897	$ 113,016	$ 517,030	$ 7,556,578
Operating grants and contributions	61,249	61,578	64,318	112,334	71,562
Other program revenues	5,505,787	5,095,420	4,953,372	8,032,445	40,202
Total governmental activities program revenues	5,625,619	5,210,895	5,130,706	8,661,809	7,668,342
Business-type activities:					
Charges for service:					
State Water Project	15,489,732	11,942,972	12,269,322	13,708,844	19,419,226
Water Enterprise Funds	35,559,292	38,231,851	58,119,942	56,369,393	68,594,249
Operating grants & contributions	106,194	68,416	4,347,897	5,012,899	15,285,044
Capital grants & contributions	13,700,090	30,824,513	-	-	-
Total business-type activities program revenues	64,855,308	81,067,752	74,737,161	75,091,136	103,298,519
Total primary government program revenues	$ 70,480,927	$ 86,278,647	$ 79,867,867	$ 83,752,945	$ 110,966,861
Net (expense)/revenue					
Governmental activities	$ (8,777,644)	$ 557,875	$ (387,297)	$ 3,457,474	$ 1,544,422
Business-type activities	(269,991)	12,197,097	3,668,448	(391,265)	1,419,661
Total primary government net expense	$ (9,047,635)	$ 12,754,972	$ 3,281,151	$ 3,066,209	$ 2,964,083
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property	$ 5,773,050	$ 5,959,083	$ 6,201,653	$ 6,759,202	$ 7,329,117
Investment earnings and rental charges	239,596	161,622	189,800	194,118	342,127
Transfers	-	-	(13,334)	(13,333)	(13,333)
Other	-	-	-	-	22,356
Total governmental activities	6,012,646	6,120,705	6,378,119	6,939,987	7,680,267
Business-type activities:					
Investment earnings	610,133	331,588	390,865	314,297	496,700
Transfers	-	-	13,334	13,333	13,333
Total business-type activities	610,133	331,588	404,199	327,630	510,033
Total primary government	$ 6,622,779	$ 6,452,293	$ 6,782,318	$ 7,267,617	$ 8,190,300
Change in Net Position					
Governmental activities	$ (2,764,998)	$ 6,678,580	$ 5,934,948	$ 10,397,461	$ 9,224,689
Business-type activities	340,142	12,528,685	4,072,647	(63,635)	1,929,694
Total primary government	$ (2,424,856)	$ 19,207,265	$ 10,007,595	$ 10,333,826	$ 11,154,383

(a) The Agency implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position".

Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	2017	2018	2019	2020	2021
Expenses					
Governmental activities:					
Flood Protection Operations	$ 5,341,751	$ 12,859,064	$ 10,308,973	$ 9,547,702	$ 8,948,348
Flood Protection Drainage DIF	1,841,555	542,139	367,976	168,503	208,142
Flood Protection Grants	-	1,230,924	125,352	497,987	474,319
Total governmental activities expenses	7,183,306	14,632,127	10,802,301	10,214,192	9,630,809
Business-type activities:					
State Water Project	20,985,604	19,794,128	21,420,192	24,333,554	23,173,321
Water Enterprise Funds	60,641,826	75,273,928	63,564,015	61,634,465	67,013,409
Total business-type activities expenses	81,627,430	95,068,056	84,984,207	85,968,019	90,186,730
Total primary government expenses	$ 88,810,736	$ 109,700,183	$ 95,786,508	$ 96,182,211	$ 99,817,539
Program Revenues					
Governmental activities:					
Charges for Services	$ 3,683,683	$ 4,652,449	$ 3,522,081	$ 1,694,933	$ 2,636,027
Operating grants and contributions	181,418	182,315	70,969	79,929	81,730
Capital grants and contributions	13,263	1,230,924	125,352	488,451	474,319
Total governmental activities program revenues	3,878,364	6,065,688	3,718,402	2,263,313	3,192,076
Business-type activities:					
Charges for service:					
State Water Project	20,795,420	22,927,398	23,420,521	23,415,684	24,633,172
Water Enterprise Funds	77,826,527	84,362,659	83,227,173	79,931,895	71,246,875
Operating grants & contributions	10,179,114	7,235,940	6,723,525	6,509,157	6,640,849
Capital grants & contributions	-	-	-	26,226	-
Total business-type activities program revenues	108,801,061	114,525,997	113,371,219	109,882,962	102,520,896
Total primary government program revenues	$ 112,679,425	$ 120,591,685	$ 117,089,621	$ 112,146,275	$ 105,712,972
Net (expense)/revenue					
Governmental activities	$ (3,304,942)	$ (8,566,439)	$ (7,083,899)	$ (7,950,879)	$ (6,438,733)
Business-type activities	27,173,631	19,457,941	28,387,012	23,914,943	12,334,166
Total primary government net expense	$ 23,868,689	$ 10,891,502	$ 21,303,113	$ 15,964,064	$ 5,895,433
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property	$ 7,895,448	$ 8,518,064	$ 9,144,785	$ 9,834,264	$ 10,344,149
Investment earnings and rental charges	518,982	897,199	1,485,504	1,745,490	955,187
Transfers	(12,445)	(12,444)	(12,444)	(11,890)	(11,890)
Other	-	34,267	179,069	1,579,824	97,889
Total governmental activities	8,401,985	9,437,086	10,796,914	13,147,688	11,385,335
Business-type activities:					
Investment earnings	915,090	2,021,455	5,187,260	4,468,253	1,259,099
Transfers	12,445	12,444	12,444	11,890	11,890
Total business-type activities	927,535	2,033,899	5,199,704	4,480,143	1,270,989
Total primary government	$ 9,329,520	$ 11,470,985	$ 15,996,618	$ 17,627,831	$ 12,656,324
Change in Net Position					
Governmental activities	$ 5,097,043	$ 870,647	$ 3,713,015	$ 5,196,809	$ 4,946,602
Business-type activities	28,101,166	21,491,840	33,586,716	28,395,086	13,605,155
Total primary government	$ 33,198,209	$ 22,362,487	$ 37,299,731	$ 33,591,895	$ 18,551,757

This page intentionally left blank

Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Fiscal Year	Restricted	Committed	Total
2012	36,696,155	23,559,397	60,255,552
2013	40,648,531	24,354,979	65,003,510
2014	41,506,430	15,260,267	56,766,697
2015	49,177,969	18,009,177	67,187,146
2016	56,059,067	20,666,297	76,725,364
2017	58,149,272	21,898,222	80,047,494
2018	62,760,525	18,352,377	81,112,902
2019	66,872,665	17,602,713	84,475,378
2020	69,648,891	20,010,475	89,659,366
2021	72,715,433	22,153,958	94,869,391

Note: In Fiscal Year 2013, the Agency implemented the provisions of GASB Statement 63 which replaced the term "net assets" with the term "net position."

Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2012	2013	2014	2015	2016
Revenues					
Property taxes	$ 5,773,050	$ 5,959,083	$ 6,201,653	$ 6,759,202	$ 7,329,117
Intergovernmental	61,249	61,578	64,318	144,691	71,562
Charges for services	5,522,909	5,135,797	4,879,252	8,516,405	7,556,578
Investment earnings	239,596	161,622	133,926	194,118	342,127
Other revenues	41,461	13,520	187,136	713	62,558
Total revenues	11,638,265	11,331,600	11,466,285	15,615,129	15,361,942
Expenditures					
Salaries and employee benefits					
transferred from district-wide	2,243,556	2,631,352	2,535,779	2,252,655	2,455,453
Services and supplies	6,851,120	3,498,544	2,650,121	2,821,192	3,354,938
Equipment and capital structures	5,130,850	451,740	14,503,864	107,500	
Other	88	2,006	-	-	-
Total Expenditures	14,225,614	6,583,642	19,689,764	5,181,347	5,810,391
Excess of revenues over/(under) expenditures	(2,587,349)	4,747,958	(8,223,479)	10,433,782	9,551,551
Other Financing Sources (Uses)					
Transfers Out	-	-	(13,334)	(13,333)	(13,333)
Total other financing sources (uses)	-	-	(13,334)	(13,333)	(13,333)
Net change in fund balances	$ (2,587,349)	$ 4,747,958	$ (8,236,813)	$ 10,420,449	$ 9,538,218

Note: The Agency implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term net assets" with the term "net position". "

Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Changes in Fund Balance of Governmental Funds (Continued)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

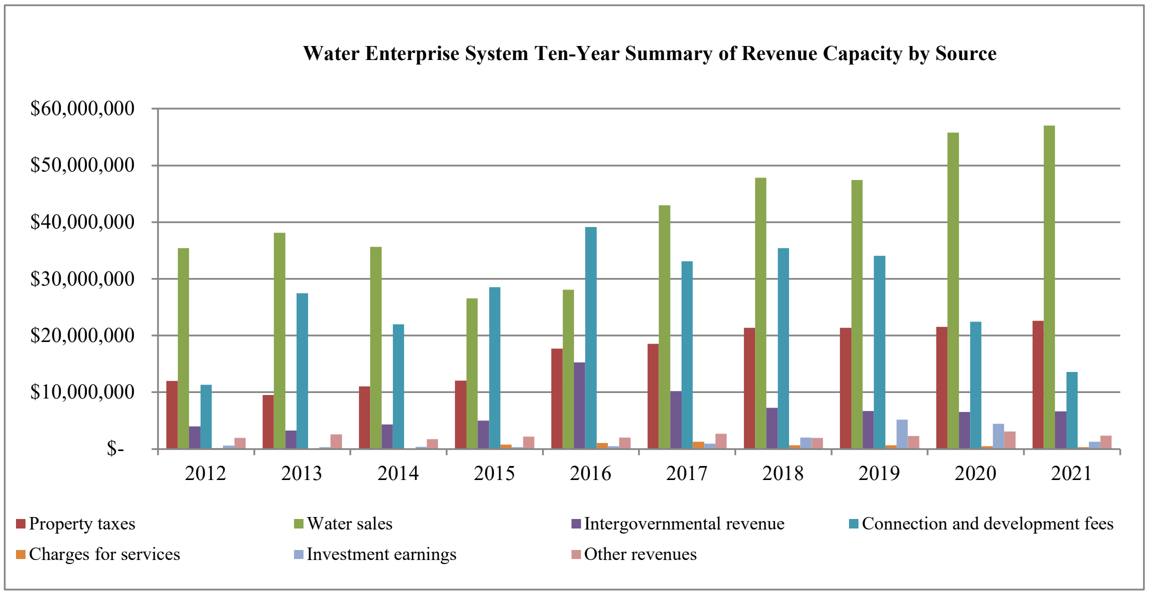
	2017	2018	2019	2020	2021
Revenues					
Property taxes	$ 7,895,448	$ 8,518,064	$ 9,144,785	$ 9,834,264	$ 10,344,149
Intergovernmental	181,418	1,413,239	196,321	568,380	556,049
Charges for services	3,683,683	4,652,449	3,522,081	1,694,933	2,636,027
Investment earnings	518,982	897,199	1,485,504	1,745,490	955,187
Other revenues	13,263	34,267	179,069	1,579,824	97,889
Total revenues	12,292,794	15,515,218	14,527,760	15,422,891	14,589,301
Expenditures					
Salaries and employee benefits transferred from district-wide	1,961,724	2,292,919	2,332,437	2,205,357	2,401,207
Services and supplies	4,187,243	11,014,697	8,612,252	8,008,597	6,964,772
Equipment and capital structures	2,809,252	1,129,750	208,151	13,059	1,407
Other	-	-	-	-	-
Total Expenditures	8,958,219	14,437,366	11,152,840	10,227,013	9,367,386
Excess of revenues over/(under) expenditures	3,334,575	1,077,852	3,374,920	5,195,878	5,221,915
Other Financing Sources (Uses)					
Transfers Out	(12,445)	(12,444)	(12,444)	(11,890)	(11,890)
Total other financing sources (uses)	(12,445)	(12,444)	(12,444)	(11,890)	(11,890)
Net change in fund balances	$ 3,322,130	$ 1,065,408	$ 3,362,476	$ 5,183,988	$ 5,210,025

This page intentionally left blank

Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Revenue Capacity
Ten-Year Summary of Revenue by Source
Fiscal Year Ended June 30

Water Enterprise System

	Fiscal Year					Fiscal Year				
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Revenues										
Property taxes	$ 12,017,106	$ 9,517,243	$ 11,016,532	$ 12,060,478	$ 17,716,841	$ 18,524,750	$ 21,385,641	$ 21,353,809	$ 21,553,508	$ 22,616,173
Water sales	35,398,908	38,130,264	35,616,588	26,552,568	28,110,974	42,975,960	47,860,145	47,440,592	55,777,208	57,012,484
Intergovernmental revenue	3,972,942	3,263,820	4,347,890	5,012,899	15,285,044	10,179,114	7,235,940	6,723,525	6,509,157	6,640,849
Connection and development fees	11,345,942	27,483,527	21,973,245	28,521,399	39,135,444	33,128,280	35,434,462	34,068,092	22,461,926	13,609,527
Charges for services	160,384	101,587	49,734	771,485	1,050,070	1,276,122	665,688	687,569	500,371	313,607
Investment earnings	610,133	331,588	390,865	314,297	496,700	915,090	2,021,455	5,187,260	4,468,253	1,259,099
Other revenues	1,960,026	2,571,311	1,733,172	2,172,307	2,000,146	2,716,835	1,944,121	2,310,887	3,080,792	2,328,256
Total Revenues	**$ 65,465,441**	**$ 81,399,340**	**$ 75,128,026**	**$ 75,405,433**	**$ 103,795,219**	**$ 109,716,151**	**$ 116,547,452**	**$ 117,771,734**	**$ 114,351,215**	**$ 103,779,995**

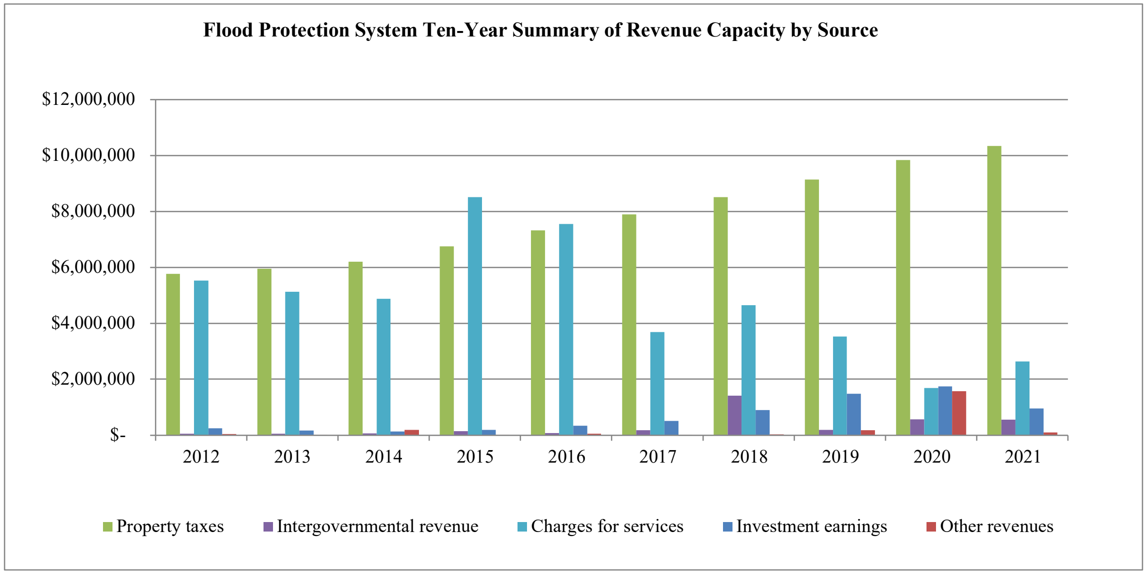


Source: Finance

Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Revenue Capacity
Ten-Year Summary of Revenue by Source
Fiscal Year Ended June 30

Flood Protection System

	Fiscal Year									
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Revenues										
Property taxes	$ 5,773,050	$ 5,959,083	$ 6,201,653	$ 6,759,202	$ 7,329,117	$ 7,895,448	$ 8,518,064	$ 9,144,785	$ 9,834,264	$ 10,344,149
Intergovernmental revenue	61,249	61,578	64,318	144,691	71,562	181,418	1,413,239	196,321	568,380	556,049
Charges for services	5,522,909	5,135,797	4,879,252	8,516,405	7,556,578	3,683,683	4,652,449	3,522,081	1,694,933	2,636,027
Investment earnings	239,596	161,622	133,926	194,118	342,127	518,982	897,199	1,485,504	1,745,490	955,187
Other revenues	41,461	13,520	187,136	713	62,558	13,263	34,267	179,069	1,579,824	97,889
Total Revenues	**$ 11,638,265**	**$ 11,331,600**	**$ 11,466,285**	**$ 15,615,129**	**$ 15,361,942**	**$ 12,292,794**	**$ 15,515,218**	**$ 14,527,760**	**$ 15,422,891**	**$ 14,589,301**

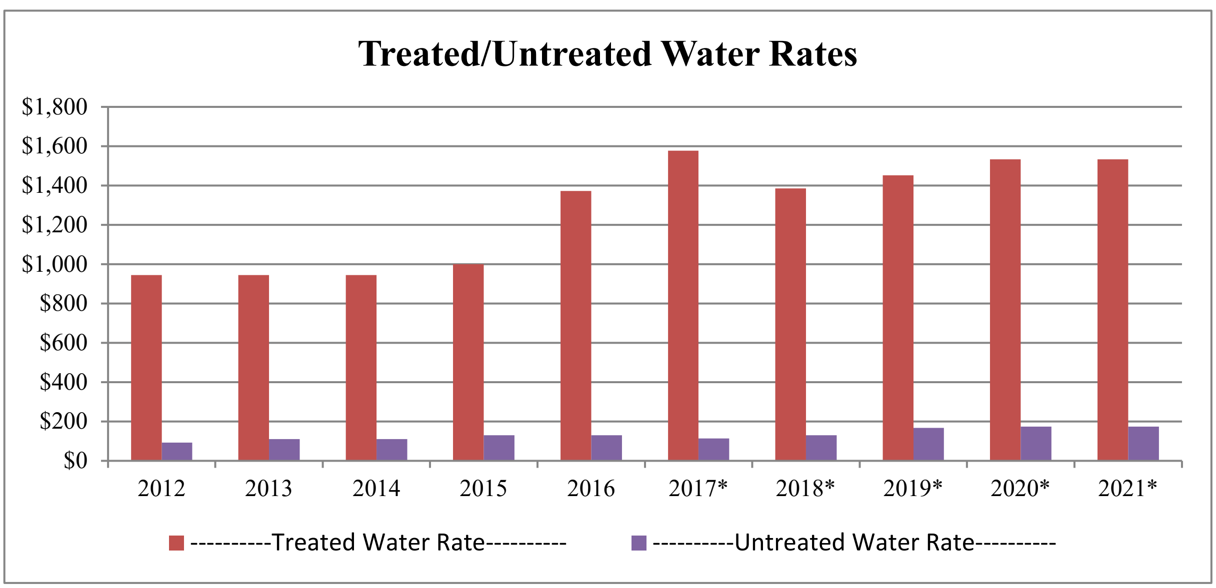


Source: Finance

Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Treated and Untreated Water Rates
Ten-Year History
(In Acre Feet)

	----------Treated Water Rate----------		----------Untreated Water Rate----------	
Calendar Year	**Rate/AF**	**% Change Year Over Year**	**Rate/AF**	**% Change Year Over Year**
2012	$945	5.0%	$92	-49.2%
2013	$945	0.0%	$110	19.6%
2014	$945	0.0%	$110	0.0%
2015	$999	5.7%	$130	18.2%
2016	$1,372	37.3%	$130	0.0%
2017*	$1,577	14.9%	$113	-13.1%
2018*	$1,385	-12.2%	$129	14.2%
2019*	$1,451	4.8%	$167	29.5%
2020*	$1,533	5.7%	$173	3.6%
2021*	$1,533	0.0%	$173	0.0%

*In 2017, the agency changed its rates structure to include volume-based and fixed-based components.

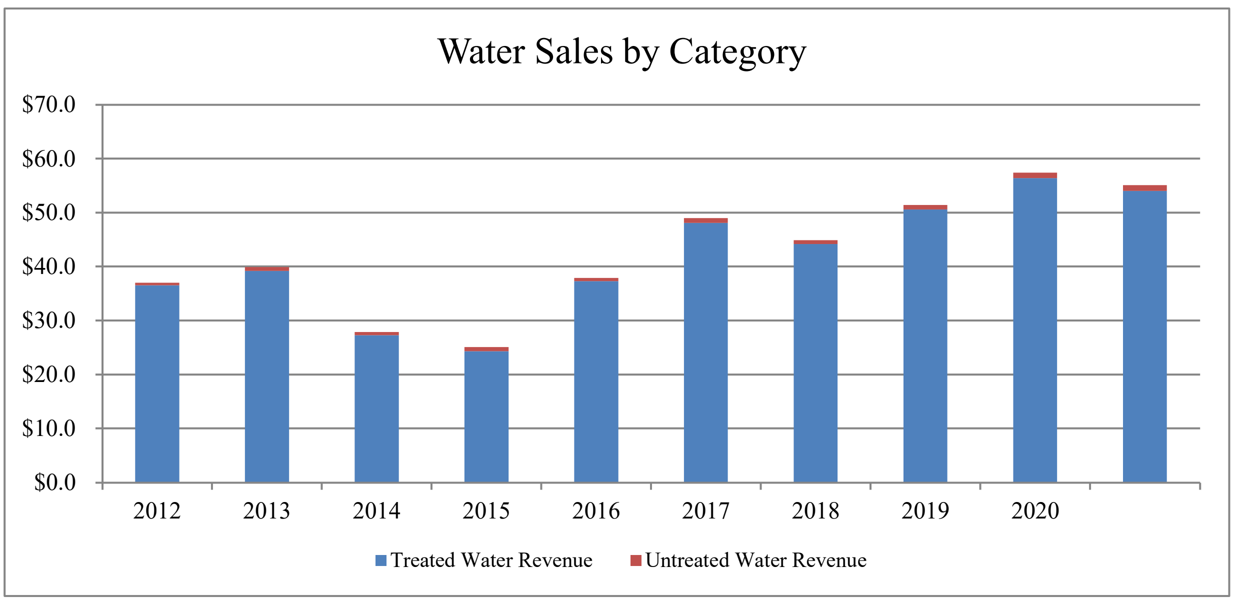


Source: Finance

Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Water Sales by Category
Ten-Year History
(amounts expressed in millions)

Calendar Year	Municipal/Industrial (Treated) Water Revenue	Untreated Water Revenue	Total
2012	$36.5	$0.5	$37.0
2013	$39.2	$0.7	$39.9
2014	$27.3	$0.6	$27.9
2015	$24.3	$0.8	$25.1
2016	$37.3	$0.6	$37.9
2017	$48.1	$0.9	$49.0
2018	$44.2	$0.7	$44.9
2019	$50.6	$0.8	$51.4
2020	$56.4	$1.0	$57.4
2021*	$54.0	$1.1	$55.1

* 2021 Revenue figures are forecasted in order to calculate a full calendar year.



Source: Finance

Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Principal Treated Water Customers
Current Complete Year Comparison to Nine Years Ago
(Calendar Year)

2020				2011			
Customer	**Annual Consumption (AF)**	**Rank**	**Percentage of Total Annual Consumption**	**Customer**	**Annual Consumption (AF)**	**Rank**	**Percentage of Total Annual Consumption**
City of Pleasanton	11,746	1	30%	City of Pleasanton	12,829	1	36%
Dublin San Ramon Services District	10,966	2	28%	Dublin San Ramon Services District	9,523	2	26%
California Water	8,760	3	23%	California Water	7,300	3	20%
City of Livermore	6,550	4	17%	City of Livermore	6,167	4	17%
All other treated water customers[1]	723	5	2%	All other treated water customers[2]	165	5	0%
Total Annual Consumption (AF)	38,745		100%	Total Annual Consumption (AF)	35,984		100%

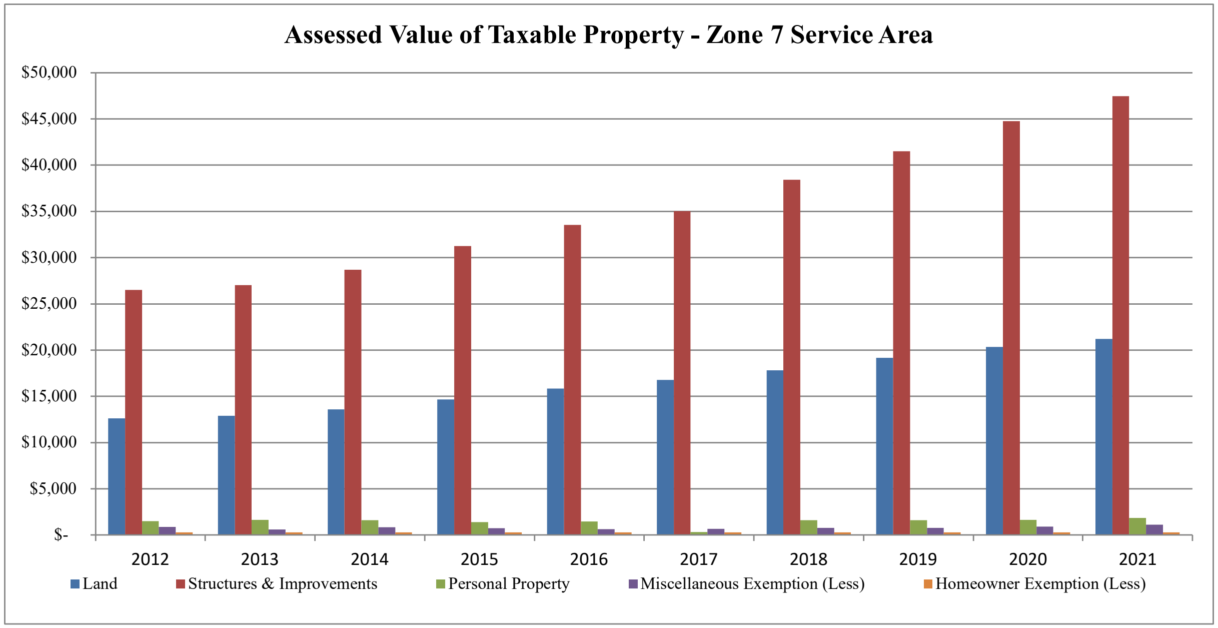
Source: Finance

[1] Other treated customers in 2020 include Lawrence Livermore Lab., Livermore Area Recreation and Park District, Veterans Hospital, Wente and East Bay Regional Park District.

[2] Other treated customers in 2011 include Lawrence Livermore Lab., Livermore Area Recreation and Park District, Veterans Hospital, Wente and East Bay Regional Park District, State of California.

Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Assessed Value of Taxable Property
Last Ten Fiscal Years
(expressed in millions)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Assessed Value of Taxable Property										
Land	$ 12,635	$ 12,905	$ 13,587	$ 14,680	$ 15,861	$ 16,766	$ 17,825	$ 19,166	$ 20,359	$ 21,220
Structures & Improvements	26,507	27,029	28,695	31,246	33,555	35,024	38,434	41,506	44,764	47,473
Personal Property	1,508	1,652	1,611	1,419	1,473	326	1,625	1,622	1,667	1,858
Miscellaneous Exemption (Less)	891	599	867	755	661	664	769	769	921	1,130
Subtotal	39,759	40,987	43,026	46,590	50,228	51,452	57,115	61,525	65,869	69,421
Homeowner Exemption (Less)	298	297	299	300	303	304	306	307	309	308
Net Total	$ 39,461	$ 40,690	$ 42,727	$ 46,290	$ 49,925	$ 51,148	$ 56,809	$ 61,218	$ 65,560	$ 69,113



Source: Alameda County Assessor's Office

Alameda County Flood and Water Conservation District
Zone 7 Water Agency

Property Tax Rates[1]
Direct and Overlapping Governments
Last Ten Fiscal Years
(Rates per $1,000 of Assessed value)

	Fiscal Year									
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Direct Rates:										
City of Livermore	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
County GO Bond								0.0112%	0.0108%	0.0036%
Overlapping Rates[2]:										
School District	0.0627%	0.0607%	0.0596%	0.0497%	0.0404%	0.0886%	0.0803%	0.0771%	0.0743%	0.0691%
Community College	0.0214%	0.0219%	0.0214%	0.0217%	0.0198%	0.0246%	0.0445%	0.0443%	0.0422%	0.0214%
Bay Area Rapid Transit	0.0041%	0.0043%	0.0075%	0.0045%	0.0026%	0.0080%	0.0084%	0.0070%	0.0120%	0.0139%
Zone 7 Flood Control	0.0307%	0.0228%	0.0257%	0.0250%	0.0343%	0.0333%	0.0359%	0.0332%	0.0309%	0.0309%
Total Direct and Overlapping Rates	**1.1189%**	**1.1097%**	**1.1142%**	**1.1009%**	**1.0971%**	**1.1545%**	**1.1691%**	**1.1728%**	**1.1702%**	**1.1389%**

Source: Alameda County Auditor-Controller Agency

Note:

(1) The above data represents a single tax area within the Agency's jurisdiction and is presented herein to show readers general trends of property tax rates.

(2) Overlapping rates are those local and county governments that apply to property owners within the City of Livermore. Not all overlapping rates apply to all property owners. For an overlapping rate to apply, the property has to be located within that district's geographic boundary.

This page intentionally left blank

Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied	Amount Collected Within Fiscal Year	Percentage of Levy	Delinquent Tax Collections
2012	$ 17,790,156	$ 17,790,156	100%	0%
2013	15,476,326	15,476,326	100%	0%
2014	17,218,185	17,218,185	100%	0%
2015	18,819,680	18,819,680	100%	0%
2016	25,045,958	25,045,958	100%	0%
2017	26,420,199	26,420,199	100%	0%
2018	28,225,563	28,225,563	100%	0%
2019	28,991,052	28,991,052	100%	0%
2020	29,433,103	29,433,103	100%	0%
2021	30,722,352	30,722,352	100%	0%

Source: Finance

Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Principal Property Tax Payers
Current Year and Nine Years Ago
(Fiscal Year)

Taxpayer	2021 [1]				2012 [2]			
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value		Taxable Assessed Value	Rank	Percentage of Total Total Assessed Value
Kaiser Foundation Hospitals	$	277,937,541	1	0.41%	$	105,445,200	10	0.27%
Stoneridge Creek Pleasanton CCRC LLC		274,986,465	2	0.40%				
Stoneridge Properties		271,920,888	3	0.40%		232,441,267	2	0.60%
Rosewood Commons Property Owner LLC		269,188,154	4	0.40%				
Kaiser Foundation Health Plan Inc.		247,439,773	5	0.36%		241,395,587	1	0.62%
Livermore Premium Outlets		222,465,663	6	0.33%				
6200 Stoneridge Mall Road Investors LLC		218,138,660	7	0.32%		184,543,200	4	0.47%
Essex Pleasanton Owner LP		205,743,723	8	0.30%				
Avalon Dublin Station II LP		175,071,491	9	0.26%				
Stoneridge Residential LLC		166,326,234	10	0.24%				
Pleasanton Property LLC						210,458,543	3	0.54%
Applea Corporation						135,061,960	5	0.35%
Safeway Inc.						129,843,315	6	0.33%
Stoneridge Residential LLC						129,057,931	7	0.33%
PeopleSoft Properties						121,023,815	8	0.31%
Boehringer Mannheim Corporation						110,222,088	9	0.28%
Tishman Speyer Archstone Smith								
	$	2,329,218,592		3.42%	$	1,599,492,906		4.11%

Source:

[1] County of Alameda 2020-21 FY Top 10 Taxpayers by Primary Tax Code Area (Secured)

[2] FY 2011-12 City of Livermore, City of Pleasanton, and City of Dublin's Comprehensive Annual Financial Reports

Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Water Enterprise Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year									
2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018***	**2019**	**2020**	**2021**
$ 30,500,000	$ 30,500,000	-	-	-	-	$ 64,010,000	$ 64,010,000	$ 62,705,000	$ 61,335,000

Source: Finance

[1] On March 11, 2018, the Agency, via the Livermore Valley Water Financing Authority, issued the 2018 Water Revenue Bonds in the amount of $64,010,000.

Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Legal Debt Margin Information
Last Ten Fiscal Years
(In Millions)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt Limit	$ 1,973	$ 2,035	$ 2,136	$ 2,315	$ 2,496	$ 2,668	$ 2,840	$ 3,056	$ 3,278	$ 3,456
Total Net Debt Applicable to Limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	$ 1,973	$ 1,973	$ 2,035	$ 2,136	$ 2,315	$ 2,496	$ 2,668	$ 2,840	$ 3,056	$ 3,456
Total net debt applied to the limit as a percentage of the debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Source: Alameda County Assessor's Office and Agency Finance

Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Demographic and Economic Statistics
For Alameda County and the Zone 7 Service Area
Last Ten Fiscal Years

Fiscal Year	Zone 7 Service Area (Acres)	Population Served within Zone 7's Service Area [1]	Total Population Alameda County	Total Personal Income Alameda County (amounts expressed in billions)	Per Capita Income Alameda County	Unemployment Rate Alameda County	Consumer Price Index Alameda County (% change in CPI)
2012	272,000	229,000	1,539,145	$ 84.5	$ 57,739	9.5	2.7
2013	272,000	233,000	1,563,495	87.4	57,473	7.4	2.2
2014	272,000	239,000	1,583,979	92.4	58,364	5.8	2.7
2015	272,000	245,000	1,611,318	104.4	64,466	5.2	3.2
2016	272,000	247,000	1,629,738	111.5	65,045	4.7	3.1
2017	272,000	255,023	1,646,405	118.7	69,350	4.0	3.0
2018	272,000	259,165	1,656,884	127.7	75,045	3.1	4.3
2019	272,000	260,000	1,666,753	134.8	76,644	3.1	2.7
2020	272,000	260,000	1,670,834	130.8	76,837	13.5	1.6
2021	272,000	260,000*	1,656,591*	138.7*	78,805*	6.6	3.2

Source:

[1] Population of Service Area include cities of Livermore, Pleasanton, Dublin and Dougherty Valley (Dougherty Valley figures are estimated as 3.36% of City of San Ramon) .

*Figures are forecasted estimates

Source: State of California Department of Finance
State of California Department of Transportation
U.S. Bureau of Labor Statistics
Employment Development Department Labor Market Information

Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Principal Employers In Alameda County
Current Year and Nine Years Ago

		----------2021---------			----------2012----------		
Company/Organization	**Business Type**	**Number of Employees July 31, 2021** [1]	**Rank**	**Percentage of Total County Employment** [2]	**Number of Employees June 30, 2012** [1]	**Rank**	**Percentage of Total County Employment** [2]
Kaiser Permanente Medical Group Inc.[3]	Health Care	34,666	1	4.62%	9,944	2	1.47%
Tesla [3]	Electric Vehicle Manufacturer	13,000	2	1.73%	-	20+	-
Safeway [3]	Supermarkets & Other Grocery	9,731	3	1.30%	9,121	4	1.34%
County of Alameda	Local Government	9,424	4	1.26%	8,843	5	1.30%
Sutter Health [3]	Health Care	9,377	5	1.25%	-	20+	-
John Muir Health [3]	Health Care	6,300	6	0.84%	-	20+	-
PG&E Corporation [3]	Energy Production	5,100	7	0.68%	-	20+	-
Workday [3]	Enterprise Cloud Applications	5,098	8	0.68%	-	20+	-
Chevron Corporation [3]	Energy Production	4,700	9	0.63%	-	20+	-
Wells Fargo Bank [3]	Financial Services	4,354	10	0.58%	5,632	8	0.83%
Total		101,750		13.56%	33,540		4.94%

Source: Alameda County Auditor-Controller's Office; SFBT research for June 30, 2021 employment data. The County of Alameda number of employees as of June 30, 2012 is obtained from the County of Alameda Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2012.

The number of employees, except for County of Alameda and City of Oakland include Alameda County and Contra Costa County employees.

Total employment within County of Alameda is unavailable.

Percentage calculated based on Alameda County's Employment of 750,200 for June 2021 and 678,700 for 2012 (Source: Employment Development Department)

Information from SFBT research from September 2021. Information as of June, 2021 is not available, except for County of Alameda employer.

Information from County of Alameda's database as of June 30, 2021.

Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Full-time Equivalent Agency Employees by Function/Program Budget
Last Ten Fiscal Years

Division/Function	Fiscal Year 2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Office of the General Manager	10	14	7	7	8	9	9	9	10	10
Integrated Planning			7.5	7.5	8.5	9.5	9.5	6.5	8.5	9.5
Finance:										
Finance and Accounting	10	11	9	9	10	10	10	10	11	11
Employee Services	6	6	7	7	7	4	4	3	3	3
Engineering:										
Facilities Engineering	16	15	13	14	12	13	13	10	12	11
Groundwater	9	8	7	7	8.5	7.5	7.5	7.5	7.5	7
Water Quality	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7
Flood Protection	7	6	5	5	6	7	7	8	7	5.5
Operations	24	24	24	24	24	27	27	28	29	30
Maintenance	19	19	19	19	20	20	20	19	19	21
Total FTE	108.5	110.5	106.0	107.0	111.5	114.5	114.5	108.5	114.5	115.0

Source: Finance

Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Operating Indicators
Fiscal Years 2011-2020

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Water Enterprise System										
Total Groundwater pumped (AF) [1]	12,105	9,555	8,782	2,565	2,002	2,300	4,700	8,200	10,100	16,400
Total Artificial Stream Recharge (AF)	8,778	7,887	3,826	3,766	8,910	8,300	9,100	3,100	4,040	820 [2]
New water connections	489	1,187	928	1,196	1,600	1,338	1,301	1,214	796	470
Total drilling permits issued	149	159	176	171	133	155	165	154	119	130
Flood Protection System										
Flood Protection area managed (sq. miles)	425	425	425	425	425	425	425	425	425	425
Flood Protection channels (miles)	37	37	37	37	37	37	37	37	37	37
Flood Protection encroachment permits issued	36	36	30	31	34	24	32	37	44	23
Flood Protection development referrals	15	18	13	13	15	20	15	11	18	26

Source: Flood Protection, Groundwater and Integrated Planning departments.

[1] Calculated on a Water Year basis (October 1 - September 30)

[2] Total Artificial Stream Recharge calculations are completed at calendar year end, therefore 2020 figure is an estimate.

Alameda County Flood and Water Conservation District
Zone 7 Water Agency
Operating Information
Capital Asset Statistics
Fiscal Years 2012-2021

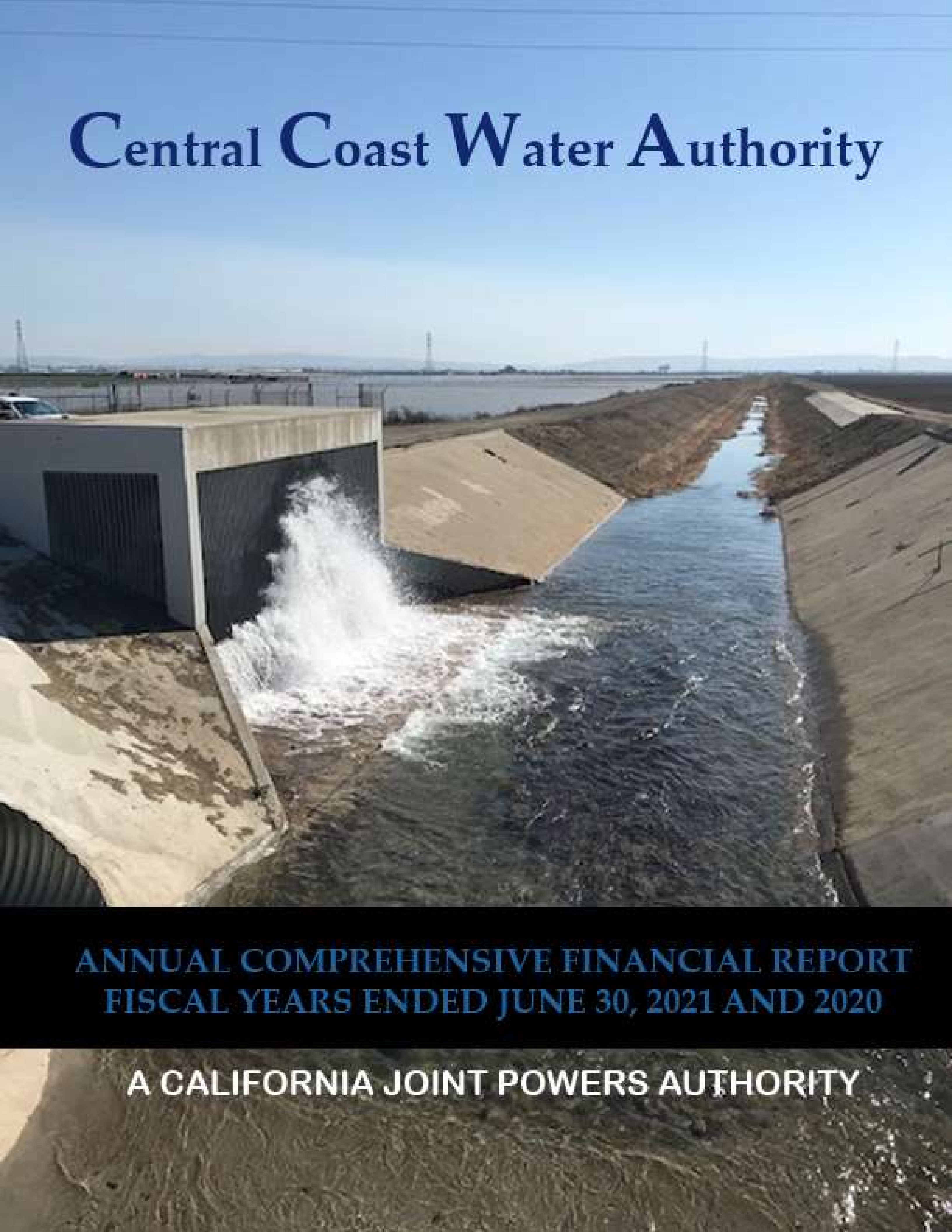
	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Number of treatment plants	3	3	3	3	3	3	3	3	3	3
Miles of pipeline	41	41	41	41	41	41	41	41	41	41
Number of treated water pumping stations	2	2	2	2	2	2	2	2	2	2
Number of wells operated	9	9	10	10	10	10	10	10	10	10
Total Groundwater storage (AF)[1,2]	227,000	220,000	209,000	213,000	226,000	248,000	249,000	252,000	246,000	230,000
Total Groundwater operational storage-water year (AF)[2]	99,000	92,000	81,000	85,000	98,000	120,000	121,000	124,000	118,000	102,000

Source: Groundwater and Operations

[1] 2020 Total and Operational Groundwater Storage are estimates based on mid-September water levels. Actual values get calculated at end of each year.

[2] Calculated on a Water Year basis (October 1 - September 30).

This page intentionally left blank



Central Coast Water Authority

ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

A CALIFORNIA JOINT POWERS AUTHORITY

Central Coast Water Authority

Annual Comprehensive Financial Report

Fiscal Years Ended June 30, 2021 and 2020

Prepared by Dessi Mladenova

Cover photo by James Thompson

Table of Contents

INTRODUCTORY SECTION

FINANCIAL SECTION

STATISTICAL SECTION

Table of Contents

INTRODUCTORY SECTION

Eric Friedman
Chairman

Ed Andrisek
Vice Chairman

Ray Stokes
Executive Director

Brownstein Hyatt
Farber Schreck
General Counsel

Member Agencies

City of Buellton

Carpinteria Valley
Water District

City of Guadalupe

City of Santa Barbara

City of Santa Maria

Goleta Water District

Montecito Water District

Santa Ynez River Water
Conservation District,
Improvement District #1

Associate Member

La Cumbre Mutual
Water Company

December 15, 2021

Members of the Board
Central Coast Water Authority

State law requires that every general purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2021. The Annual Comprehensive Financial Report ("ACFR") of the Central Coast Water Authority for the fiscal year ("FY") ended June 30, 2021 is submitted as prepared by the Authority's Finance and Administration Departments. The report is published to provide to our project participants, the Authority Board, and the investment community detailed information about the financial condition and operating results of the Authority as measured by the financial activity of the Authority.

Responsibility for both the accuracy of the financial report and the completeness and fairness of the presentation rests with the Authority. To the best of our knowledge, the information presented is accurate in all material aspects and includes all disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities.

The Authority requires that its financial statements be audited by a Certified Public Accountant selected by the Authority's Board of Directors, and Glenn Burdette, Certified Public Accountants, have issued an unmodified ("clean") opinion on Central Coast Water Authority's financial statements for the year ended June 30, 2021. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis ("MD&A") immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE AUTHORITY

The Central Coast Water Authority ("CCWA" or "Authority") is a public entity organized under a Joint Exercise of Powers Agreement dated August 1, 1991 and operates as a Joint Powers Authority ("JPA"). CCWA is a wholesale water provider to 13 water purveyors and private companies in Santa Barbara County, and another 11 water purchasers in San Luis Obispo County.

255 Industrial Way
Buellton, CA 93427-9565
(805) 688-2292
FAX: (805) 686-4700

CCWA is presently composed of eight members, all of which are public agencies within Santa Barbara County: the Cities of Buellton, Guadalupe, Santa Barbara and Santa Maria, Carpinteria Valley Water District, Goleta Water District, Montecito Water District and Santa Ynez River Water Conservation District, Improvement District No. 1 (in which the City of Solvang is located). Each member agency is represented on the CCWA Board of Directors by one individual and an alternate. In addition, CCWA has one associate member, the La Cumbre Mutual Water Company and three non-member, private water users, Raytheon Systems Company, Morehart Land Company, and Golden State Water Company. Water service is also provided to Vandenberg Space Force Base through a Utility Agreement.

The member agencies are represented on the CCWA Board of Directors by an individual chosen by each public entity's Board or City Council. Each vote on the Authority's Board of Directors is weighted roughly in proportion to the entity's allocation of State water entitlement.

The Authority also provides supplemental water to certain entities within San Luis Obispo County: California Men's Colony, County of San Luis Obispo, Cuesta College, City of Morro Bay, Avila Beach Community Services District, Avila Valley Mutual Water Company, Oceano Community Services District, City of Pismo Beach, San Luis Coastal Unified School District and San Miguelito Mutual Water Company.

Facilities

The Authority's facilities include a water treatment plant located at Polonio Pass in northeastern San Luis Obispo County and a distribution system that delivers water from the State Water Project to project participants in Santa Barbara and San Luis Obispo Counties. The distribution system consists of an approximate 130 mile long pipeline, treated water tanks at the water treatment plant, three interim storage facilities, one energy dissipation facility, ten turnouts, four isolation valve facilities, a chloramines removal and water pumping facility and Cachuma Lake inlet monitoring facility.

Central Coast Water Authority is innovative and forward thinking in its methods to provide high-quality water, through an efficient and reliable system that is capable of delivering supplemental water from other water sources in addition to allocations through the State Water Project for our project participants. During the recent and ongoing drought in California, this delivery system was instrumental in allowing our project participants to maintain adequate water resources for their communities by providing a link to the statewide water supply system.

The Authority receives its water through the State Water Project, which is a network of canals, pipelines, tunnels and reservoirs. The State Water Project is managed by the California Department of Water Resources ("DWR"), a State agency which protects, conserves, develops, and manages much of California's water supply including the State Water Project which provides water for more than 27 million residents and businesses, and irrigates about 750,000 acres of farmland. Through the Santa Barbara County Flood Control and Water Conservation District ("SBCFC&WCD"), the Authority holds a contract with DWR to purchase up to 45,486 acre-feet of water per year. The costs for this water are charged to the Authority's Santa Barbara County project participants. San Luis Obispo County pays DWR directly for its DWR costs.

LOCAL ECONOMY

Santa Barbara County is dominated by three principal economic activities: tourism, Vandenberg Space Force Base, and education, and is characterized by three geographically diverse regions. The Santa Barbara Project Participants are located in all three different geographic areas of Santa Barbara County:

North County (City of Santa Maria, City of Guadalupe, Golden State Water Company and Vandenberg Space Force Base); the Santa Ynez Valley (City of Buellton and Santa Ynez River Water Conservation District, Improvement District No. 1, which includes within its boundaries the City of Solvang); and the South Coast (City of Santa Barbara, Goleta Water District, Montecito Water District, Carpinteria Valley Water District, La Cumbre Mutual Water Company, Raytheon Systems Company and Morehart Land Company).

Historically the North County has been an agricultural area, but it has experienced significant urban development in the last twenty-six years and expects additional urban development in the future; the Santa Ynez Valley is a rural agricultural area and tourist destination; and the South Coast is a generally developed urban area which does not expect significant growth in the future. The general location of certain of the Santa Barbara Project Participants and of the major components of the Authority Project in Santa Barbara County is shown on the map under the caption "Project Map" in the end of the Introductory Section of the Annual Comprehensive Financial Report.

LONG-TERM FINANCIAL PLANNING

To assist our project participants, the Authority prepares a Ten-Year Financial plan to provide pro forma projections of the Authority's expenditures and includes projections for both the Authority and the Department of Water Resources portions of the budget. The Department of Water Resources provides projections for each of these years for both the fixed and variable costs, and the Authority expenses are generally projected with a 3% inflation factor to all operating expenses.

The Ten-Year Financial Plan is prepared only as an informational tool and is used by the member agencies and other project participants for their planning and long-term budgeting purposes.

RELEVANT FINANCIAL POLICIES AND CONTROLS

The Authority has adopted a comprehensive set of financial policies governing Reserves, Purchasing, Budget, Investments, Debt Management, and Capital Improvements. Following is a brief discussion on the policies that were relevant this year:

Pandemic Response Plan

The Central Coast Water Authority activated its Pandemic Response Plan on Monday March 16, 2020 in response to the Santa Barbara County Health Officer declaring a local health emergency on Thursday March 12 and President Trump declaring a national emergency on Friday March 13, 2020 related to COVID-19. Due to the ongoing nature of the COVID-19 Pandemic, this plan is still in place at the time of preparation of this report.

The CCWA Pandemic Response Plan (Plan) was first developed in 2002, as required by the Bioterrorism Act of 2002. Our Plan includes all of the main action items that were currently recommended by the Centers for Disease Control, and as our Plan specifies, staff continues to consult the current CDC recommendations and update the plan with current information as needed.

The overall strategy for CCWA's Plan implementation was to maximize social distancing through a "no crossing of paths" concept. The idea was to eliminate gatherings and reduce person-to-person interactions through physical separation and schedule separation to the maximum extent. Each department accomplished this while still maintaining operations and ensuring business needs were met while keeping staff safe at all times.

Capital Improvement Projects and Carryover

The Capital Improvements Projects ("CIP") is a component of the non-operating expenses section of the budget. Certain capital expenditures included in the Fiscal year 2020/21 budget were not expended due to timing and scheduling.

When appropriate, capital improvements will be paid through current revenue sources rather than financing capital projects over a period of time. In September 2020 the Board approved $1,218,399 in carryover funds to Fiscal Year 2020/21 to be used for capital projects not completed in Fiscal Year 2019/20. Also approved by the Board was $761,416 of carryover funds for capital projects funded for Fiscal Year 2020/21 and carried over into Fiscal Year 2021/22 for completion.

Investment Policy

The Authority will operate its idle cash investments in compliance with Government Code Section 16045-16054 Uniform Prudent Investor Act which states: "…in investing...property for the benefit of another, a trustee shall exercise judgment and care, under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs....". As such, the Board has adopted an Investment Policy governing cash investments.

Section XV of the CCWA Investment Policy states the "…investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return, and its relevance to current law and financial and economic trends." The Authority reviews the Investment Policy and relevant Government Code Sections annually to ensure the policy is up to date and in compliance with the Government Code. There were found to be no significant changes in Government Code Section 53630-53686 during Fiscal Years' 2019/20 and 2020/21 which required modification of the policy.

Debt Management Policy

Central Coast Water Authority is authorized to incur indebtedness to finance Authority facilities and to assign and pledge to the repayment by its participants. The Debt Management Policy adopted by the Board in 2017 establishes parameters for issuing debt, covers general provisions for periodic review, conditions for debt issuance, standards for use of debt financing, financing criteria, refinancing outstanding debt, outstanding debt limitations, security for debt, a covenant for bond coverage, method of issuance, debt administration and reporting requirements.

Accounting System

In developing and maintaining the Authority's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable but not absolute assurance regarding: a) the safeguarding of assets against losses from unauthorized use or disposition, and b) the reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that the cost of a control procedure should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. Management believes that the Authority's controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

MAJOR INITIATIVES FOR THE FISCAL YEAR

The activities of the Board and staff at the Authority are driven by our mission statement: To provide San Luis Obispo and Santa Barbara Counties with reliable, high quality supplemental water.

State Water Project Contract Assignment

The original contract with the Department of Water Resources ("DWR") was executed between DWR and the Santa Barbara County Flood Control and Water Conservation District (the County) in 1963. However, there were no facilities to bring State water into Santa Barbara County until CCWA was formed to construct and operate the facilities for the delivery of State Water in 1991.

When CCWA was formed in 1991, it entered into an agreement with the County called the "Transfer of Financial Responsibility Agreement" ("TFRA") whereby CCWA agreed to be responsible for all costs of the State Water Project in Santa Barbara County. One of the provisions of the TFRA was that the parties expressed the desire to have the State Water Contract fully assigned from the County to CCWA. However, CCWA did not have ability to levy a property tax in the event of payment default, a key form of payment security in the DWR contracts and bonds, until recent legislation was passed which allows JPAs to exercise the taxing authority of their member agencies. CCWA now has the ability to levy a property tax for State water costs in the event of a payment default to DWR and as such, is actively pursuing full assignment of the State Water contract from the County to CCWA. During FY 2020/21, CCWA attempted to have the Santa Barbara County Board of Supervisors consider CCWA's request for full assignment of the contract, but the County has yet to consider CCWA's request.

Suspended Water Reacquisition

In the 1980's, Santa Barbara County requested that DWR set aside, or "suspend" 12,214 acre-feet of the County's 57,700 acre-feet of State Water allotment as it was determined the 12,214 acre-feet was in excess of the needs of the various Santa Barbara County water purveyors. DWR agreed to suspend this water and agreed that the County could reacquire the water at a future date, which has been extended a number of times.

CCWA has requested, and DWR has agreed to allow CCWA, through the County, to reacquire the 12,214 acre-feet of suspended contract allotment. CCWA will continue to pursue this reacquisition in the coming year.

State Water Contract Amendments

The Department of Water Resources (DWR) and the State Water Project Contractors (Contractors) have fully negotiated two amendments to the State Water Contract: (1) State Water Contract Extension Amendment and (2) Water Management Tools Amendment.

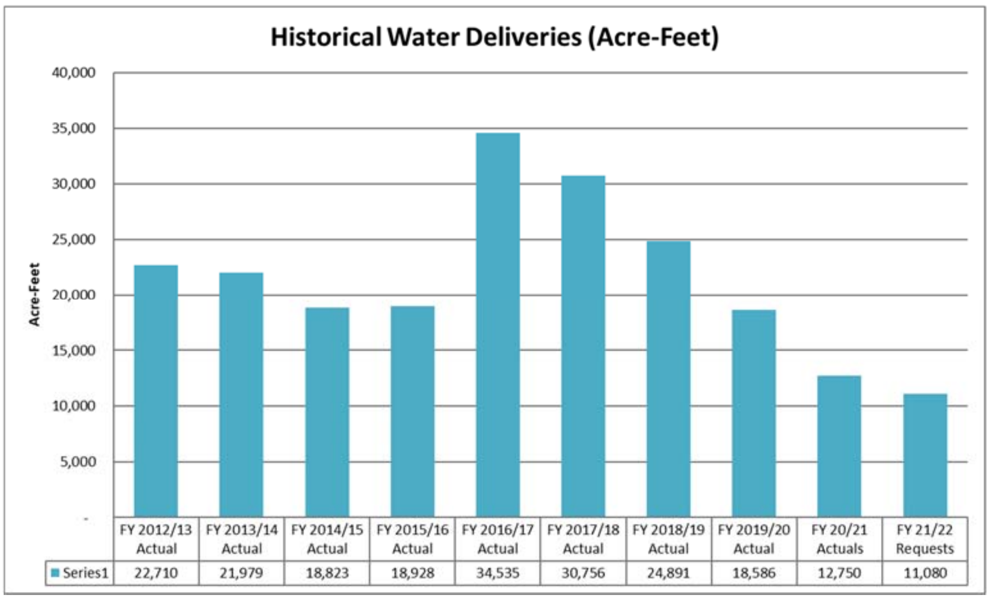
The State Water Contract Extension Amendment primarily amends the State Water Contract to extend the term of the contract from the current expiration beginning in 2035, to the year 2085. Additionally, the amendment changes certain financial aspects of the Contract intended to modernize certain financial aspects of the Contract.

The Water Management Tools Contract Amendment changes the contract to allow additional flexibility regarding transfers and exchanges of State water by and between the SWP's 29 Contractors.

CCWA has requested that the Santa Barbara County Flood Control and Water Conservation District execute both amendments to the SWP Contract and will continue to work with the District to fully implement the contract amendment in the District's Contract with DWR.

Water Deliveries

Total deliveries during FY 2020/21 by CCWA to the Santa Barbara and San Luis Obispo County project participants were 12,750 acre-feet compared to the actual FY 2019/20 deliveries of 18,586 acre-feet. The graph below shows water deliveries for the last nine fiscal years and the requested water deliveries for FY 2021/22.



THE FUTURE

Water Delivery Projections

For calendar years 2021 and 2022, Santa Barbara and San Luis Obispo County project participants have requested State water deliveries of 14,495 acre-feet and 11,080 acre-feet respectively.

Drought

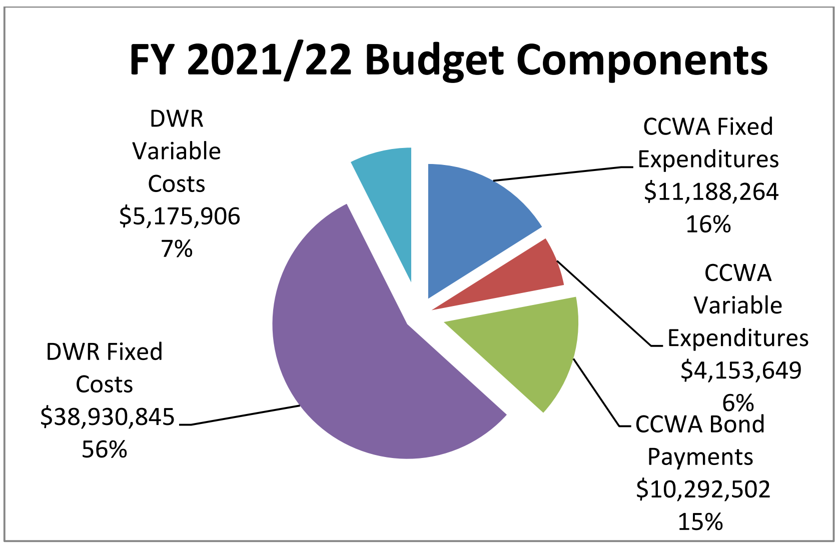
For the first time in the almost 60 year history of the State Water Project, the Department of Water Resources initial allocation of water available for calendar year 2022 is zero percent. While this allocation percentage may change in 2022 if the precipitation improves, the unprecedented steps means that meeting the water supply needs of CCWA's project participants will be even more difficult, especially in light of the fact that other State Water Project Contractors are increasingly unlikely to be able to sell excess supplies to CCWA.

Department of Water Resources ("DWR") Activities and Related Costs

During FY 2021/22, CCWA staff will continue to work through the State Water Contractor ("SWC") board and committees that interact with the DWR which impact CCWA and the California water agencies as a whole. There are many significant issues on which DWR and the SWC are working which have water supply, operational, and fiscal impacts on CCWA. Some of these activities could potentially have a significant fiscal impact to CCWA in the current and future years. Therefore, staff will place a high priority on working through the various available venues to minimize the fiscal impacts to CCWA and ensure that we continue to meet our goal of providing reliable, high quality supplemental water.

Fiscal Year 2021/22 Budget Summary

The FY 2021/22 budget calls for total project participant payments of $69.5 million compared to the FY 2020/21 budget of $71 million, a $1.5 million decrease. These amounts include $0.14 million in CCWA credits for FY 2021/22 and $0.45 million for FY 2020/21. The following graph shows the breakout of the various cost components in the CCWA FY 2021/22 budget:



AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to Central Coast Water Authority for its annual comprehensive financial report for the fiscal year ended June 30, 2019. This was the twenty-third year the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Authority had to publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement is valid for a period of one fiscal year. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements and we are submitting to the GFOA to determine its eligibility for another certificate.

The authority also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated April 25, 2020. This was the twenty-fourth consecutive year the Authority has achieved this prestigious award. To qualify for the Distinguished Budget Presentation Award, the Authority's budget document had to be judged proficient as a policy document, financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance and Administration Department. We wish to thank each member of both departments for their assistance in providing the data necessary to prepare this report. Credit is also due to Senior Management and the Board of Directors for leadership and support in maintaining the highest standards of professionalism in the management of Central Coast Water Authority's finances.

I am pleased to present this report to the Board for formal adoption.

Respectfully submitted,

Ray A. Stokes
Executive Director

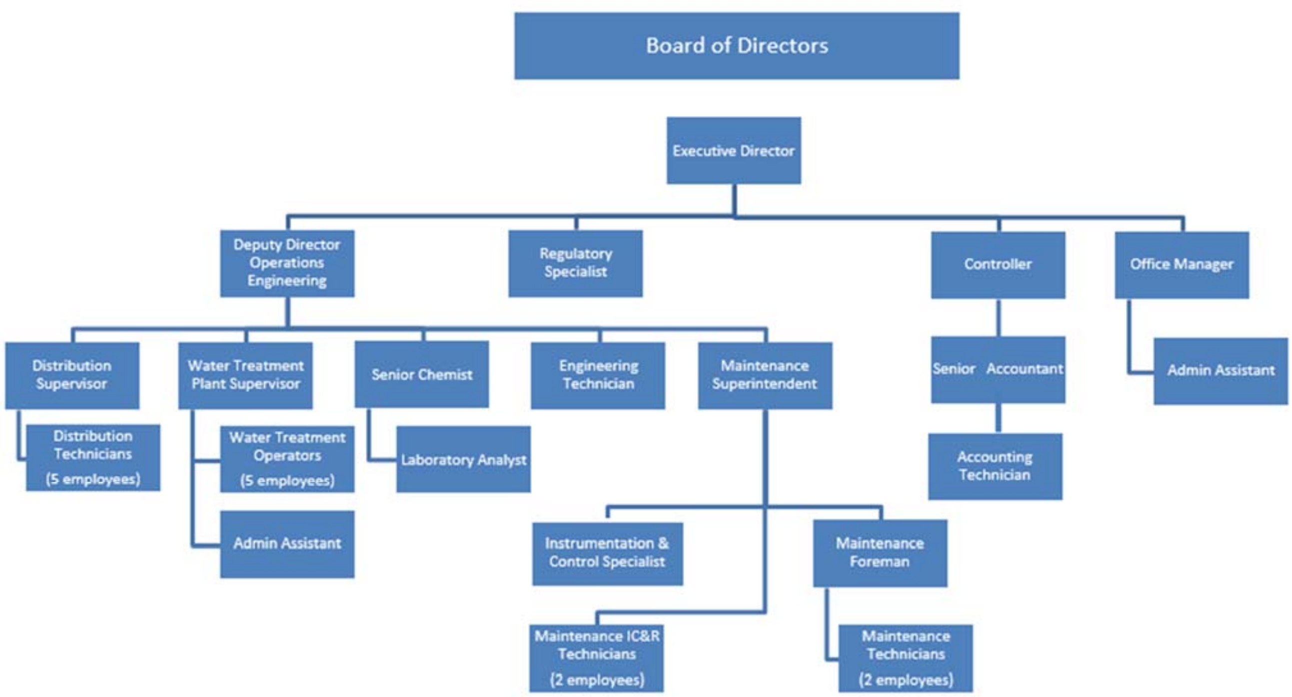
June 30, 2021

Central Coast Water Authority
Board of Directors

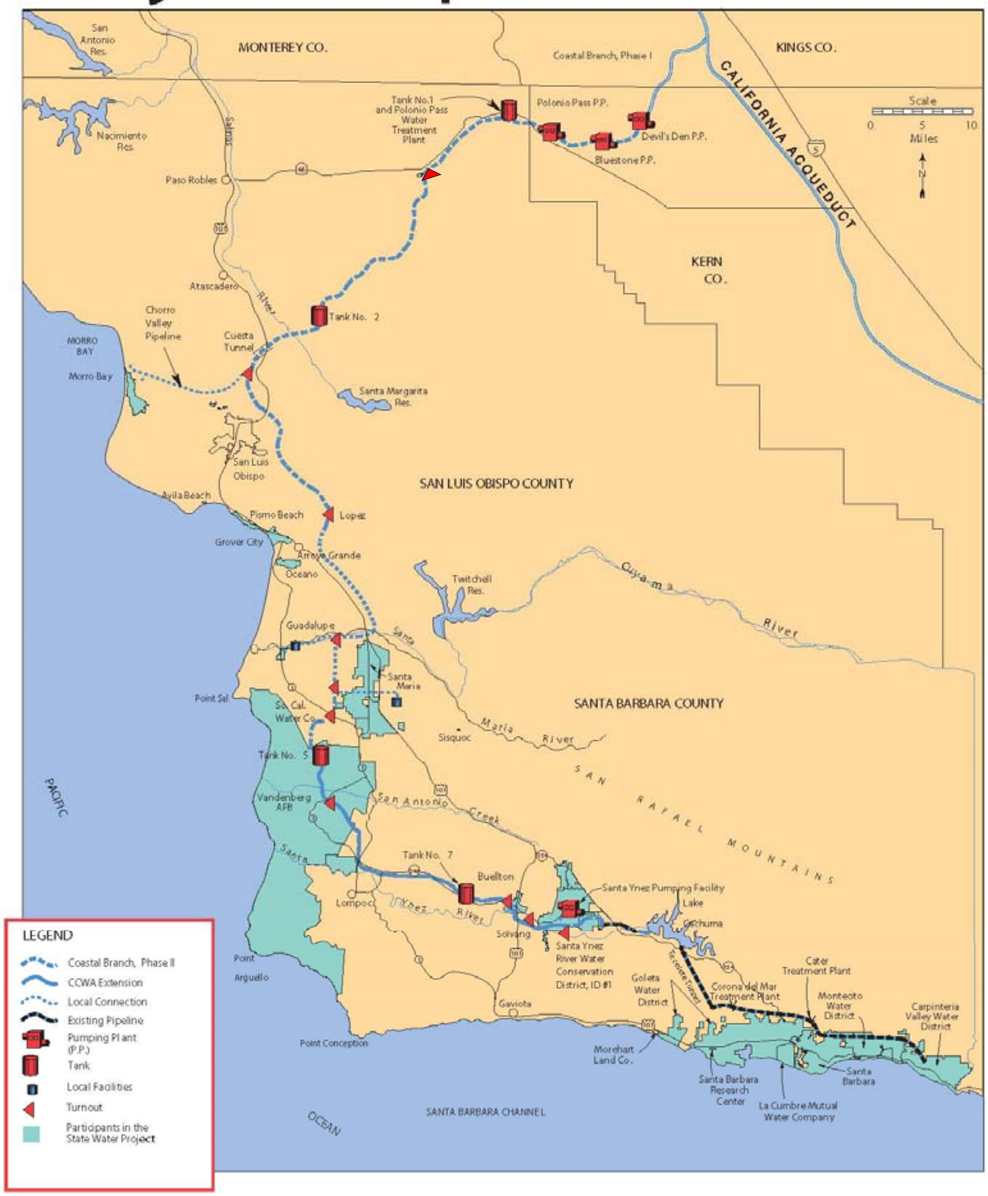
Eric Friedman, Chairman	City of Santa Barbara
Ed Andrisek	City of Buellton
Etta Waterfield	City of Santa Maria
Floyd Wicks	Montecito Water District
Jeff Clay	Santa Ynez River Water Conservation District, Improvement District #1
Farfalla Borah	Goleta Water District
Ariston Julian	City of Guadalupe
Shirley Johnson	Carpinteria Valley Water District

Authority Staff

Ray Stokes	Executive Director
John Brady	Deputy Director Operations /Engineering



Project Map


MONTEREY CO.
KINGS CO.
Coastal Branch, Phase I
CALIFORNIA ACQUEDUCT
Tank No.1 and Polonio Pass Water Treatment Plant
Polonio Pass P.P.
Devil's Den P.P.
Bluestone P.P.
San Antonio Res.
Nacimiento Res.
Paso Robles
KERN CO.
Atascadero
Tank No. 2
Chorro Valley Pipeline
Cuesta Tunnel
MORRO BAY
Morro Bay
Santa Margarita Res.
San Luis Obispo
SAN LUIS OBISPO COUNTY
Avila Beach
Pismo Beach
Lopez
Grover City
Arroyo Grande
Oceano
Twitchell Res.
Guadalupe
Santa Maria
Point Sal
So. Cal. Water Co.
SANTA BARBARA COUNTY
Sisquoc
Tank No. 5
Vandenberg AFB
SAN RAFAEL MOUNTAINS
PACIFIC
Tank No. 7
Buellton
Lompoc
Santa Ynez Pumping Facility
Lake Cachuma
Solvang
Santa Ynez River Water Conservation District, ID #1
Goleta Water District
Corona del Mar Treatment Plant
Cater Treatment Plant
Montecito Water District
Carpinteria Valley Water District
Point Arguello
Gaviota
Point Conception
Morehart Land Co.
Santa Barbara Research Center
La Cumbre Mutual Water Company
Santa Barbara
SANTA BARBARA CHANNEL
OCEAN
Scale
0
5
10
Miles
LEGEND
Coastal Branch, Phase II
CCWA Extension
Local Connection
Existing Pipeline
Pumping Plant (P.P.)
Tank
Local Facilities
Turnout
Participants in the State Water Project

FINANCIAL SECTION

GLENN BURDETTE
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Member Agencies
Central Coast Water Authority
Buellton, California

Report on the Financial Statements
We have audited the accompanying statements of net position of the Central Coast Water Authority (the Authority), as of June 30, 2021, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

SAN LUIS OBISPO
1150 Palm Street
San Luis Obispo, CA 93401
p 805 544 1441
f 805 544 4351

PASO ROBLES
102 South Vine Street, Ste. A
Paso Robles, CA 93446
p 805 237 3995
f 805 239 9332

SANTA MARIA
2222 South Broadway, Ste. A
Santa Maria, CA 93454
p 805 922 4010
f 805 922 4286

GLENNBURDETTE.COM

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have 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 them.

Glenn Burdette Attest Corporation

Glenn Burdette Attest Corporation
San Luis Obispo, California

December 15, 2021

Fiscal Year Ended June 30, 2021

This section presents management's analysis of the Authority's financial condition and activities for the fiscal year ended June 30, 2021. This information should be read in conjunction with the financial statements and the additional information that we have included in our letter of transmittal.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority operates as a proprietary fund-type. All proprietary fund-types are accounted for on a flow of economic resources measurement focus. Under this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets.

All proprietary fund-types utilize the accrual basis of accounting. Under this method, revenues are recognized when earned, regardless of when received, and expenses are recognized at the time the related liabilities are incurred, regardless of when paid.

Summary of Organization and Business

The Central Coast Water Authority is a public entity duly organized and existing under a Joint Exercise of Powers Agreement – Central Coast Water Authority, dated as of August 1, 1991, by and among nine public agencies in Santa Barbara County, two of which have subsequently merged. The members entered into the Agreement to exercise their common power to acquire, construct, operate and maintain works and facilities for the development and use of water resources and water rights including without limitation, works and facilities to divert, store, pump, treat and deliver water for beneficial uses. In particular, the members expressed their desire to create the Authority to finance, develop, operate, and maintain the Authority facilities for their mutual benefit and to act on behalf of the members with respect to the Department of Water Resources ("DWR") facilities. The Authority currently has a staff of twenty-eight full-time employees and two part-time employees.

The Authority is presently composed of eight members, all of which are public agencies: the Cities of Buellton, Guadalupe, Santa Barbara and Santa Maria, Carpinteria Valley Water District, Goleta Water District, Montecito Water District and Santa Ynez River Water Conservation District, Improvement District No. 1 (in which the City of Solvang is located). (A founding member of the Authority, the Summerland Water District, merged into the Montecito Water

District.) In addition, the Authority has an Associate Member, La Cumbre Mutual Water Company. Each member appoints a representative to the Authority's Board of Directors. San Luis Obispo County Flood Control and Water Conservation District ("SLOCFCWCD" and/or San Luis Obispo Water Purchasers) has expressed an interest in joining the Authority. However, any decision to do so must be approved by the unanimous vote of the present members.

The member agencies are represented on the CCWA Board of Directors by an individual chosen by each public entity's Board or City Council. Each vote on the Authority Board of Directors is weighted roughly in proportion to the entity's allocation of State water entitlement.

The following table shows the voting percentage for each member of the CCWA Board of Directors.

City of Guadalupe	1.15%
City of Santa Maria	43.19%
City of Buellton	2.21%
Santa Ynez R.W.C.D., Improvement District #1	7.64%
Goleta Water District	17.20%
City of Santa Barbara	11.47%
Montecito Water District	9.50%
Carpinteria Valley Water District	7.64%
TOTAL	100.00%

CCWA Committees

There are currently three Central Coast Water Authority committees. They are the Finance, Operating, and Personnel Committees.

The Operating Committee is composed of the general managers, city administrators or water supply managers from each of the various water districts and cities served by the Authority. The Operating Committee typically meets quarterly to act on matters such as construction, operations, and financial issues and recommends actions to the Authority Board of Directors.

The Finance and Personnel Committees are composed of CCWA Board members appointed by the CCWA Board Chairman. The Committees review and recommend actions to the Authority Board of Directors with regard to finance and personnel related matters.

Santa Barbara County Project Participants

Each Santa Barbara County project participant is a water purveyor or user located in Santa Barbara County which obtained contractual rights to receive water from the State Water Project prior to 1991. Those rights have been assigned to the Authority pursuant to the terms of the Water Supply Agreements.

San Luis Obispo County Water Purchasers

Each San Luis Obispo County water purchaser is a water purveyor or user located in San Luis Obispo County which obtained contractual rights from SLOCFCWCD to receive water from the State Water Project.

FINANCIAL HIGHLIGHTS

The following table shows a condensed version of the Authority's balance sheet with corresponding analysis regarding significant variances.

Condensed Balance Sheet

	June 30, 2021	June 30, 2020	June 30, 2019	2021-20 Change	2020-19 Change
Current Assets	$ 78,027,347	$ 60,852,086	$ 79,211,151	$ 17,175,261	$ (18,359,065)
Non-Current Restricted Assets	14,790,638	12,999,504	12,689,543	1,791,134	309,961
Capital Assets	90,153,116	91,599,700	92,914,339	(1,446,584)	(1,314,639)
Other Assets	2,117	1,282,591	2,510,452	(1,280,474)	(1,227,861)
Total Assets	$ 182,973,218	$ 166,733,881	$ 187,325,485	$ 16,239,337	$ (20,591,604)
Revenue Bond Deferred Amount	$ 35,027	$ 208,496	$ 513,833	$ (173,469)	$ (305,337)
Pension Plan Deferred Amount	1,132,520	1,169,839	1,256,477	(37,319)	(86,638)
OPEB Plan Deferred Amount	36,785	170,603	59,449	(133,818)	111,154
Total Deferred Outflows of Resources	$ 1,204,332	$ 1,548,938	$ 1,829,759	$ (344,606)	$ (280,821)
Total Assets and Deferred Outflows of Resources	$ 184,177,550	$ 168,282,819	$ 189,155,244	$ 15,894,731	$ (20,872,425)
Current Liabilities	$ 85,157,786	$ 67,872,595	$ 86,149,904	$ 17,285,191	$ (18,277,309)
Non-current Liabilities	18,851,671	27,311,501	37,046,318	(8,459,830)	(9,734,817)
Total Liabilities	104,009,457	95,184,096	123,196,222	8,825,361	(28,012,126)
Revenue Bond Deferred Amount	$ 18,215	$ 108,424	$ 267,207	$ (90,209)	$ (158,783)
Pension Plan Deferred Amount	69,695	164,951	146,732	(95,256)	18,219
OPEB Deferred Amount	165,725	174,140	7,770	(8,415)	166,370
Total Deferred Inflows of Resources	253,635	447,515	421,709	(193,880)	25,806
Net investment in capital assets	$ 80,060,233	$ 73,172,291	$ 66,554,791	$ 6,887,942	$ 6,617,500
Restricted	10,378,495	10,423,636	10,418,498	(45,141)	5,138
Unrestricted	(10,524,271)	(10,944,719)	(11,435,976)	420,448	491,257
Total Net Position	79,914,457	72,651,208	65,537,313	7,263,249	7,113,895
Total Liabilities and Net Position	$ 184,177,549	$ 168,282,819	$ 189,155,244	$ 15,894,731	$ (20,872,425)

BALANCE SHEET ANALYSIS

June 30, 2021 Comparison to June 30, 2020

- Total assets as of June 30, 2021 are $183 million, or $16.2 million more than the amount on June 30, 2020. This is due to a $15.5 million increase in cash and investments held for payment to DWR. The Board allowed participants to pay the DWR portion of their annual fixed assessment in two installments due to COVID-19 pandemic-related revenue decreases experienced by some of the participants in FY 19/20.
- Capital and other assets are $2.7 million lower than the prior year amount due to depreciation of the Authority's capital assets and decrease in long-term account receivable and amortization of the CCWA 2016A revenue bond issuance costs.
- Current liabilities are $17.3 million more than the prior year. This is largely due to a $15.4 million increase in deposits for payment to DWR. This is partially offset by a decrease of $0.5 million in Project Participant Deposits and unearned revenue, a $1.67 million increase in deposits for supplemental water purchases related to the reacquisition of Suspended Table A water (see Note 1 for more information on Suspended Table A water), and a $0.5 million increase in debt due within one year related to the annual Bond principal payment.
- Non-current liabilities are $8.5 million lower due to the revenue bond principal payment during the year.

June 30, 2020 Comparison to June 30, 2019

- Total assets as of June 30, 2020 are $166.7 million, or $20.6 million less than the amount on June 30, 2019. This is due to a $20.4 million decrease in cash and investments held for payment to DWR as a result of the Board decision to allow participants to pay the DWR portion of their annual fixed assessment in two installments due to COVID-19 pandemic-related revenue decreases experienced by some of the participants. The remainder of the DWR fixed assessments will be collected on December 1, 2020 in advance of when payment will be due to the Department of Water Resources.
- Capital and other assets are $2.5 million lower than the prior year amount due to depreciation of the Authority's capital assets and amortization of the CCWA 2016A revenue bond issuance costs.
- Current liabilities are 18.3 million less than the prior year. This is largely due to a $20.5 million decrease in deposits for payment to DWR, as a result of the Board decision discussed above. This is partially offset by an increase of $1.4 million in Project Participant Deposits and unearned revenue, a $0.25 million increase in deposits for supplemental water purchases related to the

reacquisition of Suspended Table A water (see Note 1 for more information on Suspended table A water), and a $0.45 million increase in debt due within one year related to the annual Bond principal payment.

- Non-current liabilities are $9.7 million lower due to the revenue bond principal payment during the year.

The following table shows a condensed version of the Authority's Statement of Revenues, Expenses and Changes in Net Position with corresponding analysis regarding significant variances.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	June 30, 2021	June 30, 2020	June 30, 2019	2021-20 Change	2020-19 Change
Operating Revenues	$ 20,030,436	$ 18,868,291	$ 19,442,445	$ 1,162,145	$ (574,154)
Operating Expenses excluding depreciation and amortization	(9,941,535)	(8,995,179)	(9,144,370)	(946,356)	149,191
Depreciation and Amortization	(2,123,816)	(1,659,217)	(1,299,198)	(464,599)	(360,019)
Operating Income	7,965,085	8,213,895	8,998,877	(248,810)	(784,982)
Non-operating Revenues	278,253	1,141,562	1,281,897	(863,309)	(140,335)
Non-operating Expenses	(980,089)	(2,241,562)	(2,721,198)	1,261,473	479,636
Change in Net Postion	7,263,249	7,113,895	7,559,576	149,354	(445,681)
Net position at beginning of year	72,651,208	65,537,313	57,977,737	7,113,895	7,559,576
Net position at end of year	$ 79,914,457	$ 72,651,208	$ 65,537,313	$ 7,263,249	$ 7,113,895

June 30, 2021 Comparison to June 30, 2020

Operating revenues for the period ending June 30, 2021 are about $1.2 million higher than the prior year amount, primarily due to increased operating costs related to unexpended operating reimbursements and increases in professional services.

It is the Authority's policy to return O&M assessment surpluses to the project participants in the form of credits against future assessments, or as deposits to the DWR Reserve Fund (See Note 1, item M for further information on the DWR Reserve Fund). For FY 2020/21, this credit totaled $1.2 million for the fixed component of the O&M assessments, as compared to the FY 2019/20 credit of $0.35 million. Credits for the variable assessment component were applied throughout the fiscal year with each quarterly variable assessment when applicable.

Operating expenses, excluding depreciation and amortization expense are about $0.94 million higher than the prior year amount due to:

1. Increase in unexpended operating reimbursements of $0.8 million due to an increase in the budget surplus for FY 2020/21 which is payable back to the Authority's project participants.
2. Increase in utilities and monitoring expenses of $0.1 million for higher electrical costs associated with an increase in kilowatt hour charges .
3. Increase in professional service expenses of $0.37 million for increased legal/litigation costs

Non-operating revenues are lower by about $0.9 million due to the decrease of interest income from lower interest rates.

Non-operating expenses are $1.3 million lower due to reduced interest expense of the Series 2016A bond.

June 30, 2020 Comparison to June 30, 2019

Operating revenues for the period ending June 30, 2020 are about $0.5 million lower than the prior year amount. The decrease is primarily attributed to a decrease in the operating costs related to utilities costs.

It is the Authority's policy to return O&M assessment surpluses to the project participants in the form of credits against future assessments, or as deposits to the DWR Reserve Fund (See Note 1, item M for further information on the DWR Reserve Fund). For FY 2019/20-, this credit totaled $0.35 million for the fixed component of the O&M assessments, as compared to the FY 2018/19 credit of $0.9 million. Credits for the variable assessment component were applied throughout the fiscal year with each quarterly variable assessment when applicable.

Operating expenses, excluding depreciation and amortization expense are about $0.1 million lower than the prior year amount due to:

1. Increase in personnel expenses of about $0.6 million due filling of prior year unfilled positions.
2. Decrease in unexpended operating reimbursements of $0.5 million due to a decrease in the budget surplus for FY 2019/20 which is payable back to the Authority's project participants.
3. Decrease in supplies, equipment and monitoring expenses of $0.2 million for lower chemical costs associated with a decrease in water deliveries and therefore a decrease in chemical usage.
4. Decrease in utilities expenses of $0.5 million for reduced electrical costs for pumping due to decrease in water deliveries.

Non-operating revenues are higher by about $0.1 million due to the decrease of interest income from lower interest rates and the decreased balance in cash and investments held for payment to DWR.

Non-operating expenses are $0.52 million lower due to reduced interest expense of the Series 2016A bond.

Capital Assets

The following table provides a summary of the Authority's capital assets and changes from the prior year.

	June 30, 2021	June 30, 2020	June 30, 2019	2021-20 Change	2020-19 Change
Land	$ 3,178,700	$ 3,178,700	$ 3,178,700	$ -	$ -
Furniture fixtures and equipment	862,125	862,125	595,393	0	266,732
Lab, transportation, plant and pipeline equipment	30,884,450	30,385,484	29,166,337	498,966	1,219,147
Buildings and structures	48,946,358	48,946,358	48,946,358	0	(0)
Underground pipeline	59,925,077	59,925,077	59,925,077	0	-
Land improvement	62,266	62,266	-	0	62,266
Construction in progress	515,648	245,991	785,149	269,657	(539,158)
Total property, plant and equipment	144,374,624	143,606,001	142,597,014	768,623	1,008,987
Accumulated depreciation	(54,221,508)	(52,006,301)	(49,682,675)	(2,215,207)	(2,323,626)
Net property, plant and equipment	$ 90,153,116	$ 91,599,700	$ 92,914,338	$ (1,446,584)	$ (1,314,637)

Please refer to Note 3 on Capital Assets in the Notes to the Financial Statements for additional information regarding the Authority's capital assets.

Debt Administration

On September 28, 2006, the Authority issued Series 2006A refunding revenue bonds in the amount of $123,190,000, which refunded the outstanding $142,985,000 Series 1996A revenue bonds. The 2006A revenue bonds were issued at a true interest cost of 4.24% for the purpose of reducing the Authority's total debt service payments over the next 15 years by $4.4 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $3.4 million. At June 30, 2016, the Authority had $59,645,000 of outstanding 2006A revenue bonds.

The Authority's 2006 revenue bond indenture and the Water Supply Agreements require that certain CCWA project participants and contractors maintain a ratio of net revenues to contract payments of at least 1.25. Additionally, the Authority has complied with the Securities and Exchange Commission Rule 15c12, which requires all local governments that bring municipal debt to market after July 3, 1995 to provide specified financial and operating information on an annual basis which mirrors the information provided in the 2006 revenue bond official statement.

On June 28, 2016 the Authority issued Series 2016A refunding revenue bonds in the amount of $45,470,000, which refunded the outstanding $59,645,000 Series 2006A revenue bonds on October 1, 2016. The 2016A refunding revenue bonds were issued for the purpose of reducing the Authority's total debt service payments over the next 5 years by $5.6 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $5.4 million. The Authority also realized the benefits of lower interest rates, which were issued at a true interest cost of 1.355% compared to the 4.24% true interest costs of the 2006A bonds. The bond refunding transaction was completed at the close of escrow on July 21, 2016.

At June 30, 2021, the Authority had $10,095,000 of outstanding 2016A revenue bonds.

Please refer to Note 5 in the Notes to the Financial Statements for additional information regarding the Authority's long-term debt.

Statement of Net Position

ASSETS	June 30, 2021	June 30, 2020
Current Assets		
Unrestricted Current Assets		
Cash and investments (Note 2)	$ 28,973,826	$ 27,190,970
Interest receivable	14,074	64,641
Prepaid Expenses	176,524	165,063
Inventory	103,922	121,993
Total Unrestricted Current Assets	29,268,346	27,542,667
Restricted Current Assets		
Cash and investments held for payment to DWR	48,759,001	33,309,419
Total Current Assets	78,027,347	60,852,086
Non-Current Assets		
Restricted Assets		
Cash and investments for debt service payments	10,378,495	10,423,636
Cash and investments for DWR Reserve (Note 1)	3,875,650	1,996,280
Cash and investments for Escrow Deposits	515,760	513,000
Interest receivable	20,733	66,588
Total Restricted Non-Current Assets	14,790,638	12,999,504
Capital Assets (Note 3)		
Capital assets, net of accumulated depreciation	86,974,416	88,421,000
Land, not depreciated	3,178,700	3,178,700
Total Capital Assets	90,153,116	91,599,700
Unamortized bond insurance costs, net	2,068	12,308
Long-term accounts receivable	49	1,270,283
Total Non-Current Assets	104,945,871	105,881,795
Total Assets	182,973,218	166,733,881
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	35,027	208,496
Deferred amount from pension plan (Note 6)	1,132,520	1,169,839
Deferred amount from OPEB (Note 7)	36,785	170,603
Total Deferred Outflows of Resources	1,204,332	1,548,938

The notes to the financial statements are an integral part of these statements.

Continued

Statement of Net Position

LIABILITIES AND NET POSITION	June 30, 2021	June 30, 2020
Current Liabilities		
Accounts payable	$ 620,500	$ 341,627
Deposits for payment to DWR	48,777,017	33,374,791
Accrued interest payable	126,189	246,376
Deposits for supplemental water purchases	1,920,352	251,334
Other liabilities	148,491	138,180
Compensated absences payable	254,571	220,612
Debt due within one year	10,095,000	9,615,000
Project participant deposits and unearned revenue	23,215,666	23,684,675
Total Current Liabilities	85,157,786	67,872,595
Non-Current Liabilities		
Bonds payable, net (Note 5)	99,443	10,686,930
OPEB liability (Note 7)	833,401	874,907
Rate coverage reserve fund (Note 1)	9,495,379	9,495,379
DWR reserve fund (Note 1)	3,875,650	1,996,280
Escrow Deposits	513,000	513,000
Net pension liability (Note 6)	4,034,798	3,745,005
Total Non-Current Liabilities	18,851,671	27,311,501
Total Liabilities	104,009,457	95,184,096
DEFERRED INFLOWS OF RESOURCES		
Deferred amount on refunding	18,215	108,424
Deferred amount from pension plan (Note 6)	69,695	164,951
Deferred amount from OPEB (Note 7)	165,725	174,140
Total Deferred Inflows of Resources	253,635	447,515
Net Position		
Net investment in capital assets	80,060,233	73,172,291
Restricted - future payment of debt service	10,378,495	10,423,636
Unrestricted	(10,524,271)	(10,944,719)
Total Net Position	$ 79,914,457	$ 72,651,208

The notes to the financial statements are an integral part of these statements.

Statement of Revenues, Expenses and Change in Net Position

	For the fiscal year ended June 30, 2021	June 30, 2020
Operating Revenues		
Operating reimbursements from project participants	$ 19,799,243	$ 18,769,261
Other revenues	231,193	99,030
Total Operating Revenues	20,030,436	18,868,291
Operating Expenses		
Personnel expenses	5,344,296	5,416,605
Office expenses	17,763	16,571
General and administrative	158,273	190,760
Professional services	886,754	509,814
Supplies and equipment	715,686	803,682
Monitoring expenses	106,373	97,187
Repairs and maintenance	230,310	263,108
Utilities	471,610	374,049
Unexpended operating reimbursements (Note 1)	1,123,428	347,332
Depreciation and amortization	2,123,816	1,659,217
Other expenses	887,043	976,071
Total Operating Expenses	12,065,352	10,654,396
Operating Income	7,965,084	8,213,895
Non-Operating Revenues		
Interest income	278,253	1,141,562
Total Non-Operating Revenues	278,253	1,141,562
Non-Operating Expenses		
Interest expenses	624,938	1,100,000
Interest income paid to project participants	278,253	1,141,562
Loss on disposal of fixed assets	76,899	
Total Non-Operating Expenses	980,090	2,241,562
Change in Net Position	7,263,249	7,113,895
Net position, at beginning of year	72,651,208	65,537,313
Net position, at end of year	$ 79,914,457	$ 72,651,208

The notes to the financial statements are an integral part of these statements.

Statement of Cash Flows

	For the fiscal year ended June 30, 2021	June 30, 2020
Cash Flows From Operating Activities		
Cash received from project participants and other operating activities	$ 21,467,625	$ 20,813,716
Cash payments to employees	(3,305,399)	(3,269,244)
Cash payments to suppliers	(5,214,534)	(4,861,835)
Net cash provided by operating activities	12,947,692	12,682,637
Cash Flows from Investing Activities		
Interest and dividends on investments	374,674	1,346,605
Net cash provided by investing activities	374,674	1,346,605
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(1,153,116)	(1,046,862)
Interest paid on long-term debt	(745,125)	(1,214,500)
Principal payments on long-term debt	(9,615,000)	(9,160,000)
Net cash (used) for capital and related financing activities	(11,513,241)	(11,421,362)
Cash Flows from Non-Capital Financing Activities		
Proceeds received for DWR and Warren Act charges	60,373,592	30,890,014
Payments of DWR and Warren Act charges	(44,971,366)	(51,427,400)
Proceeds received for supplemental water purchases	1,950,700	651,865
Payments for supplemental water purchases	(92,625)	(624,051)
Net cash provided (used) by non-capital financing activities	17,260,301	(20,509,572)
Net increase (decrease) in cash and cash equivalents	19,069,426	(17,901,692)
Cash and cash equivalents, beginning of year	73,433,305	91,334,996
Unrestricted cash and investments	28,973,826	27,190,970
Restricted cash and investments other	515,760	513,000
Restricted cash and investments held for payment to DWR	48,759,001	33,309,419
Restricted cash and investments - DWR Reserve	3,875,650	1,996,280
Restricted cash and investments for debt service payments	10,378,495	10,423,636
Cash and cash equivalents, end of year	$ 92,502,731	$ 73,433,305
Cash Flows From Operating Activities		
Operating Income (Note 11)	$ 7,965,084	$ 8,213,895
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,123,816	1,659,217
Unexpended operating reimbursements payable to project participants	(747,262)	299,614
Operating revenues paid from credits and unearned revenue (Note 11)	2,960,547	1,993,143
Increase (decrease) on other assets and liabilities	50,881	(5,604)
Increase (decrease) in other post-employment liability and deferred items	83,897	(40,104)
Increase (decrease) in net pension liability and deferred items	231,856	355,395
Increase (decrease) in accounts payable	278,873	207,081
Net cash provided by operating activities	$ 12,947,692	$ 12,682,637

Supplemental Disclosures of Cash Flow Information

	For the fiscal year ended June 30, 2021	June 30, 2020
Schedule of Non-Cash Capital and Related Financing Activities		
The Authority completed the construction of certain assets and transferred them from construction in progress to property, plant and equipment.	$ 883,459	$ 1,586,022
The Authority disposed of certain property, plant and equipment which were determined to no longer be usable. The aggregate original purchase cost of the assets was disposed.	$ 384,493	$ 37,875
Difference between cost and fair value of investments held by the Authority at the end of the fiscal year.	$ (6,478)	$ (308,243)

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Central Coast Water Authority ("Authority") conform to Generally Accepted Accounting Principles ("GAAP"). The following summary of the Authority's more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying financial statements.

A. Reporting Entity

The primary purpose of the Authority is to provide for the development, financing, construction, operation and maintenance of certain local (non-state owned) facilities required to deliver water from the State Water Project ("SWP") to certain water purveyors and users in Santa Barbara County.

The Authority was created by its members in August 1991. The Authority is presently composed of eight members, all of which are public agencies, as follows: the cities of Buellton, Guadalupe, Santa Barbara, and Santa Maria, Carpinteria Valley Water District, Goleta Water District, Montecito Water District and the Santa Ynez River Water Conservation District, Improvement District No. I (SYRWCD, ID#1, in which the City of Solvang is located). (A founding member of the Authority, the Summerland Water District, merged into the Montecito Water District.) In addition, the Authority has one associate member, the La Cumbre Mutual Water Company (together with the members, the "Purveyor Participants"). Each of the Purveyor Participants has entered into a Water Supply Agreement with the Authority, as have non-members: Vandenberg Space Force Base ("Vandenberg SFB"), Raytheon Systems Company (formerly Santa Barbara Research Center), Morehart Land Company and Golden State Water Company (the "Consumer Participants").

The Authority Participants are located in three different geographic areas of Santa Barbara County: North County (Guadalupe, Santa Maria, Golden State Water Company and Vandenberg SFB); the Santa Ynez Valley (Buellton and SYRWCD, ID#l); and the South Coast (Carpinteria, Goleta, La Cumbre Mutual Water Company, Montecito, Morehart Land Company, Santa Barbara and Raytheon Systems Company, formerly Santa Barbara Research Center).

Historically, the North County has been an agricultural area but has seen significant urban development in the last twenty-seven years and expects additional urban development in the future; the Santa Ynez Valley is a rural agricultural area and tourist destination; and the South Coast is a generally developed urban area which does not expect significant growth in the future.

In October 1992, the Central Coast Water Authority entered into an agreement with San Luis Obispo ("SLO") County to treat water delivered through the SWP. The entities covered by the agreement include: Avila Beach Community Services District, Avila Valley Mutual Water Company, California Men's Colony, City of Morro Bay, City of Pismo Beach, County of San Luis Obispo Community Services Area #16, Irrigation District #1, Cuesta College, Oceano Community Services District, San Luis Obispo County Operations Center, San Luis Coastal Unified School District and San Miguelito Mutual Water Company.

Facilities Constructed by the Authority

The facilities constructed by the Authority include a water treatment plant located at Polonio Pass in northern San Luis Obispo County and two pipeline extensions: (1) the Mission Hills Extension, a buried pipeline approximately eleven miles long running from the terminus of the Coastal Branch (Phase II) southerly to the vicinity of the Lompoc Valley, and (2) the Santa Ynez Extension, a buried pipeline approximately thirty-two miles long running from the terminus of the Mission Hills Extension easterly through the Santa Ynez Valley, to a terminus at Cachuma Lake and includes one pumping plant near Santa Ynez and one storage tank. Water transported to Lake Cachuma is transported through the existing Tecolote Tunnel, which traverses the Santa Ynez Mountains, to the South Coast of Santa Barbara County.

The water treatment plant receives raw water from the SWP and delivers treated water to purveyors and users located in San Luis Obispo and Santa Barbara Counties.

Contractual Relationships

The State of California Department of Water Resources ("DWR") entered into contracts (the "State Water Supply Contracts") with San Luis Obispo and Santa Barbara Counties in 1963 pursuant to which the counties received Table A amounts of water from the SWP. San Luis Obispo County's Table A amount was 25,000 acre-feet per year and Santa Barbara County's Table A amount was 57,700 acre-feet per year. In 1981, Santa Barbara County amended its contract to reduce its Table A amount to 45,486 acre-feet per year, thereby leaving 12,214 set aside, or "suspended" as it was determined this amount was in excess of the needs of the various Santa Barbara County water purveyors. DWR agreed to suspend this water and agreed that the County could reacquire the water at a future date.

CCWA has requested, and DWR has agreed to allow CCWA, through the County, to reacquire the 12,214 acre-feet of suspended contract allotment. CCWA is currently pursuing this option with the County of Santa Barbara.

In 1983, Santa Barbara County entered into a series of Water Supply Retention Agreements ("WSRAs") with local water purveyors and users within Santa Barbara County. These WSRAs initially granted the purveyors and users an option to obtain an assignment of Santa Barbara County's State Water Supply Contract rights and, as of July 1, 1989, actually granted the full assignment of those rights. Thereafter, certain of the local water purveyors and users holding the WSRA rights transferred those rights to the Authority, a newly formed Joint Powers Authority, in consideration for Water Supply Agreements dated August 1, 1991, which provide for the delivery of SWP water by the Authority and the payment of required costs by the transferors. The Authority's obligation to make such payments to DWR from the payments it receives pursuant to the Water Supply Agreements is senior to its obligation to make payments with respect to the Bonds. These transfers have been consented to by DWR and were validated by an agreement between Santa Barbara County and the Authority on November 12, 1991 (the "Transfer of Financial Responsibility Agreement").

The Water Supply Agreements

Each Project Participant has entered into a Water Supply Agreement to provide for the development, financing, construction, operation and maintenance of the Project. The purpose of the Water Supply Agreements is to assist in carrying out the purposes of the Authority with respect to the Project by: (1) requiring the Authority to sell, and the Project Participants to buy, a specified amount of water from the project, and (2) assigning the Project Participants' Table A amount rights in the Project to the Authority.

In accordance with the provisions of each Water Supply Agreement, the Authority fixes charges for each Project Participant to produce revenues from the Project equal to the amounts anticipated to be needed by the Authority to meet the costs of the Authority to deliver to each Project Participant its pro rata share of water from the Project as set forth in each Water Supply Agreement. Each Project Participant is required to pay to the Authority an amount equal to its share of the total Fixed Project Costs and certain other costs in the proportion established in accordance with the applicable Water Supply Agreement, including the Santa Barbara Project Participant's share of payments to DWR under the State Water Supply Contract, as amended (including capital, operation, maintenance, power and replacement costs of the DWR Facilities), debt service on the Bonds and all Authority operating and administrative costs. Such obligation is to be honored by each Project Participant whether or not water is furnished to it from the Project at all times or not at all and whether or not the Project is completed, operable, operated or retired. Such payments are not subject to any reduction and are not conditioned upon performance by the Authority or any other Project Participant under any agreement.

The Water Supply Agreements set forth detailed provisions concerning the time and method of payment by each Contractor of certain costs, including Fixed Project Costs and other operation and maintenance costs, as well as the method of allocation of such costs and expenses and the remedies available to the Authority in the event a project participant defaults in its payments to the Authority.

B. Basis of Accounting

The Authority operates as a proprietary fund-type. All proprietary fund-types are accounted for on a flow of economic resources measurement focus. Under this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheets. Where appropriate, net total position (i.e., fund equity) is segregated into net position invested in capital assets, net of related debt and unrestricted net assets. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets.

All proprietary fund-types utilize the accrual basis of accounting. Under this method, revenues are recognized when earned, regardless of when received, and expenses are recognized at the time the related liabilities are incurred, regardless of when paid.

This report has been prepared in conformance with Generally Accepted Accounting Principles ("GAAP") as promulgated by the Governmental Accounting Standards Board ("GASB").

C. Investments

The Authority has developed an investment policy that exceeds the minimum requirements established by the State of California. The Authority believes that it has adhered to established policies for all investment activities.

As of June 30, 2021, the investment portfolio has a weighted average maturity of 0 days and a yield to maturity of 0.26%

The Authority reports investments with a maturity at the time of purchase of less than one year at amortized cost. Investments with a maturity greater than one year at the time of purchase are reported at fair value. As of June 30, 2021 all investments are reported at amortized cost.

D. Capital Assets

Capital assets, consisting of property, plant and equipment purchased or constructed by the Authority which meet or exceed the Authority's capitalization threshold of $10,000 and an estimated useful life of five years or more, are stated at cost. Depreciation has been computed over the estimated useful life of each asset using the straight-line method. Interest costs have been capitalized based on the average outstanding capital expenditures. In addition, certain technical and engineering related studies associated with the Project have also been capitalized and included in the basis of the assets. The ranges of depreciation rates are:

Furniture fixtures and equipment	5-10 years
Equipment	10-50 years
Buildings and structures	30-50 years
Underground pipeline	75 years
Land Improvements	15 years

E. Inventories

Certain chemical purchases for use at the water treatment plant have been recorded to an inventory account to be expensed in proportion to the amount of water treated at the water treatment plant on a monthly basis.

F. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position and/or the balance sheet will sometimes report a separate section for deferred outflows and inflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the Statement of Net Position and/or the balance sheet will report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. See Note 4 for a detailed listing of the deferred outflows and inflows of resources the Authority has recognized.

G. Deposits

Deposits include cash receipts from project participants for amounts payable to the Department of Water Resources ("DWR") and Warren Act Charges payable to the U.S. Bureau of Reclamation and the Cachuma Operations and Maintenance Board ("COMB").

H. Operating Reimbursements from Project Participants

Operating reimbursements from project participants include amounts paid for Authority operating expenses and debt service payments. Debt service operating assessment receipts for both principal and interest are recorded as operating revenues.

I. Unexpended Operating Assessments

Prior to fiscal year 2015/16, it was the Authority's policy to return unexpended fixed and variable operating assessments and interest income to the project participants after the close of each fiscal year. Beginning fiscal year 2015/16 the Authority revised this policy with respect only to the variable operating assessment component. A quarterly true-up process of variable operating costs was implemented to help avoid over and under collections due to changes in water deliveries. For fiscal year 2018/19, the unexpended fixed operating assessments and the investment income earned on the Authority's unrestricted cash balances are recorded as unearned revenue and returned to the project participants as credits. Beginning fiscal year 2018/19, credits for Participants electing to participate in the newly established and voluntary DWR Reserve Fund were transferred to their DWR Reserve Fund balances. Credits for Participants not electing to participate in the DWR Reserve Fund will be applied to their following year's operating assessments. See Note 1, item M for further information on the DWR Reserve Fund.

J. Operating and Non-Operating Revenues and Expenses

Project participant assessment payments for operations and maintenance expenses, revenue bond debt service payments and miscellaneous revenues are considered operating revenues. Interest income and gains on sale of capital assets and investments are considered non-operating revenues.

Operations and maintenance expenses and depreciation and amortization expenses are considered operating expenses. Revenue bond interest expenses and other extraordinary expenses are considered non-operating expenses.

K. Long-Term Accounts Receivable

Certain project participants requested that the Authority finance local facilities and other costs associated with the State water project owned and operated by the individual project participants. These costs are recorded as a long-term receivable on the Authority's statement of net position, and repaid by the project participants in the form of revenue bond debt service payments to the Authority.

L. Rate Coverage Reserve Fund

In December 1997, the Authority adopted the rate coverage reserve fund policy to provide a mechanism to allow the Authority's project participants to satisfy a portion of their obligation under Section 20(a) of the Water Supply Agreement to impose rates and charges sufficient to collect 125% of their contract payments as defined in the Water Supply Agreement.

Under the rate coverage reserve fund policy, a project participant may deposit with the Authority up to twenty five percent (25%) of its State water contract payments in a given year. Amounts on deposit in the rate coverage reserve fund are used to satisfy a portion of the rate coverage obligation found in the Water Supply Agreement.

The following table shows a summary of project participant deposits in the rate coverage reserve fund as of June 30, 2021.

Project Participant	June 30, 2021
City of Buellton	$ 276,340
Carpinteria Valley Water District	861,267
City of Guadalupe	192,041
La Cumbre Mutual Water Company	402,508
Montecito Water District	1,496,531
City of Santa Maria	5,194,437
Shandon (SLO County)	15,794
Santa Ynez Water Conservation District, ID #1 (City of Solvang portion)	635,502
Santa Ynez WCD,ID #1	461,734
Total	$9,536,154

M. Department of Water Resources (DWR) Reserve Fund

In March 2019, the Authority adopted the DWR reserve fund policy to provide a mechanism to provide the Authority's project participants with a funding source for payments to the State of California Department of Water Resources ("DWR") when there is a difference between estimates used to prepare the DWR portion of the annual CCWA budget and the actual amounts billed to the Authority by DWR.

Contributions to the DWR Reserve Fund are voluntary with Project Participants electing to participate in the reserve fund notifying the Authority. Funding of each participating Project Participant's share of the DWR Reserve Fund will come from a combination of (1) CCWA Operating Expense budget surpluses, if any (2) Interest earnings on funds held in all other accounts on behalf of the participating Project Participant and (3) excess amounts, if any , from any of the DWR Statement of Charges cost components.

The following table shows a summary of project participant deposits in the DWR reserve fund as of June 30, 2021.

Project Participant	June 30, 2021
City of Buellton	$ 117,749
City of Guadalupe	137,918
La Cumbre Mutual Water Company	99,108
Morehart Land Company	34,838
City of Santa Barbara	247,275
Raytheon	9,193
City of Santa Maria	2,354,666
Golden State Water Company	45,220
Santa Ynez Water Conservation District, ID #1 (City of Solvang portion)	239,096
Santa Ynez WCD,ID #1	590,588
Total	$3,875,651

N. Self-Funded Dental/Vision Insurance Plan

The Authority maintains a self-insured plan for dental and vision coverage offered to employees. Under the provisions of the plan, each full-time employee was provided $3,684 this fiscal year to pay dental and vision expenses for the employee and their qualified dependents.

The following table shows a summary of the claims liability and claims paid for the plan years ended June 30, 2021 and 2020.

	2021	2020
Maximum claims liability	103,152	99,747
Actual claims paid	(56,816)	(58,103)

O. Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles 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 expenses during the reported period. As a result, actual results may differ from those estimates.

P. New and Future Accounting Pronouncements

In FY 2020/21 there were no new GASB Pronouncements affecting the Authority's current financial statements.

Future GASB Pronouncements which may affect the Authority's financial statements:

GASB 98 – Summary of Statement No.98, The annual comprehensive financial report. The statement establishes the term annual comprehensive financial report and its acronym ACFR. The new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged and has been implemented.

GASB 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32
Requirements as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans are effective immediately.
Certain requirements are effective for fiscal years beginning after June 15, 2021. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management has not yet determined the impact of this statement on its financial statements.

GASB 96 – Subscription-Based Information Technology Arrangements, effective for periods beginning after June 15, 2022. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). Management has not yet determined the impact of this statement on its financial statements.

GASB 95 – Postponement of the Effective Dates of Certain Authoritative Guidance – effective immediately:
The Effective dates of certain provisions are postponed by one year:

Statement No. 84 – now applicable in 6/30/21
Statement No. 88 – now applicable in 6/30/20
Statement No. 89 – now applicable in 6/30/22
Statement No. 90 – now applicable in 6/30/21
Statement No. 91 – now applicable in 6/30/23
Statement No. 92 – now applicable in 6/30/23
Statement No. 93 – now applicable in 6/30/22
Statement No. 87 – now applicable in 6/30/22

The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements, effective for periods beginning after June 15, 2022. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). Management has not yet determined the impact of this statement on its financial statements.

GASB 93 – Replacement of Interbank Offered Rates, effective for periods beginning after June 15, 2021. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Management has not yet determined the impact of this statement on its financial statements.

GASB 92 – Omnibus 2020, effective for periods beginning after June 15, 2021. See GASB 95 for postponed of effective date. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Management has not yet determined the impact of this statement on its financial statements.

GASB 91 – Conduit Debt Obligations, effective for periods beginning after December 15, 2021. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Management has not yet determined the impact of this statement on its financial statements.

GASB 90 – Majority Equity Interests – an amendment of GASB Statements 14 and 61, effective for periods beginning after December 15, 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Implementation of this Statement did not have a material impact on the Authority's financial statements.

GASB 89 – Accounting for Interest Cost Incurred before the End of a Construction Period, effective for periods beginning after December 15, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management has not yet determined the impact of this statement on its financial statements.

GASB 87 – Leases, effective for periods beginning after June 15, 2021 (FY 6/30/21). See GASB 95 for postponement of effective date. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Management has not yet determined the impact of this statement on its financial statements.

GASB 84 – Fiduciary Activities, effective for periods beginning after December 15, 2019. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Implementation of this Statement did not have a material impact on the Authority's financial statements.

Q. Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office, and are in accordance with the implementation of GASB Statement No. 68. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

R. Other Post Employment Benefit ("OPEB") Liability

In measuring the net OPEB liability, deferred outflows and inflows of resources related to the OPEB benefit and OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been prepared in accordance with GASB Statement No. 75. The valuation for the fiscal years 2019/20 and 2020/21 was actuarially prepared and was based on the Authorities Plan provisions, participant data, and asset information provided by the Authority. As permitted under GASB 75, the total OPEB liability has been calculated using the June 30, 2019 actuarial valuation.

S. Fair Value Measurements

The Authority's investments are carried at fair value and its fair value measurements are categorized within the fair value hierarchy established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority used valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. For fiscal year June 30, 2021 and 2020 the application of valuation techniques applied to the Authority's financial statements has been consistent.

T. Net Position

GASB Statement No. 34, amended by GASB Statement No. 63, adds the concept of net position, which is measured on the full accrual basis. Net position is the Authority's excess of all of the Authority's assets over all its liabilities. Net position is divided into three categories and are described as follows:

Net Investment in Capital Assets: Describes the portion of the net position which is represented by the current net book value of the Authority's capital assets, less the outstanding balance of any debt issued to finance those assets.

Restricted Net Position: Describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Authority cannot unilaterally alter. These principally include debt service requirements.

Unrestricted Net Position: Describes the portion of net position which is not restricted to use.

U. Reclassifications

Certain reclassifications have been made to the prior year financial statements to confirm to the current year presentation.

Note 2: Cash and Investments

A. Pooling

The Authority follows the practice of pooling cash and investments for all funds under its direct daily control. Funds held by outside fiscal agents under provisions of the bond indenture are maintained separately. Interest income from cash and investments with fiscal agents is credited directly to the related accounts. The Authority considers all pooled cash and investments to be cash equivalents.

B. Demand Deposits

The custodial credit risk for deposits is the risk that the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. This risk is mitigated in that of the total bank balance, $250,000 is insured by Federal depository insurance.

The California Government Code requires California banks and savings and loan associations to secure the Authority's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the Authority's deposits. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the Authority's total deposits.

As of June 30, 2021, the reported amount of the Authority's demand deposits was $513,613 and the bank balance was $744,385. The difference of $230,772 was principally due to checks which had not yet cleared the bank.

As of June 30, 2020, the reported amount of the Authority's demand deposits was $365,478 and the bank balance was $374,080. The difference of $8,602 was principally due to checks which had not yet cleared the bank.

C. Cash and Investments

The Authority is authorized by its investment policy, in accordance with Section 53601 of the California Government Code, to invest in the following instruments: securities issued or guaranteed by the Federal Government or its agencies, commercial paper, money market funds, and the State Treasurer's Local Agency Investment Funds ("LAIF").

All of the Authority's deposits, except certain cash balances held by fiscal agents, are entirely insured or collateralized. The California Government Code requires California banks and savings and loans to secure the Authority's deposits by pledging government securities as collateral. The fair value of the pledged securities must equal 110% of the Authority's deposits. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes equal to 150% of the Authority's deposits. The Authority may waive collateral requirements for deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation ("FDIC").

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

Level 1: Investments reflect prices quoted in an active market;

Level 2: Investments reflect prices that are based on similar observable assets either directly or indirectly, which may include inputs in markets that are not considered to be active; and,

Level 3: Investments reflect prices based upon unobservable sources.

The fair value of pooled investments is determined annually and is based on current market prices received from the securities custodian. The fair value of participants' position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal. LAIF is required to invest in accordance with State statutes. LAIF invests in Bonds, debentures, and notes issued by corporations organized and operating within the United States. Securities eligible for investment under this subdivision shall within the top three ratings of a nationally recognized rating service. The State LAIF pool credit quality is unrated and not subject to the fair value hierarchy.

At June 30, 2021, the carrying value of the Authority's position in LAIF was $78,082,145 and the fair value was $78,088,623, with an overall average maturity of 291 days.

At June 30, 2020, the carrying value of the Authority's position in LAIF was $62,742,991 and the fair value was $63,051,234, with an overall average maturity of 191 days.

The Authority did not hold any U.S. Treasury Notes as of June 30, 2021 or June 30, 2020.

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Treasurer mitigates these risks by holding a diversified portfolio of high quality investments. The policy sets specific parameters by type of investment for credit quality, maturity length, and maximum percentage investment.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Treasurer mitigates this risk by investing in shorter-term investments that are not subject to significant adjustments due to interest rate fluctuations.

Note 3: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021:

	Beg Balance June 30, 2020	Additions/ Transfers	Deletions/ Transfers	End Balance June 30, 2021
Capital Assets, not depreciated				
Land	$ 3,178,700	$ -	$ -	$ 3,178,700
Construction-in-process	245,991	1,153,116	(883,459)	515,648
Total Capital Assets, not depreciated	3,424,691	1,153,116	(883,459)	3,694,348
Depreciable Assets:				
Furniture fixtures and equipment	862,126			862,126
Lab Equipment	267,902	68,620		336,522
Transportation Equipment	862,315	41,049		903,364
Plant Equipment	17,178,514	305,370	(229,400)	17,254,484
Pipeline Equipment	12,076,754	468,420	(155,093)	12,390,081
Buildings and structures	48,946,358			48,946,358
Underground pipeline	59,925,077			59,925,077
Land improvement	62,266			62,266
Total depreciable assets	140,181,312	883,459	(384,493)	140,680,278
Accumulated Depreciation:				
Furniture fixtures and equipment	(478,983)	(93,120)		(572,103)
Lab Equipment	(257,665)	(4,137)		(261,802)
Transportation Equipment	(750,087)	(63,200)		(813,287)
Plant Equipment	(8,017,197)	(417,660)	183,520	(8,251,337)
Pipeline Equipment	(8,100,305)	(408,489)	124,074	(8,384,720)
Buildings and structures	(16,176,312)	(727,979)		(16,904,291)
Underground pipeline	(18,225,408)	(804,067)		(19,029,475)
Land Improvement	(346)	(4,151)		(4,497)
Total Accumulated Depreciation	(52,006,303)	(2,522,803)	307,594	(54,221,512)
Total Depreciable Capital Assets, net	88,175,009	(1,639,344)	(76,899)	86,458,768
Total Capital Assets, net	$ 91,599,700	$ (486,228)	$ (960,358)	$ 90,153,116

Capital asset activity for the fiscal year ended June 30, 2020:

	Balance June 30, 2019	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2020
Capital Assets, not depreciated				
Land	$ 3,178,700	$ -	$ -	$ 3,178,700
Construction-in-process	785,149	1,072,316	(1,611,474)	245,991
Total Capital Assets, not depreciated	3,963,849	1,072,316	(1,611,474)	3,424,691
Depreciable Assets:				
Furniture fixtures and equipment	595,393	282,304	(15,571)	862,126
Lab Equipment	267,902	-	-	267,902
Transportation Equipment	785,795	76,520	-	862,315
Plant Equipment	16,563,961	614,553	-	17,178,514
Pipeline Equipment	11,548,680	550,379	(22,305)	12,076,754
Buildings and structures	48,946,358	-	-	48,946,358
Underground pipeline	59,925,077	-	-	59,925,077
Land improvement	-	62,266	-	62,266
Total depreciable assets	138,633,166	1,586,022	(37,876)	140,181,312
Accumulated Depreciation:				
Furniture fixtures and equipment	(447,324)	(47,230)	15,571	(478,983)
Lab Equipment	(254,345)	(3,320)	-	(257,665)
Transportation Equipment	(693,694)	(56,393)	-	(750,087)
Plant Equipment	(7,652,761)	(364,436)	-	(8,017,197)
Pipeline Equipment	(7,766,350)	(356,258)	22,305	(8,100,303)
Buildings and structures	(15,446,861)	(729,451)	-	(16,176,312)
Underground pipeline	(17,421,341)	(804,067)	-	(18,225,408)
Land Improvement	-	(346)	-	(346)
Total Accumulated Depreciation	(49,682,676)	(2,361,501)	37,876	(52,006,301)
Total Depreciable Capital Assets, net	88,950,490	(775,479)	-	88,175,010
Total Capital Assets, net	$ 92,914,339	$ 296,836	$ (1,611,474)	$ 91,599,700

Note 4: Deferred Outflows of Resources and Deferred Inflows of Resources

Beginning in fiscal year 2014/2015, the Authority reported deferred outflows and inflows of resources in connection with its issue of revenue bonds in 2006 & 2016 and pension-related adjustments in accordance with GASB 68, and in fiscal year 2017/2018 began reporting OPEB related adjustments in accordance with GASB 75.

The table below presents the balances of deferred outflows and deferred inflows of resources as of June 30, 2021.

	Deferred Outflows of Resources
Difference Between the Reacquisition Price of New Debt and the Net Carrying Value of the Old Debt	$ 13,195,235
Accumulated Amortization	(13,160,208)
Difference Between the Reacquisition Price of New Debt and the Net Carrying Value of the Old Debt, net	$ 35,027
Pension-related adjustments	1,132,520
OPEB-related adjustments	36,785
Total Deferred Outflows of Resources, Net	$ 1,204,332

	Deferred Inflows of Resources
Deferred amount on refunding	$ 18,215
Pension-related adjustments	69,695
OPEB-related adjustments	165,725
Total Deferred inflows of Resources	$ 253,635

The table below presents the balances of deferred outflows and deferred inflows of resources as of June 30, 2020.

	Deferred Outflows of Resources
Difference Between the Reacquisition Price of New Debt and the Net Carrying Value of the Old Debt	$ 13,195,235
Accumulated Amortization	(12,986,739)
Difference Between the Reacquisition Price of New Debt and the Net Carrying Value of the Old Debt, net	$ 208,496
Pension-related adjustments	1,169,839
OPEB-related adjustments	170,603
Total Deferred Outflows of Resources, Net	$ 1,548,938

	Deferred Inflows of Resources
Deferred amount on refunding	$ 108,424
Pension-related adjustments	164,951
OPEB-related adjustments	174,140
Total Deferred inflows of Resources	$ 447,515

Note 5: Long-Term Debt

On September 28, 2006, the Authority issued $123,190,000 in revenue bonds with an average interest rate of 4.24% to refund $142,985,000 of outstanding 1996 Revenue Bonds with an average interest rate of 5.47%.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $8.25 million. This difference, reported in the accompanying financial statements as deferred outflow of resources, is being charged to operations through the year 2022 in proportion to the bond interest expense incurred for each fiscal year. The Authority completed the refunding to reduce its total debt service payments over the next 15 years by $4.4 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $3.4 million.

The 1996 Revenue Bonds were issued to advance refund the 1992 Revenue Bonds. The 1992 Revenue Bonds were issued by the Authority for the benefit of its participants to finance a portion of the costs of developing a pipeline and water treatment plant, to reimburse certain project participants for costs incurred in connection with the State Water Project, and to finance certain other facilities. Each of the participants in the financing held elections authorizing issuance of revenue bonds for the construction of the State Water Project. In order to reduce issuance costs and ensure the proceeds are available on a timely basis, the Authority issued the bonds for all participants requiring financing.

The City of Santa Maria, Golden State Water Company, Vandenberg SCFB, Avila Valley Mutual Water Company, San Luis Coastal Unified School District, and San Miguelito Mutual Water Company contributed cash for their proportionate share of capital costs. Such net contributions totaling $22,562,433 at June 30, 2016 and June 30, 2015 have been accounted for as contributed capital. Under the Water Supply Agreements, each project participant is obligated to make payments to the Authority, with the payments pledged to secure the payment of the principal and interest of the bonds. The 2006 bonds are backed by a municipal bond insurance policy issued by Financial Security Assurance.

On June 28, 2016 the Authority issued Series 2016A refunding revenue bonds in the amount of $45,470,000, which refunded the outstanding $59,645,000 Series 2006A revenue bonds on October 1, 2016. The 2016A refunding revenue bonds were issued for the purpose of reducing the Authority's total debt service payments over the subsequent 5 years by $5.6 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $5.4 million. The Authority also realized the benefits of lower interest rates, which were issued at a true interest cost of 1.355% compared to the 4.24% true interest costs of the 2006A bonds. The bond refunding transaction was completed at the close of escrow on July 21, 2016. Aggregate savings between the 2006A and 2016A Bond debt service at the time of the refunding is shown below:

Refunding Revenue Bond Savings

Fiscal Year	2016A Series Revenue Bond	2006A Series Revenue Bond	Refunding Savings (Costs)
	Principal and Interest Due		
2017 (1)	$ 1,578,819	$ 1,224,175	$ (354,644)
2018	9,956,500	11,528,050	1,571,550
2019	10,381,500	11,476,750	1,095,250
2020	10,374,500	11,467,625	1,093,125
2021	10,360,125	11,453,750	1,093,625
2022	10,347,375	11,439,000	1,091,625
Total	$ 52,998,819	$ 58,589,350	$ 5,590,531

(1) Fiscal Year 2017 only reflects the increase cost of interest due to the timing of refunding.

The annual requirements to pay all debt outstanding, as of June 30, 2021, are as follows:

Fiscal Year	Interest	Principal	Total
2022	252,375	10,095,000	10,347,375
Total	$ 252,375	$ 10,095,000	$ 10,347,375

The 2016A bond outstanding bears interest of 5.00%, with a true interest cost of 1.355%.

In the unlikely event that the Authority defaults on its obligations under the Series 2016A refunding revenue bonds, acceleration protocols exist under the terms of the refunding revenue bond agreement that may accelerate the due date of the entire amount payable for the bonds. Therefore, were a default of payment to occur the debt that is currently classified as non-current may be required to be re-classified as a current obligation.

Project participants are classified as either "Northern Santa Barbara Project Participants" or "Southern Santa Barbara Project Participants" based on their location. In the event that a project participant defaults on their share of the Series 2016A refunding revenue bonds, the share of other participants in their same classification may be increased to cover those participant(s) that have defaulted, provided that such increases for any non-defaulting participant shall not exceed, without its written consent, an accumulated maximum of 25% of its Fixed and Variable Costs for such Year. In the water supply agreement this is referred to as the "Step-up Provision". In the history of the Authority there has never been a situation where implementing the Step-Up Provision was necessary.

The long-term liability activity for the year ended June 30, 2021 is as follows:

Revenue Bonds:	Balance July 1, 2020	Additions	Reductions	Balance June 30,2021
Series 2016A Revenue Bonds	$ 19,710,000		$ (9,615,000)	$ 10,095,000
Premium on issuance of 2016 Series A	591,930	-	(492,487)	99,443
Total	20,301,930	-	(10,107,487)	10,194,443
Less: Current Portion	(9,615,000)	-	(480,000)	(10,095,000)
Total Bonds Payable, net	10,686,930	-	(10,587,487)	99,443
OPEB Liability	874,907	(41,506)		833,401
Rate Coverage Reserve Fund	9,495,379			9,495,379
DWR Reserve Fund	1,996,280	1,879,370		3,875,650
Escrow Deposits	513,000			513,000
Net Pension Liability	3,745,005	289,793		4,034,798
Total Non-Current Liabilities	$ 27,311,501	$ 2,127,657	$ (10,587,487)	$ 18,851,671

The long-term liability activity for the year ended June 30, 2020 is as follows:

Revenue Bonds:	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020
Series 2016A Revenue Bonds	$ 28,870,000	$ -	$ (9,160,000)	$ 19,710,000
Premium on issuance of 2016 Series A	1,458,793	-	(866,863)	591,930
Total	30,328,793	-	(10,026,863)	20,301,930
Less: Current Portion	(9,160,000)	-	(455,000)	(9,615,000)
Total Bonds Payable, net	21,168,793	-	(10,481,863)	10,686,930
OPEB Liability	970,227	56,907	(152,227)	874,907
Rate Coverage Reserve Fund	9,369,439	125,940	-	9,495,379
DWR Reserve Fund	1,562,433	(1,205)	435,052	1,996,280
Escrow Deposits	480,959	46,115	(14,074)	513,000
Net Pension Liability	3,494,467	250,538	-	3,745,005
Total Non-Current Liabilities	$ 37,046,318	$ 478,295	$ (10,213,112)	$ 27,311,501

Note 6: Pension Plan

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the 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.

A. General Information about the Pension Plans

Plan Description - All qualified employees and probationary employees are required to participate in the Authority's cost-sharing multiple-employer defined benefit pension plan ("Plan") administered by the California Public Employees' Retirement System ("CalPERS"). The Plan consists of individual rate plans (benefit tiers) within a miscellaneous risk pool. Plan assets may be used to pay benefits for any employer rate plan of the miscellaneous pools. Accordingly, rate plans are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous pool. The Authority currently sponsors one miscellaneous rate plan. Benefit provisions under the Plan are established by State statute and the Authority's resolution. Requests for detailed plan provisions and copies of CalPERS' annual financial report can be obtained from CalPERS Fiscal Services Division, P.O. Box 942703, Sacramento, CA, 94229-2703 or http://www.calpers.ca.gov.

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. Classic and PEPRA members with five years of total service are eligible to retire at age 50 or 52 respectively 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 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by Public Employees' Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Authority Plan	
	Classic Member*	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.000% to 2.500%
Required employee contribution rates	7.0%	7.25%
Required employer contribution rates	20.823%	8.706%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The Authority's required contribution for the unfunded liability was $263,061 in fiscal year 2020/21. The Authority's required contribution for the unfunded liability was $221,403 in fiscal year 2019/20.

*A Classic PERS member is an employee who qualifies under one of the following categories: An employee who was brought into CalPERS membership for the first time prior to January 1, 2013. An employee that was hired on or after January 1, 2013, yet is eligible for reciprocity with another public retirement system. An employee who is brought back by the same CalPERS employer, regardless of the length of break in service.

Contributions - Section 20814(c) of the California Public Employees' Retirement Law ("PERL") requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

The Authority's contributions to the Plan for the year ended June 30, 2021 were $722,313.

The Authority's contributions to the Plan for the year ended June 30, 2020 were $658,106.

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2020, the Authority reported net pension liabilities for its proportionate share of the net pension liability of each Plan as follows:

Proportionate Share of Net Pension Liability/(Asset)
Fiscal Year Ending

	June 30, 2021	June 30, 2020
Total	$ 4,034,798	$ 3,745,005

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, 2020, 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, 2019 rolled forward to June 30, 2020 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 contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

Proportionate Share of Net Pension Liability

	Percentage Share of Plan 6/30/2021	Percentage Share of Plan 6/30/2020	Change: Increase (Decrease)
Measurement Date	6/30/2020	6/30/2019	
Percentage of Plan (PERF C) NPL	0.03708%	0.03655%	0.00053%

Pension Expense for Fiscal Year

	2020/21
Total pension expense for fiscal year	$ 954,169

For the year ending June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 207,925	$ -
Changes of assumptions	-	(28,778)
Net differences between projected and actual earnings on plan investments	119,860	-
Change in employer's proportion	73,942	-
Differences between the employer's contributions and the employer's proportionate share of contributions	8,480	(40,917)
Pension contributions subsequent to measurement date	722,313	-
Total	$ 1,132,520	$ (69,695)

$722,313 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	Deferred Outflows/Inflows of Resources
2022	$ 69,060
2023	119,615
2024	94,349
2025	57,488
2026	-
Thereafter	-
	$ 340,512

Actuarial Assumptions - For the measurement period ending June 30, 2020, the total pension liabilities were determined from the June 30, 2019 actuarial valuation date. The June 30, 2020 total pension liabilities were based on the following actuarial methods and assumptions:

	Plan
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Inflation	2.50%
Projected salary Increase	(1)
Investment Rate of Return	7.15% (2)
Mortality	Derived using CalPERS' Membership Data for all funds (3)
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

(1) Depending on age, service and type of employment
(2) Net of pension plan investment and administrative expenses; includes inflation
(3) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the December 2017 experience study report that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2019 valuation (found in the CalPERS Annual Comprehensive Financial Report for June 30, 2020 here: https://www.calpers.ca.gov/docs/forms-publications/Annual Comprehensive Financial Report-2020.pdf were based on the results of *the CalPERS Experience Study and Review of Actuarial Assumptions December 2017*. The Experience Study report may be accessed on the CalPERS website at http://www.calpers.ca.gov under Forms and Publications.

Change in Assumptions – In 2018, demographic assumptions and the inflation rate were changed in accordance to the *CalPERS Experience Study and Review of Actuarial Assumptions December 2017*. The Experience Study report may be accessed on the CalPERS website at http://www.calpers.ca.gov under Forms and Publications.

Discount Rate No changes were made in the discount rate in fiscal year 2020-21 and 2019-20. In Fiscal Year 2016-17, the financial reporting discount rate used by CalPERS was reduced from 7.65 percent to 7.15 percent. In December 2016, the CalPERS Board of Administration approved lowering the funding discount rate used from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the June 30, 2016 actuarial valuation. The discount rate used in the actuarial valuation reflects the long-term expected rate of return for the plan. Lowering the discount rate means the Authority will see increases in both normal costs (the cost of pension benefits accruing in one year for active members) and the accrued liabilities. These increases will result in higher required employer contributions. In addition, active members hired after January 1, 2013, under the PEPRA may also see their contributions rates rise.

To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, the amortization and smoothing methods adopted by the CalPERS Board in 2013 were used. CalPERS conducted cash flow projections to determine if assets would run out under the assumed discount rate. CalPERS refers to these projections as "crossover tests". Based on crossover testing of the plan, the tests revealed the assets would not run out. Therefore the 7.15% long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund ("PERF") cash flows. Using historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 PERF fund. The expected rate of return was set by calculating the rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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.

Asset Class [a]	Assumed Target Allocation	Real Return Years 1–10 [b]	Real Return Years 11+ [c]
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	-	(0.92)%
Total	100.00%		

[a] In the System's 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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the Authority's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the 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:

Miscellaneous	Discount Rate – 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability/(Asset)	$6,655,627	$4,034,798	$1,869,290

Pension Plan Fiduciary Net Position – Detail information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Note 7: Post-Employment Benefits Other Than Pensions

A. General Information about OPEB

The Authority provides other post-employment benefits ("OPEB"), to qualified employees who retire within 120 days of separation from employment with the Authority, and are eligible to receive medical services under a plan offered through the California Public Employees' Medical and Hospital Care Act ("PEMHCA") at the time of retirement. The CalPERS PEMHCA Plan is a defined contribution, cost sharing multiple-employer defined benefit healthcare plan providing benefits to active and retired employees. The healthcare plan is administered by CalPERS. Copies of the CalPERS annual financial report can be found online at www.calpers.ca.gov.

Plan Description - Eligibility: For full time employees retired prior to September 22, 2016, or retiring with less than 10 years of service with the Authority, the benefit will be the minimum contribution as required by PEMCHA. Vesting will be applied to an enhanced retiree benefit that is provided for employees retired after September 22, 2016, who are at least 62 years of age at retirement and have at least 10 years of service with the Authority. This vesting schedule ranges from 50% to 80% of the retiree premium only and is based on years of CCWA service. The enhanced contribution requirements are established and may be amended by the Board of Directors. Plan information is summarized in the table below:

Plan Information

	Fiscal Year End June 30, 2021
Plan Type	Single Employer
OPEB Trust	Yes
Special Funding Situation	No
Non-employer contributing entities	No

Covered Participants as of June 30, 2020 Measurement Date

In-actives currently receiving benefits	6
In-actives entitled to but not yet receiving benefits	3
Active Employees	30
Total	39

Applicable Dates and Periods	Fiscal Year End June 30, 2021
Measurement date (MD)	June 30, 2020
Measurement period	July 1, 2019 to June 30, 2020
Actuarial Valuation Date	June 30, 2019

Actuarial Assumptions - For the measurement period ending June 30, 2020, the total OPEB liabilities were determined by rolling forward the June 30, 2019 total OPEB liability from the June 30, 2019 actuarial valuation date. For the measurement period ended June 30, 2019, the total OPEB liabilities were determined from the June 30, 2019 actuarial valuation date. The June 30, 2020 total OPEB liability was based on the following actuarial methods and assumptions:

Significant Actuarial Assumptions used for Total OPEB Liability

Actuarial Assumption	June 30, 2020 Measurement Date
Actuarial Valuation Date	June 30, 2019
Contribution Policy	Authority Contributes full ADC
Discount Rate and Long Term Expected Rate of Return on Assets	6.50% at June 30, 2020 6.50% at June 30, 2019 Expected Authority contributions projected to keep sufficient plan assets to pay all benefits from trust
General Inflation	2.75%
Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study*
Mortality Improvement	Mortality projected fully generational with scale MP-2019
Salary Increases	Aggregate – 3% Merit – CalPERS 1997-2015 Experience Study
Medical Trend	Non-Medicare-7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076 Medicare-6.3% for 2021, decreasing to an ultimate rate of 4.0% in 2076
PEMHCA Minimum Increases	4.25%
Cap Increases	Medical Trend
Active Employee/Spouse Participation at Retirement	45% elect single coverage 35% elect dual coverage (spouses pay full premium, no Authority cash subsidy except for survivors)
Medical Plan at Retirement	Remain in their current plan upon retirement
Changes of Assumptions	ACA Tax removed
Changes of benefit terms	None

*The CalPERS Experience Study reports may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Funding Policy: PEMHCA determines the amount contributed by the Authority toward retiree health insurance. In January 2021, the minimum required contribution the Authority pays toward the cost of retiree health insurance increased from $139 per month to $143 per month, which is the same amount contributed toward active employee health insurance. The balance of the retiree premium, averaging approximately $232 per month, is paid directly by the retirees to CalPERS. The mandatory employer contribution for active and retiree health insurance is increased annually in accordance with PEMHCA regulations. Beginning in calendar year 2009, the contribution amount increases by the change in the annual consumer price index. During the 2020-21 fiscal year, $11,935 was recognized for post-retirement health insurance contribution on a pay-as-you-go basis. During the 2019-20 fiscal year $7,124 was recognized for post-retirement health insurance contribution on a pay-as-you-go basis.

Funded Status and Funding Progress:

The funded status of the plan as of June 30, 2021, is shown below:

	Net OPEB Liability Fiscal Year Ending 6/30/2021 Measurement Date 6/30/2020	6/30/2020 Measurement Date 6/30/2029
Total OPEB Liability	$ 1,374,044	$ 1,248,498
Fiduciary Net Position	540,643	373,591
Net OPEB Liability	$ 833,401	$ 874,907
Funded Status	39.3%	29.9%

Annual OPEB Cost: For fiscal year ended June 30, 2021, the Authority recorded the OPEB expense as indicated below. This cost is comprised by calculating service cost, interest on the Total OPEB Liability, projected earnings on investments, and any return of assets:

OPEB Expense for Fiscal Year 2020/21 Measurement Period 2019/20	
OPEB Expense	$ 105,658

Balances at

Deferred Outflows/Inflows	June 30,2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 147,224
Changes of assumptions	5,395	18,501
Net differences between projected and actual earnings on plan investments*	9,629	-
Employer contributions made subsequent to the measurement date**	21,761	-
Total	$ 36,785	$ 165,725

* Deferred Inflows and Outflows combined for footnote disclosure
** Contributions to trust of $21,761 comprising of $11,856 on cash benefits and $9,825 in implied subsidy benefits paid by the Authority.

$21,761 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2022	(23,383)
2023	(21,065)
2024	(20,862)
2025	(21,021)
2026	(23,990)
Thereafter	(40,380)
	$ (150,701)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

Changes in Net OPEB Liability during the fiscal year are shown below:

Changes in the Net OPEB Liability

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at 6/30/20 (6/30/19 measurement date)	$ 1,248,498	$ 373,591	$874,907
Changes for the year:			
Service Cost	73,120	-	73,120
Interest	85,512	-	85,512
Benefit changes	-	-	-
Actual vs. expected exp.	-	-	-
Assumption changes	(21,001)	-	(21,001)
Contributions–employer *	-	164,391	(164,391)
Contributions–employee	-	-	-
Net investment income**	-	15,262	(15,262)
Benefit payments	(12,085)	(12,085)	-
Administrative Exp.	-	(516)	516
Net Changes	125,546	167,052	(41,506)
Balance at 6/30/21 (6/30/20 measurement date)	$1,374,044	$540,643	$ 833,401

*Contributions to trust of $21,761 comprising of $11,856 cash benefits and $9,825 in implied subsidy benefits paid by the Authority.
** Adjusted for rounding issues

Sensitivity of the Net OPEB Liability to Changes in the Interest Rate and Healthcare Trend Rate– The following presents the Authority's net OPEB liability for the Plan, illustrating sensitivity based on changes in the discount rate and changes in the Healthcare Trend Rate:

Changes in the Discount Rate

	1% Decrease (5.50%)	Current Rate (6.50%)	1% Increase (7.50%)
Net OPEB Liability	$1,061,101	$ 833,401	$ 649,023

Changes in the Healthcare Trend Rate

	1% Decrease	Current Trend	1% increase
Net OPEB Liability	$ 608,457	$ 833,401	$1,119,438

Expected Long-Term Rate of Return

	Portfolio Weight * ICMA-RC	Expected Real Rate of Return
Asset Class Component		
US Short Duration Govt/Credit	10.50%	1.26%
US Aggregate Bonds	19.99%	1.47%
TIPS	3.76%	1.29%
US High Yield Bonds	5.00%	3.60%
US Large Cap	45.06%	4.36%
US Mid Cap	2.05%	4.86%
US Small Cap	0.79%	5.18%
Int'l Equity – Developed	10.54%	4.60%
Int'l Equity – Emerging Markets	2.31%	5.58%
Assumed Long-Term Rate of Inflation		2.75%
Expected Long-Term Net Rate of Return**		6.50%

* For VT II Model Portfolio Moderate Fund

** Rounded

Note 8: Commitments and Uncertainties

The Authority entered into a water exchange agreement (SWPAO# 15-005) with Antelope Valley-East Kern Water Agency ("AVEK") in 2015 on behalf of certain project participants for a total of 9,600 acre-feet (AF) of water. This exchange was an even 1:1 exchange with participants responsible for the transportation charges for returning the water. Transportation charges include the Variable Operation, Maintenance, Power, and Replacement Component of the Transportation Charge and the Off-Aqueduct Power Facilities Cost for each acre-foot of water returned to AVEK, and are estimated to be $250 per AF. As of June 2021, 7,100 AF had been returned, leaving a balance of 2,500 AF to be returned in the future. Estimated transportation costs for that water are $625,000. Actual costs and timing of the return are not known at this time, however all water in this exchange must be returned by December 31, 2025.

The Authority entered into an additional exchange agreement (SWPAO# 16-017) with AVEK in 2016 on behalf of certain project participants to allow for delivery of 10,000 AF of water. That agreement was an unbalanced 2:1 exchange requiring return of 5,000 AF, with no obligation to pay transportation charges. As of June 2021, a total of 3,000 AF has been returned, leaving a balance of 2,000 to be returned. Actual timing of the return is not known at this time, however all water in the 2016 AVEK exchange must be returned no later than December 31, 2026.

The Authority entered into a water exchange agreement (SWPAO# 18-016) in June 2018 with the Mojave Water Agency ("MWA") on behalf of certain project participants for a total of up to 5,633 acre-feet ("AF") of water at the cost of $320 per AF plus administrative costs. This exchange was an unbalanced 4:1 exchange requiring return of 1,409 AF, with participants responsible for the transportation charges for returning the water. Transportation charges include the Variable Operation, Maintenance, Power, and Replacement Component of the Transportation Charge and the Off-Aqueduct Power Facilities Cost for each acre-foot of water returned to MWA, and are estimated to be $250 per AF. As of June 30, 2021 all water has been returned.

The Authority entered into a water exchange agreement (SWPAO# 20-004) in March 2020 with the Mojave Water Agency ("MWA") on behalf of certain project participants for a total of up to 1,000 acre-feet ("AF") of water at the cost of $320 per AF plus administrative costs. Only one participant took part in the agreement for a total of 400 AF of water. This exchange was an unbalanced 4:1 exchange requiring return of 100 AF, with the participant responsible for the transportation charges for returning the water. Transportation charges include the Variable Operation, Maintenance, Power, and Replacement Component of the Transportation Charge and the Off-Aqueduct Power Facilities Cost for each acre-foot of water returned to MWA, and are estimated to be $250 per AF. As of June 30, 2021, 80 AF of water was taken, incurring a liability of 20 AF to be returned. Estimated transportation costs for that water are $5,000. The additional 100 AF of exchange is expected to be completed by the end of the 2022 calendar year. Actual timing of the return is not known at this time, however all water in this exchange must be returned by December 31, 2028.

The Authority leases equipment under non-cancelable operating leases. Lease payments made in FY 2020/21 totaled $7,668 with future scheduled lease payments as of June 30, 2021 of $9,357, resulting in total scheduled lease payments of $17,025.

The Authority is involved in various legal proceedings, lawsuits and claims of a nature considered normal for its activities. It is the Authority's policy to accrue for amounts related to these legal matters if it is probable that a liability has been incurred and an amount is reasonably estimable. For the periods ending June 30, 2021 and June 30, 2020, the Authority estimates no liability for claims or judgments.

All of the accounts receivable recorded by the Authority are payable by its local participants and the DWR under the agreements more fully described in Note 1.

Note 9: Joint Powers Insurance Authority

The Authority participates in the liability, property and fidelity bond insurance program organized by the Association of California Water Agencies Joint Powers

Insurance Authority ("ACWA - JPIA"). ACWA - JPIA is a joint powers insurance authority created to provide a self-insurance program to water agencies in the State of California.

ACWA-JPIA provides liability, property, workers' compensation, fidelity, boiler and machinery insurance for approximately 300 water agencies for losses in excess of the members' specified self-insurance retention levels. Individual claims (and aggregate public liability and property claims) in excess of specified levels are covered by excess insurance policies purchased from commercial carriers. ACWA - JPIA is governed by a board composed of members from participating members. The board controls the operations of ACWA - JPIA, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board.

Each member shares surpluses and deficiencies proportionately to its participation in ACWA - JPIA. The Authority has not incurred any settlements which exceeded insurance coverage for the past three fiscal years.

Note 10: Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under the terms of this plan, in calendar year 2021 and 2020 these limits were one hundred percent of salary or $19,500 per year, whichever is less. Additionally, employees over the age of 50 are permitted to defer up to an additional $6,500 per year for those years in which they did not fully contribute the annual maximum prior to age 50.

In calendar year 2020 these limits were up to one hundred percent of salary or $19,500 per year, whichever is less. Additionally, employees over the age of 50 were permitted to defer up to an additional $6,500 per year for those years in which they did not fully contribute the annual maximum prior to age 50.

Note 11: COVID-19 Pandemic

As noted in the Management's Discussion and Analysis, the Authority has been impacted by the recent COVID-19 pandemic. Due to uncertainty surrounding the pandemic, the length and severity of the outbreak, and the volatility in the world investment markets, there is uncertainty as to how these events will affect results of operations and investment returns going forward.

Note 12: Subsequent Events

Events subsequent to June 30, 2021, have been evaluated through December 15, 2021, which is the date the financial statements were available to be issued. Management did not identify any subsequent events for the year ending June 30, 2021 that required disclosure

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SEVEN YEAR REVIEW [1]
As of June 30, 2021

	Fiscal Year End						
	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Measurement Date	6/30/2020	6/30/2019	6/30/2018	06/30/2017	06/30/2017	06/30/2015	06/30/2014
Authority's Proportion of the Net Pension Liability	0.037080%	0.036550%	0.036260%	0.037875%	0.038348%	0.037178%	0.040196%
Authority's Proportionate Share of the Net Pension Liability	$4,034,798	$3,745,005	$3,494,467	$3,756,159	$3,318,324	$2,551,875	$2,501,206
Authority's covered Payroll	3,088,204	3,014,603	2,980,919	2,835,039	2,771,667	2,713,663	2,860,537
Authority's Proportionate Share of the net pension liability as percentage of covered payroll	130.65%	124.23%	117.23%	132.49%	119.72%	94.04%	87.44%
Plan's fiduciary net position as a percentage of the plan's total pension liability	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%	79.28%

(1) Information in this schedule is not available prior to 2014. Additional years will be added to this schedule in the future fiscal years until 10 years of data is presented.

SCHEDULE OF PENSION PLAN CONTRIBUTIONS - SEVEN YEAR REVIEW [1]
As of June 30, 2021

Miscellaneous Plan

	2020-21 [1]	2019-20 [1]	2018-19 [1]	2017-18 [1]	2016-17 [1]	2015-16 [1]	2014-15 [1]
Actuarial determined contributions (ADC)	$ 597,313	$ 533,106	$ 481,354	$ 444,625	$ 423,429	$ 395,321	$ 392,033
Contributions in relation to the actuarially determined contribution [2]	(722,313)	(658,106)	(606,354)	(569,625)	(548,429)	(395,321)	(392,033)
Contribution deficiency (excess)	$ (125,000)	$ (125,000)	$ (125,000)	$ (125,000)	$ (125,000)	$ -	$ -
Authority's covered payroll [3, 4]	$ 3,166,519	$ 3,088,204	$ 3,014,603	$ 2,980,919	$ 2,835,039	$ 2,771,667	$ 2,713,663
Contributions as a percentage of covered payroll [3]	22.81%	21.31%	20.11%	19.11%	19.34%	14.26%	14.45%

[1] This is a 10-year schedule. Information in this schedule is not available prior to 2014. Additional years will be added to this schedule in future fiscal years until 10 years of data is presented.

[2] Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

[3] Covered Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total covered earnings, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculated the required payroll-related ratios.

[4] Fiscal Payroll from prior year was assumed to increase by the 2.5% payroll growth assumption

SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS - FOUR YEAR REVIEW [1]
As of June 30, 2021

	2020-21 [1]	2019-20 [1]	2018-19 [1]	2017-18 [1]
Actuarial determined contributions (ADC)	$ 145,414	$ 156,800	$ 152,227	$ 147,785
Contributions in relation to the actuarially determined contribution [2]	(21,761)	(164,391)	(59,449)	(53,122)
Contribution deficiency (surplus)	$ 123,653	$ (7,591)	$ 92,778	$ 94,663
Authority's covered payroll [3]	$ 3,452,453	$ 3,335,171	$ 3,224,398	$ 3,273,043
Contributions as a percentage of covered payroll	0.6%	4.9%	1.8%	1.6%

[1] This is a 10-year schedule. Information in this schedule is not available prior to 2017/18. Additional years will be added to this schedule in future fiscal years until 10 years of data is presented.
[2] Actual Fiscal Year contribution
[3] For the 12 month period ending on June 30 (fiscal year end)

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2020-21 were derived from the June 30, 2019 funding valuation report.

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Amortization period	17-year fixed period for 2020/21
Asset valuation method	Investment gains and losses spread over 5-year rolling period
Discount Rate	6.50%
General Inflation	2.75%
Medical Trend	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4.0% in 2076 and later years
Mortality	CalPERS 1997-2015 Experience Study
Mortality Improvement	Mortality Improvement Society of Actuaries Scale MP-2019
Changes in Assumptions	Demographic assumptions updated to those from CalPERS 1997-2015 Experience Study
Changes of Benefit Terms	None

SCHEDULE OF CHANGES IN NET OPEB LIABILITY - FOUR YEAR REVIEW [1]
AND RELATED RATIOS
As of June 30, 2021

	2020/21 Measurement Period 2019/20	2019/20 Measurement Period 2018/19	2018/19 Measurement Period 2017/18	2017/18 Measurement Period 2016/17
Changes in Total OPEB Liability				
Service Cost	$ 73,120	$ 81,735	$ 79,354	$ 77,043
Interest	85,512	87,696	77,709	68,416
Actual vs. Expected Experience		(191,838)	-	-
Assumption Changes	(21,001)	7,029	-	-
Benefit Payments	(12,085)	(7,124)	(4,464)	(5,123)
Changes of benefit terms	-	-	-	-
Net Changes	$ 125,546	$ (22,502)	$ 152,599	$ 140,336
Total OPEB Liability (beginning of year)	1,248,498	1,271,000	1,118,401	978,065
Total OPEB Liability (end of year)	1,374,044	1,248,498	1,271,000	1,118,401
Changes in Plan Fiduciary Net Position				
Contributions - employer	$ 164,391	$ 59,449	$ 53,122	$ 43,201
Contributions - employee	-	-	-	-
Net Investment income	15,262	20,816	17,801	24,237
Benefit payments	(12,085)	(7,124)	(4,464)	(5,123)
Administrative Expenses	(516)	(323)	(256)	(122)
Other Changes	-	-	-	-
Net Changes	167,052	72,818	66,203	62,193
Plan Fiduciary Net Position (beginning of year)	373,591	300,773	234,570	172,377
Plan Fiduciary Net Position (end of year)	$ 540,643	$ 373,591	$ 300,773	$ 234,570
Net OPEB Liability	$ 833,401	$ 874,907	$ 970,227	$ 883,831
Fiduciary Net Position as a percentage of Total OPEB Liability	39.3%	29.9%	23.7%	21.0%
Covered Payroll [2]	3,335,171	3,224,398	3,273,043	3,194,536
Net OPEB Liability as a percentage of covered payroll	25.0%	27.1%	29.6%	27.7%

[1] This is a 10-year schedule. Information in this schedule is not available prior to 2017/18. Additional years will be added to this schedule in future fiscal years until 10 years of data is presented.

[2] For the 12-month period ending on the Measurement Date

STATISTICAL SECTION

STATISTICAL SECTION NARRATIVE SUMMARY

The information in this section is not covered by the Independent Auditor's Report, but is presented as supplemental data for the benefit of the readers of the comprehensive annual financial report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a government's economic condition.

Financial Trends

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

Debt Capacity

These schedules present information to help the reader assess the affordability of the Authority's current level of outstanding debt.

Economic and Demographic Information

These schedules offer economic and demographic indicators to help the reader understand the environment within which the Authority's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the activities performed by the Authority.

TABLE 1

General Governmental Revenues by Source

Fiscal Year	Operating Assessments [1]	Debt Service Assessments	Other Revenues	Interest Income	Total Revenues
2010/11	$ 7,100,093	$ 10,828,491	$ 105,552	$ 236,522	$ 18,270,658
2011/12	7,056,434	10,751,690	64,258	166,276	18,038,658
2012/13	7,504,558	10,758,676	125,443	139,554	18,528,231
2013/14	8,642,389	10,669,540	329,292	120,693	19,761,914
2014/15	9,100,035	10,620,321	146,713	118,755	19,985,824
2015/16	8,702,151	10,560,476	108,915	176,276	19,547,818
2016/17	9,667,165	10,857,086	307,089	328,130	21,159,470
2017/18	9,901,333	8,966,976	157,546	635,825	19,661,680
2018/19	9,997,429	9,286,980	158,036	1,281,897	20,724,342
2019/20	9,544,645	9,224,616	99,030	1,141,562	20,009,853
2020/21	10,891,111	8,908,132	231,193	278,253	20,308,689

Source: Central Coast Water Authority

1 Operating Assessments exclude year-end credits for unexpended operating reimbursements.

Total Revenue Comparison

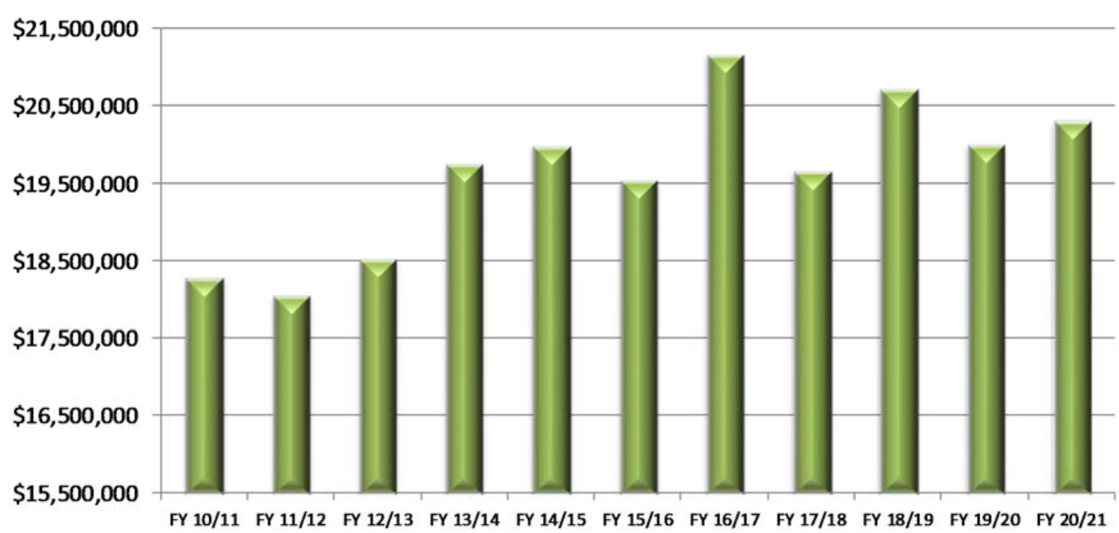


TABLE 2

General Governmental Expenses by Function

Fiscal Year	Operating Expenses [1]	Capital Improvements	Interest Expense	Interest paid to Participants [1]	Total Expenses
2010/11	$ 10,058,131	$ 180,428	$ 4,818,276	$ 236,432	$ 15,293,267
2011/12	9,786,406	365,801	4,490,322	165,476	14,808,005
2012/13	9,908,687	459,637	4,169,532	139,500	14,677,356
2013/14	10,937,701	749,170	3,805,662	120,693	15,613,226
2014/15	11,671,645	314,087	3,409,975	118,755	15,514,462
2015/16	10,633,214	629,440	2,994,662	176,276	14,433,592
2016/17	11,205,868	254,360	2,869,594	301,630	14,631,452
2017/18	10,591,135	811,276	1,978,000	635,927	14,016,338
2018/19	10,443,568	992,965	1,552,500	1,168,698	14,157,731
2019/20	10,654,396	1,072,316	1,100,000	1,141,562	13,968,274
2020/21	12,065,351	1,153,116	624,938	278,253	14,121,658

Source: Central Coast Water Authority

[1] Operating Expenses include year-end credits for unexpended operating reimbursements, and interest credits paid to project participants are shown on a separate line.

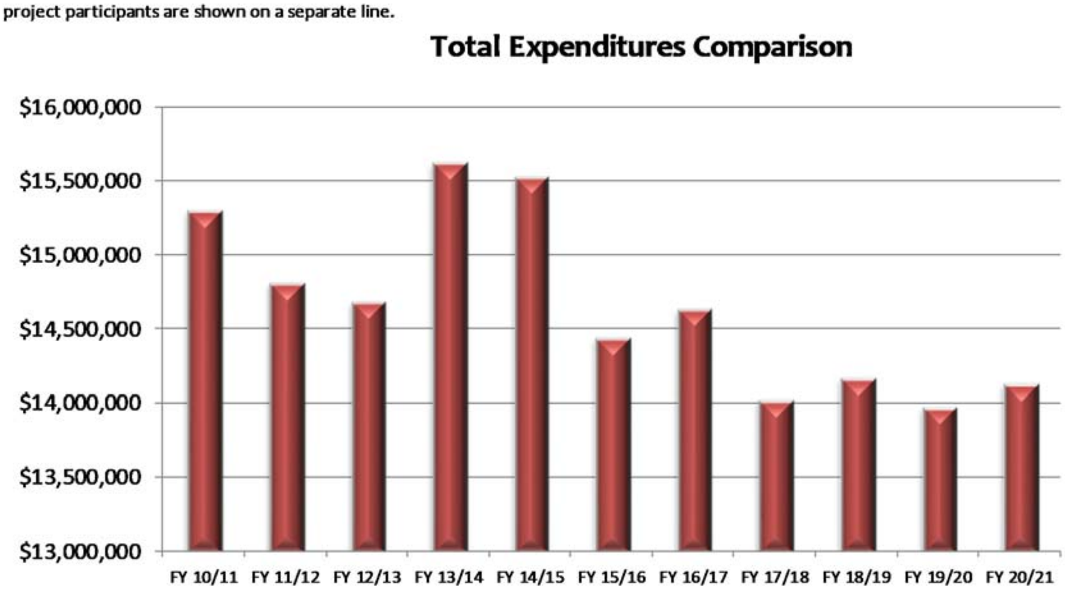


TABLE 3

Change in Net Position and Net Position Components

Last Ten Fiscal Years

	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016
Net position, at beginning of year	$ 25,026,753	$ 28,570,625	$ 32,843,775	$ 37,640,493	$ 39,694,735
Operating revenues	17,872,382	18,383,991	19,641,221	19,831,984	19,334,566
Operating Expenses					
Operating expenses	5,855,361	6,451,537	7,261,549	7,805,038	7,592,444
Depreciation and amortization	2,980,787	2,770,306	2,715,546	2,710,711	2,710,417
Unexpended operating reimbursements	950,258	686,844	960,606	1,155,896	330,353
Total operating expenses	9,786,406	9,908,687	10,937,701	11,671,645	10,633,214
Operating Income	8,085,976	8,475,304	8,703,520	8,160,339	8,701,352
Non-operating revenues					
Interest income and miscellaneous	166,276	144,240	120,693	153,840	213,252
Non-Operating Expenses					
Interest expense	4,490,322	4,169,532	3,805,662	3,409,975	2,994,662
Bond issuance expenses	-	-	-	-	-
Interest income to project participants	165,476	139,500	120,693	118,755	176,276
Other expenses	52,582	37,362	101,140	88,164	10,788
Total non-operating expenses	4,708,380	4,346,394	4,027,495	3,616,894	3,181,726
Increase in Net Position	3,543,872	4,273,150	4,796,718	4,697,285	5,732,878
Refund of capital contributions	-	-	-	-	-
Restatement of net position	-	-	-	(2,643,043)	-
Net position, at end of year	28,570,625	32,843,775	37,640,493	39,694,735	45,427,613
Net investment in capital assets	23,467,011	28,134,152	33,258,360	38,420,586	44,108,951
Restricted - capital projects	-	-	-	-	-
Restricted - debt service	11,597,425	11,540,588	11,537,581	11,522,948	11,513,337
Unrestricted	(6,493,811)	(6,830,965)	(7,155,448)	(10,248,799)	(10,194,675)
Total Net Postion	**$ 28,570,625**	**$ 32,843,775**	**$ 37,640,493**	**$ 39,694,735**	**$ 45,427,613**

Continued

TABLE 3 (*continued*)

Change in Net Position and Net Position Components
Last Ten Fiscal Years

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Net position, at beginning of year	$ 45,427,613	$ 51,605,680	$ 57,977,737	$ 65,537,313	$ 72,651,208
Operating revenues	20,825,040	19,025,855	19,442,445	18,868,291	20,187,188
Operating Expenses					
Operating expenses	9,448,706	8,858,438	8,234,624	8,647,847	8,659,153
Depreciation and amortization	1,027,928	1,061,706	1,299,198	1,659,217	2,123,816
Unexpended operating reimbursements	729,234	670,991	909,746	347,332	1,180,809
Total operating expenses	11,205,868	10,591,135	10,443,568	10,654,396	11,963,778
Operating Income	9,619,172	8,434,720	8,998,877	8,213,895	8,223,410
Non-operating revenues					
Interest income and miscellaneous	334,430	635,825	1,281,897	1,141,562	278,253
Non-Operating Expenses					
Interest expense	2,869,594	1,978,000	1,552,500	1,100,000	624,938
Bond issuance expenses	576,155	-	-	-	-
Interest income to project participants	301,630	635,927	1,168,698	1,141,562	220,872
Other expenses	28,156	84,561	-	-	76,899
Total non-operating expenses	3,775,535	2,698,488	2,721,198	2,241,562	922,709
Increase in Net Position	6,178,067	6,372,057	7,559,576	7,113,895	7,578,954
Refund of capital contributions	-	-	-	-	-
Restatement of net position	-	-	-	-	-
Net position, at end of year	51,605,680	57,977,737	65,537,313	72,651,208	80,230,162
Net investment in capital assets	55,164,579	60,312,509	66,554,791	73,172,291	80,060,233
Restricted - capital projects	-	-	-	-	-
Restricted - debt service	9,978,731	10,411,593	10,418,498	10,423,636	10,378,495
Unrestricted	(13,537,630)	(12,746,365)	(11,435,976)	(10,944,719)	(10,524,271)
Total Net Postion	$ 51,605,680	$ 57,977,737	$ 65,537,313	$ 72,651,208	$ 79,914,457

TABLE 4

Fiscal Year Gross Budget History (Excludes Credits)

Fiscal Year	CCWA Charges	DWR (State) Charges	Total	Increase (Decrease)	Percentage Change
FY 01/02	$ 12,732,473	$ 29,872,420	$ 42,604,893	$ 1,573,801	4%
FY 02/03	15,923,396	28,667,780	44,591,176	1,986,283	5%
FY 03/04	15,826,610	33,290,820	49,117,430	4,526,254	9%
FY 04/05	16,309,830	33,576,516	49,886,346	768,916	2%
FY 05/06	16,898,682	30,918,963	47,817,645	(2,068,701)	-4%
FY 06/07	17,665,638	33,887,106	51,552,744	3,735,099	7%
FY 07/08	17,368,381	34,383,152	51,751,533	198,789	0%
FY 08/09	18,866,218	32,712,348	51,578,566	(172,967)	0%
FY 09/10	19,113,716	34,400,137	53,513,853	1,935,287	4%
FY 10/11	18,542,903	37,656,903	56,199,806	2,685,953	5%
FY 11/12	19,000,056	36,704,353	55,704,409	(495,397)	-1%
FY 12/13	18,871,714	32,473,910	51,345,624	(4,358,785)	-8%
FY 13/14	19,303,293	36,720,999	56,024,292	4,678,668	8%
FY 14/15	19,905,931	38,928,105	58,834,036	2,809,744	5%
FY 15/16	21,408,675	44,258,987	65,667,662	6,833,626	10%
FY 16/17	22,991,413	34,730,498	57,721,911	(7,945,751)	-14%
FY 17/18	21,280,493	40,494,796	61,775,289	4,053,378	7%
FY 18/19	21,485,218	50,494,069	71,979,287	10,203,998	14%
FY 19/20	22,618,490	52,066,151	74,684,641	2,705,355	4%
FY 20/21	22,317,186	49,225,756	71,542,942	(3,141,699)	-4%

Note: Excludes CCWA credits.

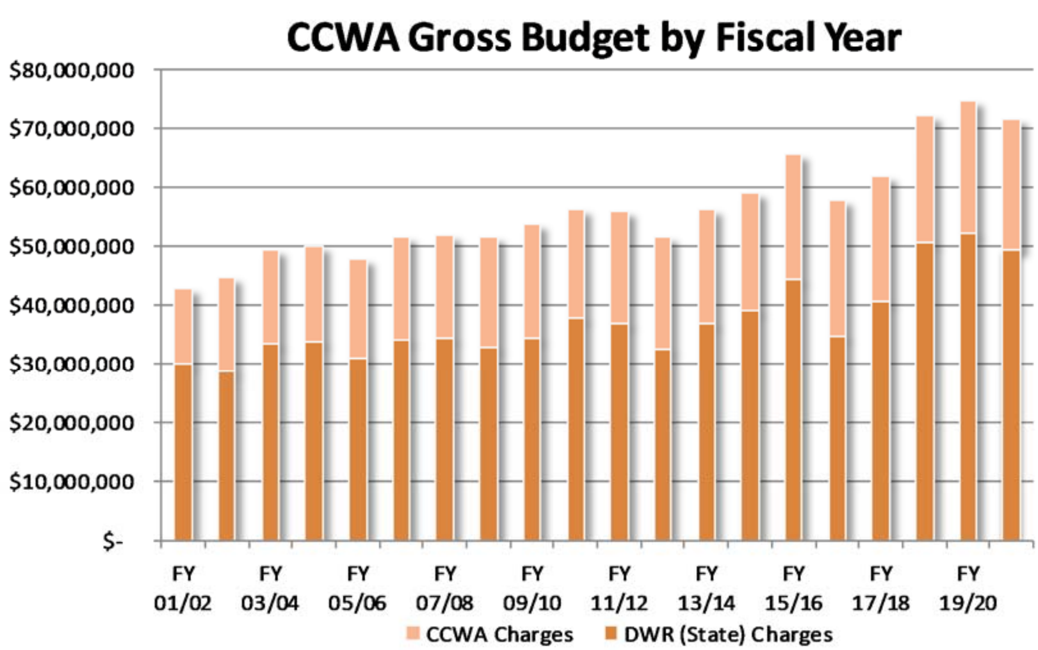


TABLE 5

FY 2020/21 Total Payments by Project Participant

Project Participant	FY 2020/21 Operating Expenses [1]	FY 2020/21 Debt Service Payments	FY 2020/21 DWR Costs	FY 2020/21 Warren Act Charges [2]	FY 2020/21 CCWA Credits	FY 2020/21 Total Payments
Guadalupe	$ 168,126	$ 146,303	710,558	$ -	$ -	$ 1,024,987
Santa Maria	4,529,338		19,952,802	-	-	24,482,140
Golden State Water Co.	153,354		661,558	-	-	814,912
Vandenberg SFB	1,532,709		6,883,466	-	-	8,416,175
Buellton	190,069	259,139	746,093	-	-	1,195,301
Santa Ynez (Solvang)	478,722	796,458	1,833,132	-	-	3,108,312
Santa Ynez	999,379	299,113	833,947	-	(10,295)	2,122,144
Goleta	873,389	2,510,356	5,359,157	34,220	(163,927)	8,613,195
Morehart Land	39,718	115,257	237,843	2,842	-	395,660
La Cumbre	257,831	551,791	1,290,746	33,814	-	2,134,182
Raytheon	11,982	24,094	65,260	1,450	-	102,786
Santa Barbara	765,015	1,543,194	4,036,983	21,460	-	6,366,652
Montecito	765,015	1,813,398	3,441,835	21,518	(123,610)	5,918,156
Carpinteria	505,256	1,036,774	2,633,406	16,240	(79,920)	4,111,756
Shandon	14,333	11,642	N/A	-	-	25,975
Chorro Valley	392,783	927,433	N/A	-	(34,889)	1,285,327
Lopez	365,400	239,815	N/A	-	(39,919)	565,296
TOTAL:	$ 12,042,419	$ 10,274,767	$ 48,686,786	$ 131,544	$ (452,560)	$ 70,682,956

(1) Adjusted for Santa Ynez Exchange Agreement Modifications and Regional WTP Treatment Allocation.

(2) Adjusted for Santa Ynez Exchange Agreement Modifications.

This schedule represents the budgeted amounts plus the increase or decrease in charges for certain participants due to changes in delivery requests which were not included in the original fiscal year 2020/21budget.

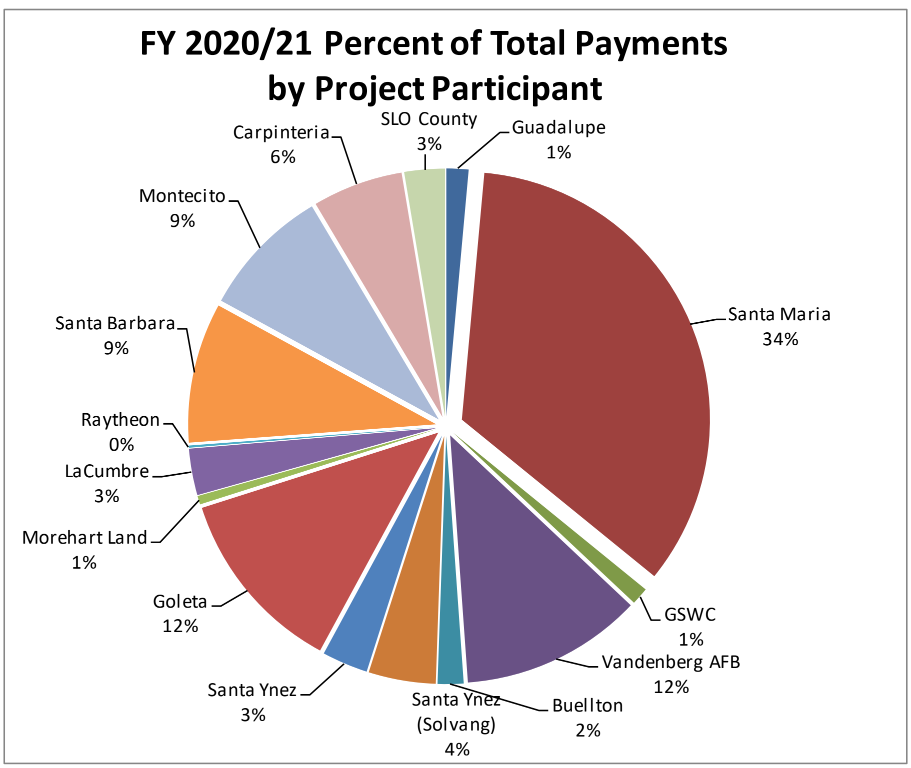


TABLE 6

Ratio of Outstanding Debt by Type
For Total Bonded Debt to Total Expenses

Fiscal Year	Bond Issue	Principal	Interest (1)	Total Debt Service	Total Expenses	Ratio of Debt Service to Total Expenses
2011/12	2006 Bonds	6,960,000	4,577,326	11,537,326	14,912,912	77.36%
2012/13	2006 Bonds	7,335,000	4,247,463	11,582,463	14,677,356	78.91%
2013/14	2006 Bonds	7,625,000	3,900,975	11,525,975	15,613,226	73.82%
2014/15	2006 Bonds	8,010,000	3,510,100	11,520,100	15,514,462	74.25%
2015/16	2006 Bonds	8,405,000	3,099,725	11,504,725	14,433,592	79.71%
2016/17	06 & 16 Bonds	8,825,000	3,023,619	11,848,619	13,963,559	84.85%
2017/18	2016 Bonds	7,880,000	2,076,500	9,956,500	14,016,338	71.03%
2018/19	2016 Bonds	8,720,000	1,661,500	10,381,500	14,157,731	73.33%
2019/20	2016 Bonds	9,160,000	1,214,500	10,374,500	13,968,274	74.27%
2020/21	2016 Bonds	9,615,000	745,125	10,360,125	14,121,658	73.36%

(1) Represents actual cash payment without regard to payments from the capitalized interest fund.

Source: Central Coast Water Authority

Ratio of Debt Service to Total Expenses

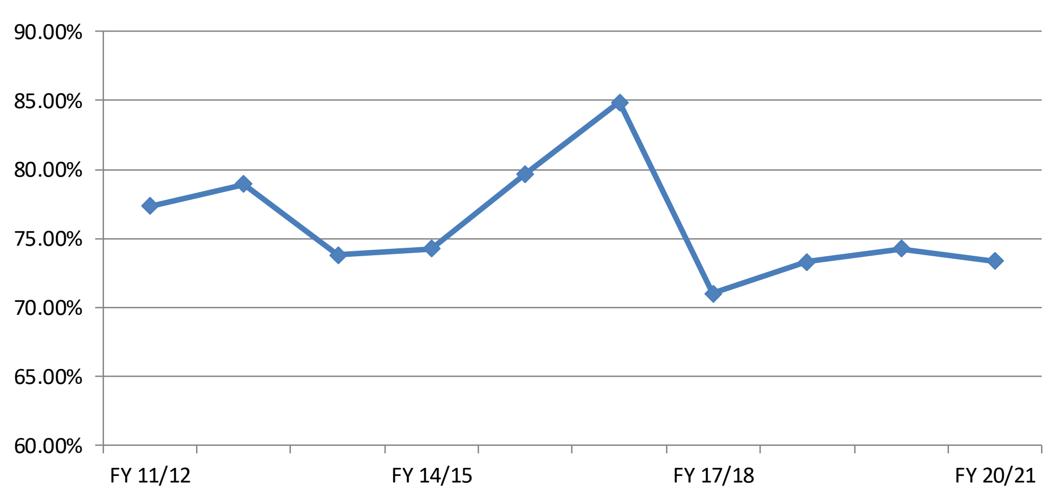


TABLE 7
Selected Demographic Information
Santa Barbara County

Santa Barbara County is located on the Pacific coast of the southern portion of the U.S. state of California, just west of Ventura County. The estimated total population of the County as of August 2020 was 451,840 according to the Santa Barbara County 2019/20 CAFR. The county seat is Santa Barbara and the largest city is Santa Maria.

For thousands of years, the area was home to the Chumash tribe of Native Americans, complex hunter-gathers who lived along the coast and in interior valleys leaving rock art in many locations including Painted Cave. European contact had devastating effects on the Chumash Indians, including a series of disease epidemics that drastically reduced Chumash population. The Chumash survived, however, and thousands of Chumash descendants still live in the Santa Barbara area or surrounding counties.

The County has a total area of 2,737 square miles and four of the Channel Islands – San Miguel Island, Anacapa Island, Santa Cruz Island and Santa Rosa Island – are in Santa Barbara County. They form the largest part of the Channel Islands National Park.

Santa Barbara County has a mountainous interior abutting a coastal plains area. The largest concentration of people is on this coastal plain, referred to as the south coast – the part of the county south of the Santa Ynez Mountains – which includes the cities of Santa Barbara, Goleta and Carpinteria, as well as the unincorporated areas of Hope Ranch, Mission Canyon, Montecito and Isla Vista. North of the mountains are the towns of Santa Ynez, Solvang, Buellton, Lompoc; the unincorporated towns of Los Olivos and Ballard; the unincorporated areas of Mission Hills and Vandenberg Village; and Vandenberg Space Force Base, where the Santa Ynez River flows out to the sea. North of the Santa Ynez Valley are the cities of Santa Maria and Guadalupe.

Santa Barbara County is home to a beautiful landscape and great climate for living, playing and working. The County is well known for its strong sense of community, prime agricultural land, award winning wineries, and attractive cultural and tourism opportunities. However, Santa Barbara County also touts its talented and highly skilled workforce and business sectors, from high tech to health care to design. Quality institutions like UC Santa Barbara and Vandenberg Airforce Base continue to attract high quality individuals to the County. It is these attributes that attract and retain businesses in the area.

TABLE 8
Miscellaneous Statistical Information

Form of government	Joint Powers Authority
Date of organization	August 1, 1991
Number of full-time equivalent positions	30.25
Polonio Pass Water Treatment Plant design capacity	43 million gallons per day
Authority pipeline (in miles)	42.5
Coastal Branch pipeline (in miles)	100.6
Number of water storage tanks	7
Number of turnouts	10

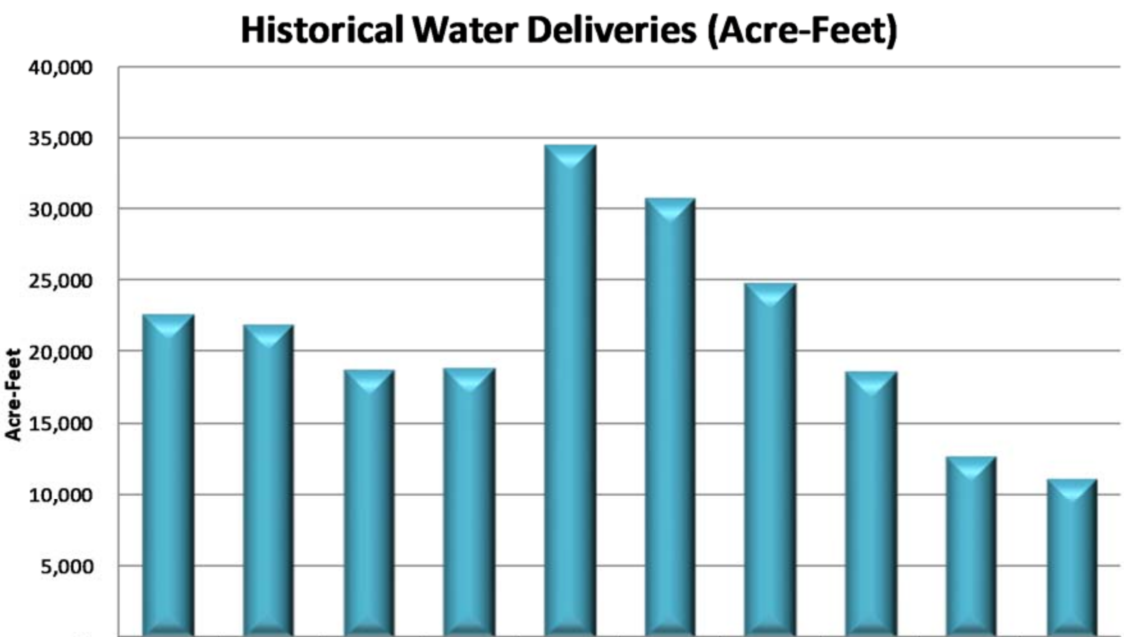
Agency	**Table A Amount (AFY)**
City of Buellton	578
Carpinteria Valley Water District	2,000
Goleta Water District	4,500
City of Guadalupe	550
La Cumbre Mutual Water Co.	1,000
Montecito Water District	3,000
Morehart Land Co.	200
City of Santa Barbara	3,000
Raytheon Systems Company	50
City of Santa Maria	16,200
Santa Ynez River W.C.D. #1	2,000
Southern California Water Co.	500
Vandenberg Space Force Base	5,500
Total Santa Barbara County *	39,078
Avila Beach C.S.D	100
Avila Valley Mutual Water Co., Inc.	20
California Mens Colony (State)	400
County of SLO C.S.A. No. 16 I.D. #1	100
County of SLO (Op. Center & Reg. Park)	425
City of Morro Bay	1,313
Oceano CSD	750
City of Pismo Beach	1,240
San Luis Coastal Unified School District	7
San Miguelito Mutual Water Co.	275
SLO Co. Comm. Coll. District (Cuesta College)	200
Total San Luis Obispo County	4,830
TOTAL TABLE A AMOUNT	43,908

Note: * Excludes CCWA drought buffer of Table A amount of 3,908 AFY and Goleta Water District additional Table A amount of 2,500 AFY.

TABLE 9

FY 2020/21 Actual State Water Deliveries (acre feet)

Project Participant	Table A Deliveries	Exchange Agreement Deliveries	Total Deliveries
Shandon Turnout (SLO County)	-	N/A	-
Lopez Turnout (SLO County)	744	N/A	744
Chorro Valley Turnout (SLO County)	1,977	N/A	1,977
City of Guadalupe	65	N/A	65
City of Santa Maria	4,274	N/A	4,274
Golden State Water Company	95	N/A	95
Vandenberg Space Force Base	2,349	N/A	2,349
City of Buellton	285	N/A	285
Santa Ynez ID #1 (City of Solvang)	693	N/A	693
Santa Ynez ID #1	-	1,545	1,545
Goleta Water District	590	(557)	33
Morehart Land Company	49	N/A	49
La Cumbre Mutual Water Company	583	N/A	583
Raytheon Systems Company	25	N/A	25
City of Santa Barbara	370	(370)	-
Montecito Water District	371	(371)	-
Carpinteria Valley Water District	280	(247)	33
TOTAL:	12,750	-	12,750



	FY 2012/13 Actual	FY 2013/14 Actual	FY 2014/15 Actual	FY 2015/16 Actual	FY 2016/17 Actual	FY 2017/18 Actual	FY 2018/19 Actual	FY 2019/20 Actual	FY 2020/21 Actual	FY 2021/22 Request
Series1	22,710	21,979	18,823	18,928	34,535	30,756	24,891	18,586	12,750	11,080

TABLE 10
Historical Water Availability Compared to Actual Deliveries & Costs
Santa Barbara County Project Participants Only

(Acre-Feet)

Calendar Year	Available Water	Actual Deliveries	Total CCWA Actual Costs
1998	38,986	18,618	$ 36,225,479
1999	45,486	20,137	24,898,645
2000	40,937	22,741	50,707,485
2001	23,734	18,945	39,445,139
2002	34,715	27,600	37,237,621
2003	41,476	26,970	43,929,781
2004	30,793	29,705	44,152,940
2005	41,092	23,343	43,750,040
2006	49,506	23,275	47,067,848
2007	31,516	27,740	45,660,843
2008	22,036	18,391	46,236,486
2009	24,162	15,452	48,521,830
2010	24,033	17,775	50,707,485
2011	38,389	21,050	51,876,819
2012	29,566	19,474	45,904,819
2013	22,430	18,018	54,450,977
2014 (1)	9,955	15,942	59,621,280
2015 (2)	14,691	11,673	67,372,895
2016 (3)	45,774	28,807	53,704,188
2017 (4)	51,622	29,696	61,352,586
2018 (5)	34,883	28,165	76,476,705
2019 (6)	39,195	22,959	74,197,973
2020 (7)	25,470	18,586	72,644,178
2021 (8)	17,961	14,495	70,344,668
Total:	778,408	519,557	$ 1,246,488,710
Avg. Cost per Acre-foot:	$ 1,601	$ 2,399	
Percent of Table A:	77.79%	51.92%	

(1) 2014 amounts include CCWA Supplemental Water Purchase Program costs of $4.2 million for 5,909 AF.
(2) 2015 amounts include CCWA Supplemental Water Purchase Program costs of $4.8 million for 9,600 AF.
(3) 2016 amounts include CCWA Supplemental Water Purchase Program costs of $2.9 million for 11,500 AF.
(4) No requests were made for CCWA Supplemental Water Purchase Program (SWPP) in 2017.
(5) 2018 amounts include CCWA Supplemental Water Purchase Program costs of $1.8 millon for 5,633 AF.
(6) No requests were made for CCWA Supplemental Water Purchase Program (SWPP) in 2019.
(7) No requests were made for CCWA Supplemental Water Purchase Program (SWPP)in 2020.
(8) Water deliveries are estimated and include CCWA Supplemental Water Purchase Program (SWPP)in 2021.

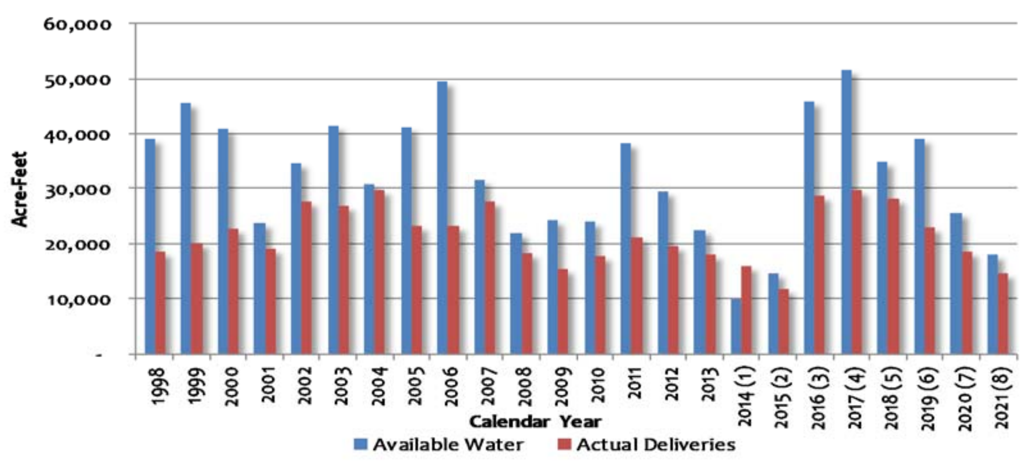


TABLE 11

Schedule of Insurance

Valued June 30, 2021

Company	Policy Period	Insurance Type	Limits	Coverages
Hartford Fire Insurance Company through Alliant Insurance Services	7-1-20 to 7-1-21	Excess Crime Coverage	$ 7,000,000	Dishonesty, faithful performance, forgery, computer fraud, pension plans including ERISA
ACWA Joint Powers Insurance Authority	7-1-20 to 7-1-21	Crime Coverage	$ 100,000	Public employee theft, depositors forgery or alterations, computer and funds transfer fraud
ACWA Joint Powers Insurance Authority	7-1-20 to 7-1-21	Property Insurance	$ 91,400,418	Buildings ($34,579,663); Personal property ($1,707,842); Fixed Equipment ($46,578,193); Business Interruption ($8,434,720)
ACWA Joint Powers Insurance Authority	10-1-20 to 10-1-21	General and Auto Liability	$ 5,000,000	Liability JPIA pooled layer
Safety National Casualty Corporation	10-1-20 to 10-1-21	General and Auto Liability	$ 5,000,000	Liability umbrella policy
California Water Insurance Fund	10-1-20 to 10-1-21	General and Auto Liability	$ 10,000,000	Liability umbrella policy
Markel Global Reinsurance Company/ Everest Reinsurance Company/ Great American Insurance Company (quota share)	10-1-20 to 10-1-21	General and Auto Liability	$ 15,000,000	Liability umbrella policy
Hallmark Specialty Insurance Company	10-1-20 to 10-1-21	General and Auto Liability	$ 5,000,000	Liability umbrella policy
Allied World National Assurance Co	10-1-20 to 10-1-21	General and Auto Liability	$ 10,000,000	Liability umbrella policy
General Security Indemnity Company of Arizona	10-1-20 to 10-1-21	General and Auto Liability	$ 5,000,000	Liability umbrella policy

TABLE 12

Full-time Equivalent Employees by Position

Position Title	Number Authorized FY 2018/19	Number Authorized FY 2019/20	Number Authorized FY 2020/21	Change Over FY 2018/19	Change Over FY 2019/20
Executive Director	1.00	1.00	1.00	-	-
Deputy Director of Operations	1.00	1.00	1.00	-	-
Safety & Environmental Specialist	1.00	1.00	1.00	-	-
Controller	1.00	1.00	1.00	-	-
Senior Accountant	-	1.00	1.00	1.00	-
Deputy Controller	1.00	-	-	(1.00)	-
Office Manager	1.00	1.00	1.00	-	-
Accounting Technician	0.75	0.75	0.75	-	-
Administrative Assistant	1.50	1.50	1.50	-	-
WTP Supervisor	1.00	1.00	1.00	-	-
Distribution Supervisor	1.00	1.00	1.00	-	-
Maintenance Manager	1.00	1.00	1.00	-	-
Maintenance Foreman	1.00	1.00	1.00	-	-
Senior Chemist	1.00	1.00	1.00	-	-
Laboratory Analyst	1.00	1.00	1.00	-	-
IT/Instrumentation & Control Specialist	1.00	1.00	1.00	-	-
Engineering Technician	1.00	1.00	1.00	-	-
Maintenance Technician	2.00	2.00	2.00	-	-
Maintenance/IC&R Technician	2.00	2.00	2.00	-	-
WTP Operator	5.00	5.00	5.00	-	-
Distribution Technician	5.00	5.00	5.00	-	-
TOTAL:	30.25	30.25	30.25	-	-

TABLE 13
Santa Barbara County Largest Employers

Company or Organization	Jobs (1)	Percent of Total County Employment
County of Santa Barbara	4,307	2.14%
University of California, Santa Barbara	4,255	2.12%
Cottage Health System	3,245	1.62%
Vandenberg Space Force Base	2,500	1.24%
Santa Maria-Bonita School District	2,010	1.00%
Chumash Casino Resort	2,000	1.00%
Mission Linen Supply	2,000	1.00%
Marian Regional Medical Center	1,486	0.74%
Allen Hancock College	1,400	0.70%
AppFolio	1,350	0.67%
Total ten largest	24,553	12.22%
Total all other	176,347	87.78%
Total companies or organizations	200,900	100.00%

(1) Source: County of Santa Barbara Annual Budget, FY 2021-2022.

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2011	4,569	$ 3,048,595	1,717
2012	4,584	3,257,915	1,785
2013	4,596	3,390,236	1,828
2014	4,695	3,793,692	1,944
2015	4,718	3,362,918	1,840
2016	4,787	3,201,546	1,644
2017	4,836	3,346,533	1,589
2018	4,848	3,938,273	1,782
2019	4,680	3,607,025	1,646
2020	5,272	4,054,811	1,732

Largest Customers as of June 30, 2020

	Water Usage (1)	Annual Payment
Pismo Beach Mobile Home Park	10,976	$ 57,759
Cliffs Shell Beach	9,738	42,977
Pismo Coast Village	9,703	46,937
Pismo Lighthouse Suites	6,797	32,163
Pismo Dunes Resort – Meter #1	6,696	30,735
Oxford Suites Resort	6,647	23,810
Pismo Dunes Resort – Meter #2	6,590	30,271
Dolphin Bay Hotel, Inc.	6,001	27,220
SCM Pismo Pier Partners	5,430	25,596
Shorecliff Lodge	5,269	23,689
Total	73,847	$ 341,159

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Net Revenues	State Water Payments	Coverage
2011	4,652,847	2,665,865	1,986,982	1,633,880	1.22
2012	5,003,098	2,612,189	2,390,909	1,435,883	1.67
2013	5,002,618	2,616,024	2,386,594	1,413,314	1.69
2014	5,638,215	2,671,261	2,966,954	1,238,740	2.40
2015	6,490,834	2,748,519	3,742,315	1,562,731	2.39
2016	5,975,795	3,384,808	2,590,987	1,503,993	1.72
2017	6,730,397	3,211,371	3,519,026	1,443,742	2.44
2018	6,464,939	3,646,068	2,818,871	1,508,550	1.87
2019	6,235,411	3,482,656	2,752,755	1,714,572	1.61
2020	6,446,087	3,502,231	2,943,856	2,338,337	1.26

Source: City of Pismo Beach

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2010	5,545	$ 3,574,319	1,282
2011	5,385	3,421,151	1,250
2012	5,401	3,396,936	1,177
2013	5,455	3,377,534	1,141
2014	5,473	3,491,575	1,214
2015	5,455	3,311,970	1,094
2016	5,455	4,130,990	996
2017	5,483	5,077,312	942
2018	5,496	5,647,331	936
2019	5,513	5,856,088	994

Largest Customers as of June 30, 2019

	Water Usage (1)	Annual Payment
City of Morro Bay	16,765	$ 232,144
Morro Bay High School	14,770	109,052
Mission Linen Center	9,351	237,556
Pacific Care Center	7,987	204,722
Imperial Coast, LP	4,826	134,928
CA Dept of Parks	4,705	98,726
Silver City Resort	4,362	109,244
Culligan Water	2,145	52,020
Morro Dunes Trailer Park	2,109	52,999
Central Coast Management Group	2,094	52,873
Total	69,114	$ 1,284,264

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Net Revenues	State Water Payments	Coverage
2010	$ 3,661,837	$ 1,587,764	$ 2,074,073	$ 1,968,552	1.05
2011	3,491,186	1,813,559	1,677,627	2,108,814	0.80
2012	3,646,957	2,021,803	1,625,154	2,186,578	0.74
2013	3,453,217	1,764,241	1,688,976	2,155,816	0.78
2014	3,550,868	1,958,281	1,592,587	2,158,842	0.74
2015	3,332,358	1,599,955	1,732,403	2,238,795	0.77
2016	4,487,576	1,969,828	2,517,748	2,166,523	1.16
2017	5,029,287	1,286,244	3,743,043	2,010,166	1.86
2018	5,647,331	1,138,167	4,509,164	2,157,811	2.09
2019	5,856,088	659,977	5,196,111	2,419,569	2.15

Source: City of Morro Bay

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Municipal Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2011	1,927	$ 1,320,373	921
2012	1,931	1,466,881	989
2013	1,940	1,462,443	912
2014	1,945	1,769,651	1,078
2015	1,960	1,721,143	1,039
2016	1,973	1,624,652	952
2017	2,017	1,727,388	944
2018	2,099	1,998,263	1,189
2019	2,166	1,925,825	914
2020	2,275	2,068,534	895

Largest Customers as of June 30, 2020

	Water Usage (1)	Annual Payment
Curation (formerly Apio)	129,197	$ 618,082
County Housing Authority	6,414	30,686
Guadalupe Union School	5,715	27,341
Riverview Townhomes	4,232	20,248
Guadalupe Cemetery	4,122	19,719
Guadalupe Laundromat	3,726	17,825
Obispo Cooling	3,211	15,362
Beachside Cooling	3,134	14,992
JR Simplot Co	2,756	13,185
Pan American Seed	1,939	9,278
Total	164,446	$ 786,718

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2011	$ 1,395,787	$ 426,842	$ 167,444	$ 1,136,389	$ 667,445	1.70
2012	1,519,883	499,857	167,705	1,187,731	599,469	1.98
2013	1,515,152	435,004	167,787	1,247,935	758,852	1.64
2014	1,856,503	505,615	167,787	1,518,675	744,436	2.04
2015	1,811,430	468,004	186,615	1,530,041	741,040	2.06
2016	1,729,167	698,968	186,615	1,216,814	663,337	1.83
2017	1,847,672	453,726	186,819	1,580,765	796,095	1.99
2018	2,204,907	860,891	188,366	1,532,382	877,255	1.75
2019	2,180,450	901,117	191,013	1,470,346	1,042,760	1.41
2020	2,334,862	1,015,203	191,013	1,510,672	966,790	1.56

Source: City of Guadalupe

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Water Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2011	21,050	$ 26,393,674	13,016
2012	21,199	27,803,548	13,264
2013	21,385	29,938,893	13,338
2014	21,580	31,962,813	13,882
2015	21,901	31,403,212	13,009
2016	22,152	33,883,550	12,022
2017*	22,362	37,915,296	12,357
2018	22,692	42,216,742	13,508
2019	22,794	39,474,873	12,694
2020	22,793	40,367,772	13,149

* In fiscal year 2017, the number of connections for 2017 was reported as 22,981. The City discovered (while preparing the 2018 report) that number was overstated by 619. The correct number of connections for 2017 is 22,362, as reflected above.

Largest Customers as of June 30, 2020

	Water Usage (1)	Annual Payment
Nipomo Community Services District	413,820	$ 1,808,788
City of Santa Maria	250,277	1,716,151
Santa Maria Elementary School	106,901	714,997
Titan Frozen Fresh	76,717	444,383
Sunrise Growers Inc	71,509	410,395
Fresh Venture Foods	57,595	333,770
Casa Grande Mobile Homes	51,616	244,654
Marian /Dignity Health	48,585	118,847
Santa Maria Land Partners	45,916	286,635
Alan Hancock College	29,907	233,138
Total	1,152,843	$ 6,311,758

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues (1)	Operating Expenses	Rate Coverage Fund	Net Revenues	State Water Payments	Coverage
2011	$ 34,634,358	$ 10,389,795	$ 4,281,382	$ 28,525,945	$ 17,150,434	1.66
2012	36,330,166	10,260,908	4,288,071	30,357,329	14,671,346	2.07
2013	38,305,281	12,698,916	4,290,188	29,896,553	17,851,202	1.67
2014	42,467,011	11,523,665	4,290,188	35,233,534	17,793,198	1.98
2015	41,771,720	13,564,740	5,001,279	33,208,259	19,191,415	1.73
2016	44,478,328	12,193,440	5,001,279	37,286,167	16,072,296	2.32
2017	48,626,344	14,727,515	5,006,756	38,905,585	18,589,602	2.09
2018	53,564,449	16,796,669	5,001,279	41,769,059	19,867,737	2.10
2019	53,262,165	15,888,325	5,001,279	42,375,119	26,575,853	1.59
2020	55,346,672	15,678,212	5,001,279	44,669,739	23,472,880	1.90

(1) Includes wastewater fees and charges.

Source: City of Santa Maria

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections		Sales Revenues	Water Deliveries (acre-feet per year)
2011	1,557	$	1,387,651	1,184
2012	1,570		1,368,805	1,212
2013	1,569		1,460,658	1,226
2014	1,569		1,532,887	1,300
2015	1,582		1,436,127	1,141
2016	1,584		1,426,171	1,043
2017	1,699		1,865,124	1,089
2018	1,733		2,416,040	1,240
2019	1,798		2,523,773	1,154
2020	1,862		2,587,231	1,193

Largest Customers as of June 30, 2020

	Water Usage (1)		Annual Payment
Professional Investment Planning	17,668	$	52,651
Buellton Union School District	15,126		45,075
Flying Flags Association, L.P.	9,168		27,321
Rivergrove Mobile home Park	8,964		26,713
Santa Ynez Valley Marriott	7,873		23,462
Figueroa Mountain Brewing	7,186		21,414
Santa Ynez Valley Quality Inn	5,423		16,161
Hampton Inn and Suites	5,056		15,067
Rancho de Maria	4,419		13,169
Terravant	3,936		11,729
Total	84,819	$	252,762

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30		Total Revenues		Operating Expenses		Rate Coverage Fund Deposit		Net Revenues		State Water Payments	Coverage
2011	$	1,494,307	$	486,807	$	257,898	$	1,265,398	$	938,136	1.35
2012		1,431,453		598,093		258,300		1,091,660		894,257	1.22
2013		1,512,243		550,655		258,427		1,220,015		1,017,156	1.20
2014		1,555,656		553,211		258,427		1,260,872		962,999	1.31
2015		1,642,522		632,937		274,861		1,284,446		1,043,536	1.23
2016		1,983,721		490,933		274,861		1,767,649		908,360	1.95
2017		2,069,593		728,200		275,162		1,616,555		946,522	1.71
2018		2,675,975		759,603		274,861		2,191,233		1,017,206	2.15
2019		2,676,047		718,925		274,861		2,231,983		1,228,404	1.82
2020		2,627,855		954,860		274,861		1,947,856		1,157,336	1.68

Source: City of Buellton

Santa Ynez River Water Conservation District, ID#1 (City of Solvang only)

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2011	2,019	$ 3,927,817	1,322
2012	2,118	4,167,680	1,347
2013	2,153	4,455,120	1,416
2014	2,156	4,631,124	1,409
2015	2,178	4,361,233	1,074
2016	2,211	4,378,420	962
2017	2,225	4,490,615	997
2018	2,227	4,823,204	1,178
2019	2,228	4,709,964	1,100
2020	2,228	4,798,291	1,140

Largest Customers as of June 30, 2020

	Water Usage (1)	Annual Payment
City of Solvang	12,251	$ 138,110
Rancho Santa Ynez Mobile Home Park	22,878	124,462
Alisal Guest Ranch	14,430	78,622
Atterdag Village	3,870	74,708
Solvang Mesa, LLMD	7,437	58,213
Worldmark	4,058	51,426
Chumash Casino Resort (Hotel Corque)	5,527	49,693
Mission Oaks	7,012	48,020
Solvang School	3,561	28,841
Vinland Hotel	4,066	25,662
Total	85,090	$ 677,757

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2011	$ 3,995,627	$ 1,214,624	$ 604,939	$ 3,385,942	$ 2,647,201	1.28
2012	4,230,365	1,231,366	605,884	3,604,883	2,438,576	1.48
2013	4,677,242	1,436,931	606,183	3,846,494	2,656,129	1.45
2014	5,152,838	1,998,916	606,183	3,760,105	2,743,342	1.37
2015	4,920,397	1,580,530	606,183	3,946,050	2,960,871	1.33
2016	4,751,452	1,317,454	606,183	4,040,181	2,534,152	1.59
2017	4,668,636	1,213,706	606,847	4,061,777	2,557,331	1.59
2018	4,946,103	1,332,300	611,871	4,225,674	2,691,366	1.57
2019	4,896,150	1,225,664	611,871	4,282,357	3,332,930	1.28
2020	4,920,541	1,674,396	611,871	3,858,016	2,892,267	1.33

Source: City of Solvang

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections		Sales Revenues	Water Deliveries (acre-feet per year)
2011	2,519	$	5,009,463	5,255
2012	2,515		5,371,780	5,260
2013	2,598		5,531,585	5,371
2014	2,624		6,889,450	5,358
2015	2,618		6,157,964	4,341
2016	2,664		5,868,155	3,712
2017	2,672		6,367,009	3,511
2018	2,692		7,798,410	3,817
2019	2,709		6,006,678	3,323
2020	2,695		6,097,859	3,514

Largest Customers as of June 30, 2020

	Water Usage (1)		Annual Payment
Public Agency	44	$	195,797
Private Agriculture	99		66,258
Private Agriculture	71		48,104
Commercial Business	19		43,727
Private Agriculture	63		40,325
Private Agriculture	49		32,030
Private Education	10		22,590
Private Agriculture	32		20,193
Private Agriculture	30		20,753
Private Agriculture	11		12,355
Total	428	$	502,132

(1) In acre-feet per year.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30 (1)		Total Revenues		Operating Expenses		Rate Coverage Fund Deposit		Net Revenues		State Water Payments	Coverage
2011	$	8,759,268	$	3,597,194	$	1,022,142	$	6,184,216	$	4,003,719	1.54
2012		8,209,585		3,179,858		1,023,739		6,053,466		4,112,646	1.47
2013		8,213,596		3,310,123		1,024,244		5,927,717		4,238,934	1.40
2014		10,538,309		4,610,406		1,024,244		6,952,147		4,307,127	1.61
2015		9,533,850		4,781,398		1,062,841		5,815,293		4,604,806	1.26
2016		9,657,032		4,713,576		1,062,841		6,006,297		3,895,465	1.54
2017		10,127,574		4,585,443		1,064,005		6,606,136		3,606,066	1.83
2018		11,585,534		4,811,401		1,072,814		7,846,947		3,623,388	2.17
2019		12,379,921		3,277,539		1,072,814		10,175,196		5,340,163	1.91
2020		12,825,557		4,526,249		1,072,814		9,372,122		4,820,468	1.94

(1) Includes State water payments for the City of Solvang.

Source: Santa Ynez Improvement District #1

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2011	16,401	$ 15,721,915	12,161
2012	16,295	18,668,008	12,275
2013	16,518	22,171,254	13,923
2014	16,542	24,005,806	14,884
2015	16,441	19,988,107	11,883
2016	16,474	29,771,141	10,773
2017	16,561	28,532,344	9,658
2018	16,578	33,222,144	10,799
2019	16,725	29,319,499	9,631
2020	16,067	22,205,407	10,432

Largest Customers as of June 30, 2020

	Water Usage (1)	Annual Payment
U.C.S.B.	855	$ 2,550,539
Cavaletto Ranches, LLC	447	393,818
Sandpiper Golf Course	258	321,661
Touchstone Glen Annie Golf	211	427,437
Santa Barbara Municipal Airport	177	417,743
County of Santa Barbara	168	567,956
Simple Avo Dos Pueblos, LLC	144	124,664
Wallover, Inc.	144	103,709
Bacara	114	339,971
Roy Butera	114	117,167
Total	2,632	$ 5,364,665

(1) In acre-feet per year.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2011	$ 25,378,145	$ 11,788,948	$ -	$ 13,589,197	$ 7,251,071	1.87
2012	27,426,627	14,741,694	-	12,684,933	6,309,979	2.01
2013	32,409,693	15,146,414	-	17,263,279	7,284,547	2.37
2014	34,188,412	18,210,976	-	15,977,436	7,998,066	2.00
2015	32,951,960	16,527,332	-	16,424,628	9,369,850	1.75
2016	39,174,119	21,847,412	-	17,326,707	7,973,075	2.17
2017	38,016,844	24,700,536	-	13,316,308	8,707,040	1.53
2018	43,479,431	19,018,608	-	24,460,823	8,731,412	2.80
2019	40,389,412	26,589,217	-	13,800,195	11,456,456	1.20
2020	33,420,491	28,161,956	-	5,258,535	7,920,253	0.66

Source: Goleta Water District

Historic Water Connections and Sales Revenues

Fiscal Year Ending Dec. 31	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2010	1,469	$ 2,377,639	1,523
2011	1,471	2,608,037	1,465
2012	1,471	3,023,989	1,587
2013	1,485	3,279,957	1,776
2014	1,494	3,117,612	1,373
2015	1,494	3,242,513	1,140
2016	1,497	3,241,825	1,067
2017	1,504	3,998,026	1,123
2018	1,507	4,289,036	1,202
2019	1,508	3,671,704	1,062

Largest Customers as of December 31, 2019

	Water Usage (1)	Annual Payment
La Cumbre Golf & Country Club	50,846	$ 309,753
Timothy Pasquinelli	4,614	65,464
Jeffrey Henley	4,320	60,161
Stephen Redding	3,562	51,306
Dean & Darcy Christal	2,975	41,829
Overwater, LLC	2,376	33,917
Frances Nielsen	2,289	33,253
Laguna Blanca School	3,183	29,554
Carriage Hill Association	2,558	29,336
Susan Caffrey	2,116	28,801
Total	78,839	$ 683,374

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending Dec. 31	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2010	3,261,377	1,649,171	389,217	2,001,423	1,870,892	1.07
2011	3,641,641	1,419,353	391,224	2,613,512	1,962,355	1.33
2012	3,987,385	1,401,788	391,135	2,976,732	1,425,464	2.09
2013	4,402,802	1,530,254	391,135	3,263,683	1,696,315	1.92
2014	4,185,177	1,504,177	391,135	3,072,135	1,875,217	1.64
2015	4,306,838	1,453,837	391,135	3,244,136	2,052,272	1.58
2016	4,526,872	1,911,022	392,065	3,007,915	1,572,834	1.91
2017	5,196,914	1,792,262	391,135	3,795,787	1,769,030	2.15
2018	5,730,042	2,053,227	394,805	4,071,620	1,814,233	2.24
2019	5,298,672	1,992,813	400,354	3,706,213	2,078,978	1.78

Source: La Cumbre Mutual Water Co.

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Water Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2011	26,761	$ 27,181,923	13,284
2012	26,649	29,992,081	13,949
2013	26,797	32,683,467	14,366
2014	26,919	33,296,287	14,218
2015	26,921	31,512,114	10,775
2016	26,988	41,433,002	9,935
2017	27,111	46,187,721	9,009
2018	27,191	52,356,068	9,918
2019	27,280	48,949,080	9,201
2020	27,405	52,851,343	9,449

Largest Customers as of June 30, 2020

	Water Usage (1)	Annual Payment
Santa Barbara Unified School District	29,507	$ 441,039
Housing Authority of the City of Santa Barbara	28,215	351,315
Dario Pini	24,007	327,976
Santa Barbara Cottage Hospital	18,670	295,095
City of Santa Barbara - Parks	20,408	234,937
Santa Barbara Community College District	14,087	233,134
Hilton Santa Barbara Beachfront Resort	20,891	182,473
El Encanto Inc	13,732	163,418
City of Santa Barbara - Waterfront	10,403	162,439
SB Highlands (Miramonte)	15,501	159,760
Total	195,421	$ 2,551,585

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Net Revenues	State Water Payments	Parity Debt Service	Coverage
2011	$ 32,082,335	$ 17,793,001	$ 14,289,334	$ 4,619,893	$ 1,847,271	2.21
2012	37,696,027	19,547,823	18,148,204	4,180,184	1,738,160	3.07
2013	38,439,062	21,464,993	16,974,069	4,744,097	1,847,618	2.58
2014	37,185,303	22,994,993	14,190,310	5,230,535	2,774,171	1.77
2015	35,348,935	25,475,134	9,873,801	6,348,335	2,654,446	1.10
2016	45,677,508	21,316,587	24,360,921	5,780,222	3,225,980	2.70
2017	52,271,592	22,533,661	29,737,931	6,335,560	4,274,453	2.80
2018	57,798,973	29,129,726	28,669,247	5,668,670	4,520,212	2.81
2019	57,600,119	32,678,555	24,921,564	7,325,803	7,495,812	1.68
2020	81,104,648	32,284,188	48,820,460	5,781,470	7,694,904	3.62

Source: City of Santa Barbara

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2011	4,575	8,401,945	4,715
2012	4,577	9,345,967	5,302
2013	4,585	10,573,025	5,945
2014	4,597	11,260,539	5,775
2015	4,593	6,752,280	3,331
2016	4,601	7,652,442	3,440
2017	4,602	7,470,909	3,127
2018	4,604	8,925,156	3,783
2019	4,619	8,380,077	3,424
2020	4,617	9,317,500	3,821

Largest Customers as of June 30, 2020

	Water Usage (1)	Annual Payment
Resort Hotel	32,246	$ 341,679
Resort Hotel	21,352	265,134
Private College	18,155	192,025
Golf Club	18,963	190,013
Agriculture	27,747	183,518
Agriculture	21,554	173,079
Resort Hotel	16,426	160,198
Agriculture	19,571	130,732
Non-potable	38,835	61,719
Non-potable	13,020	19,445
Total	227,869	$ 1,717,542

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2011	$ 12,277,049	$ 5,588,083	$ 1,085,554	$ 7,774,520	$ 5,334,729	1.46
2012	13,224,023	6,299,364	1,087,250	8,011,909	4,412,658	1.82
2013	14,315,026	6,497,450	1,087,787	8,905,363	4,898,038	1.82
2014	16,880,381	8,222,385	1,087,787	9,745,783	5,978,116	1.63
2015	16,264,644	8,048,179	1,417,526	9,633,991	6,573,858	1.47
2016	20,063,580	9,007,873	1,417,526	12,473,233	5,778,933	2.16
2017	18,583,907	7,760,628	1,419,078	12,242,357	5,491,272	2.23
2018	18,541,652	8,570,817	1,417,526	11,388,361	5,966,292	1.91
2019	17,669,922	8,332,193	1,443,312	10,781,041	7,306,084	1.48
2020	19,165,756	10,103,839	1,476,619	10,538,536	5,392,092	1.95

Source: Montecito Water District

Historic Water Connections and Sales Revenues

Fiscal Year Ending June 30	Connections	Sales Revenues	Water Deliveries (acre-feet per year)
2011	4,322	10,101,197	3,599
2012	4,339	10,575,216	3,871
2013	4,441	10,798,634	4,352
2014	4,444	11,229,175	4,551
2015	4,485	11,031,043	3,728
2016	4,501	12,023,205	3,604
2017	4,503	12,457,730	3,395
2018	4,506	12,776,055	3,870
2019	4,506	12,744,079	3,413
2020	4,519	13,743,629	3,788

Largest Customers as of June 30, 2020

	Water Usage (1)	Annual Payment
Circle G	35,533	$ 92,954
Schaff, Victor	25,627	58,342
Cate School	23,821	141,824
Carpinteria School District	23,563	158,913
Tom Ota	21,733	49,270
Casitas Village HOA	21,234	300,829
Villa Del Mar HOA	20,643	267,388
Flannery, Terrence	20,622	50,834
Myriad Flowers Int	19,487	57,688
Persoon, John	19,403	45,297
Total	231,666	$ 1,223,339

(1) In hundred cubic feet.

State Water Payment Coverage Calculations

Fiscal Year Ending June 30	Total Revenues	Operating Expenses	Rate Coverage Fund Deposit	Net Revenues	State Water Payments	Coverage
2011	$ 10,350,057	$ 4,791,179	$ 814,431	$ 6,373,309	$ 3,107,837	2.05
2012	11,267,253	5,052,870	815,699	7,030,082	2,785,680	2.52
2013	11,835,527	5,068,463	816,100	7,583,164	3,135,384	2.42
2014	12,218,169	5,711,413	816,100	7,322,856	3,539,365	2.07
2015	12,349,806	5,467,213	816,100	7,698,693	3,909,986	1.97
2016	13,112,109	6,345,931	816,100	7,582,278	3,324,260	2.28
2017	12,760,851	5,337,062	816,994	8,240,783	3,444,393	2.39
2018	13,325,096	5,914,427	823,757	8,234,426	3,732,379	2.21
2019	14,504,256	7,471,851	823,757	7,856,162	4,557,777	1.72
2020	14,347,567	6,915,868	849,807	8,281,506	3,466,186	2.39

Source: Carpinteria Valley Water District

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2021

Santa Barbara County, CA

Betsy M. Schaffer, CPA, CPFO
Auditor-Controller

C. Edwin Price, Jr., CPA, CPFO
Assistant Auditor-Controller

THE AUDITOR-CONTROLLER MISSION:

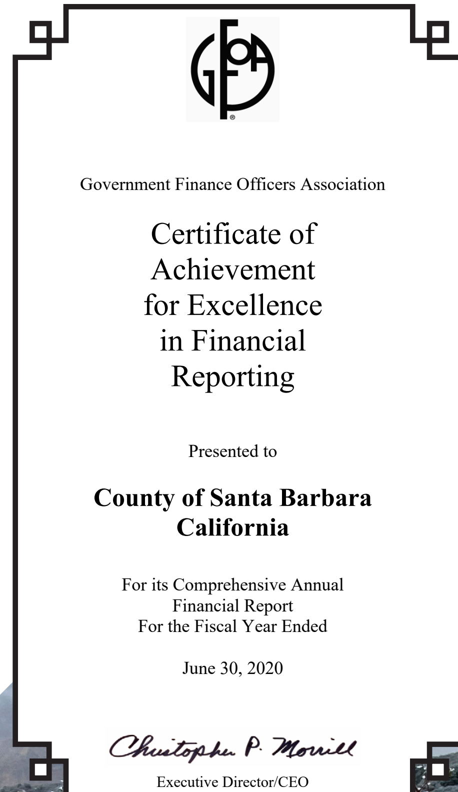
We ensure the County's financial integrity and promote efficient, effective, and accountable government.

AWARDS AND ACKNOWLEDGMENTS:

We are very proud of the Annual Comprehensive Financial Report (ACFR) and all of the County's award-winning financial reporting publications. Each publication has been prepared with great care and expertise with the goal of meeting the highest level of financial reporting preparation standards.

The preparation of the ACFR and its timely issuance is the result of a concentrated, dedicated, and coordinated effort by the entire Auditor-Controller staff. We would like to acknowledge the special efforts of the Financial Reporting Division for their assistance in the report's preparation. We would also like to thank all County departments who participated in its preparation.

Additionally, the County received the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its ACFR publication for the fiscal year ended June 30, 2020. This award has been achieved annually since 1995. To receive this prestigious award, a government must publish an Annual Comprehensive Financial Report that conforms to program standards of creativity, presentation, understandability, and reader appeal.



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Santa Barbara California

For its Comprehensive Annual Financial Report For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

THEME:

Santa Barbara County is a wonderful place, filled with beauty and grace. The theme for the fiscal year (FY) 2020-21 ACFR, and associated Popular Financial Report (PAFR or Financial highlights) is "the wonders of Santa Barbara County." The theme of wonder came during the COVID-19 pandemic. That in the midst of fear, illness, mortality, masks, social distancing, and social change, the natural beauty of Santa Barbara County has remained a wonder, and wonderful. From the Guadalupe Dunes to the March 2021 snowstorm in downtown Santa Barbara, our spirit is fed through our eyes. The ACFR cover photo collage displays snips of this wonder throughout Santa Barbara County. Many acknowledgments to Mike Eliason who provided the cover photos through his eyes.

COUNTY OF SANTA BARBARA
STATE OF CALIFORNIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2021

PREPARED UNDER THE SUPERVISION OF

BETSY M. SCHAFFER, CPA, CPFO
AUDITOR-CONTROLLER

C. EDWIN PRICE, JR., CPA, CPFO
ASSISTANT AUDITOR-CONTROLLER

TABLE OF CONTENTS

Statistical Section (Unaudited)

Glossary

COUNTY OF SANTA BARBARA
CALIFORNIA

INTRODUCTORY SECTION

COUNTY OF SANTA BARBARA

CALIFORNIA

Office of the Auditor-Controller

County of Santa Barbara

One Office. One County. One Future.

Betsy M. Schaffer, CPA
Auditor-Controller

C. Edwin Price, Jr., CPA
Assistant Auditor-Controller

December 31, 2021

To The Honorable Board of Supervisors and the Citizens of Santa Barbara County:

The Annual Comprehensive Financial Report (ACFR) of the County of Santa Barbara (County) for the fiscal year ended June 30, 2021, is hereby submitted in compliance with Sections 25250 and 25253 of the Government Code of the State of California. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive internal control framework it established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The independent auditor's report is located at the front of the financial section of this report. Eide Bailly LLP has issued an unmodified ("clean") opinion on the County's financial statements for the year ended June 30, 2021. Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

Policymaking and legislative authority is vested in the County Board of Supervisors (Board), which consists of an elected supervisor from each of the five districts. The Board is responsible for, among other things, passing ordinances, adopting budgets and appointing committees, the County Executive Officer (CEO), and non-elected department directors. Supervisors are elected to four-year staggered terms with two supervisors elected in even-years and three supervisors elected in odd-years. The County has five elected department directors serving four-year terms: Auditor-Controller, Clerk-Recorder-Assessor, District Attorney, Sheriff-Coroner, and Treasurer-Tax Collector-Public Administrator. The organization chart on the following page reflects the various functional categories reported in the governmentwide Statement of Activities as well as identifies principal officials.

Geography and Industry

The County, located approximately 100 miles north of Los Angeles and 300 miles south of San Francisco, was established by an act of the State Legislature on February 18, 1850. It occupies 2,735 square miles, one-third of which is located in the Los Padres National Forest. The County has a population of 441,172 and it includes four of the eight Channel Islands: San Miguel, Santa Cruz, Santa Rosa, and Santa Barbara.

Eight incorporated cities are within the County: Buellton, Carpinteria, Goleta, Guadalupe, Lompoc, Santa Barbara, Santa Maria, and Solvang. The largest employment categories include the government sector, education and health services, defense, recreation and hospitality, textiles and facility services, and software developers. The mild climate, picturesque coastline, scenic mountains, and numerous parks and beaches make the County a popular tourist and recreational area.

Policy & Executive

Das Williams First District Supervisor	**Gregg Hart** Second District Supervisor	**Joan Hartmann** Third District Supervisor VICE CHAIR	**Bob Nelson** Fourth District Supervisor CHAIR	**Steve Lavagnino** Fifth District Supervisor

Mona Miyasato
County Executive Officer (CEO)
General County Revenues & Programs

Rachel Van Mullem
County Counsel

Public Safety

Joyce E. Dudley
District Attorney*

William F. Brown
Sheriff-Coroner*

Darrel E. Parker
Court Special Services

Mark A. Hartwig
Fire

Tanja Heitman
Probation

Tracy M. Macuga
Public Defender

*Elected Official

Health & Human Services

Pam Fisher, PsyD (Interim)
Behavioral Wellness

Joni Maiden, MPA
Child Support Services

Van Do-Reynoso, MPH, PhD
Public Health Services

Daniel Nielson
Social Services

Community Resources & Public Facilities

Cathleen Fisher
Agriculture Commissioner / Weights & Measures

George Chapjian
Community Services

Lisa Plowman
Planning & Development

Scott McGolpin
Public Works

General Government & Support Services

Betsy M. Schaffer, CPA, CPFO
Auditor-Controller*

Joseph E. Holland, CPFO
Clerk-Recorder-Assessor*

Harry E. Hagen, CPA, CPFO
Treasurer-Tax Collector & Public Administrator*

Janette Pell
General Services

Maria Elena De Guevara
Human Resources

Component Units

The County, with an average of 4,205 full-time equivalent employees, provides a full range of services to its residents as the organization chart on the previous page depicts. Included in operations are various component units which provide specific services Countywide or to distinct geographic areas within the County. They include Flood Control and Water Conservation Districts, Santa Barbara County Fire Protection District, Public and Educational Access, In-Home Supportive Services Public Authority, County Service Areas, Community Facilities Districts, Lighting Districts, Sandyland Seawall Maintenance District, Water Agency, Santa Barbara County Finance Corporation, Laguna County Sanitation District, First 5 Children and Families Commission (First 5) (discretely presented and not included in the County's operations), and Santa Barbara County Employees' Retirement System (SBCERS) (fiduciary component unit).

While these entities are legally separate from the County, the County is financially accountable for them as their governing bodies are substantially the same as the County Board (except for First 5 and SBCERS). Other entities, such as the Air Pollution Control District, and Santa Barbara County Association of Governments conduct their own day-to-day operations, answer to their own governing board, and thus are not included in the County's financial statements.

Budget

The County is required by state law to adopt a final budget each year. This annual budget serves as the foundation for the County's financial planning and control. Budgets are adopted for all governmental and proprietary funds and are prepared in accordance with generally accepted accounting principles (GAAP) as required in the United States of America. The legal level of budgetary control is maintained at the fund, department, and object level with more stringent control over capital assets and fund balance categories, which are maintained at the line item level.

The Board must approve amendments or transfers of appropriations between funds or departments as well as items related to capital assets or fund balances. Supplemental appropriations necessary and normally financed by unanticipated revenues during the year must also be approved by the Board. The Board has delegated authority to approve transfers of appropriations between object levels within the same department to the CEO.

Tax Abatement

The County administers its Agriculture Preserve Program under the California Land Conservation Act of 1965, better known as the Williamson Act. The purpose of the Williamson Act is the long-term conservation of agricultural and open space lands. Conservation of agricultural and open space land benefits the general public by discouraging premature conversion of land to urban land uses, thereby curtailing sprawl and promoting logical urban growth and provision of urban services. The Agricultural Preserve Program both protects agriculture and retains open space for its scenic qualities and value as a wildlife habitat. Most directly, it contributes to the County's agricultural economy and the availability of fresh, nutritious, varied, and affordable food.

FACTORS AFFECTING ECONOMIC CONDITION

The following highlights and graphs are indications of the changing economy on a Countywide basis that includes both the unincorporated area and the eight incorporated cities.

During Fiscal Year (FY) 2020-21, due to the effects of COVID-19, the County experienced decreases in employment with a rise in the corresponding unemployment rate and modest wage gains; conversely, housing price growth increased along with a mild rebound in tourism related taxes.

> **"… Santa Barbara's tourism rebound has already officially begun."**
>
> Keyt.com May 27, 2021

Employment

- The County's average unemployment rate during FY 2020-21 increased from 5.9% to 7% with peak unemployment rates split between the end of FY 2019-20 and the beginning of FY 2020-21.
- The June 2021 County unemployment rate of 5.9% was below the State unemployment rate of 8% and below the national unemployment rate of 6.1%.
- As of May 2021, Leisure and Hospitality employment increased by 35.8% from last year to 21,600 jobs.

Income

- The County's average annual wages increased to $59,500 in the 2020 calendar year from $56,540 in 2019.

Retail Sales

- Countywide estimated retail sales increased 13% to $8.43 billion during FY 2020-21.
- California retail sales had decreased by 4.63% between January 1 and December 30, 2020.

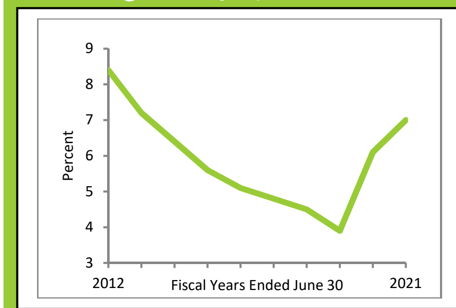
Real Estate

- According to the Zillow Home Value Index for Santa Barbara County, the median home value increased 9.8% to $702,402.
- The real estate market continued its upward trend, but with moderated growth in price increases.

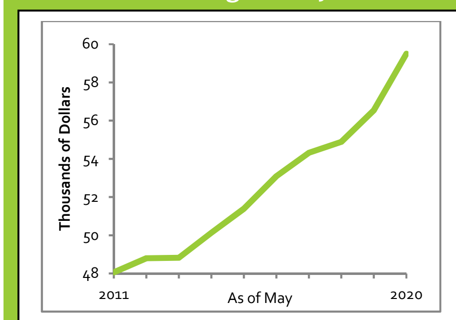
Tourism

- Countywide estimated room sales increased by 7.4% to $453 million.
- Countywide estimated Transient Occupancy Tax (TOT) revenue increased by 6.9% to $53.3 million.
- At the time of this report, Countywide data was not available, however; as of June 2021, Southern Santa Barbara County hotel demand and room rates increased by 2.1% and 19.3% from the previous fiscal year, respectively, with a hotel occupancy rate of 60.2%.

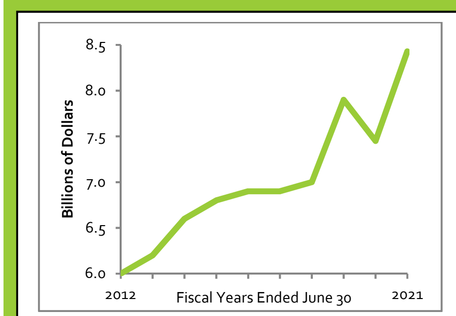
Avg. Unemployment Rate



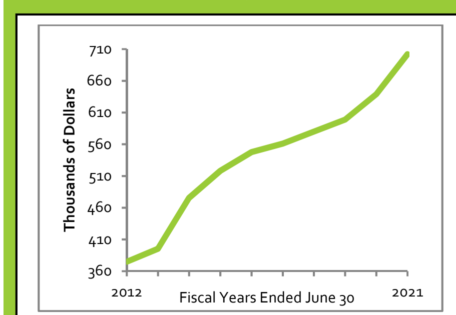
Average Salary



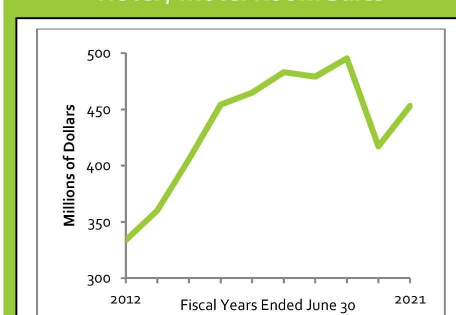
Retail Sales



Median Home Value



Hotel / Motel Room Sales



Most of the information about the local economy is derived from the California Employment Development Department and the Bureau of Labor Statistics.

ECONOMIC INDICATORS

The State economy came to an abrupt halt in the spring of 2020 due to the COVID-19 pandemic. According to the California Fiscal Outlook, the State began to experience an economic recuperation faster than anticipated during FY 2020-21; however, this recovery has been asymmetric leaving many low-income individuals unemployed while most high-income employment remains intact. The State's unemployment rate reached heights not seen since the Great Depression, cresting at 16% in the spring of 2020 before dropping to a FY 2020-21 average of 7%. In October 2020 spending had risen to within approximately 10% of pre-pandemic levels and by June 2021 retail sales rebounded to show a 13% increase from the prior year.

To ease the issues related to unemployment peaking due to COVID-19, California signed into law the SB-74 Budget Act in late June of 2020. This Act was intended to address the predicted funding shortfalls estimated by the Legislative Analyst's Office and the Department of Finance and to supplement Federal Government stimulus packages aimed at providing monetary relief to business owners to keep employees on their payroll, providing multiple stimulus payments to taxpayers, extending unemployment benefits to the unemployed, and offering tenant relief for rental payments. Some economists were calling for a rapid recovery in the latter half of 2020 believing a "V" shape recovery was already taking place. Others were calling for a weaker bounce producing a "U" shaped recovery. However, as COVID-19 infection rates again began to rise in early 2021, re-opening plans in many areas were paused or reversed and the recovery has been slower than expected.

The SB-74 Budget Act expected that the State would face an unprecedented decline in personal, corporate, and sales tax revenues for FY 2020-21. However, State tax revenues have been better than expected due to the relatively stable economic status of high-income earners and the rebound in stock market investments. Additionally, the anticipated increased use of safety-net programs, such as Medi-Cal and CalFresh, did not actualize.

Leisure/Hospitality and Retail industries struggled through much of 2020 and early 2021 but have begun to show signs of recovery with moderate sales increases in the latter half of 2021. Furthermore, the real estate market continued on an upward trend with inventories dropping and local realtors reporting multiple offers on properties even as the pandemic continues.

The hardships created by the pandemic have been evident; however, based on trends a recovery appears to be underway.

MAJOR INITIATIVES

During the last fiscal year, under the leadership of the Board, many outstanding key programs, projects and initiatives were successfully undertaken by the County:

- During the ongoing COVID-19 pandemic, the County continued to be proactively engaged in response activities to protect the health and safety of the community and committed to the safe continuity of operations of essential governmental services. Some examples of critical activities lead by the County are provided below:
  - The County's Public Health Department provided timely updates on COVID-19 statuses and community impact to the Board, the media, and to citizen inquiries through press briefings and the Public Health website.
  - Access to the Board was maintained throughout the pandemic via telephone and online platforms.
  - Essential County services were made available safely to the community by maintaining social distancing protocols, teleworking, and alternative contact options.
  - As of May 2021, the County's Public Health Department had conducted contract tracing for 33,736 cases; supported 600+ individuals in isolation & quarantine; implemented mobile vaccine clinics to accommodate hard-to-reach communities; and administered a total of 356,399 vaccine doses countywide for a 33.3% fully vaccinated rate.
  - The County's Emergency Operations Center facilitated emergency operations by providing for multi-agency collaboration for necessary shelters, food supplies, and personal protective equipment to the most at-risk citizens.
  - To support the County workforce, the CEO made limited paid leave options available to County employees to assist with the impacts of COVID-19 care for themselves and their families, as well as to accommodate vaccine appointments and recovery.
  - County Public Health Officials collaborated on a public-private partnership to create a pandemic Community Data Dashboard serving as a tool for the community to minimize the spread of COVID-19.

- Construction on two major capital projects continued throughout FY 2020-21 with major progress being made as they near completion:
  - The Northern Branch Jail is nearing substantial completion (99% complete at June 30, 2021). This grant funded capital project has a total estimated project cost of $118.9 million.
  - The Tajiguas ReSource Center continued construction (95% complete at June 30, 2021). This new, state-of-the-art recycling facility and large-scale anaerobic digester will convert commercial and residential waste into resources by recovering recyclable materials, transforming organics into landscape nutrients, and create renewable energy in the process. The center will divert an additional 60% of waste from the landfill, which will bring the region above an 85% diversion rate. The center will be vital to achieving state-mandated green house gas (GHG) emission reductions, will increase recycling and will divert organic waste. The center is in the commissioning and testing phase with notice to proceed with full operations anticipated in mid FY 2021-22.

- Continued progress on Renew 2022 (Renew '22), the County's multi-year transformational initiative to ensure fiscal sustainability and operational efficiency by 2022 and beyond. The essence of Renew '22 is to fortify the organization to be more resilient and prepared for the next economic downturn or natural emergency. The Renew '22 effort, in its fourth year in FY 2020-21, is designed to ensure the County can withstand these changes and bounce back effectively and quickly. This can be achieved through better systems and technology; improved revenues, augmented reserves and efficient services; responsiveness to clients and customers; and retention and attraction of quality employees. As part of the Renew '22 initiative, the County engaged KPMG consultants to conduct high level assessments of departments to identify strengths and opportunities for improvement. As of June 2021, nine of the twelve contracted reviews have been presented to the Board. The three outstanding reviews are underway and anticipated to be completed by December 2021

- The Board adopted the County's regional Phase II Community Action Plan to Address Homelessness. In conjunction with many cities throughout the County, Phase II of the Plan aims to develop coordinated goals to reduce homelessness in the region. Phase II of the Plan looks to create a regionally unified response and an urgent, flexible system of care that is driven by data, guided by best practices and seeks to prevent homelessness whenever possible. The overarching goal of the Plan is to end homelessness by 2026 via strategies that include, but are not limited to, increasing housing inventory dedicated to homelessness and affordability; creating a culture of diversion and prevention across the homeless response system; and improving the overall homelessness system performance by decreasing the length of time spent homeless and decreasing returns to homelessness.

SIGNIFICANT CAPITAL PROJECTS

The County completed $22.2 million in capital projects in FY 2020-21. Planned Projects in the FY 2021-22 Capital Budget Summary include:

- $133.9 million for construction of the Tajiguas Resource Center (construction 95% complete through June of 2021)
- $66.1 million for facility upgrades, improvement, and expansion of the Laguna County Sanitation District with anticipated completion in January 2024;
- Approximately $42 million for the Bonita School Road Bridge replacement with construction anticipated to begin FY 2023-24;
- Approximately $8.5 million for the Countywide maintenance and rehabilitation programs for roadway improvements;
- An estimated $5 million in construction cost for a recycled water distribution project from the Laguna County Sanitation District with anticipated completion in June 2022.

Additional capital and capital maintenance projects, equipment, software, and information systems projects for FY 2021-22 can be found in Section E "Capital Budget Summary" of the County's Recommended Budget (available at http://countyofsb.org/ceo/2021.sbc).

LONG-TERM FINANCIAL PLANNING

In the FY 2021-22 Recommended Budget the County is projecting modest local property tax revenue growth of 6%, a 21.5% increase in retail sales, and a decrease of 2.3% related to transient occupancy taxes.

The County has committed to building and maintaining a strategic reserve equal to 8% of annual General Fund revenues, or approximately 30 days working capital. During FY 2020-21, the strategic reserve balance reached $38.8 million, an increase of $3.1 million from the prior year; as such, no additional amounts were budgeted for strategic reserves. The County is also addressing capital needs by continuing to incorporate a policy which earmarks 18% of available discretionary General Fund revenue growth for deferred maintenance.

RELEVANT FINANCIAL POLICIES

The County benchmarks its financial policies to a set of Best Financial Management Practices for Governmental Issuers of Municipal Debt published by Fitch Ratings.

Fund Balance Reserve

The County is committed to building a strategic reserve as discussed previously in Long-Term Financial Planning.

Multiyear Financial Forecasting

The County prepares a five-year financial forecast annually focusing on discretionary revenues and their uses to aid in current year decisions.

Quarterly Financial Reporting and Monitoring

The CEO and Budget Director review each department's year-to-date actual and projected revenues and expenditures quarterly. These meetings also focus on their operations and performance measures.

Contingency Planning

The County does not have a formal contingency policy and maintains only a small operating contingency of less than 1% in the General Fund. However, the County has established a strategic reserve policy, and is in the process of building a strategic reserve that will equal 8% of annual General Fund revenues (approximately 30 days working capital). The County also has other significant fund balances in its special revenue funds. The most noteworthy is the Flood Control District fund balance used to hedge against storm related disasters.

Nonrecurring Revenue

One of the principal budget tenets is that nonrecurring revenue should be used for one-time needs and that ongoing expenditures should have identified ongoing sources. Additionally, the County's General Fund Allocation Policy states that "Requests for additional FTE's … will identify the ongoing funding source."

Financial Reporting Awards

The Government Finance Officers Association (GFOA) has awarded the Certificate of Achievement for Excellence in Financial Reporting to the County for its ACFR annually since 1991, and the Certificate of Achievement in Popular Annual Financial Reporting for the Financial Highlights annually since 1995.

Debt Affordability

The County established a Debt Advisory Committee (DAC) to provide advice to the Board on debt issuance and management. The DAC looks at repayment sources as one of the key criteria for approval of new debt issues. In addition, all long-term equipment or real property leases are reviewed for lease vs. purchase decisions.

Superior Debt Disclosure Practices

The County maintains a complex set of debt disclosures in the County's Recommended Budget and the ACFR statistical section. We believe that time is of the essence in the publication of these documents. The budget is adopted before June 30 and loaded into the financial system before the close of the first month of the new fiscal year. The County's major financial documents are available on the web at www.countyofsb.org.

Capital and Maintenance Funding

The County has an informal pay-as-you-go policy for funding capital. However, many of the County's funds only utilize pay-as-you-go financing. Beginning in FY 2015-16, the Board established a budget policy to set aside 18% of general revenue growth to address aging infrastructure and facilities.

Debt Repayment Plan

The County's current outstanding debt schedule features a debt repayment plan that will reduce debt by 47% over the next ten years.

Five-Year Capital Improvement Program

The County's Five-Year Capital Improvement Program provides for an integration of capital projects and operating impacts in the recommended operating budget for each budget cycle.

Budgeting Awards

The GFOA has presented the Distinguished Budget Presentation Award to the County annually since 1998.

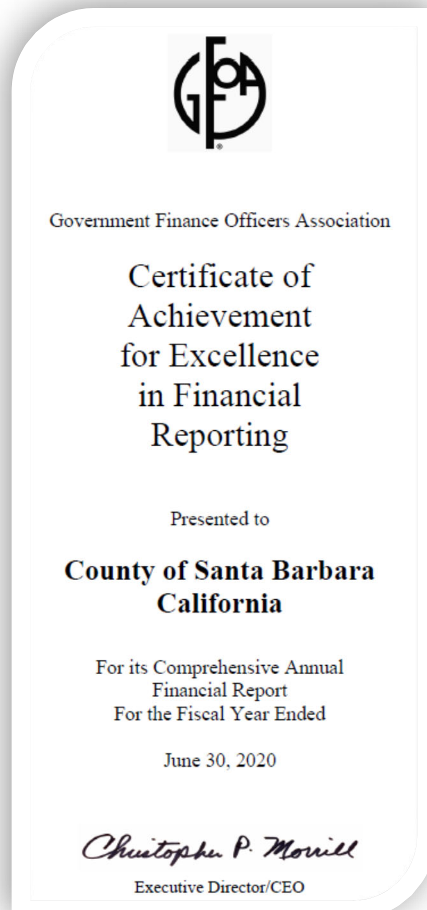
AWARDS AND ACKNOWLEDGMENTS

We are very proud of this ACFR and all of the County's award-winning financial reporting publications. Each publication has been prepared with great care and expertise with a goal of meeting the highest level of financial reporting preparation standards.

GFOA Financial Reporting Certificate of Achievement

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the County's ACFR for the fiscal year ended June 30, 2020. This award has been achieved annually since 1991. To receive this prestigious award, a government must publish an easily readable and efficiently organized ACFR that satisfied both GAAP and applicable legal requirements.

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



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Santa Barbara California

For its Comprehensive Annual Financial Report For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

GFOA Budget Presentation Award

The County received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2020. This award has been achieved annually since 1998. To receive this prestigious award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

GFOA Popular Annual Financial Reporting Award

The County received the GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for its Financial Highlights publication for the fiscal year ended June 30, 2020. This award has been achieved annually since 1995. To receive this prestigious award, a government must publish a Popular Annual Financial Report that conforms to program standards of creativity, presentation, understandability, and reader appeal.

Acknowledgments

The preparation of the ACFR and its timely issuance is the result of a concentrated, dedicated, and coordinated effort by the entire Auditor-Controller staff. We would like to acknowledge the special efforts of the Financial Reporting Division for their assistance in the report's preparation. We would also like to thank all County departments who participated in its preparation.

Respectfully submitted,

Mona Miyasato County Executive	Betsy M. Schaffer, CPA, CPFO Auditor-Controller

FINANCIAL SECTION

COUNTY OF SANTA BARBARA
CALIFORNIA

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Honorable Board of Supervisors
County of Santa Barbara, California

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Santa Barbara, California (the County) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Santa Barbara County Employees' Retirement System (SBCERS), which represent 76 percent, 77 percent, and 10 percent, respectively, of the assets, net position, and revenues/additions of the aggregate remaining fund information.

Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for SBCERS, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2021, 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.

Adoption of New Accounting Standard

As discussed in Notes 1 and 21 to the financial statements, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities,* which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules for the Santa Barbara County Employees' Retirement System plan and County of Santa Barbara Other Postemployment Benefits (OPEB) plan, and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, the budgetary comparison for the Capital Projects Fund, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements, schedules and the budgetary comparison for the Capital Projects Fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2021 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 31, 2021

TABLE OF CONTENTS – MANAGEMENT'S DISCUSSION AND ANALYSIS

Page

The information in this section is not covered by the Independent Auditor's Report, but is presented as required supplementary information for the benefit of the readers of the ACFR.

As management of the County, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the County's Basic Financial Statements, which immediately follow this section. All dollar amounts are expressed in thousands.

FINANCIAL HIGHLIGHTS

Governmentwide Financial Analysis

During the fiscal year ended June 30, 2021, several major projects and revenue sources were of special significance to the County's operations and net position. Over time net position can be a useful indicator of the County's financial condition. Net position increased this year by $121,251 (see page 22). The major elements that impacted the financial position during the year are detailed below.

- COVID-19 Pandemic Response (Net impact = +$33.0M)
  Receipt of Coronavirus Aid, Relief, and Economic Security Act (CARES) funds were used for cost reimbursement and other COVID-19 programs. Overall, the Countywide impact of COVID-19 related funding resulted in the following:
  + **Increased unrestricted net position (**represents the County's available resources for ongoing obligations without external restrictions on their use.)

- Governmental Accounting Standards Board (GASB) Statement No. 84 (Net impact = +22.0M)
  The County implemented GASB Statement No. 84 – Fiduciary Activities during the fiscal year which resulted in a $22 million increase to net position. A number of former Agency funds which were included in the Fiduciary statements did not meet the fiduciary criteria under the new standard. As a result, the amounts in these funds are now reported within the primary government in the Governmentwide and Governmental Fund statements.
  + **Increased restricted net position** (represents the County's available resources for ongoing obligations related to programs with external restrictions of their use)

- Laguna Sanitation District Plant Expansion (Net impact = +16.8M)
  Construction began on the first phase of the $53 million Laguna Sanitation District upgrade project resulting in an increase in net position as net investment in capital assets. The plant upgrade is intended to extend the useful life of the plant and the work is funded by capital reserves and debt. More information on this project can be found in the work in progress section on page 28. The plant upgrade project impact to the Laguna Sanitation fund resulted in the following:
  + **Increased net investment in capital assets** (represents the County's investment in capital assets, less (1) accumulated depreciation, (2) related outstanding debt used to acquire those assets, and (3) related deferred inflows of resources.)

- ReSource Center (Net impact = +$13.7M)
  During the fiscal year, construction neared completion on the ReSource Center, and will be reflected in net position as an investment in capital assets. The ReSource Center is operational as of July 16, 2021. More information can be found in the work in progress section on page 28. The ReSource Center impact to the Resource Recovery fund resulted in the following:
  + Increased net investment in capital assets

- Increases to Secured Property Tax Revenue (Net impact = +$10.4M)
  Secured property taxes contributed to the increase in unrestricted net position from moderately increased assessments derived primarily from inflation adjustments and real estate sales under Prop 13. Overall, the Countywide impact of increases to secured property taxes resulted in the following:
  + Increased unrestricted net position

- Collection of Cannabis Tax (Net impact = +$7.0M)
  Cannabis tax revenues received of $17.3M during the fiscal year were spent on discretionary programs with the balance of $7.0M set aside in committed fund balance for use in future years. More information on these revenues can be found in the changes to General Fund balances section on page 32. Overall, the Countywide impact of collections of cannabis taxes resulted in the following:
  + Increased unrestricted net position

Detailed information and analysis of the changes in net position and fund balances can be found in the subsequent sections and reflect the impact of these major financial highlights.

DESCRIPTION OF THE BASIC FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the County's Basic Financial Statements which include the following three components:

- Governmentwide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

Governmentwide Financial Statements

The Governmentwide Financial Statements provide readers with a broad overview of the County's finances, in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all of the County's *Assets and Deferred Outflows of Resources and Liabilities and Deferred Inflows of Resources* with the difference reported as *Net Position.*

Net Position = (Assets + Deferred Outflows of Resources) – (Liabilities + Deferred Inflows of Resources)

The S*tatement of Activities* presents the most recent fiscal year's changes in the County's net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows (Accrual Basis of Accounting). The statement reports items resulting in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave) as revenues and expenses.

The Governmentwide Financial Statements distinguish functions of the County principally supported by taxes and intergovernmental revenues (governmental activities) from other functions intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities grouped by function of the County include Policy and Executive, Public Safety, Health and Human Services, Community Resources and Public Facilities, General Government and Support Services, and General County Programs. The business-type activities of the County include Resource Recovery and Waste Management (Resource Recovery) and Laguna County Sanitation District (Laguna Sanitation).

Component units are included in the financial statements and are legally separate entities for which the County is financially accountable. If a component unit's total debt is expected to be repaid entirely by the County, if the component unit provides services entirely to the County, or if the component unit has substantially the same governing board as the County and there is a financial benefit or burden relationship or County management has operational responsibility for a component unit, then the component unit will be classified as a blended component unit. If a component unit does not meet any of the preceding requirements it will be presented as a discrete component unit. The following is a list of the County's blended component units:

- Flood Control and Water Conservation Districts
- Santa Barbara County Fire Protection District
- Public and Educational Access
- In-Home Supportive Services Public Authority
- County Service Areas
- Community Facilities Districts
- Lighting Districts
- Sandyland Seawall Maintenance District
- Water Agency
- Santa Barbara County Finance Corporation
- Laguna County Sanitation District

The County's only discretely presented component unit is the First 5 Children and Families Commission. The County's only fiduciary component unit is the Santa Barbara County Employees' Retirement System (SBCERS).

Pages 38-39 of this report display the Governmentwide Financial Statements.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The County's funds are divided into three types:

- Governmental funds
- Proprietary funds
- Fiduciary funds

Governmental Funds

Governmental funds account for essentially the same functions reported as governmental activities in the Governmentwide Financial Statements. However, unlike the Governmentwide Financial Statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year (Modified Accrual Basis of Accounting). Such information may be useful in evaluating the County's near-term financing requirements. To understand the long-term impact of the County's near-term financing decisions, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Governmentwide Financial Statements. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Over time, increases or decreases in *fund balance* are a useful indicator of the County's near-term financial condition and are broken into four categories:

- Nonspendable – Amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact,
- Restricted – restricted by law or externally imposed requirements,
- Committed – committed by the highest level of authority of the government is binding unless removed in the same manner, and
- Unassigned – balances that are not nonspendable, restricted, or committed.

The County maintains 80 individual governmental funds combined into 33 funds for financial reporting purposes. The County segregates from the General Fund a number of significant functions in 8 major funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General; Roads; Public Health; Social Services; Behavioral Wellness; Flood Control District; Affordable Housing; Fire Protection District; and Capital Projects funds, all considered major funds. Data for the other 24 governmental funds are combined into a single, aggregated presentation. Individual fund data for these nonmajor governmental funds are provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for all of its operating funds. The budget and actual comparison schedules provided for the General Fund and major special revenue funds demonstrate performance against this budget.

Pages 40-43 of this report display the Governmental Funds Financial Statements.

Proprietary Funds

The County maintains two different types of proprietary funds: enterprise funds and internal service funds. The County has two enterprise funds, both qualify as major funds.

Enterprise Funds report the same functions presented as business-type activities in the Governmentwide Financial Statements. The County uses enterprise funds to account for Resource Recovery and Laguna Sanitation.

Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County's internal service funds account for information technology services, vehicle operations and maintenance, risk management and insurance, communications services, and utilities. Since these services predominantly benefit governmental rather than business-type functions, they are consolidated within governmental activities in the Governmentwide Financial Statements.

Proprietary funds provide the same type of information as the Governmentwide Financial Statements, but in more detail. The proprietary funds financial statements provide separate information for the Resource Recovery Fund and the Laguna Sanitation Fund. Data for the five internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements.

Pages 44-46 of this report display the Proprietary Funds Financial Statements.

Fiduciary Funds

Fiduciary funds account for resources held for the benefit of parties outside the County. Fiduciary funds are *not* reflected in the Governmentwide Financial Statements because the resources of those funds are *not* available to support the County's own programs. Fiduciary fund accounting is similar to proprietary fund accounting. Fiduciary funds report the external portions of the Treasurer's investment pool, a private-purpose trust fund, and custodial funds. SBCERS is reported as a fiduciary component unit and is reported under Fiduciary Funds in the basic financial statements. A fiduciary component unit is an organization that meets the component unit criteria of GASB Statement No. 14, as amended, and is a fiduciary activity of the County.

Pages 47-48 of this report display the Fiduciary Funds Financial Statements.

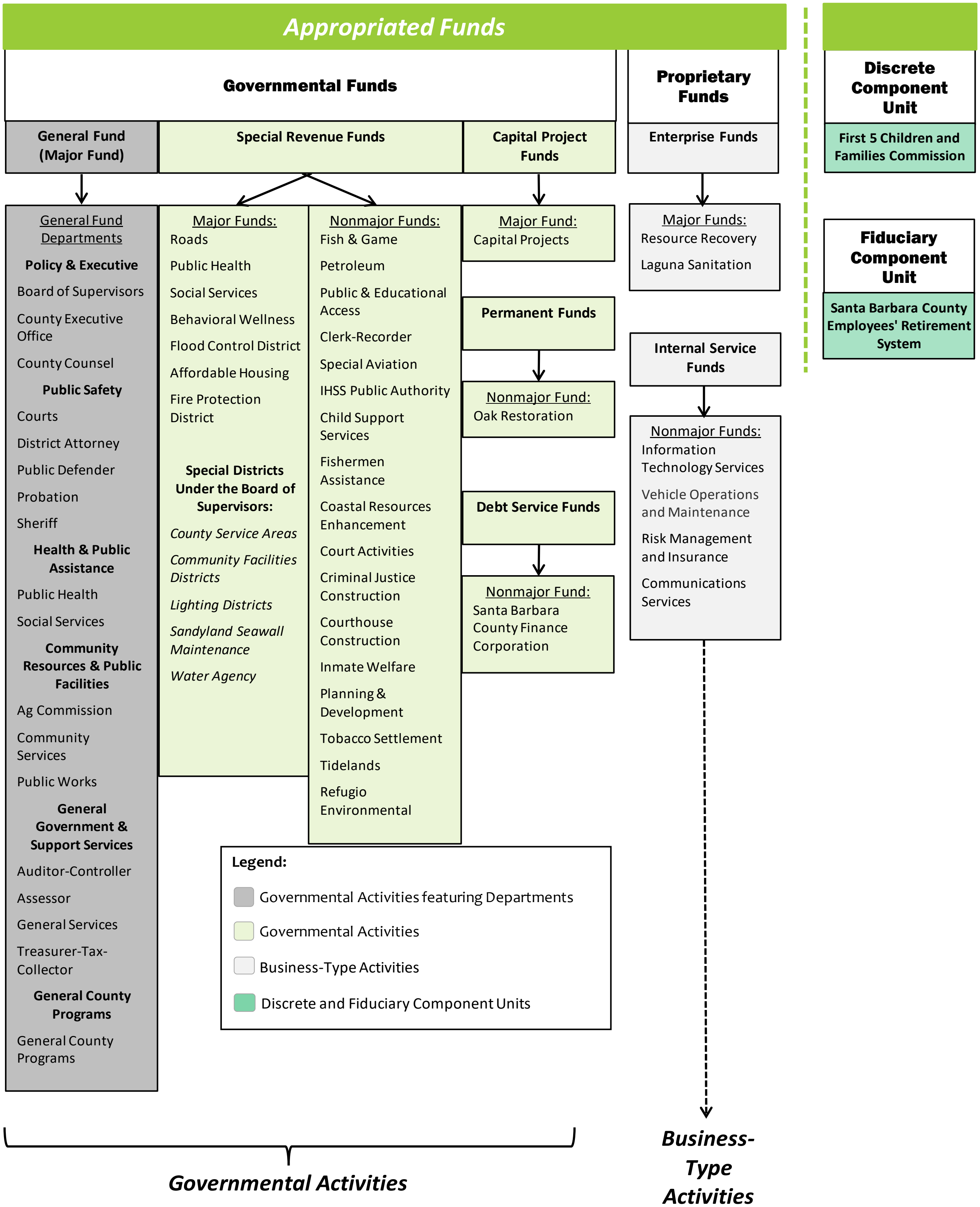
Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Governmentwide and Fund Financial Statements. Information in the Notes to the Financial Statements is described as follows:

- Note 1 provides a general description of the County's Significant Accounting Policies.
- Note 2 provides a Reconciliation for Governmentwide and Fund Financial Statements.
- Notes 3 to 7 provide detailed notes on cash and investments, restricted cash and investments, receivables, capital assets, and service concession arrangements.
- Notes 8 to 13 provide detailed notes on advances from grantors and third parties, leases, long-term liabilities, risk management, commitments and contingencies, and landfill closure and postclosure care.
- Notes 14 to 15 provide detailed notes on fund balances and restricted component of net position.
- Notes 16 to 17 provide detailed notes on interfund transactions and tax abatements.
- Notes 18 to 20 provide detailed notes on pensions, other postemployment benefits, and deferred compensation plans.
- Note 21 provides detailed information on prior period adjustments.
- Note 22 provides detailed notes on subsequent events.

Pages 49-130 of this report display the Notes to the Financial Statements.

The following diagram is a visual depiction of the Governmentwide financial structure.



GOVERNMENTWIDE FINANCIAL ANALYSIS

Summary of Net Position (in thousands)

	Governmental Activities 2020	Governmental Activities 2021	Business-Type Activities 2020	Business-Type Activities 2021	Total 2020	Total 2021	Total Dollar Change	Total Percent Change
Assets:								
Current and other assets	$ 675,247	$ 827,049	$ 177,787	$ 169,947	$ 853,034	$ 996,996	$ 143,962	16.9%
Capital assets, net of depreciation	820,321	843,621	202,097	252,160	1,022,418	1,095,781	73,363	7.2%
Total assets	1,495,568	1,670,670	379,884	422,107	1,875,452	2,092,777	217,325	11.6%
Deferred outflows of resources:	205,512	345,899	3,853	6,165	209,365	352,064	142,699	68.2%
Liabilities:								
Current and other liabilities	113,065	152,945	17,007	19,581	130,072	172,526	42,454	32.6%
Long-term liabilities	968,995	1,152,423	219,500	248,146	1,188,495	1,400,569	212,074	17.8%
Total liabilities	1,082,060	1,305,368	236,507	267,727	1,318,567	1,573,095	254,528	19.3%
Deferred inflows of resources:	84,454	68,879	852	672	85,306	69,551	(15,755)	(18.5%)
Net position:								
Net investment in capital assets	755,491	782,419	88,655	98,539	844,146	880,958	36,812	4.4%
Restricted for:								
Policy & executive	1,164	1,392	--	--	1,164	1,392	228	19.6%
Public safety	66,293	77,606	--	--	66,293	77,606	11,313	17.1%
Health & human services	37,386	61,204	--	--	37,386	61,204	23,818	63.7%
Community resources & public facilities	187,676	191,632	--	--	187,676	191,632	3,956	2.1%
General government & support services	4,833	8,304	--	--	4,833	8,304	3,471	71.8%
General county programs	19,405	24,649	--	--	19,405	24,649	5,244	27.0%
Total Restricted	316,757	364,787	--	--	316,757	364,787	48,030	15.2%
Unrestricted	(537,682)	(504,884)	57,723	61,334	(479,959)	(443,550)	36,409	7.6%
Total net position	$ 534,566	$ 642,322	$ 146,378	$ 159,873	$ 680,944	$ 802,195	$ 121,251	17.8%

As noted earlier, over time, net position may serve as a useful indicator of a government's financial condition. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $802,195 at the close of the current fiscal year.

Analysis of Net Position

The County's total net position increased by $121,251 or 17.8%, during the fiscal year. The significant changes are detailed below by the classification of net position that was affected by each. This increase is higher than the prior five-year average of net position increases of $62,348, primarily due to the implementation of GASB Statement No. 84 and CARES receipts. Please see Statistical section page 204 for a 10-year trend on changes in net position.

Current and Other Assets

Current and other assets increased by $143,962 or 16.9% due primarily to the implementation of GASB Statement No. 84 and the receipt of CARES funding.

Liabilities

Total liabilities increased by $254,528 or 19.3% due primarily to a $191,482 or 24.3% increase to the net pension liability and a $21,685 or 11.5% increase in long-term certificates of participation payables over the prior year.

Net Investment in Capital Assets

The largest portion of the County's net position is invested in capital assets (e.g., land, buildings, roads, bridges, flood control channels and debris basins, machinery, equipment, and intangible assets), less the related and outstanding debt used to acquire those assets and related deferred inflows of resources. The County uses these capital assets to provide services to citizens; as such, these assets are not available for future spending. Although the County's net investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County's net investment in capital assets increased $36,812, or 4.4%, to $880,958 at year-end, and consisted of the following:

	2020	2021	Dollar Change	Precentage Change
Investment in Capital Assets (net of accumulated depreciation)	$ 1,022,418	$ 1,095,781	$ 73,363	7.2%
Less:				
Related Debt	146,528	$ 183,969	37,441	25.6%
Related Deferred Inflows of Resources	31,744	30,854	(890)	(2.8%)
Net Investment in Capital Assets	$ 844,146	$ 880,958	$ 36,812	4.4%

Detailed information on capital can be found under the Capital Assets section on page 27.

Restricted Net Position

Restricted net position of $364,787 represents resources that are subject to external restrictions on their use or by enabling legislation. Due to the unique nature of funding sources and the unrestricted impact of the net pension and other post-employment benefits (OPEB) liabilities, the County has significantly more restricted net position dollars than unrestricted net position dollars. Restricted net position is comprised of the following:

1) $137,660 (37.74%) for property taxes dedicated to specific services such as flood control and fire protection,
2) $76,030 (20.84%) for federally imposed restrictions for health and housing programs,
3) $52,301 (14.34%) for federal and State allocations for roads and health services,
4) $51,833 (14.21%) for numerous State imposed restrictions,
5) $27,639 (7.58%) for various other restrictions imposed on the County, and
6) $19,324 (5.30%) for grant, land use, and permit agreements.

Restricted net position increased $48,030 or 15.2%. Significant changes to restricted net position, by function, include:

- The Health and Human Services function increased $23,818 due primarily to:
  - $13,343 of one-time Mental Health Services Act (MHSA) funding restricted for mental health purposes.
  - $8,983 of intergovernmental transfer options with CenCal Health, a local healthcare partner, which brought additional federal funding to support public health services.

- The Public Safety function increased $11,313 due primarily to:
  - $5,289 of unspent Assembly Bill 109 funding which is used for the supervision of non-violent offenders.
  - $4,399 from the inclusion of balances that were in former agency funds which are now included in governmental funds due to the implementation of GASB Statement No. 84.

- The General County Programs function increased $5,244 due primarily to the receipt of Proposition 172 sales tax allocation which are to be used for public safety.

UNAUDITED AND IN THOUSANDS 23 MANAGEMENT'S DISCUSSION & ANALYSIS

Unrestricted Net Position

Due primarily to the collection of COVID-19 recovery funds and cannabis revenue (see page 25), unrestricted net position changed favorably by $36,409, or 7.6% from negative $479,959 to negative $443,550. The majority of the balance of negative unrestricted net position is primarily the result of the County's unfunded net pension ($979,527) and OPEB liabilities ($98,226).

Analysis of Governmental Activities

The net position of the County's governmental activities increased by $107,756 to $642,322, or 20.2% over the prior year as a result of operating revenues exceeding operating expenditures and prior period adjustments.

Changes in Net Position (in thousands)

	Governmental Activities		Total	
	2020	2021	Dollar Change	Percent Change
Revenues				
Program revenues:				
Charges for services	$ 254,193	$ 243,167	$ (11,026)	(4.3%)
Operating grants and contributions	380,748	490,869	110,121	28.9%
Capital grants and contributions	81	523	442	545.7%
Total program revenues	635,022	734,559	99,537	15.7%
General revenues:				
Property taxes	309,150	323,795	14,645	4.7%
Sales taxes	19,068	21,104	2,036	10.7%
Transient occupancy tax	10,182	12,535	2,353	23.1%
Cannabis	12,182	15,747	3,565	29.3%
Payments in lieu of taxes	2,037	2,017	(20)	(1.0%)
Franchise fees	3,509	3,323	(186)	(5.3%)
Unrestricted investment earnings	3,484	(783)	(4,267)	(122.5%)
Other	496	2,305	1,809	364.7%
Total general revenues	360,108	380,043	19,935	5.5%
Total revenues	995,130	1,114,602	119,472	12.0%
Expenses				
Policy & executive	19,074	19,661	587	3.1%
Public safety	376,065	389,249	13,184	3.5%
Health & human services	397,009	412,050	15,041	3.8%
Community resources & public facilities	122,448	147,650	25,202	20.6%
General government & support services	46,294	48,950	2,656	5.7%
General county programs	1,819	9,583	7,764	426.8%
Interest on long-term debt	1,772	1,619	(153)	(8.6%)
Total expenses	964,481	1,028,762	64,281	6.7%
Excess (deficiency) of revenues over (under) expenses	30,649	85,840	55,191	180.1%
Transfers	21	(77)	(98)	(466.7%)
Change in net position	30,670	85,763	55,093	179.6%
Net position - beginning	503,896	534,566	30,670	6.1%
Prior period adjustment	--	21,993	21,993	
Net position - beginning, as restated	503,896	556,559	52,663	10.5%
Net position - ending	$ 534,566	$ 642,322	$ 107,756	20.2%

Revenues

Total revenues for the County's Governmental Activities had an overall increase from the prior year of $119,472 or 12.0%, to $1,114,602. Revenues are divided into two categories: Program Revenues, which are the revenues derived directly from the functional programs or from parties outside the County's taxpayers or community; and General Revenues, which are the revenues that do not meet the requirements of program revenues, most of which are taxes.

Program Revenues had an overall increase of $99,537, or 15.7%, to $734,559 from the prior year. As an arm of the State government, a significant portion of charges for services and operating grants and contributions are tied to mandated programs such as public assistance, health, and behavioral wellness services. Total program revenues represent 65.9% of the County's funding for governmental activities.

- Charges for services decreased a net $11,026, or 4.3%, to $243,167 primarily due to:
  - A one-time receipt collected in the prior year of $28,123 in Southern California Edison settlement funds for the Thomas Fire and Montecito Debris Flow; and
  - $6,791 increase in fire incident reimbursements; and
  - $6,204 increase of one-time Medi-Cal revenue received.

- Operating grants and contributions *(intergovernmental revenues)* increased a net $110,121, or 28.9%, to $490,869 primarily due to:
  - $46,069 of Coronavirus relief funding; and
  - $32,362 of one-time Mental Health Services Act funding; and
  - $11,313 of funding for specialized vector-control programs and partnership programs with a local health group.

- Capital grants and contributions *(intergovernmental revenues)* increased $442, or 545.7%, to $523 primarily due to planned capital maintenance road projects.

General Revenues had an overall increase of $19,935, or 5.5%, to $380,043. These revenues included general taxes which provided the Board of Supervisors with the most discretionary spending ability. Since the formation of Santa Barbara County government in 1850, basic public safety services such as sheriff, fire, probation, and district attorney consume most of the general revenues. The increase in general revenues is due primarily to the following changes:

- *Property Tax Revenue* increased $14,645, or 4.7%, to $323,795 primarily from assessed valuation growth, offset by settlement of significant appeals.
- *Cannabis Tax* increased $3,565, or 29.3%, to $15,747 primarily due to increased cannabis related operations.
- Unrestricted investment earnings decreased by $4,267 primarily due to a decrease in the fair value of investments. However, since the Treasury generally holds investments until maturity this loss will not be realized.

Expenses had an overall increase for governmental activities of $64,281, or 6.7%, to $1,028,762 from the prior year. This change was mainly driven by a $13,870, or 4.2%, and a $10,280, or 7.9%, change in salaries and benefits and retirement contributions, respectively. Additional drivers are provided below:

- An increase in the Community Resources & Public Facilities function of $25,202 primarily due to a $12,831 increase in emergency rental assistance programs and a $9,674 increase in roads projects.
- An increase in Health & Human Services of $15,041 primarily due to increases in assistance and In-Home Supportive Service payments.
- An increase in the General County Programs function of $7,764 primarily due to increases in contributions to other governments, legal fees, and settlements.

As a service delivery entity, the County's major cost component is salaries and benefits, amounting to 63.0% of the total County expenses. The average full-time equivalent (FTE) count for the County (including business-type activities) had a net increase of 66 FTEs from 4,139 in the prior year to 4,205 at June 30, 2021. A 10-year trend chart on average FTEs can be found in the Statistical section on page 218.

Analysis of Business-type Activities

The net position of business-type activities increased by $13,495, or 9.2%, to $159,873 which indicates these activities generated revenues sufficient to cover the costs of operations.

Changes in Net Position (in thousands)

	Business-Type Activities		Bus Total	
	2020	2021	Dollar Change	Percent Change
Revenues				
Program revenues:				
Charges for services	$ 53,324	$ 52,180	$ (1,144)	(2.1%)
Operating grants and contributions	4,253	3,488	(765)	(18.0%)
Total program revenues	57,577	55,668	(1,909)	(3.3%)
General revenues:				
Unrestricted investment earnings	2,109	(185)	(2,294)	(108.8%)
Other	22	701	679	3,086.4%
Total general revenues	2,131	516	(1,615)	(75.8%)
Total revenues	59,708	56,184	(3,524)	(5.9%)
Expenses				
Resource recovery	34,258	34,030	(228)	(0.7%)
Laguna sanitation	7,356	8,736	1,380	18.8%
Total expenses	41,614	42,766	1,152	2.8%
Excess (deficiency) of revenues over (under) expenses	18,094	13,418	(4,676)	(25.8%)
Transfers	(21)	77	98	(466.7%)
Change in net position	18,073	13,495	(4,578)	(25.3%)
Net position - beginning	128,305	146,378	18,073	14.1%
Net position - ending	$ 146,378	$ 159,873	$ 13,495	9.2%

- Charges for services decreased by $1,144, or 2.1%, to $52,180 primarily due to decreases in charges for sanitation services in Resource Recovery due to a decrease in commercial related revenues.

- Operating grants and contributions decreased by $765, or 18.0%, to $3,488 primarily due to lower interest income on bond proceeds since the balance of the bond proceeds declines as they are used to fund construction projects.

- Unrestricted investment earnings decreased by $2,294, or 108.8%, to ($185) primarily due to lower than expected interest income and unrealized losses on investments in the County treasury.

- Expenses increased by $1,152, or 2.8%, to $42,766 primarily due to costs related to the Laguna Sanitation District membrane module replacements.

Capital Assets (net of depreciation, in thousands)

	Governmental Activities		Business-Type Activities		Total		Total	
	2020	2021	2020	2021	2020	2021	Dollar Change	Percent Change
Land	$ 60,582	$ 61,651	$ 15,654	$ 15,654	$ 76,236	$ 77,305	$ 1,069	1.4%
Land easements	53,133	53,133	--	--	53,133	53,133	--	0.0%
SCA assets	41,183	40,729	--	--	41,183	40,729	(454)	(1.1%)
Work in progress	164,730	188,914	113,246	156,580	277,976	345,494	67,518	24.3%
Capital assets, not being depreciated	319,628	344,427	128,900	172,234	448,528	516,661	68,133	15.2%
Land improvements	19,723	19,853	239	229	19,962	20,082	120	0.6%
Structures and improvements	145,300	141,838	11,549	17,542	156,849	159,380	2,531	1.6%
Equipment and software	62,031	60,786	14,012	15,086	76,043	75,872	(171)	(0.2%)
Infrastructure	273,639	276,717	47,397	47,069	321,036	323,786	2,750	0.9%
Capital assets, net of accumulated depreciation	500,693	499,194	73,197	79,926	573,890	579,120	5,230	0.9%
Total	$ 820,321	$ 843,621	$ 202,097	$ 252,160	$1,022,418	$ 1,095,781	$ 73,363	7.2%

Analysis of Capital Assets

During the fiscal year, the County's investment in capital assets increased by $73,363, or 7.2%, to $1,095,781 (net of accumulated depreciation/amortization). This investment is in a broad range of capital assets including land, land easements, Service Concession Arrangement (SCA) assets, work in progress (WIP), land improvements, structures and improvements, equipment and software, and infrastructure. Major capital additions include:

- Land: The County capitalized $1,069 in land. The significant additions included:
  - $913 for property in Orcutt to be used for recreational purposes; and
  - $155 for the Fernald Point Lane bridge permanent easement.

- SCA Asset: The County's net SCA assets decreased by $454. The significant changes include:
  - Capitalized SCA assets for the former Beachside Restaurant decreased by $568 since this amount was reclassified to Structures and Improvements; and
  - $114 for the Lake Cachuma Store, Boathouse Restaurant, and Santa Barbara County Bowl cumulatively.

- Land Improvements: The County capitalized $891 of land improvements for Lookout Park renovations and Calle Real streetlights net of $771 in related depreciation, for a total increase of $120 or 0.6%.

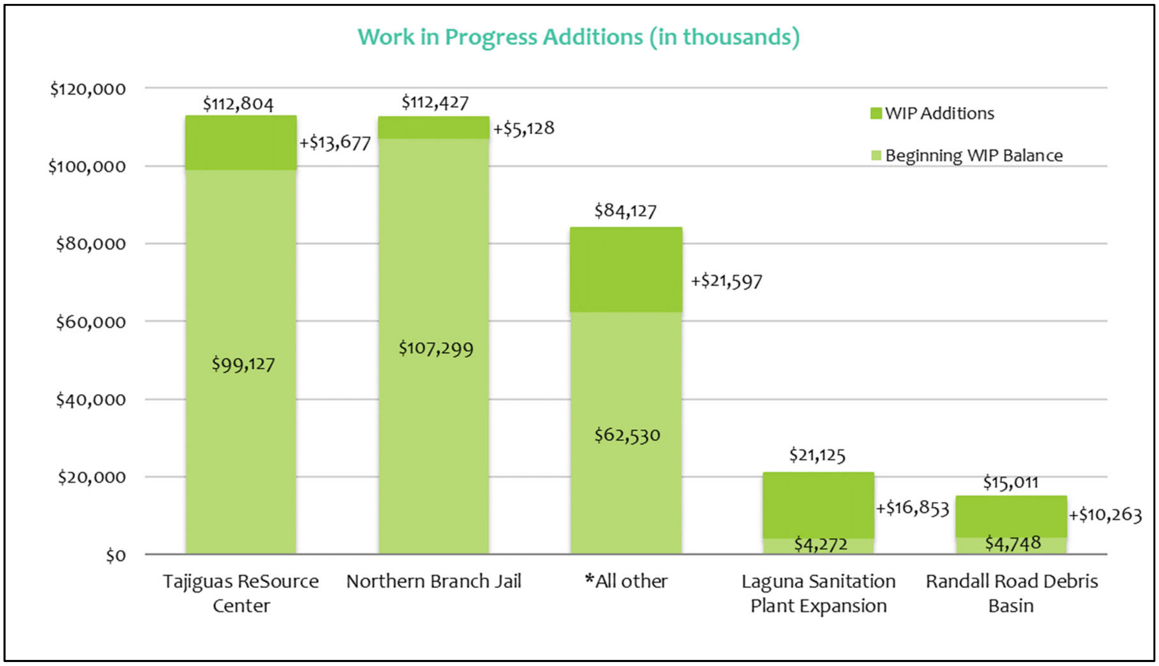
- Structures and Improvements: The County capitalized $9,714 of structures and improvements, net of $7,183 in related depreciation, for a total increase of $2,531 or 1.6%. Significant increases include:
  - $4,485 for upgrades to the sludge drying beds at the Laguna Sanitation District; and
  - $1,469 for flood protection at the Laguna Sanitation District; and
  - $1,309 for Arroyo Burro beach ranger office improvements.

- Equipment and Software: The County capitalized $14,206 of equipment and software, net of $14,257 in related depreciation and $120 of deletions, for a total decrease of $171 or 0.2%. Significant equipment and software additions include:
  - $1,343 for a compactor for the Tajiguas landfill; and
  - $762 for in-car video systems for Sheriff patrol vehicles; and
  - $587 for a pavement marking truck for roads; and
  - $11,514 for the acquisition of 111 additional assets all of which were individually under $520 in value.

- Infrastructure: The County capitalized $10,734 in infrastructure, net of $7,948 in related depreciation and $36 of transfers, for a total increase of $2,750 or 0.9%. Significant projects include:
  - $4,113 for interchange improvements in Orcutt; and
  - $1,283 for a bridge at East Mountain Drive; and
  - $812 for the Baron Ranch trail extension.

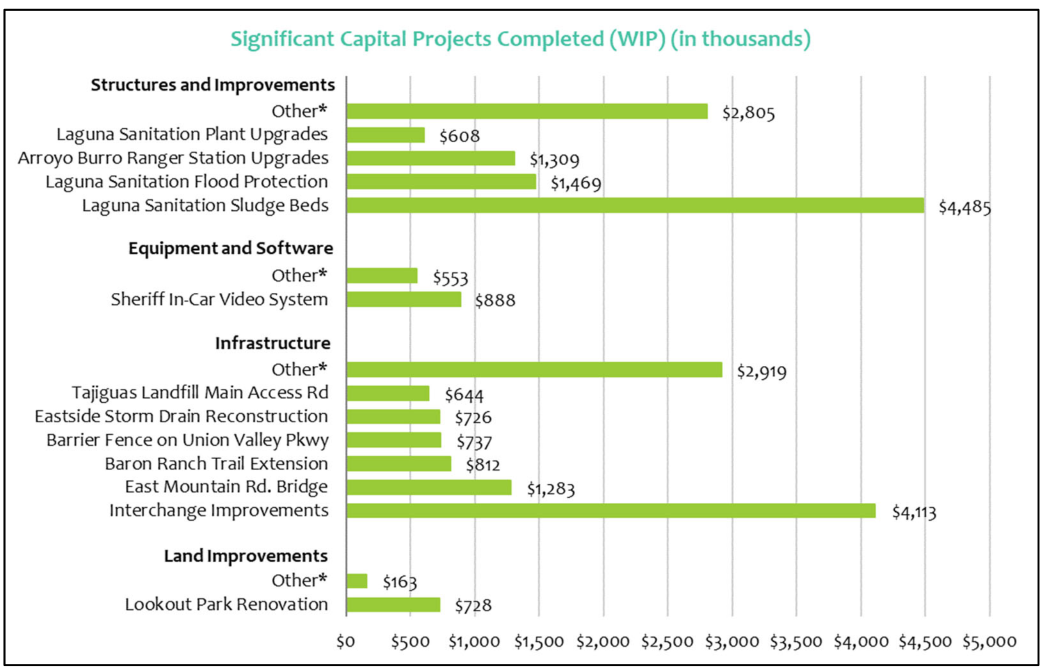
- Work in Progress (WIP): When a capital project will be completed in a subsequent fiscal year, related project costs are recorded as WIP. In the year of completion, a project's WIP is allocated to the appropriate capital asset classification(s). In the current fiscal year, WIP had a net increase of $67,518, or 24.3%. Total WIP increases of $91,722 were offset by project completions of $24,204.

Of the $67,518 net increases to WIP, major project costs include:



*All other represents individual projects that have total WIP balances under $5,000.

Of the $24,204 completions of WIP, major projects include:



*Other represents individual projects that have total completed WIP balances under $600.

Additional capital asset information, including depreciation, amortization, and outstanding WIP by project as of June 30, 2021, can be found in Note 6 of the Notes to the Financial Statements.

Analysis of Bonds, Notes, and Certificates of Participation (COP)

Outstanding Bonds, Notes, and COP (in thousands)

	Governmental Activities		Business-Type Activities		Total		Total	
	2020	2021	2020	2021	2020	2021	Dollar Change	Percent Change
Bonds and notes payable	$ 8,515	$ 5,928	$ 3,513	$ 2,674	$ 12,028	$ 8,602	$ (3,426)	(28.5%)
Certificates of participation	24,910	23,490	165,037	191,451	189,947	214,941	24,994	13.2%
Total	$ 33,425	$ 29,418	$ 168,550	$ 194,125	$ 201,975	$ 223,543	$ 21,568	10.7%

The County's total balance of bonds, notes, and COP increased by $21,568, or 10.7%, during the fiscal year. The net increase was primarily due to $24,510 of Laguna Sanitation Certificates of Participation (2020 COP) issued at a premium of $3,833 for the Laguna Sanitation District plant upgrade project in order to meet current and future service needs.

The County maintains a Standard & Poor's 'SP-1+' rating for short-term notes (this scale ranges from SP-1, the highest, to D, the lowest) and a Standard & Poor's 'AA+' for long-term COP (this scale ranges from AAA, the highest, to D, the lowest). In addition, the County maintains a Moody's 'A1' rating (this scale ranges from Aaa1, the highest, to Caa3, the lowest) and an S&P 'AA+' rating on its most recent series 2020 COP. The County's strong credit ratings with Standard & Poor's and Moody's results in reduced borrowing costs for new capital asset construction (e.g.: the Tajiguas ReSource Center).

The rationale behind the ratings reflects the rating agencies' view of:

- The long-term general creditworthiness of the County;
- The County's covenants to budget and appropriate lease payments;
- A stable, moderately growing economic base with access to the broader Ventura and Los Angeles area economies;
- Consistent maintenance of very strong unreserved General Fund balances despite limited financial flexibility due to State mandates;
- An experienced management team that has implemented strong financial policies and prudent expenditure controls;
- Low overall debt levels; and
- The County's very strong underlying general credit characteristics.

Additional information on the County's long-term liabilities can be found in Note 10 in the Notes to the Financial Statements.

FINANCIAL ANALYSIS OF THE COUNTY'S FUND BALANCES

Fund Balances (in thousands)

	Nonspendable	Restricted	Committed	Unassigned	Total		Total	
	2021				2021	2020	Dollar Change	Percent Change
General Fund	$ 56	$ 62,161	$ 181,517	$ 19,839	$ 263,573	$ 201,899	$ 61,674	30.5%
Major Funds								
Roads	--	31,011	--	--	31,011	33,883	(2,872)	(8.5%)
Public Health	--	28,167	-	--	28,167	18,392	9,775	53.1%
Social Services	255	4,246	2,656	--	7,157	4,970	2,187	44.0%
Behavioral Wellness	--	24,913	345	--	25,258	10,342	14,916	144.2%
Flood Control	-	70,369	--	--	70,369	71,540	(1,171)	(1.6%)
Affordable Housing	--	8,595	--	--	8,595	6,863	1,732	25.2%
Fire Projection	-	30,107	--	--	30,107	27,525	2,582	9.4%
Capital Projects	--	8,936	14,191	--	23,127	18,413	4,714	25.6%
Other Governmental Funds	700	42,188	11,393	--	54,281	41,356	12,925	31.3%
Total Fund Balances	$ 1,011	$ 310,693	$ 210,102	$ 19,839	$ 541,645	$ 435,183	$ 106,462	24.5%

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term (See Note 1 on page 61) inflows, outflows, and balances of spendable resources (modified accrual basis of accounting). Such information is useful in assessing the County's financing requirements. In particular, total fund balance less the nonspendable portion is a useful measure of a government's resources available for spending at the end of the fiscal year.

At June 30, 2021, the County's Governmental Funds reported total fund balance of $541,645, a $106,462 increase in comparison with the prior year's total ending fund balances. The components of total fund balance are as follows (for more information see Note 14 – Fund Balances):

- *Nonspendable Fund Balance*, $1,011 are amounts that are not spendable in form, or are legally or contractually required to be maintained intact, and are made up of long-term receivables, and prepaid expenses and deposits.

- *Restricted Fund Balance*, $310,693 consists of amounts with constraints put on their use by creditors, grantors, contributors, laws, regulations or enabling legislation. Examples of restrictions on funds are those for (1) purpose of fund (i.e., flood control), (2) grants for capital outlay, and (3) reserved legislated amounts (i.e., healthcare).

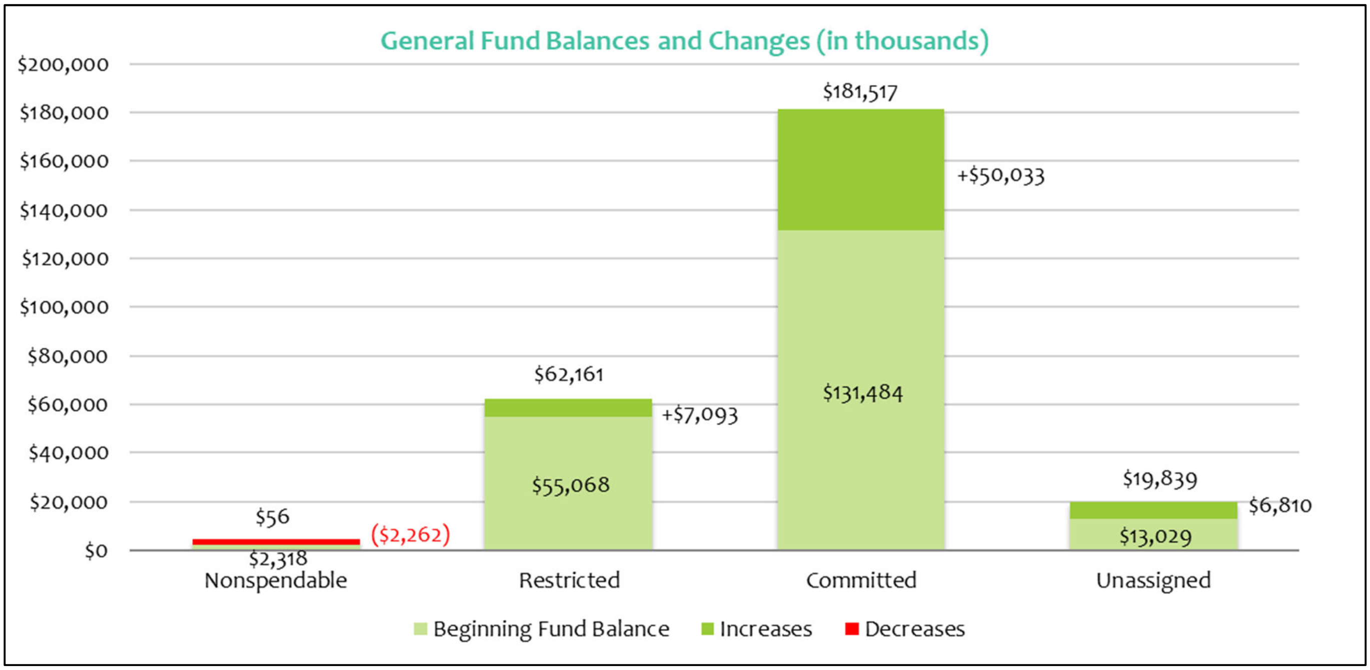
- *Committed Fund Balance*, $210,102, consists of amounts for specific purposes determined by the Board, which are binding unless removed by the Board in the same manner.

- *Unassigned Fund Balance*, $19,839 represents the residual balance for the County's General Fund.

Approximately 99.8%, or $540,634, of the total fund balance is in restricted, committed, and unassigned (spendable fund balances) which means it is available to meet the County's current and future needs. With the approval of the Board, County management can earmark a portion of fund balance to a particular function, project or activity, and can also earmark it for purposes beyond the current year, within the constraints applied to the various categories of fund balance. With the exception of the nonspendable portion, fund balances are available for appropriation at any time.

General Fund

The General Fund is the main operating fund of the County. As a measure of the General Fund's liquidity, it is useful to compare both total fund balance and spendable fund balance to total fund expenditures. Total General Fund fund balance, essentially all of which is available in spendable form, equates to 67.4% of total General Fund expenditures.



Included in the balances above are the following:

- Nonspendable fund balance primarily includes $50 for Prepaids and Deposits.

- Some significant restricted fund balance amounts of the General Fund include:
  - $19,739 for Realignment funds for public safety, health, and social programs;
  - $9,994 for Property Tax Loss Reserves in Purpose of Fund as part of the Teeter program;
  - $8,452 for Public Safety Proposition 172; and
  - $4,744 for Probation Youth Offender Block Grant.

- Some significant committed fund balance amounts of the General Fund include:
  - $39,967 for Accumulated Capital Outlay for future capital projects;
  - $38,785 Strategic Reserve earmarked for severe economic downturns and emergencies;
  - $16,234 for Disaster Recovery; and
  - $15,666 for Cannabis funded projects.

- Unassigned fund balance of $19,839 is available for future discretionary appropriation by the Board.

The remaining $90,103 of fund balances for the General Fund are comprised of over 60 components of restricted and committed fund balances (see Note 14 – Fund Balances).

Changes to General Fund Balances

Nonspendable fund balance decreased $2,262 to $56 primarily due to the release of impounded taxes associated with the resolution of property tax assessment appeals.

The General Fund's total fund balance increased by 30.5%, or $61,674 to $263,573 at June 30, 2021. The spendable fund balances increased $63,936 to $263,517 primarily in the following areas:

- Restricted fund balance
  - $5,923from public safety Prop 172 sales tax allocation;
  - $2,757 from local realignment for public safety, health, and social programs;
  - $1,665 for supplemental law enforcement services.

- Committed fund balance
  - $36,114 for various County capital projects;
  - $6,800 from cannabis; and
  - $3,492 for technology replacement and investments.

- Unassigned fund balance
  - General Fund unassigned fund balance increased $6,810 from the prior year. The increase is primarily attributable to the receipt of CARES Act funding related to COVID-19 recovery.

Major Funds

As compared with the prior year, the total fund balances of the major funds increased 16.6%, or $31,863 to $223,791 with the following significant changes:

- The Behavioral Wellness Fund, with expenditures of $118,928, had a positive $14,380 change in fund balance primarily due to one-time MHSA revenues and the implementation of GASB Statement No. 84.

- The Public Health Fund, with expenditures of $96,459, finished the year with an increase to fund balance of $9,775, or 53.1%, to $28,167, primarily due to partnership programs with a local health group and the implementation of GASB Statement No. 84.

- The Capital Projects Fund, with expenditures of $15,309, finished the year with an increase to fund balance of $4,714, or 25.6%, to $23,127, primarily due to the implementation of GASB Statement No. 84.

- The remaining net increases totaled $2,458 across the other four major funds and were principally related to the receipt of funding for developmental disabilities and the implementation of GASB Statement No. 84.

Other Governmental Funds

The fund balances of nonmajor governmental funds as a whole increased $12,925, or 31.3%, to $54,281 The following were significant changes:

- Beginning in FY 2020-21 separate funds were established for Clerk-Recorder operations as well as Planning & Development operations and each had an ending fund balance of $4,284 and $4,930, respectively.

- The Water Agency fund balance increased by $1,231 as a result of expenditure savings in services & supplies and other charges.

- The remaining net increases totaled $979 across the other 22 nonmajor funds and were principally related to positive results of operations and the implementation of GASB 84.

Proprietary Funds

Proprietary funds are County activities that operate like a business as opposed to government services, and are primarily supported by customer fees. They include two types of funds; enterprise funds, whose customers are mainly external to the primary government (citizens); and internal services funds, whose customers are predominantly the primary government itself.

The County has two enterprise funds: Resource Recovery and Laguna Sanitation. These funds are reported on the entitywide statements as business-type activities. The only difference between what is reported in the proprietary fund financial statements and the entitywide statements for the business-type activities is that the business-type activities include an allocation of the net position and activities of the Internal Service Funds. For a detailed analysis on Resource Recovery and Laguna Sanitation, please refer to page 26.

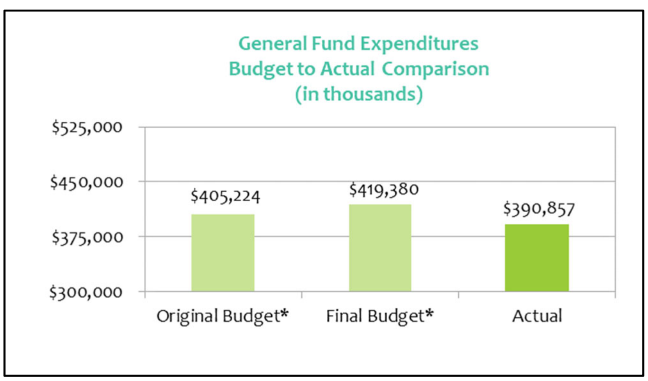
The County has five internal services funds: Information Technology Services, Vehicle Operations and Maintenance, Risk Management and Insurance, Communications Services, and Utilities. The net position and activities of the internal services funds are proportionally allocated between governmental and business-type activities in the entitywide statements based on the fund rates charged to each activity type.

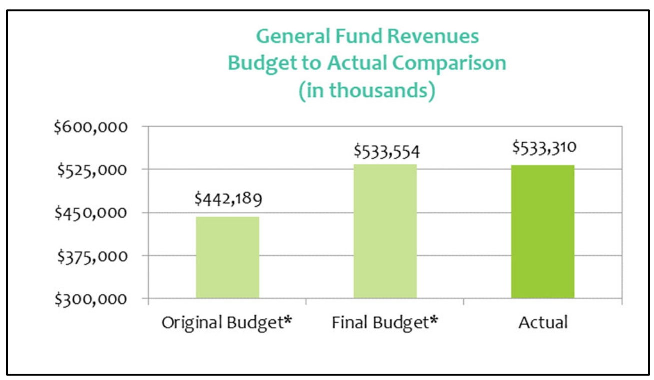
Total internal service funds' net position increased by $4,874, or 8.0%, to $65,620. The total increase in net position is primarily due to lower than expected services and supplies and capital asset expenses.

GENERAL FUND BUDGETARY HIGHLIGHTS

The variance between General Fund final budget and actual expenditures resulted in $28,523 of unspent appropriations. Key variances in unspent appropriations are as follows: $13,806 for services and supplies, $11,745 for salaries and benefits due to unfilled positions; $2,043 from other charges; and $927 resulting from capital assets budgeted but not procured in this fiscal cycle.

The primary difference between budgeted revenues and expenditures is mainly attributable to General Fund Contribution transfers to the County's special revenue funds. These transfers out are shown as other financing sources and uses which are not included as expenditures.





Fund balances are used to balance budgets.

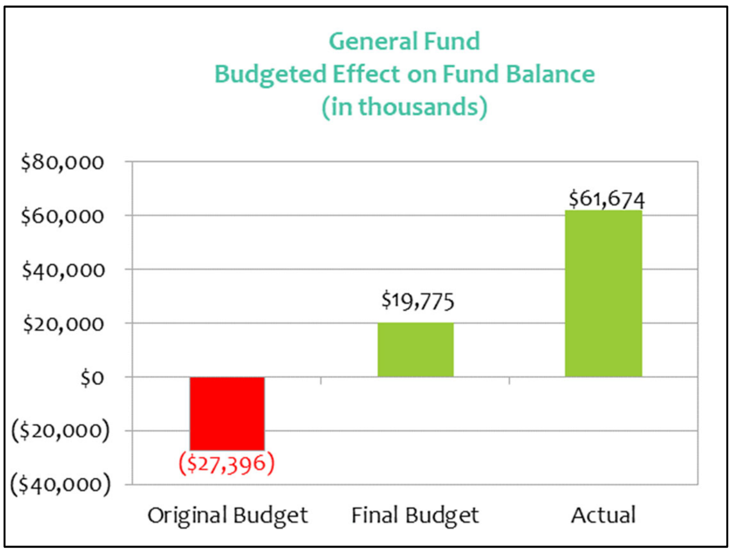
Expenditures: The County's final budget appropriations for the General Fund differed from the original budget by $14,156, or 3.5%. The major changes were as follows:

- Services and supplies increased $7,020 primarily due to jail operation related expenditures.
- Other Charges increased $4,440 primarily due to contributions to other governments for partnership programs as well as litigation judgments.
- Capital Assets increased $3,332 primarily due to the purchase of land in Orcutt for recreational purposes.

Revenues: The County's General Fund final budgeted revenues were greater than the original budget by $91,365 or 20.7% due to unanticipated cannabis tax revenue and Prop 172 sales tax allocation.

The General Fund Budget to Actual schedule can be found on page 139 of this report.

Fund Balance: The General Fund's equity position increased by $61,674, versus the final budget plan to increase fund equity by $19,775. By year-end, the increase to fund balance was more than the budget plan as departmental savings and positive operating results exceeded estimates.



ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following factors were considered in preparing the County's recommended budget for FY 2021-22:

The goal for the upcoming year is recovery. The County's budget projects the use of federal and State resources for pandemic relief to cover COVID-19 response efforts. The recommended budget for FY 2021-22 is based on the assumptions that projected revenues will remain stable and that a portion of cannabis tax revenue will be used for ongoing budgetary purposes.

Total Governmental Fund revenues show an increase of 2.17%, or $25,653 comparing FY 2021-22 budget to FY 2020-21 actual revenues. The FY 2021-22 budget shows an increase in General Fund total revenues of 1.95%, or $9,219, compared to FY 2020-21 actual revenues.

The adopted budget appropriations for total Governmental Fund expenditures for FY 2021-22 includes a 19.43%, or $207,239, increase when compared to FY 2020-21 actuals. The primary reason for the increase is that the County's adopted budget includes $43.3M of new federal American Rescue Plan Act (ARPA) funding that will be passed through from the State to the County for COVID-19 recovery efforts. The focus of the FY 2021-22 budget is to continue to provide mandated and essential services, meet debt service obligations, and address critical deferred maintenance and infrastructure needs. Additionally, the ARPA monies will allow the County to invest in local programs to help homelessness and other allowable improvement initiatives. The budget was also built on the assumption that revenue growth - primarily in property, cannabis, and sales taxes – will remain stable in FY 2021-22.

As of June 30, 2022, the recommended available spendable General Fund balance is projected to be $193,411. Of this amount, $41,798 is Restricted and $145,794 is Committed but remains available for appropriation. The County's General Fund is projected to end with $5,819 of Unassigned fund balance. The County's Recommended performance-based FY 2021-22 budget and the County's Five-Year Capital Improvement Program can be found at www.countyofsb.org/ceo under the Budget heading.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Santa Barbara County Auditor-Controller, PO Box 39, Santa Barbara, CA 93102-0039. The County's Annual Comprehensive Financial Report and Financial Highlights publications can also be found on the County's website at http://www.countyofsb.org/auditor/PublicationsLatest.sbc.

A separately issued financial report for the County's discretely presented component unit, the First 5 Children and Families Commission, can be obtained online at http://first5santabarbaracounty.org or by writing to: First 5 Children and Families Commission, 5385 Hollister Avenue, Building 10, Suite 110, Santa Barbara, CA 93111.

A separately issued financial report for the County's fiduciary component unit, SBCERS, can be obtained online at https://www.sbcers.org/ or by writing to: SBCERS, 130 Robin Hill Road, Suite 100, Goleta, CA 93117.

Basic Financial Statements

COUNTY OF SANTA BARBARA, CALIFORNIA
STATEMENT OF NET POSITION
GOVERNMENTWIDE
June 30, 2021 (in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	First 5 Children and Families Commission
Assets				
Cash and investments (Note 3)	$ 593,934	$ 118,998	$ 712,931	$ 6,182
Accounts receivable, net:				
Taxes	41,140	--	41,140	--
Licenses, permits, and franchises	767	333	1,100	--
Fines, forfeitures, and penalties	229	--	229	--
Use of money and property	869	138	1,007	6
Intergovernmental	71,034	--	71,034	230
Charges for services	26,435	9,549	35,984	--
Other	2,387	9	2,396	114
Internal balances	653	(653)	--	--
Inventories	226	258	484	--
Prepaid items	305	--	305	--
Notes receivable (Note 5)	9,130	--	9,130	--
Other receivables	2,472	930	3,403	7
Restricted cash and investments (Note 4)	26,608	40,385	66,993	--
Housing loans receivable, net (Note 5)	40,791	--	40,791	--
Housing loans interest receivable, net (Note 5)	10,069	--	10,069	--
Capital assets, not being depreciated/amortized (Note 6)	344,427	172,234	516,661	--
Capital assets, net of accumulated depreciation/amortization (Note 6)	499,194	79,926	579,120	--
Total assets	1,670,670	422,107	2,092,777	6,539
Deferred outflows of resources				
Deferred payables (Note 1)	616	--	616	--
Deferred pensions (Note 18)	331,282	5,872	337,154	510
Deferred OPEB (Note 19)	14,001	293	14,294	38
Total deferred outflows of resources	345,899	6,165	352,064	548
Liabilities				
Accounts payable	38,457	11,689	50,146	392
Salaries and benefits payable	31,006	595	31,601	48
Interest payable	142	696	838	--
Other payables	23,083	6,579	29,662	--
Advances from grantors and third parties (Note 8)	44,246	--	44,246	--
Unearned revenue	1,582	--	1,582	--
Customer deposits payable	14,429	22	14,451	--
Long-term liabilities (Note 10):				
Portion due within one year:				
Compensated absences (Note 10)	33,094	687	33,781	57
Capital lease obligations (Note 9)	150	--	150	--
Certificates of participation, net (Note 10)	1,485	3,750	5,235	--
Other lhort-term obligations (Note 10)	1,303	--	1,303	--
Bonds and notes payable (Note 10)	1,447	863	2,310	--
Liability for self-insurance claims (Notes 10 and 11)	4,588	--	4,588	--
Landfill closure/postclosure care costs (Note 13)	--	813	813	--
Portion due in more than one year:				
Compensated absences (Note 10)	10,345	144	10,489	11
Capital lease obligations (Note 9)	782	--	782	--
Certificates of participation, net (Note 10)	22,005	187,701	209,706	--
Other long-term obligations (Note 10)	7,421	--	7,421	--
Bonds and notes payable (Note 10)	4,481	1,811	6,292	--
Liability for self-insurance claims (Notes 10 and 11)	6,169	--	6,169	--
Estimated litigation liability (Note 12)	474	--	474	--
Landfill closure/postclosure care costs (Note 13)	--	33,303	33,303	--
Net pension liability (Note 18)	962,466	17,061	979,527	1,481
Net OPEB liability (Note 19)	96,213	2,013	98,226	261
Total liabilities	1,305,368	267,727	1,573,095	2,250
Deferred inflows of resources				
Deferred service concession arrangements (Note 7)	32,100	--	32,100	--
Deferred pensions (Note 19)	30,320	537	30,857	47
Deferred OPEB (Note 19)	6,459	135	6,594	17
Total deferred inflows of resources	68,879	672	69,551	64
Net position				
Net investment in capital assets	782,419	98,539	880,958	--
Restricted for (Note 14):				
Policy & executive	1,392	--	1,392	--
Public safety	77,606	--	77,606	--
Health & human services	61,204	--	61,204	--
Community resources & public facilities	191,632	--	191,632	--
General government & support services	8,304	--	8,304	--
General county programs	24,649	--	24,649	--
Unrestricted	(504,884)	61,334	(443,550)	4,773
Total net position	$ 642,322	$ 159,873	$ 802,195	$ 4,773

The notes to the financial statements are an integral part of this statement.

COUNTY OF SANTA BARBARA, CALIFORNIA
STATEMENT OF ACTIVITIES
GOVERNMENTWIDE
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

							Net (Expense) Revenue and Changes in Net Position			
				Program Revenues			Primary Government			Component Unit
Functions/Programs	Direct Expenses	Indirect Expenses	Total Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	First 5 Children and Families Commission
Governmental activities:										
Policy & executive	$ 25,469	$ (5,808)	$ 19,661	$ 785	$ 60,444	$ --	$ 41,568	$ --	$ 41,568	
Public safety	380,173	9,076	389,249	61,308	88,873	--	(239,068)	--	(239,068)	
Health & human services	403,323	8,727	412,050	113,940	277,105	--	(21,005)	--	(21,005)	
Community resources & public facilities	143,086	4,564	147,650	36,410	48,754	343	(62,143)	--	(62,143)	
General government & support services	66,219	(17,269)	48,950	14,949	4,472	180	(29,349)	--	(29,349)	
General county programs	9,593	(10)	9,583	15,775	11,221	--	17,413	--	17,413	
Interest on long-term debt	1,619	--	1,619	--	--	--	(1,619)	--	(1,619)	
Total governmental activities	1,029,482	(720)	1,028,762	243,167	490,869	523	(294,203)	--	(294,203)	
Business-type activities:										
Resource Recovery	33,518	512	34,030	37,263	3,283	--	--	6,516	6,516	
Laguna Sanitation	8,528	208	8,736	14,917	205	--	--	6,386	6,386	
Total business-type activities	42,046	720	42,766	52,180	3,488	--	--	12,902	12,902	
Total primary government	$1,071,528	$ --	$1,071,528	$ 295,347	$ 494,357	$ 523	$ (294,203)	$ 12,902	$ (281,301)	
Component unit:										
First 5 Children and Families Comm.	$ 3,280	$ --	$ 3,280	$ 102	$ 4,015	$ --				$ 837
General Revenues:										
Taxes:										
Property							232,276	--	232,276	--
Sales							14,801	--	14,801	--
Transient occupancy							12,535	--	12,535	--
Cannabis							15,747	--	15,747	--
Payments in-lieu of taxes							2,017	--	2,017	--
Franchise fees							3,323	--	3,323	--
Other general revenues							470	--	470	--
Restricted for community resources and public facilities:										--
Sales tax, allocated to roads							6,303	--	6,303	--
Property tax, levied for flood control districts							12,228	--	12,228	--
Property tax, levied for county service areas							1,599	--	1,599	--
Property tax, levied for water agency							3,186	--	3,186	--
Property tax, levied for lighting districts							577	--	577	--
Property tax, levied for community facilities districts							883	--	883	--
Property tax, residual distribution from the redevelopment property tax trust fund							15,016	--	15,016	--
Restricted for public safety:										
Property tax, levied for fire district							58,030	--	58,030	--
Unrestricted investment earnings							(783)	(185)	(968)	(7)
Gain on sale of capital assets							1,835	701	2,536	--
Transfers							(77)	77	--	--
Total general revenues and transfers							379,966	593	380,559	(7)
Change in net position							85,763	13,495	99,258	830
Net position - beginning							534,566	146,378	680,944	3,943
Prior period adjustment (Note 21)							21,993	--	21,993	--
Net position - beginning, as restated							556,559	146,378	702,937	3,943
Net position - ending							$ 642,322	$ 159,873	$ 802,195	$ 4,773

The notes to the financial statements are an integral part of this statement.

COUNTY OF SANTA BARBARA, CALIFORNIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021 (in thousands)

	General	Roads	Public Health	Social Services	Behavioral Wellness
Assets and deferred outflows of resources					
Assets:					
Cash and investments (Note 3)	$ 237,853	$ 28,376	$ 23,407	$ 16,153	$ 35,265
Accounts receivable, net:					
Taxes	41,140	--	--	--	--
Licenses, permits, and franchises	503	--	2	--	--
Fines, forfeitures, and penalties	4	--	--	--	--
Use of money and property	334	23	14	23	249
Intergovernmental	15,903	5,822	9,619	23,057	8,921
Charges for services	1,211	253	2,406	--	11,921
Other	1,354	--	--	139	326
Due from other funds (Note 16)	7,092	--	--	1,201	--
Prepaid items	50	--	--	255	--
Other receivables	--	--	--	--	887
Advances to other funds (Note 16)	6	--	--	--	--
Restricted cash and investments (Note 4)	10,966	--	--	--	--
Housing loans receivable	--	--	--	--	2,410
Housing loans interest receivable	--	--	--	--	204
Total assets	316,416	34,474	35,448	40,828	60,183
Deferred outflows of resources:					
Deferred payables (Note 1)	--	--	--	616	--
Total deferred outflows of resources	--	--	--	616	--
Total assets and deferred outflows of resources	$ 316,416	$ 34,474	$ 35,448	$ 41,444	$ 60,183
Liabilities, deferred inflows of resources, and fund balances					
Liabilities:					
Accounts payable	$ 14,125	$ 1,510	$ 1,404	$ 2,157	$ 8,444
Salaries and benefits payable	14,582	761	3,381	4,019	2,510
Other payables	11,323	30	259	316	17,660
Advances from grantors and third parties (Note 8)	9,486	1,109	2,071	27,790	227
Unearned revenue	1,582	--	--	--	--
Due to other funds (Note 16)	1,141	--	166	--	3,470
Customer deposits payable	604	53	--	--	--
Advances payable (Note 16)	--	--	--	5	--
Total liabilities	52,843	3,463	7,281	34,287	32,311
Deferred inflows of resources:					
Deferred housing loan payments (Note 5)	--	--	--	--	2,614
Deferred miscellaneous unavailable revenue (Note 1)	--	--	--	--	--
Total deferred inflows of resources	--	--	--	--	2,614
Fund balances (Note 14):					
Nonspendable	56	--	--	255	--
Restricted	62,161	31,011	28,167	4,246	24,913
Committed	181,517	--	--	2,656	345
Unassigned	19,839	--	--	--	--
Total fund balances	263,573	31,011	28,167	7,157	25,258
Total liabilities, deferred inflows of resources, and fund balances	$ 316,416	$ 34,474	$ 35,448	$ 41,444	$ 60,183

The notes to the financial statements are an integral part of this statement.

	Flood Control District	Affordable Housing	Fire Protection District	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets and deferred outflows of resources						
Assets:						
Cash and investments (Note 3)	$ 72,216	$ 14,212	$ 23,812	$ 26,113	$ 53,130	$ 530,537
Accounts receivable, net:						
Taxes	--	--	--	--	--	41,140
Licenses, permits, and franchises	--	--	--	--	262	767
Fines, forfeitures, and penalties	--	--	--	--	225	229
Use of money and property	68	6	22	20	53	812
Intergovernmental	--	2,653	730	2,821	1,508	71,034
Charges for services	9	--	10,138	1	407	26,346
Other	--	--	4	--	564	2,387
Due from other funds (Note 16)	9	--	--	--	1,005	9,307
Prepaid items	--	--	--	--	--	305
Other receivables	--	--	--	--	--	887
Advances to other funds (Note 16)	--	--	--	--	--	6
Restricted cash and investments (Note 4)	--	--	--	--	15,632	26,598
Housing loans receivable	--	38,381	--	--	--	40,791
Housing loans interest receivable	--	9,865	--	--	--	10,069
Total assets	72,302	65,117	34,706	28,955	72,786	761,215
Deferred outflows of resources:						
Deferred payables (Note 1)	--	--	--	--	--	616
Total deferred outflows of resources	--	--	--	--	--	616
Total assets and deferred outflows of resources	$ 72,302	$ 65,117	$ 34,706	$ 28,955	$ 72,786	$ 761,831
Liabilities, deferred inflows of resources, and fund balances						
Liabilities:						
Accounts payable	$ 1,493	$ 3,780	$ 919	$ 1,231	$ 1,348	$ 36,411
Salaries and benefits payable	282	--	3,676	--	1,272	30,483
Other payables	158	--	2	652	103	30,503
Advances from grantors and third parties (Note 8)	--	3,608	--	--	(45)	44,246
Unearned revenue	--	--	--	--	--	1,582
Due to other funds (Note 16)	--	888	--	1,721	2,057	9,443
Customer deposits payable	--	--	2	--	13,770	14,429
Advances payable (Note 16)	--	--	--	--	--	5
Total liabilities	1,933	8,276	4,599	3,604	18,505	167,102
Deferred inflows of resources:						
Deferred housing loan payments (Note 5)	--	48,246	--	--	--	50,860
Deferred miscellaneous unavailable revenue (Note 1)	--	--	--	2,224	--	2,224
Total deferred inflows of resources	--	48,246	--	2,224	--	53,084
Fund balances (Note 14):						
Nonspendable	--	--	--	--	700	1,011
Restricted	70,369	8,595	30,107	8,936	42,188	310,693
Committed	--	--	--	14,191	11,393	210,102
Unassigned	--	--	--	--	--	19,839
Total fund balances	70,369	8,595	30,107	23,127	54,281	541,645
Total liabilities, deferred inflows of resources, and fund balances	$ 72,302	$ 65,117	$ 34,706	$ 28,955	$ 72,786	$ 761,831

Amounts reported for governmental activities in the Statement of Net Position are different because (Note 2):

Total fund balances - governmental funds	$ 541,645
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the Balance Sheet.	811,412
Note receivable for governmental activities from the RDA Successor Agency private-purpose trust fund.	9,130
Other receivable not due in the current period is not a current financial resource, therefore, it is not reported in the Balance Sheet.	1,247
Deferred outflows of resources reported in the Statement of Net Position.	339,620
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Balance Sheet.	(1,111,689)
Accrued interest on long-term debt.	(142)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds and recognized as revenue in the Statement of Activities.	53,084
Deferred inflows of resources reported in the Statement of Net Position.	(68,257)
Internal Service Funds are used by management to charge the costs of fleet management, information technology, risk management, communications, and utility services to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Statement of Net Position.	65,620
Adjustment for Internal Service Funds are necessary to "close" those funds by charging additional amounts to participating business-type activities to completely cover the Internal Service Funds' costs for the year.	652
Net position of governmental activities	$ 642,322

COUNTY OF SANTA BARBARA, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	General	Roads	Public Health	Social Services	Behavioral Wellness
Revenues					
Taxes	$ 283,834	$ 8,559	$ --	$ --	$ --
Licenses, permits, and franchises	4,928	492	686	88	--
Fines, forfeitures, and penalties	6,432	--	413	11	24
Use of money and property	1,016	(77)	(21)	184	454
Intergovernmental	162,349	23,406	36,073	153,260	67,388
Charges for services	65,347	959	52,182	85	53,172
Other	6,233	376	335	1,213	3,842
Total revenues	530,139	33,715	89,668	154,841	124,880
Expenditures					
Current:					
Policy & executive	23,531	--	--	--	--
Public safety	256,339	--	--	--	--
Health & human services	4,767	--	96,459	161,486	118,928
Community resources & public facilities	38,960	49,984	--	--	--
General government & support services	58,257	--	--	--	--
General county programs	9,003	--	--	--	--
Debt service:					
Principal	--	--	--	--	--
Interest	--	--	--	--	--
Capital outlay	--	--	--	--	--
Total expenditures	390,857	49,984	96,459	161,486	118,928
Excess (deficiency) of revenues over (under) expenditures	139,282	(16,269)	(6,791)	(6,645)	5,952
Other financing sources (uses)					
Transfers in (Note 16)	9,488	7,918	17,378	9,197	8,262
Transfers out (Note 16)	(90,306)	(234)	(1,672)	(365)	(1,430)
Sale of capital assets	39	42	--	--	1,596
Total other financing sources (uses)	(80,779)	7,726	15,706	8,832	8,428
Net change in fund balances	58,503	(8,543)	8,915	2,187	14,380
Fund balances - beginning	201,899	33,883	18,392	4,970	10,342
Prior period adjustment (Note 21)	3,171	5,671	860	--	536
Fund balances - beginning, as restated	205,070	39,554	19,252	4,970	10,878
Fund balances - ending	$ 263,573	$ 31,011	$ 28,167	$ 7,157	$ 25,258

The notes to the financial statements are an integral part of this statement.

Flood Control District	Affordable Housing	Fire Protection District	Capital Projects	Other Governmental Funds	Total Governmental Funds	
						Revenues
$ 13,092	$ --	$ 60,375	$ --	$ 6,505	$ 372,365	Taxes
20	--	22	--	13,528	19,764	Licenses, permits, and franchises
1	--	3	--	2,584	9,468	Fines, forfeitures, and penalties
(116)	(45)	(133)	(36)	417	1,643	Use of money and property
7,878	10,854	2,174	1,042	22,216	486,640	Intergovernmental
4,011	255	32,396	357	8,500	217,264	Charges for services
6	2,232	321	452	7,765	22,775	Other
24,892	13,296	95,158	1,815	61,515	1,129,919	Total revenues
						Expenditures
						Current:
--	--	--	--	--	23,531	Policy & executive
--	--	91,795	--	15,747	363,881	Public safety
--	--	--	--	20,884	402,524	Health & human services
26,065	23,088	--	--	21,238	159,335	Community resources & public facilities
--	--	--	--	3,524	61,781	General government & support services
--	--	--	--	375	9,378	General county programs
						Debt service:
--	--	--	--	4,417	4,417	Principal
--	--	--	--	1,530	1,530	Interest
--	--	--	15,309	--	15,309	Capital outlay
26,065	23,088	91,795	15,309	67,715	1,041,686	Total expenditures
(1,173)	(9,792)	3,363	(13,494)	(6,200)	88,233	Excess (deficiency) of revenues over (under) expenditures
						Other financing sources (uses)
74	14,230	615	10,570	25,368	103,100	Transfers in (Note 16)
(108)	(2,706)	(3,668)	(376)	(7,744)	(108,609)	Transfers out (Note 16)
36	--	32	--	--	1,745	Sale of capital assets
2	11,524	(3,021)	10,194	17,624	(3,764)	Total other financing sources (uses)
(1,171)	1,732	342	(3,300)	11,424	84,469	Net change in fund balances
71,540	6,863	27,525	18,413	41,356	435,183	Fund balances - beginning
--	--	2,240	8,014	1,501	21,993	Prior period adjustment (Note 21)
71,540	6,863	29,765	26,427	42,857	457,176	Fund balances - beginning, as restated
$ 70,369	$ 8,595	$ 30,107	$ 23,127	$ 54,281	$ 541,645	Fund balances - ending

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

Net change in fund balances - governmental funds	$ 84,469
Capital assets:	
The acquisition of capital assets uses current financial resources but has no effect on net position.	43,145
The cost of capital assets is allocated over their estimated useful lives and reported as depreciation/amortization expense in the Statement of Activities.	(19,259)
Proceeds from the sale of capital assets provide current financial resources but have no effect on net position.	(1,745)
Net gain on the disposal of capital assets does not affect current financial resources but increases net position.	1,745
Long-term debt:	
Principal payments on long-term debt use current financial resources but have no effect on net position.	4,417
Measurement focus:	
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(369)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Change in interest payable liability	18
Change in compensated absences liability	(3,369)
Change in estimated litigation liability	(143)
Change in accrued net OPEB liability	8,589
Change in accrued net pension liability	(36,590)
Amortization of bond premiums/discounts and issuance costs	(10)
Internal service funds:	
Internal service funds are used by management to charge the costs of information technology, fleet management, risk management, communication services, and utilities to individual funds. The net revenue of internal service funds is reported within governmental activities.	4,865
Change in net position of governmental activities	$ 85,763

COUNTY OF SANTA BARBARA, CALIFORNIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2021 (in thousands)

	Business-Type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
	Resource Recovery	Laguna Sanitation	Total	
Assets				
Current assets:				
Cash and investments (Note 3)	$ 49,184	$ 69,814	$ 118,998	$ 63,396
Accounts receivable, net:				
Licenses, permits, and franchises	333	--	333	--
Use of money and property	63	75	138	57
Charges for services	9,501	48	9,549	89
Other	--	9	9	--
Due from other funds	--	--	--	136
Inventories	224	34	258	226
Total current assets	59,305	69,980	129,285	63,904
Noncurrent assets:				
Other receivables (Note 5)	917	13	930	339
Restricted cash and investments (Note 4)	39,770	615	40,385	10
Capital assets, not being depreciated/amortized (Note 6)	145,471	26,763	172,234	--
Capital assets, net of accumulated depreciation/amortization (Note 6)	49,824	30,102	79,926	32,209
Total noncurrent assets	235,982	57,493	293,475	32,558
Total assets	295,287	127,473	422,760	96,462
Deferred outflows of resources				
Deferred pensions (Note 18)	4,704	1,168	5,872	5,384
Deferred OPEB (Note 19)	241	52	293	279
Total deferred outflows of resources	4,945	1,220	6,165	5,663
Liabilities				
Current liabilities:				
Accounts payable	4,075	7,614	11,689	2,046
Salaries and benefits payable	481	114	595	523
Interest payable	610	86	696	--
Other payables	6,579	--	6,579	--
Customer deposits payable	--	22	22	--
Compensated absences (Note 10)	526	161	687	647
Certificates of participation payable (Note 10)	2,970	780	3,750	--
Other short - term liabilities	--	--	--	1,303
Bonds and notes payable (Note 10)	--	863	863	427
Liability for self-insurance claims (Note 11)	--	--	--	4,588
Landfill closure/postclosure care costs (Note 13)	813	--	813	--
Total current liabilities	16,054	9,640	25,694	9,534
Noncurrent liabilities:				
Compensated absences (Note 10)	144	--	144	255
Certificates of participation payable, net (Note 10)	160,410	27,291	187,701	--
Bonds and notes payable (Note 10)	--	1,811	1,811	2,371
Liability for self-insurance claims (Note 11)	--	--	--	6,169
Landfill closure/postclosure care costs (Note 13)	33,303	--	33,303	--
Net pension liability (Note 18)	13,667	3,394	17,061	15,643
Net OPEB liability (Note 19)	1,654	359	2,013	1,911
Total noncurrent liabilities	209,178	32,855	242,033	26,349
Total liabilities	225,232	42,495	267,727	35,883
Deferred inflows of resources				
Deferred pensions (Note 19)	430	107	537	492
Deferred OPEB (Note 19)	111	24	135	130
Total deferred inflows of resources	541	131	672	622
Net position				
Net investment in capital assets	53,429	45,110	98,539	29,411
Unrestricted	21,030	40,957	61,987	36,209
Total net position	$ 74,459	$ 86,067	160,526	$ 65,620
Adjustment to reflect the allocation of the internal service funds' cumulative net loss			(653)	
Net position of business-type activities			$ 159,873	

The notes to the financial statements are an integral part of this statement.

COUNTY OF SANTA BARBARA, CALIFORNIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Resource Recovery	Laguna Sanitation	Total	
Operating revenues				
Charges for services	$ 32,919	$ 14,891	$ 47,810	$ 72,379
Sale of scrap and recyclables	60	--	60	--
Self-insurance recovery	--	--	--	1,177
Other operating revenues	4,284	26	4,310	587
Total operating revenues	37,263	14,917	52,180	74,143
Operating expenses				
Salaries and benefits	9,837	2,218	12,055	12,271
Services and supplies	7,935	4,080	12,015	44,421
Self-insurance claims	--	--	--	8,058
Contractual services	5,598	386	5,984	880
Depreciation and amortization	3,072	1,352	4,424	6,476
County overhead allocation	512	208	720	3,256
Closure/postclosure care costs	813	--	813	--
Total operating expenses	27,767	8,244	36,011	75,362
Operating income (loss)	9,496	6,673	16,169	(1,219)
Non-operating revenues (expenses)				
Use of money and property	195	21	216	73
Interest expense	(6,203)	(505)	(6,708)	(96)
Gain on sale of assets	667	33	700	116
Settlements and damages	(55)	--	(55)	--
State and federal aid	32	--	32	--
Other non-operating revenues	2,958	97	3,055	568
Total non-operating revenues (expenses), net	(2,406)	(354)	(2,760)	661
Income (loss) before transfers	7,090	6,319	13,409	(558)
Transfers in (Note 16)	110	11	121	6,288
Transfers out (Note 16)	(44)	--	(44)	(856)
Total transfers, net	66	11	77	5,432
Change in net position	7,156	6,330	13,486	4,874
Total net position - beginning	67,303	79,737	147,040	60,746
Total net position - ending	$ 74,459	$ 86,067	$ 160,526	$ 65,620

Change in net position - total enterprise funds	$ 13,486
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	9
Change in net position of business-type activities	$ 13,495

The notes to the financial statements are an integral part of this statement.

COUNTY OF SANTA BARBARA, CALIFORNIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Resource Recovery	Laguna Sanitation	Total	
Cash flows from operating activities				
Receipts from interfund services provided	$ --	$ --	$ --	$ 72,967
Receipts from self-insurance recovery	--	--	--	1,177
Receipts from customers and users	32,331	14,892	47,223	--
Payments to employees	(9,726)	(2,385)	(12,111)	(10,862)
Payments to suppliers	(19,031)	(221)	(19,252)	(44,937)
Payments for self-insurance claims	--	--	--	(8,953)
County overhead allocation payments to the General Fund	(512)	(208)	(720)	(3,256)
Other receipts	5,982	40	6,022	568
Net cash provided by operating activities	9,044	12,118	21,162	6,704
Cash flows from noncapital financing activities				
Transfers from other funds	110	11	121	6,288
Transfers to other funds	(44)	--	(44)	(856)
Payment on landfill settlement	(55)	--	(55)	--
Negative cash balance implicitly financed	(127)	--	(127)	--
State and federal aid	32	--	32	--
Net cash provided (used) by noncapital financing activities	(84)	11	(73)	5,432
Cash flows from capital and related financing activities				
Purchase of capital assets	(34,142)	(19,706)	(53,848)	(5,892)
Proceeds from sale of capital assets	667	34	701	206
Principal paid on certificates of participation	(495)	--	(495)	--
Interest and fees paid on certificates of participation	(7,335)	--	(7,335)	--
Principal paid on bonds and notes payable	--	(839)	(839)	(355)
Interest and fees paid on bonds and notes payable	--	--	--	(96)
Proceeds from certificates of participation premiums	--	3,126	3,126	--
Proceeds of long-term debt	--	24,510	24,510	614
Federal interest subsidy on bonds payable	--	57	57	--
Net cash provided (used) by capital and related financing activities	(41,305)	7,182	(34,123)	(5,523)
Cash flows from investing activities				
Use of money and property received	1,023	465	1,488	558
Changes in fair value of investments	(707)	(337)	(1,044)	(373)
Net cash provided by investing activities	316	128	444	185
Net change in cash and cash equivalents	(32,029)	19,439	(12,590)	6,798
Cash and cash equivalents - beginning	120,983	50,990	171,973	56,608
Cash and cash equivalents - ending	$ 88,954	$ 70,429	$ 159,383	$ 63,406
Reconciliation of cash and cash equivalents to the Statement of Net Position				
Cash and investments per Statement of Net Position	$ 49,184	$ 69,814	$ 118,998	$ 63,396
Restricted cash and investments per Statement of Net Position	39,770	615	40,385	10
Total cash and cash equivalents per Statement of Net Position	$ 88,954	$ 70,429	$ 159,383	$ 63,406
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ 9,496	$ 6,673	$ 16,169	$ (1,219)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	3,072	1,352	4,424	6,476
Other non-operating revenue	5,982	40	6,022	568
Changes in assets, deferred inflows of resources, liabilities, and deferred outflows of resources:				
Accounts and other receivables	(4,935)	(26)	(4,961)	4
Inventories	(13)	2	(11)	12
Accounts payable	(5,485)	4,243	(1,242)	352
Salaries and benefits payable	112	(167)	(55)	1,406
Customer deposits	--	1	1	--
Liability for self-insurance claims	--	--	--	(895)
Landfill closure/postclosure care cost liability	815	--	815	--
Net cash provided by operating activities	$ 9,044	$ 12,118	$ 21,162	$ 6,704

The notes to the financial statements are an integral part of this statement.

COUNTY OF SANTA BARBARA, CALIFORNIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2021 (in thousands)

	Pension (and Other Employee Benefits) Trust Funds	Investment Trust Fund	Private-purpose Trust Fund	Other Custodial Funds
Assets				
Cash and investments (Note 3)	$ --	$ 1,091,129	$ 1,489	$ 24,644
Other cash and cash equivalents (Note 3)	19,177	--	--	--
Collateral held for securities lent	13,609	--	--	--
Short-term investments	53,491	--	--	--
Total other cash and cash equivalents	86,277	--	--	--
Investments:				
Private equity	493,546	--	--	--
Domestic equity	789,478	--	--	--
Core fixed income	611,150	--	--	--
Developed markets non-US equity	406,768	--	--	--
Emerging market equity	318,037	--	--	--
Non-core fixed income	287,020	--	--	--
Private credit	90,111	--	--	--
Real assets/real return	604,896	--	--	--
Real estate	348,687	--	--	--
Prepaids	3,402	--	--	--
Receivables:				
Contributions	9,630	--	--	--
Accrued interest	2,162	--	--	--
Dividends	3,812	--	--	--
Security sales	24,097	--	--	--
Other receivables	--	1,053	1	104
Restricted cash and investments (Note 4)	--	--	1,423	--
Total assets	4,079,073	1,092,182	2,913	24,748
Liabilities				
Accounts payable	736	18,077	--	309
Collateral held for securities lent	13,609	--	--	--
Benefits payable	14,083	--	--	--
Security purchases	13,277	--	--	--
Long-term debt:				
Due in more than one year	--	--	9,130	--
Total liabilities	41,705	18,077	9,130	309
Net position				
Restricted for:				
Pensions	3,990,899	--	--	--
Postemployment benefits other than pensions	46,469	--	--	--
Pool participants	--	1,074,105	--	--
Redevelopment agency dissolution	--	--	(6,217)	--
Individuals, organizations, and other governments	--	--	--	24,439
Total net position (deficit)	$ 4,037,368	$ 1,074,105	$ (6,217)	$ 24,439

The notes to the financial statements are an integral part of this statement.

COUNTY OF SANTA BARBARA, CALIFORNIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Pension (and Other Employee Benefits) Trust Funds	Investment Trust Fund	Private-purpose Trust Fund	Other Custodial Funds
Additions				
Property tax collections	$ --	$ --	$ 1,406	$ 3,659,255
Other taxes and fees collected for other governments	--	--	--	34,195
Contributions:				
Employer	164,761	--	--	--
Plan members	35,520	--	--	--
Private contributions	--	5,163,416	--	3,524
Total contributions	200,281	5,163,416	--	3,524
Investment earnings:				
Net increase (decrease) in the fair value of investments	809,283	(6,867)	(9)	(154)
Interest	9,933	5,135	5	433
Dividends	26,586	--	--	--
Total net investment earnings	845,802	(1,732)	(4)	279
Less investment expense	(15,434)	--	--	--
Net investment earnings	830,368	(1,732)	(4)	279
Net securities income	179			
Total miscellaneous income	600			
Total additions	1,031,428	5,161,684	1,402	3,697,253
Deductions				
Beneficiary payments	213,331	--	--	3,597
Member withdrawls	1,578	--	--	--
Administrative expenses	5,919	--	2	--
Distributions from pooled investments	--	5,113,066	--	--
Property tax distributions	--	--	--	3,665,573
Payments to other local governments	--	--		33,406
Interest on note payable	--	--	442	--
Total deductions	220,828	5,113,066	444	3,702,576
Net increase (decrease) in fiduciary net position	810,600	48,618	958	(5,323)
Net position (deficit) - beginning	--	1,037,141	(7,175)	--
Prior period adjustment (Note 21)	3,226,768	(11,654)	--	29,762
Net position (deficit) - beginning, as restated	3,226,768	1,025,487	(7,175)	29,762
Net position (deficit) - ending	$ 4,037,368	$ 1,074,105	$ (6,217)	$ 24,439

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

TABLE OF CONTENTS - NOTES TO THE FINANCIAL STATEMENTS

Page

Reporting Entity and Accounting Policies

Statement Reconciliation

Detailed Notes on All Funds

Other Information

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

The County of Santa Barbara (County), which was established by an act of the California legislature on February 18, 1850, is a legal subdivision of the State of California charged with governmental powers. The County's powers are exercised through a five-member Board of Supervisors (Board) which, as the governing body of the County, is responsible for the legislative and executive control of the County. As required by generally accepted accounting principles (GAAP) in the United States of America, the accompanying financial statements present the activities of the County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units

While each of these component units is legally separate from the County, the County is financially accountable for these entities. Financial accountability is primarily demonstrated by the County's Board acting as, or appointing, the governing board for each of the component units and its ability to impose its will. Because of their relationship with the County and the nature of their operations, component units are, in substance, part of the County's operations and, accordingly, the activities of these component units are combined, or blended, with the activities of the County for purposes of reporting in the accompanying basic financial statements.

Additional detailed information of the County's component units can be obtained from the County Auditor-Controller's office located at 105 East Anapamu Street, Room 303, Santa Barbara, CA 93101.

Descriptions of the County's blended component units are as follows:

Component Unit	**Included in the Reporting Entity Because:**	**Separate Financial Statements**
Flood Control and Water Conservation Districts: established to control flood and storm waters and to conserve such waters for beneficial public use. Revenues consist primarily of property taxes and aid from other governmental units.	1) Unit's board is the same as the Board and 2) County Management has operational responsibility	Not available
Santa Barbara County Fire Protection District: established to provide a full range of fire services to most of the unincorporated territory of Santa Barbara County; the cities of Buellton, Solvang, and Goleta; and private lands within the National Forest. Revenues consist primarily of property taxes.	1) Unit's board is the same as the Board and 2) County Management has operational responsibility	Not available

Public and Educational Access: established to receive grant revenue from the local cable television franchisee. The primary objectives and purposes of the fund are the support of educational and public information through programs aimed at expanding public access and educational access to telecommunication services.	1) Unit's board is the same as the Board and 2) County Management has operational responsibility	Not available
In-Home Supportive Services Public Authority (IHSS): established to act as the employer of record for IHSS individual providers. As an administrative unit, IHSS carries out functions prescribed in Welfare & Institutions Code Section 12301.6. Those functions include a provider screening process, a registry that will match eligible providers and consumers, and collective bargaining with providers and their representatives. IHSS also offers access to training for providers and consumers while continuing to allow for consumer choice in the selection of providers.	1) Unit's board is the same as the Board and 2) County Management has operational responsibility	Not available
County Service Areas: established to provide specific services to distinct geographical areas within the County. These services include street lighting, open space maintenance, library, community sewer sanitation and maintenance, and road maintenance. Revenues consist primarily of property taxes and benefit assessments.	1) Unit's board is the same as the Board and 2) County Management has operational responsibility	Not available
Community Facilities Districts: established to allow for financing of public improvements and services. The services and improvements that can be financed include streets, sewer systems and other basic infrastructure, police protection, fire protection, ambulance services, schools, parks, libraries, museums, and other cultural facilities. Revenues consist primarily of Mello-Roos property taxes.	1) Unit's board is the same as the Board and 2) County Management has operational responsibility	Not available
Lighting Districts: established to provide operation and maintenance of streetlights in certain areas of the County. Revenues consist primarily of property taxes and benefit assessments.	1) Unit's board is the same as the Board and 2) County Management has operational responsibility	Not available
Sandyland Seawall Maintenance District: established to provide for maintenance of a seawall constructed in the Sandyland Cove area. Revenues consist primarily of benefit assessments levied against those properties adjacent to that beachfront area.	1) Unit's board is the same as the Board and 2) County Management has operational responsibility	Not available

Water Agency: established to prepare investigations and reports on the County's water requirements, project development, and importation of water from the State Water Project. The Water Agency provides technical assistance to County departments, water districts, and the public relative to ground water availability and water-well locations and design. The Water Agency also administers the Cachuma Project and Twitchell Project contracts with the U.S. Bureau of Reclamation.	1) Unit's board is the same as the Board and 2) County Management has operational responsibility	Not available
Santa Barbara County Finance Corporation: established on July 28, 1983, this corporation is a nonprofit public benefit corporation and, in general, its purpose is to: purchase, lease or otherwise acquire real property; construct, install or acquire public improvements; operate, maintain, repair or improve real or personal property; and borrow money and become indebted for the purpose of acquiring and improving such property. The corporation facilitates financing for the County and other public entities.	1) Unit provides services almost entirely to the County	Not available
Laguna County Sanitation District: established to provide water and sewage treatment services to users. The costs of operating this district are charged to the users in the form of water charges and sewer fees.	1) Unit's board is the same as the Board and 2) County Management has operational responsibility	Not available

The accompanying financial statements include an Investment Trust Fund that holds assets of numerous self-governed school and special districts for which the County Treasurer acts as custodian. The financial reporting for these governmental entities, which are independent of the County, is limited to the total amount of cash and investments, and other assets, and the related fiduciary responsibility of the County for disbursement of these assets. The County Auditor-Controller makes disbursements upon the request of the responsible school or special district officers. Activities of the school and special districts are administered by separate boards and are independent of the County Board. The Board has no effective authority to govern, manage, approve budgets, assume financial accountability, establish revenue limits, or to appropriate surplus funds available in these entities.

The accompanying financial statements also include a statutorily required Private-Purpose Trust Fund for the Santa Barbara County Redevelopment Successor Agency (Successor Agency). The Successor Agency was created to serve, in a fiduciary capacity, as custodian for the assets and to wind down the affairs of the former Redevelopment Agency (RDA). The Successor Agency operates under the auspices of a legislatively formed oversight board who has authority over its financial affairs and supervises its operations and timely dissolution. Its assets are held in trust for the benefit of the taxing entities within the former RDA boundaries and as such are not available for County use.

Discrete Component Unit

The First 5 Children and Families Commission (Commission) was established by the California Children and Families Act of 1998 (Proposition 10). The Commission invests tobacco tax revenues in programs that improve the lives of children prenatal through age 5 and their families. The Commission is governed by a nine-member Board of Commissioners, appointed by the County Board. The Board of Commissioners, as the governing body of the Commission, is responsible for the operation of the Commission. The Commission is discretely presented because its board is not substantively the same as the County's. A separately issued financial report can be obtained online at http://first5santabarbaracounty.org/ or by writing to: First 5 Children and Families Commission, 5385 Hollister Avenue, Building 10, Suite 110, Goleta, CA 93111.

Fiduciary Component Unit

The County pension plan is administered by the Santa Barbara County Employees' Retirement System (SBCERS), which was established on January 1, 1944, and is administered by the Board of Retirement to provide service retirement, disability, death, and survivor benefits for employees of the County and participating districts. SBCERS also administers the County's agent multiple-employer defined benefit postemployment healthcare plan (OPEB Plan). The Santa Barbara County Board of Supervisors and the governing boards of the participating districts adopt resolutions, as permitted by the California State Government Code §31450 (County Employees' Retirement Law of 1937 (CERL)), which affect the benefits of the SBCERS members. SBCERS is governed by the California Constitution; CERL; and the bylaws, policies and procedures adopted by the SBCERS' Board of Retirement. SBCERS is reported in the Pension and OPEB Trust Funds on the Statement of Fiduciary Net Position - Fiduciary Funds of the basic financial statements and has been included because there is a financial benefit or burden relationship and the County appoints a voting majority of the Board. SBCERS issues its own Annual Comprehensive Financial Report (ACFR) that may be obtained by writing to SBCERS at 130 Robin Hill Road, Suite 100, Goleta, CA 93117 or on the SBCERS website at: http://cosb.countyofsb.org/sbcers.

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following GASB Statements have been implemented in the current financial statements:

Statement No. 84	*"Fiduciary Activities"*	The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. (FY 20/21)
Statement No. 90	*"Majority Equity Interests"*	The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. (FY 20/21)
Statement No. 97	*"Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans"*	Portions of this Statement related to GASB 84 are effective for reporting periods beginning after December 15, 2019. (FY 20/21)

IN THOUSANDS 56 NOTES TO THE FINANCIAL STATEMENTS

Financial Statements

The County's financial statements consist of the following:

- Governmentwide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

The governmentwide financial statements consist of the Statement of Net Position and the Statement of Activities and report information on all of the nonfiduciary activities of the primary government and its component units. All internal balances in the Statement of Net Position have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column. The Statement of Activities presents function revenue and expenses of governmental activities and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

In the Statement of Activities, internal service funds' revenue and expenses related to interfund services have been eliminated. Revenue and expenses related to services provided to external customers have not been eliminated and are presented within governmental activities. As a general rule, interfund activities (e.g., interfund transfers and interfund reimbursements) have been eliminated in the governmentwide Statement of Activities. Exceptions to the general rule are interfund services provided and used between functions, such as mental health services provided to certain inmates at the County jail. Elimination of these interfund activities would distort the direct costs and program revenues reported for the various functions concerned.

The governmentwide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues *(governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges *(business-type activities)*. The governmental activities of the County include policy and executive, public safety, health and human services, community resources and public facilities, general government and support services, and general County programs. The business-type activities of the County include resource recovery and waste management and sanitation operations.

The Statement of Activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are allocated based on the annual Countywide Cost Allocation Plan which allocates the cost of central service departments to service user departments. Costs allocated in the Cost Allocation Plan include administrative and support costs such as budget preparation and oversight, County counsel, landscaping, payroll, utilities, and facilities maintenance. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions, including special assessments, that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded from program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the governmentwide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The governmentwide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds' financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as a deferred inflow of resources as soon as all eligibility requirements have been met, except for the timing requirement.

Governmental funds 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. The County, in general, considers revenues available if they are collected within 180 days after fiscal year-end, except for property taxes, which the County considers available if they are collected within 60 days after fiscal year-end. Grants, Medi-Cal reimbursements and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures that meet accrual criteria are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, and claims and judgments which are recognized when payment is due.

For the governmental funds financial statements, the County considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, sales taxes, franchise taxes, licenses, interest, special assessments, charges for services and other miscellaneous revenue are all considered to be susceptible to accrual, and have been recognized as revenue in the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All expenditure-driven grants are recorded at the time of receipt or earlier. If qualifying expenditures have been incurred and all other eligibility requirements have been met, expenditure-driven grants are recognized as revenue. When all eligibility requirements are met, except for the timing requirement, a deferred inflow of resources is reported until time requirements have passed.

The accounts of the County are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained, consistent with legal and managerial requirements.

In accordance with GAAP, the County reports on each major governmental fund. By definition, the general fund is always considered a major fund. Governmental funds other than the general fund must be reported as major funds if they meet both the ten percent and five percent criterion, defined respectively, 1) An individual governmental fund reports at least ten percent of any of the following: a) total governmental fund assets and deferred outflows of resources, b) total governmental fund liabilities and deferred inflows of resources, c) total governmental fund revenues, or d) total governmental fund expenditures; 2) an individual governmental fund reports at least five percent of the aggregated total for both governmental funds and enterprise funds of any one of the items for which it met the ten percent criterion. In addition, a fund may be reported as major if it is believed to be of particular importance to financial statement users.

The County reports the following major governmental funds:

- The **General Fund** is the County's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the County except those required to be accounted for in specialized funds.

- The **Roads Fund** is used to account for the planning, design, construction, maintenance and administration of County roads. It is also used to account for traffic safety and other transportation planning activities.

Funding comes primarily from local sales and state highway user taxes, along with state and federal highway improvement grants.

- The **Public Health Fund** accounts for a variety of preventative health programs, outpatient services and inmate health programs. The fund is also used to account for Environmental Health and Emergency Medical Services. Revenue sources are primarily state and federal grants and vehicle license fees.

- The **Social Services Fund** accounts for a variety of public assistance and social service programs that are funded primarily from state and federal grants.

- The **Behavioral Wellness Fund** is used to account for mandated community health services under the California Mental Health Act including a mandated responsibility to "guarantee and protect public safety." Revenue sources are primarily charges for services, sales tax revenue and state grants.

- The **Flood Control District Fund** is used to account for the provision of flood protection activities. Revenues come from a variety of sources including property taxes, charges for services, benefits assessments, and federal grants.

- The **Affordable Housing Fund** is used to account for the various affordable housing programs administered by the County and provides local match to leverage federal funding for the creation of affordable housing.

- The **Fire Protection District Fund** is used to account for the finances of the Santa Barbara County Fire Department. The Fire Department utilizes property tax revenues, which are collected for public safety within the district's boundaries. The Fire Department provides a full range of emergency services for most of the unincorporated territory of Santa Barbara County; the Cities of Buellton, Solvang, and Goleta; and private lands within the National Forest. The National Forest and military installations provide their own fire protection.

- The **Capital Projects Fund** is used to account for financial resources used in constructing major facilities.

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 a proprietary fund's principal ongoing operations. The principal operating revenues of the Resource Recovery and Laguna Sanitation enterprise funds and of the County's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation/amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County reports the following proprietary funds:

- The **Resource Recovery and Waste Management Fund (Resource Recovery)** accounts for the activities of refuse collection, disposal, landfill operations, and recycling programs.

- The **Laguna County Sanitation District Fund (Laguna Sanitation)** accounts for the activities of sewer collection and sewage treatment in the Orcutt area.

- **Internal Service Funds** account for information technology, vehicle operations, risk management, communications operations, and utilities operations that provide services to other departments or agencies of the County, or to other governments, on a cost reimbursement basis.

Fiduciary funds include all Trust and Custodial funds, which account for assets held by the County as a trustee or as a custodian for individuals or other government units.

The County reports the following fiduciary funds:

- **Pension (and Other Employee Benefit) Trust Funds** account for the activities of the SBCERS pension plans and Other Postemployment Benefit Trusts Funds, which accumulate resources for pension and other postemployment benefit payments to qualified beneficiaries. The County reports on 2 different pension trust funds.

- The **Investment Trust Fund** accounts for the external portion of the County Treasurer's investment pool, which commingles resources of legally separate local governments within the County in an investment portfolio for the benefit of all participants. These entities include school and community college districts, other special districts governed by local boards, and regional boards and authorities. The County separately maintains these entities' money in 377 individual funds; these funds represent the assets, primarily cash and investments.

- The **Private-Purpose Trust Fund** is a fiduciary fund type used by the County to report trust arrangements under which principal and income benefit other governments. This fund reports the assets, liabilities, and activities of the Santa Barbara County Redevelopment Successor Agency (Successor Agency).

- **Custodial Funds – Other** are funds held by the County in a custodial capacity for individuals or other government units. The County reports on 135 different custodial funds.

Cash and Investments

The County's cash and cash equivalents for Statement of Cash Flows purposes are considered to be cash on hand, demand deposits, restricted cash, and investments held by the County Treasurer in a cash management investment pool (Pool). The County has stated required investments at fair value in the accompanying financial statements using the fair value measurement within the fair value hierarchy established by GAAP.

The Pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Treasury Oversight Committee set forth the various investment policies that the County Treasurer must follow.

The Air Pollution Control District and the Santa Barbara County Association of Governments, as well as the public school districts, cemetery districts, fire protection districts, pest control districts, recreation and park districts, and resource conservation districts within the County are required by legal provisions to participate in the County's investment pool. The deposits held for these districts are included in the Investment Trust Fund.

Accounts Receivable and Payable

The County only accrues revenues at fiscal year-end and accrues only those revenues it deems collectible; as such, the County has no allowance for uncollectible accounts. The County expects to collect all accounts receivable within one year. County policy requires that all revenues and expenditures greater than $5 be accrued at fiscal year-end, while revenues and expenditures under $5 may be accrued at fiscal year-end at the discretion of individual departments.

The County levies, collects, and apportions property taxes for all taxing jurisdictions within the County including school and special districts. Article XIIIB of the State of California Constitution limits the property tax levy to support general government services of the various taxing jurisdictions to one dollar per 100 dollars of full cash value. Taxes levied to service voter-approved debt are excluded from this limitation.

Secured property taxes are levied in September of each year based upon the assessed valuation as of the previous January 1 (lien date). They are payable in two equal installments due on November 1 and February 1 and are considered delinquent with penalties after December 10 and April 10, respectively. Unsecured property taxes are due on the January 1 lien date and become delinquent with penalties after August 31.

Since Fiscal Year (FY) 1993-94, the County has used an alternative property tax distribution method referred to as the "Teeter Plan." This method allows for a 100% distribution of the current tax levy to California entities electing the alternative method, as compared to the previous method where only the current levy less any delinquent taxes was distributed. This results in the General Fund receiving distributions of approximately 50-55% in December, 40-45% in April and the remaining 5% in June of each year. This method also provides that all of the delinquent penalties and redemption penalties of the participating entity flow to the County's General Fund. All County entities receiving property taxes were required by statute to participate once the alternative method was elected. All delinquent taxes are recorded as accounts receivable in the General Fund. At June 30, 2021, property taxes receivables of $41,140 are recorded in the General Fund. In addition, the Teeter Plan requires that a property tax loss reserve be maintained in an amount equal to 1% of the current year's secured tax levy, which is shown as a restricted portion of fund balance in the General Fund (see Note 14).

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position by the County that is applicable to a future reporting period and will not be recognized as an outflow of resources (expense/expenditures) until that time. The County, including its discretely presented component unit, recognized deferred outflows of resources related to: 1) Social Services benefit payments that did not meet the grant eligibility timing requirement to be recorded as an expenditure, 2) changes in the net pension liability, and 3) changes in the net OPEB liability.

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position by the County that is applicable to a future reporting period and will not be recognized as an inflow of resources (revenue or a credit to expense) until that time. The County recognized deferred inflows of resources in the governmentwide Statement of Net Position related to: 1) assets and future installment payments of the Service Concession Arrangements, and 2) inflows from changes related to the net pension and net OPEB liabilities.

Under the modified accrual basis of accounting, it is not enough that expenditures are incurred; they must also meet all eligibility requirements other than timing. The County recognized deferred outflows of resources on the Governmental Funds Balance Sheet from Social Service benefit payments. In addition, revenue that is earned must also be available to finance expenditures in the current period under the modified accrual basis of accounting. The County recognized deferred inflows of resources on the Governmental Funds Balance Sheet related to total housing loan principal and interest receivable amounts as well as miscellaneous unavailable revenue from cash advances for state reimbursements due for the Northern Branch Jail Project.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmentwide financial statements as "internal balances." In the governmental funds financial statements, advances between funds are offset by a corresponding nonspendable portion of fund balance in the General Fund, restricted portion in all other funds, to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventories and Prepaid Items

Inventories for both governmental and proprietary funds, consisting principally of materials and supplies held for consumption, are valued at cost, approximating market value, using the first-in, first-out (FIFO) method. The costs of governmental funds inventories are recorded as expenditures when consumed, rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the governmentwide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. The inventories and prepaid items recorded in the governmental funds do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is reported as nonspendable.

Capital Assets

Capital assets include land, land improvements, structures and improvements (e.g., office buildings and building improvements), equipment (e.g., vehicles, machinery and computers), infrastructure (e.g., roads, bridges, sidewalks, and similar items), and intangible assets (e.g., land easements and computer software). The County also includes capital assets held by Service Concession Arrangements (SCA). Capital assets are reported in the applicable governmental or business-type activities columns in the governmentwide financial statements. If purchased or constructed, the capital assets are reported at historical or estimated historical cost. Capital assets received by the County in an SCA and donated capital assets, including works of art and historical treasures, are recorded at the estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The capitalization thresholds are $0 for land, $5 for equipment, and $100 for land improvements, buildings and improvements, infrastructure, and computer software.

Capital assets, with the exception of non-depreciable land, are depreciated/amortized using the straight-line method over the following estimated useful lives:

Land improvements:	Parking lots, sidewalks, outdoor lighting, landscaping, drainage and irrigation systems	5 to 50 years
Buildings & improvements:	Office buildings	20 to 100 years
	Building improvements	5 to 50 years
Equipment:	Automobiles and light trucks	5 to 10 years
	Construction and maintenance vehicles	5 to 20 years
	General machinery and office equipment	2 to 25 years
Infrastructure:	Pavement and traffic signals	15 to 30 years
	Bridges	40 to 75 years
	All other	20 to 99 years
Intangible assets:	Computer software	2 to 10 years

Outlays for capital assets and improvements are capitalized, as projects are constructed, in accordance with the County's capitalization policy. Interest and indirect costs incurred during the construction phase of capital assets of proprietary funds are reflected in the capitalized value of the asset constructed. Depreciation/amortization expense is allocated to functions/programs and included as a direct expense in the Statement of Activities. Capital assets that are under construction or development and have not been completed are put into Work in Progress and are presented as a capital asset not being depreciated on the Statement of Net Position.

IN THOUSANDS 62 NOTES TO THE FINANCIAL STATEMENTS

Lease Obligations

The County leases various assets under both operating and capital lease agreements. In the governmentwide and proprietary funds' financial statements, capital leases and the related lease obligations are reported as liabilities in the applicable governmental activities or proprietary funds Statement of Net Position.

Long-term Debt

In the governmentwide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary funds Statement of Net Position. Bond premiums and discounts are amortized over the life of the bond and issuance costs are expensed in the year incurred.

In the governmental funds financial statements, bond premiums, discounts, and issuance costs are recognized in the period issued. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Interest is reported as an expenditure in the period in which the related payment is made. The matured portion of long-term debt (i.e., portion that has come due for payment) is reported as a liability in the fund financial statement of the related fund.

Compensated Absences

County policy permits employees to accumulate earned but unused vacation, holiday, and sick pay benefits. County policy states that unused sick leave shall not be cashed out at time of separation from service with the County; therefore, no liability for unpaid accumulated sick leave exists. Employees eligible for full retirement benefits, however, may convert their unused sick leave to up to one year's service credit in determining their retirement benefits.

All vacation and holiday pay is accrued when incurred in the governmentwide and proprietary funds' financial statements. In the governmental funds financial statements, a liability for these amounts is reported only if they have matured, for example, as a result of employee resignations or retirements prior to year-end, and payment of the liability is made subsequent to year-end.

Pensions

In governmentwide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting (see Note 18 and the required supplementary information (RSI) section immediately following the Notes to Financial Statements), regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, the County recognizes a net pension liability, which represents the County's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the Santa Barbara County Employees' Retirement System (SBCERS). The net pension liability is measured as of the County's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability, deferred outflows/inflows of resources relating to pensions, and pension expense, information about the fiduciary net position of the County's pension plan with SBCERS and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by SBCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits' terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County's OPEB Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by Santa Barbara County Employees' Retirement System (SBCERS). For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Fund Equity

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the County is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable fund balance* – amounts that cannot be spent because they are either (a) not spendable in form; or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balance* – amounts that can only be used for specific purposes determined by formal action of the County's highest level of decision-making authority (the Board) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- *Assigned fund balance* – amounts that are constrained by the County's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority, or by a body or an official designated for that purpose. This is also the classification for residual funds in the County's special revenue funds. This classification is currently not used by the County.
- *Unassigned fund balance* – the residual classification for the County's General Fund that includes amounts not contained in the other classifications. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The Board establishes, modifies or rescinds fund balance appropriations for commitments and assignments by passage of an ordinance or resolution (ordinances and resolutions are considered of equal authority with respect to fund balance). This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the County's policy to use Restricted fund balance resources first, followed by the unrestricted resources in the Committed and Unassigned fund balances, as they are needed.

Fund Balance Policy

The County believes that sound financial management principles require that sufficient funds be retained by the County to provide a stable financial base at all times. To retain this stable financial base, the County needs to maintain unrestricted fund balance in its County funds sufficient to fund cash flows of the County and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed and unassigned fund balances are considered unrestricted.

The purpose of the County's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

The County has adopted a policy to achieve and maintain unrestricted fund balance in the General Fund of 15% of operating revenue (approximately 60 days working capital) at the close of each fiscal year, consistent with the recommended level promulgated by the Government Finance Officers Association (GFOA).

Additional detailed information, along with the complete *Fund Balance Policy,* can be obtained from the County Auditor-Controller's office located at 105 East Anapamu Street, Room 303, Santa Barbara, CA 93102.

Strategic Reserve Policy

The County has established a separate committed fund balance account known as the Strategic Reserve. The target funding level for the Strategic Reserve is an amount equivalent to 8% of operating revenue (approximately 30 days working capital) for the General Fund. Funding for the Strategic Reserve is appropriated annually by the Board as part of the budget approval process.

The purpose of the County's Strategic Reserve is to:

1. Mitigate economic downturns that reduce County general revenue;
2. Mitigate state or federal budget actions that may reduce County revenue;
3. Maintain core service levels essential to public health, safety, and welfare;
4. Front-fund or completely fund, if necessary, disaster costs or costs associated with emergencies. Only those events that have been legally declared to be a disaster at the local, state, or federal level are eligible for funding from the Strategic Reserve; and
5. Absorb liability settlements in excess of available resources in the County's committed litigation fund balance.

The monies in the Strategic Reserve are separate monies used only for the purposes stated above. The funds are used only to support the operating budget when general revenue increases less than 3% from the prior fiscal year. Any transfer of funds is approved by the Board and does not exceed the amount sufficient to balance the General Fund. Transfers require approval by 3/5 vote during budget hearings and 4/5 vote at all other times during the fiscal year in accordance with the County Budget Act.

As of June 30, 2021, the County's Strategic Reserve fund balance was $38,785.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Future Accounting Pronouncements

The following Governmental Accounting Standards Board (GASB) Statements will be implemented in future financial statements:

Statement No. 87	*"Leases"*	The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. (FY 21/22)
Statement No. 91	*"Conduit Debt Obligations"*	The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. (FY 22/23)
Statement No. 92	*"Omnibus 2020"*	The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. (FY 21/22)
Statement No. 93	*"Replacement of Interbank Offered Rates"*	The requirements of this Statement are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. (FY 21/22)
Statement No. 94	*"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"*	The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. (FY 22/23)
Statement No. 96	*"Subscription-Based Information Technology Arrangements"*	The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. (FY 22/23)
Statement No. 97	*"Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans"*	The requirements of this Statement are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. (FY 21/22) Portions of this Statement related to GASB 84 are effective for reporting periods beginning after December 15, 2019. (FY 20/21)

IN THOUSANDS 66 NOTES TO THE FINANCIAL STATEMENTS

2. RECONCILIATION OF GOVERNMENTWIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for governmental activities in the Statement of Net Position are different from those reported on the Balance Sheet for governmental funds. The following two schedules provide a reconciliation of those differences:

	Total Governmental Funds (Page 41)	Long-term Assets and Liabilities (1)	Internal Service Funds (2) (Page 44)	Adjustments (3)	Total Governmental Activities (Page 38)
Assets & deferred outflows of resources:					
Assets					
Cash and investments	$ 530,538	$ --	$ 63,396	$ --	$ 593,934
Accounts receivable, net:					
Taxes	41,140	--	--	--	41,140
Licenses, permits, and franchises	767	--	--	--	767
Fines, forfeitures, and penalties	229	--	--	--	229
Use of money and property	812	--	57	--	869
Intergovernmental	71,034	--	--	--	71,034
Charges for services	26,346	--	89	--	26,435
Other	2,387	--	--	--	2,387
Due from other funds	9,307	--	136	(9,443)	--
Internal balances	--	--	--	653	653
Inventories	--	--	226	--	226
Prepaid items	305	--	--	--	305
Note receivable	--	9,130	--	--	9,130
Other receivables	887	1,246	339	--	2,472
Advances to other funds	5	--	--	(5)	--
Restricted cash and investments	26,598	--	10	--	26,608
Housing loans receivable	40,791	--	--	--	40,791
Housing loans interest receivable	10,069	--	--	--	10,069
Capital assets	--	811,412	32,209	--	843,621
Total assets	761,215	821,788	96,462	(8,795)	1,670,670
Deferred outflows of resources					
Deferred social services	616	--	--	--	616
Deferred pensions	--	325,898	5,384	--	331,282
Deferred OPEB	--	13,722	279	--	14,001
Total deferred outflows of resouces	616	339,620	5,663	--	345,899
Total assets & deferred outflows of resources	$ 761,831	$ 1,161,408	$ 102,125	$ (8,795)	$ 2,016,569
Liabilities, deferred inflows of resources, & fund balances/net position:					
Liabilities					
Accounts payable	$ 36,411	$ --	$ 2,046	$ --	$ 38,457
Salaries and benefits payable	30,483	--	523	--	31,006
Interest payable	--	142	--	--	142
Other payables and long-term obligations	30,457	1	--	--	30,458
Advances from grantors and third parties	44,292	--	--	--	44,292
Unearned revenue	1,582	--	--	--	1,582
Due to other funds	9,443	--	--	(9,443)	--
Customer deposits payable	14,429	--	--	--	14,429
Advances payable	5	--	--	(5)	--
Compensated absences	--	42,537	902	--	43,439
Capital lease obligations	--	932	--	--	932
Certificates of participation (COP)	--	23,490	--	--	23,490
Other short-term obligations	--	--	1,303	--	1,303
Bonds and notes payable	--	3,130	2,798	--	5,928
Liability for self-insurance claims	--	--	10,757	--	10,757
Estimated litigation liability	--	474	--	--	474
Net pension liability	--	946,823	15,643	--	962,466
Net OPEB liability	--	94,302	1,911	--	96,213
Total liabilities	167,102	1,111,831	35,883	(9,448)	1,305,368
Deferred inflows of resources					
Deferred service concession arrangements	--	32,100	--	--	32,100
Deferred housing loan payments	50,860	(50,860)	--	--	--
Deferred pensions	--	29,828	492	--	30,320
Deferred OPEB	--	6,329	130	--	6,459
Deferred miscellaneous unavailable revenue	2,224	(2,224)	--	--	--
Total deferred inflows of resources	53,084	15,173	622	--	68,879
Fund balances/net position:					
Total fund balances/net position	541,645	34,404	65,620	653	642,322
Total liabilities, deferred inflows of resources, & fund balances/net position	$ 761,831	$ 1,161,408	$ 102,125	$ (8,795)	$ 2,016,569

IN THOUSANDS 67 NOTES TO THE FINANCIAL STATEMENTS

(1) Note receivable for governmental activities from the RDA Successor Agency Private-Purpose Trust Fund.		$ 9,130
Other receivables		1,246
Capital assets used in governmental activities (excluding Internal Service Funds) are not current financial resources and, therefore, are not reported in the Balance Sheet (Note 6).		811,412
Deferred outflows of resources reported in the Statement of Net Position (Note 1).		339,620
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Balance Sheet (Note 10):		
Other payables and long-term obligations	$ (1)	
Compensated absences (excluding Internal Service Funds)	(42,537)	
Capital lease obligations (excluding Internal Service Funds)	(932)	
Certificates of participation	(23,490)	
Bonds and notes payable (excluding Internal Service Funds)	(3,130)	
Estimated liability for litigation	(474)	
Net pension liability (excluding Internal Service Funds)	(946,823)	
Net OPEB liability (excluding Internal Service Funds)	(94,302)	
Total long-term liabilities		(1,111,689)
Accrued interest on long-term debt		(142)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds and recognized as revenue in the Statement of Activities (Note 1).		53,084
Deferred inflows of resources (excluding Internal Service Funds) reported in the Statement of Net Position (Note 1).		(68,257)
		$ 34,404
(2) Internal Service Funds are used by management to charge the costs of information technology, reprographics and digital imaging services, vehicle operations and maintenance, risk management and insurance, communications and utility services to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Statement of Net Position.		$ 65,620
(3) Adjustment for Internal Service Funds are necessary to "close" those funds by charging additional amounts to participating business-type activities to completely cover the Internal Service Funds' costs for the year. Also included are immaterial rounding adjustments.		$ 653

3. CASH AND INVESTMENTS

Cash and investments include the cash balances of substantially all funds, which are pooled and invested by the County Treasurer. The Santa Barbara County Treasury Pool (Pool) is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool.

Custodial Credit Risk Related to Deposits

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Pool will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. This risk is mitigated in that, of the County's total bank balance, $250 is insured by the Federal Deposit Insurance Corporation (FDIC). The remaining $44,438 on deposit is collateralized with securities held by the pledging financial institution's agent. Per Government Code Section 53652, the depository is required to maintain a market value of at least 110% of the pledged collateral.

At June 30, 2021, the carrying amount of the Pool's deposits was $51,952 and the corresponding bank balance was $44,688. The difference of $7,264 was principally due to deposits in transit.

Investments

Pursuant to Section 53646 of the Government Code, the County Treasurer prepares an Investment Policy Statement annually, presents it to the Treasurer's Oversight Committee (TOC) for review and to the Board of Supervisors for approval.

IN THOUSANDS 68 NOTES TO THE FINANCIAL STATEMENTS

The Investment Policy Statement provides the basis for the management of a prudent, conservative investment program. Public funds are invested to provide the maximum security of principal with secondary emphasis on achieving the highest return, while meeting daily cash flow needs. All investments are made in accordance with the Government Code and, in general, the Treasurer's Investment Policy is more restrictive than state law. Types of securities in which the Treasurer may invest include U.S. Treasury and U.S. Government agency securities; state and/or local agency bonds, notes, warrants or certificates of indebtedness; bankers' acceptances; commercial paper; corporate notes; negotiable certificates of deposit; repurchase agreements; reverse repurchase agreements; securities lending; bank deposits; money market mutual funds; the State of California Local Agency Investment Fund (LAIF); Federally Insured Cash Accounts (FICA); and the investment pools managed by a Joint Powers Authority. As of June 30, 2021, all investments are in compliance with State law and with the Treasurer's Investment Policy.

Investments are stated at fair value. Fair value is established quarterly based on quoted market prices received from the securities custodian. Fair value of investments held fluctuates with interest rates. The fair value of participants' position in the Pool is the same as the value of the Pool shares. The value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal.

The Pool participates in LAIF and the California Asset Management Program (CAMP). Investments in LAIF and CAMP are governed by state statutes and overseen by a five member Local Investment Advisory Board and a seven member Board of Trustees, respectively. The Pool participates in the Federally Insured Cash Account program (FICA) which is governed by state and federal statutes and overseen by a seven member Board of Directors.

The California State Treasurer's Office operates the LAIF. LAIF is available for investment of funds administered by California local governments and special districts and is not registered with the SEC as an investment company. The enabling legislation for LAIF is Section 16429.1 et seq. of the California Government Code. The Local Investment Advisory Board (LIAB) provides oversight for LAIF.

CAMP is a California Joint Powers Authority established in 1989 to provide California public agencies with professional investment services. The CAMP Pool is a permitted investment for all local agencies under California Government Code Section 53601(p).

FICA is managed by StoneCastle Cash Management, LLC (StoneCastle) and is registered with the SEC as a Registered Investment Advisor. This program places the County's cash in deposit accounts at banks and savings institutions (Insured Depositories) in a manner that maintains full insurance of the funds by the FDIC. FICA is open to participants that are (a) both "accredited investors" under the Securities Act of 1933 and "qualified purchasers" under the Investment Company Act of 1940 as amended and/or (b) U.S. governmental units.

LAIF, CAMP, and FICA operate and report to participants on an amortized cost basis. For both LAIF and CAMP, the income, gains, and losses, net of administration fees, are allocated based upon the participant's average daily balance. CAMP and LAIF participants share proportionally in any realized gains or losses on investments. For FICA, interest is accrued daily on each Insured Depository and paid monthly. Deposits in LAIF and CAMP are not insured or otherwise guaranteed by the State of California, while the FICA deposit accounts are insured by the FDIC and are fully guaranteed by the U.S. Government. The fair value of the LAIF and CAMP investment pools are approximately equal to the value of the pool shares. The fair value of FICA is approximately equal to the value of all cash on deposit with the Insured Depositories.

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Treasurer mitigates these risks by holding a diversified portfolio of high quality investments.

The following is a summary of the concentration of credit risk distribution by investment type as a percentage of fair value as June 30, 2021:

	Fair Value	% of Portfolio	Max % of Portfolio Pool Policy
Treasurer's Pooled Investments:			
CAMP	$ 45,000	2.49%	Limited by CAMP
LAIF	75,000	4.15%	Limited by LAIF
FICA	5,000	0.28%	Limited by FICA
US Treasuries	219,724	12.17%	100%
Government Agency Bonds	286,726	15.88%	100%
Government Agency Discount Notes	358,923	19.88%	100%
Government Agency Bonds - Callable	815,231	45.15%	50%
	$ 1,805,604	100.00%	

The Treasurer's Investment Policy sets specific parameters by type of investment to be met at the time of purchase. Commercial paper obligations and negotiable certificates of deposit shall be rated by at least two of the three major rating services at a minimum of F1 by Fitch, P-1 by Moody's and A-1 by Standard & Poor's (S&P). Corporate notes, with a maturity greater than three years, shall be rated at a minimum of AA by at least two of the three major rating services. Corporate notes, with a maturity of three years or less, shall be rated at a minimum of AA- by at least two of the three major ratings services. Corporate Temporary Liquidity Guarantee Program (TLGP) notes shall be rated AAA by one of three major ratings services.

The following is a summary of the credit quality distribution by investment type as a percentage of fair value at June 30, 2021:

	Moody's	S&P	Fitch	% of Portfolio
Treasurer's Pooled Investments:				
CAMP	NR*	AAAm	NR*	2.49%
LAIF	NR*	NR*	NR*	4.15%
FICA	NR*	NR*	NR*	0.28%
Government Agency Bonds and Notes	Aaa	AA+	AAA	50.24%
Government Agency Bonds and Notes	Aaa	AA+	NR*	30.67%
US Treasury Bills and Notes	Aaa	AA+	AAAu	12.17%
Total Treasurer's Pooled Investments				100.00%

* Not Rated

Instruments in any one issuer that represent 5% or more of the County's investments as of June 30, 2021 are as follows (excluding external investment pools and debt explicitly guaranteed by the U.S. government):

Issuer	Issuer Type	Fair Value Holdings	Percentage Holdings
Treasurer's Pooled Investments:			
Federal Home Loan Mortgage Corporation	Government Sponsored	$ 243,015	13.08%
Federal Home Loan Bank	Government Sponsored	553,802	29.81%
Federal Farm Credit Bank	Government Sponsored	578,020	31.12%
		$ 1,374,837	74.01%

IN THOUSANDS 70 NOTES TO THE FINANCIAL STATEMENTS

Custodial Credit Risk

Custodial credit risk for investments is the risk that the Pool will not be able to recover the value of investment securities that are in the possession of an outside party. All securities owned by the Pool are deposited in trust for safekeeping with a custodial bank different from the County's primary bank. Securities are not held in broker accounts.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Pool mitigates this risk by making longer-term investments only with funds that are not needed for current cash flow purposes and holding these securities to maturity. The maturity of investments purchased is governed by a demand for funds analysis of prior periods' revenues and expenditures, and is also determined by current cash flow demands assessed on an ongoing basis. The Treasurer's Investment Policy also dictates that the final maturity date of any individual security shall not exceed five years and that long-term investments (greater than one year), in the aggregate, shall not exceed 75% of the portfolio. At June 30, 2021, the weighted average days to maturity for the Pool was 735 days.

The fair value of investments generally changes with the fluctuations of interest rates. In a rising interest rate market, the fair value of investments could decline below original cost. Conversely, when interest rates decline, the fair value of investments increases. The Treasurer believes liquidity in the portfolio is sufficient to meet cash flow needs for the next six months and will preclude the Treasurer from having to sell investments below amortized cost.

The net realized earnings on investments are apportioned to Pool participants quarterly based upon each participant's average daily cash balance. Unrealized gains and losses are also apportioned quarterly to participants based upon the participant's ending cash balance.

Investment income consisted of the following for the year ended June 30, 2021:

Investment earnings	$ 12,924
Net decrease in fair value of investments	(11,471)
Administrative expenses	(2,171)
Net investment income (loss)	$ (718)

The Treasurer may purchase securities at a discount from face value to earn higher than nominal rates of return. This discount, when realized, is considered a gain rather than interest.

IN THOUSANDS 71 NOTES TO THE FINANCIAL STATEMENTS

The following is a summary of investments held by the County as of June 30, 2021:

Investment	Cost	Fair Value	Interest Rate Range	Maturity Range	Weighted Average Maturity
Treasurer's pooled investments:					
CAMP	$ 45,000	$ 45,000	0.05%	7/21 - 9/21	52
LAIF	75,000	75,000	0.25%	7/21 - 6/26	291
FICA	5,000	5,000	0.05%	1 Day	1 Day
US Treasury Bills*	69,989	69,986	Discount	8/21 - 2/22	139
US Treasury Notes	148,377	149,738	0.13% - 1.25%	7/21 - 5/26	847
Government Agency Bonds	284,476	286,726	0.25% - 2.70%	7/21 - 3/25	551
Government Agency Discount Notes*	358,760	358,923	0.30% - 1.32%	7/21 - 6/22	307
Government Agency Bonds - Callable	818,435	815,231	0.15% - 1.80%	7/22 - 5/26	1,459
Total pooled and directed investments	$ 1,805,037	1,805,604			
Investments held with fiscal agents:					
Cash & Cash Equivalents		48,114	0.01% - 0.05%	Same Day	Same Day
Total Investments held with fiscal agents		48,114			
Cash in banks:					
Non-interest bearing deposits		70,661			
Cash on hand:		66			
Total cash and investments		$ 1,924,445			
Total unrestricted cash and investments		$ 1,856,029			
Total restricted cash and investments (Note 4)		68,416			
Total cash and investments		$ 1,924,445			
Total cash and investments summary:					
Total governmental activities		$ 620,542			
Total business-type activities		159,383			
Total discrete component unit activities		6,182			
Total fiduciary funds**		1,138,338			
Total cash and investments		$ 1,924,445			

* US Treasury Bills and Government Agency Discount Notes are purchased at a discount. The difference between maturity value and principal is apportioned to the investment pool as earnings.

** In its ACFR dated June 30, 2021, SBCERS reports approximately $3.4 million in prepaid assets, of which the County Treasury holds and recognizes $476 thousand as fiduciary cash & investments. This difference has no effect on the Fiduciary Net Position Restricted for Pensions.

The following is a reconciliation between cash and investments and the Net Position of the Treasurer's Investment Pool as of June 30, 2021:

Total cash and investments	$ 1,924,445
Less: investments held with fiscal agents	(48,114)
Less: cash on hand	(66)
Less: purchase interest	(44)
Less: Proposition 64 cash on hand	(18,665)
Add: cash and investment interest receivable	2,060
Net Position of the Treasurer's Investment Pool	$ 1,859,616

IN THOUSANDS 72 NOTES TO THE FINANCIAL STATEMENTS

The following represents a condensed Statement of Net Position and Changes in Net Position for the Treasurer's Investment Pool as of June 30, 2021:

Statement of Net Position		
Net position held in trust	$	1,859,616
Equity of internal pool	$	768,487
Equity of external pool participants (voluntary and involuntary)		1,091,129
Total equity	$	1,859,616
Statement of Changes in Net Position		
Net position held for pool participants, July 1, 2020	$	1,702,061
Net change in investments by pool		157,555
Net position held for pool participants, June 30, 2021	$	1,859,616

Additional detailed information and/or separately issued financial statements of the County Treasurer's Investment Pool can be obtained by writing to the County Treasurer-Tax Collector's Office located at 105 East Anapamu Street, Room 109, Santa Barbara, CA 93101 or on their website at: http://countyofsb.org/ttcpapg/treas/index under Annual Reports.

Fair Value Measurements

The Pool categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and,
- Level 3: Investments reflect prices based upon unobservable sources.

The following is a description of the valuation methods and assumptions used by the County to estimate the fair value of its investments. There have been no changes in the methods and assumptions used at June 30, 2021. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. County management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The County treasury pool's asset market prices are derived from closing bid prices as of the last business day of the month as supplied by IDSI Institutional Bond Quotes. Where prices are not available from generally recognized sources, the securities are priced using a yield-based matrix system to arrive at an estimated market value. Prices that fall between data points are interpolated. When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy.

For investments classified within Level 2 of the fair value hierarchy, the County's custodians generally use a multi-dimensional relational model. Inputs to their pricing models are based on observable market inputs in active markets. The inputs to the pricing models are typically benchmark yields, reported trades, broker-dealer quotes, issuer spreads and benchmark securities, among others. Investments classified at Level 3 represent securities that are entirely owned by the County and have not traded publicly. The securities are priced using a yield-based matrix system to arrive at an estimated market value. Prices that fall between data points are interpolated.

IN THOUSANDS 73 NOTES TO THE FINANCIAL STATEMENTS

The Pool has the following recurring fair value measurements as of June 30, 2021:

		Fair Value Measurements Using		
Investments by fair value level		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
US Treasuries	$ 219,724	$ --	$ 219,724	$ --
Government agency bonds	286,726	--	286,726	--
Government agency discount notes	358,923	--	358,923	--
Government agency bonds - callable	815,231	--	815,231	--
Total investments measured at fair value	1,680,604	$ --	$ 1,680,604	$ --
Investments not subject to fair value hierarchy				
CAMP	45,000			
LAIF	75,000			
FICA	5,000			
Total pooled and directed investments	$ 1,805,604			

As of June 30, 2021, there were no investments held with fiscal agents that are subject to recurring fair value measurements.

Santa Barbara County Employees' Retirement System (SBCERS) Deposits and Investments

The following narratives, tables, and schedules presented for investments managed by SBCERS are taken directly from SBCERS' financial statements for the fiscal year ended June 30, 2021 (please note that tables and schedules were formatted to conform with the County's presentation). The custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk related to SBCERS investments are different than the related risks on investments held by the County Treasurer.

Investments

The SBCERS Board of Retirement adopts an investment policy statement and reviews that policy periodically. The investment policy statement sets forth the asset allocation and controls for the investment portfolio. The policy was updated in June 2018. The policy statement is available on the SBCERS website at www.sbcers.org.

Investments are reported at fair value. Investment income is recognized as revenue when earned. Net appreciation in fair value of investments held by the System is recorded as an increase to investment income based on valuation of investments at year-end. Realized gains and losses are recognized upon the maturity or disposition of the security.

Debt and equity securities are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Fair value of investments in commingled funds is based on the fund share price provided by the fund manager, which is based on net asset value.

SBCERS operates under the "Prudent Investor Rule" which authorizes the Board, at its discretion, to purchase, hold, or sell any form or type of investment, financial instrument, or enter into any financial transaction when prudent in the informed opinion of the Board.

Deposits and Short-Term Investments

Amounts shown as Cash are held as a part of the County Treasurer's investment pool. Amounts held as Short-Term Investments are held with SBCERS' Investment Custodian, BNY Mellon Global Securities Services (BNY

IN THOUSANDS 74 NOTES TO THE FINANCIAL STATEMENTS

Mellon). Short-term investments consist of cash held in money market accounts and securities readily convertible to cash. All cash, deposits, and short-term investments are carried at cost, which approximates fair value.

Santa Barbara County Treasurer's Investment Pool

The funds in the County Treasury are intended to provide for liquidity needed to meet benefit payroll and operating needs of the System. The balances in the County Treasurer's investment pool are funded by the plan sponsor and employee contributions and transfers from the investment pool. All participants in the County investment pool share earnings and losses. The County Treasury Oversight Committee has regulatory oversight for all monies deposited into the County investment pool. Such amounts are invested in accordance with investment policy guidelines in compliance with California Government Code requirements, established by the County Treasurer and approved by the County Board of Supervisors. Interest earned on pooled investments is apportioned quarterly to participating funds based upon each fund's average daily deposit balance. The County has not provided or obtained any legally binding guarantees during the fiscal year ending June 30, 2021, to support the value of shares in the pool. More information on the risk of the County Treasurer's Investment pool and the Treasurer's policies can be found on the County's website at www.countyofsb.org.

BNY Mellon Global Securities Services Employee Benefit Temporary Investment Fund (EBTF)

SBCERS' short-term investments are comprised of funds held with SBCERS' investment custodian, BNY Mellon Global Securities Services. Balances held by the custodian are held in the BNY Mellon Global Securities Services EBTF. This fund is intended to provide liquidity to fund capital calls, portfolio rebalancing activities and, when needed, replenishment of the funds on account at the County Treasury. The primary sources of these accounts are cash transfers from other investments in the portfolio.

The EBTF is invested primarily in instruments issued by the U.S. Government, Federal agencies, sponsored agencies, and sponsored corporations. The fund must have 10% of its assets in "daily liquid assets," defined as cash, direct obligations of the U.S. Government, or securities readily convertible to cash within one business day. 30% of the fund's assets must be in "weekly liquid assets" defined as cash direct obligations of the U.S. Government, including certain government agency securities with remaining maturities of 60 days or less and securities readily convertible to cash within five business days. The fund may invest up to five percent of its assets in illiquid securities. The fund maintains prudent diversification across instruments, market sectors, industries, and specific issuers.

SBCERS maintains balances in EBTF to facilitate funding investment mandates and receiving distributions from investment mandates. Additionally, when underlying managers maintain a tactical position to cash, these amounts are also held in EBTF. Amounts held at SBCERS' custodian bank are uninsured over $250,000 and uncollateralized.

The following is a summary of SBCERS deposits and short-term investments as of June 30, 2021:

	County Treasury	BNY Mellon
Cash Held for Pension Benefits	$ 19,177	$ -
Cash Held for OPEB Benefits	-	-
Short-term Investments for Pension Benefits	-	49,391
Short-term Investments for OPEB Benefits	-	4,100
Total by custodian	$ 19,177	$ 53,491
Total Deposits and Short-Term Investments	$ 72,668	

Custodial Credit Risk for Deposits and Short-Term Investments

Custodial Credit Risk for deposits is the risk that, in the event of a financial institution's failure, SBCERS would not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not insured or not collateralized. SBCERS does not have a policy on Custodial Credit Risk for Deposits and Short-Term Investments.

IN THOUSANDS 75 NOTES TO THE FINANCIAL STATEMENTS

Santa Barbara County Treasury

SBCERS' investments held in the name of the County are not specifically identifiable. On June 30, 2021, cost approximated fair value of the SBCERS' share of pooled cash and investments. Deposits with the County Treasury are insured and/or collateralized to the extent the monies are held in its depository institution. The fair value of deposits approximated the bank balances on June 30, 2021.

The following is a summary of SBCERS pension and OPEB investments as of June 30, 2021:

Pension Plan Investments at Fair Value		
Private Equity	$	493,546
Domestic Equity		761,791
Core Fixed Income		592,979
Developed Markets Non-US Equity		406,768
Emerging Market Equity		318,037
Non-Core Fixed Income		287,020
Real Assets/Real Return		604,896
Real Estate		348,687
Private Credit		90,111
Collateral Held for Securities Lending		13,609
Total Pension Plan Investments at Fair Value	$	3,917,444
OPEB Plan Investments at Fair Value		
Domestic Equity	$	27,687
Core Fixed Income		18,171
Total OPEB Plan Investments at Fair Value	$	45,858
Total All Plans	$	3,963,302

Fair Value Measurements

SBCERS categorizes fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Level 1: Unadjusted quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3: Valuations derived from valuation techniques in which significant inputs are unobservable.
Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. SBCERS' assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

IN THOUSANDS 76 NOTES TO THE FINANCIAL STATEMENTS

The table *Investments Measured at Fair Value* in this footnote (presented on the following page) shows the fair value leveling of the investments for SBCERS.

Bid evaluations may include market quotations, yields, maturities, call features, and ratings.

Level 1 investments are valued using pricing derived from active markets, examples of which include NYSE, NASDAQ, Chicago Board of Trade and Pink Sheets. US Government Treasury Securities are classified at Level 1 due to the reduced risk component and because they are traded more actively than other fixed income instruments. US Government Agency Notes are not classified in Level 1.

Level 2 investments are evaluated using matrix pricing, market corroborated pricing and inputs such as yield curves and indices. Examples of Level 2 investments include Corporate Bonds and Asset Backed Securities and Government Bonds that are not US Treasury Securities.

Level 3 investments are valued using pricing provided by Investment Managers and also information provided by investment management firms. Examples of Level 3 investments include pooled investment funds and term loans.

The following is a summary of SBCERS investments measured at fair value as of June 30, 2021:

	June 30, 2021	Quoted Prices in Active Markets for Identical Assets: Level 1	Significant Other Observable Inputs: Level 2	Significant Unobservable Inputs: Level 3
Pension Investments Measured at Fair Value				
Equity				
Domestic Equity	$ 342,265	$ 342,265	$ -	$ -
International Equity	368,464	368,301	-	163
Total Equity	$ 710,729	$ 710,566	$ -	$ 163
Fixed Income Securities				
Asset Backed Securities	$ 893	$ -	$ 893	$ -
Corporates and Other Credits	127,950	13,226	112,785	1,939
Government Securities	231,436	144,363	87,073	-
Other	(59)	(59)	-	-
Total Fixed Income Securities	$ 360,220	$ 157,530	$ 200,751	$ 1,939
Real Estate				
Real Estate Investment Trusts (REITs)	$ 29,437	$ 29,437	$ -	$ -
Total Real Estate	$ 29,437	$ 29,437	$ -	$ -
Securities Lending	$ 13,609	$ -	$ 13,609	$ -
Total Pension Investments Measured at Fair Value	$ 1,113,995	$ 897,533	$ 214,360	$ 2,102
Pension Investments Measured at Net Asset Value (NAV)				
Commingled Funds	$ 1,597,636			
Real Estate Funds	348,687			
Private Equity Funds	493,546			
Private Credit	90,111			
Private Real Asset Funds	273,469			
Total Pension Investments Measured at NAV	$ 2,803,449			
TOTAL PENSION INVESTMENTS	$ 3,917,444			
Pension Investment Derivative Instruments				
Forward Contracts	$ 3,472	$ -	$ -	$ 3,472
Futures	(59)	-	-	(59)
Participation Certficate	3,596	-	-	3,596
Total Pension Investment Derivative Instruments	$ 7,009	$ -	$ -	$ 7,009
OPEB Trust Investments Measured at Net Asset Value (NAV)				
Equity Commingled Funds	$ 27,687			
Debt Commingled Funds	18,171			
Total OPEB Trust Investments Measured at NAV	$ 45,858			

IN THOUSANDS 78 NOTES TO THE FINANCIAL STATEMENTS

Investments Measured at the Net Asset Value

The fair values of investments in these types of funds have been determined using the Net Asset Value (NAV) per share of the investments.

The following is a summary of SBCERS pension and OPEB trust investments measured at the net asset value as of June 30, 2021:

	June 30, 2021	Unfunded Commitments	Redemption Frequency	Notice Period
Pension Investments				
Commingled Funds [1]	$ 1,597,636	$ -	Daily to Monthly	Daily to 90 Days
Private Real Estate Funds [2]	348,687	133,863	Quarterly, Annually or Not Redeemable	Daily to 90 Days
Private Equity Funds [3]	493,546	269,785	Not Redeemable	
Private Credit Funds [4]	90,111	34,103	Annually or Not Redeemable	90 Days
Private Real Asset Funds [5]	273,469	293,660	Not Redeemable	
Total Pension Investments Measured at Net Asset Value	$ 2,803,449			
Total Pension Unfunded Commitments		$ 731,411		
OPEB Trust Investments				
Equity Commingled Funds	$ 27,687	$ -		
Debt Commingled Funds	18,171	-		
Total OPEB Trust Investments Measured at Net Asset Value	$ 45,858			
Total OPEB Trust Unfunded Commitments		$ -		

(1) Commingled Funds (Pension Trust Investments and OPEB)

This investment type consists of commingled funds that invest primarily in equity, debt, or real estate investments. There were 15 commingled funds as of June 30, 2021. The six commingled equity funds in this investment type include foreign, domestic, and emerging market investments. Five commingled debt funds contain Treasury Inflation Protected Securities (TIPS), investment grade bonds, foreign bonds and bank loans. Four real asset commingled funds encompass public infrastructure, global listed natural resources, real estate, and commodities businesses. Each investment fund is benchmarked to an appropriate index and investments can be redeemed with 1 to 90 day advance notice depending on the fund. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments.

(2) Private Real Estate Funds

This investment type is comprised of investments that are allocated to value added, core and opportunistic real estate strategies. Investments in this type are geographically diversified across the United States and Europe. The fair value of these investments has been determined by the investment custodian bank by using the last capital account statement from the respective general partner and adjusting for capital calls, management fees inside the commitment, return of capital, gain or loss, and income. The investments in this pool are illiquid and mostly closed end funds.

For the fiscal year ended June 30, 2021, this investment type consists of 35 limited partnership investments ranging in commitment sizes from $4.5 million to $30 million. The remaining commitments outstanding on these funds as of June 30, 2021 are $133.9 million.

Robin Hill Road, LLC NAV is included in this investment type. The NAV used is the appraised price as of June 30, 2020 based on an appraisal as of July 9, 2020. SBCERS hires an appraiser to update this value every two years.

IN THOUSANDS 79 NOTES TO THE FINANCIAL STATEMENTS

(3) Private Equity Funds

Investments of this type consist of corporate finance/buy out, distressed debt, venture capital, and secondary funds and are globally diversified. The fair value of these investments have been determined by the investment custodian bank by using the last capital account statement from the respective general partner and adjusting for capital calls, management fees inside the commitment, return of capital, gain or loss, and income. The investments in this pool are illiquid and mostly closed end funds.

For the fiscal year ended June 30, 2021, this investment type consists of 86 limited partnership investments ranging in commitment size from approximately $2 million to $30 million with $269.8 million remaining commitments outstanding.

(4) Private Credit Funds

Investments of this type include direct lending credit funds. The fair value of these investments have been determined by the investment custodian bank by using the last capital account statement from the respective general partner and adjusting for capital calls, management fees inside the commitment, return of capital, gain or loss, and income.

For the fiscal year ended June 30, 2021, this investment type of funds consists of six limited partnership investments ranging in commitment sizes from approximately $20 million to $25 million. The remaining commitments outstanding on these funds as of June 30, 2021 are $34.1 million. The investments in this pool are illiquid and contain both closed and open-ended fund structures.

(5) Real Asset Funds

Investments of this type include infrastructure and natural resources oriented partnerships and are globally diversified. The fair value of these investments have been determined by the investment custodian bank by using the last capital account statement from the respective general partner and adjusting for capital calls, management fees inside the commitment, return of capital, gain or loss, and income.

For the fiscal year ended June 30, 2021, these investment type of funds consists of 38 limited partnership investments ranging in commitment sizes from approximately $5 million to $20 million. The remaining commitments outstanding on these funds as of June 30, 2021 are $293.7 million. The investments in this pool are illiquid and contain mostly closed-end fund structures.

Investment Risk

The Board's investment policies and guidelines allocate the asset classes of the portfolio investments within ranges. The portfolio is maintained within the ranges and reported each month. The Board annually reviews the allocation model and the risk structure of the total portfolio. The investment policy does not address Credit Risk, Concentration of Credit Risk, Interest Rate Risk, or Foreign Currency Risk, as investment managers within their specific mandates are given risk parameters that would result in limiting these types of risk on a total portfolio level. GASB Statement No. 40 requires that investments be evaluated to give an indication of the level of risk assumed at year-end.

Concentration Risk

The System does not hold investments in any one underlying security that represents 5% or more of the System's fiduciary net position.

Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. SBCERS seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the fund at an acceptable level of risk within this asset class. To control Credit Risk, credit quality guidelines have been established.

The credit quality ratings of SBCERS investments in fixed income securities by a nationally recognized statistical rating organization are shown in the following *Credit Risk by Quality Analysis* table:

S & P Rating	Treasurer Investment Pool	Domestic Fixed Income	International Fixed Income	Total	%
AAA	$ 459	$ -	$ 348	$ 807	0.2%
AA+	-	230,326	-	230,326	65.5%
AA	17,310	-	-	17,310	4.9%
AA-	-	-	-	-	0.0%
A+	-	-	23	23	0.0%
A	-	-	-	-	0.0%
A-	-	27,571	246	27,817	7.9%
BBB+	-	40,294	785	41,079	11.7%
BBB	-	789	-	789	0.2%
BBB-	-	4,777	5,526	10,303	2.9%
BB+	-	1,825	2,040	3,865	1.1%
BB	-	4,050	305	4,355	1.2%
BB-	-	3,354	1,148	4,502	1.3%
B+	-	1,360	209	1,569	0.4%
B	-	1,654	1,082	2,736	0.8%
B-	-	1,075	135	1,210	0.3%
CCC+	-	369	820	1,189	0.3%
CCC	-	134	-	134	0.0%
CCC-	-	-	-	-	0.0%
CC	-	174	-	174	0.0%
C	-	-	-	-	0.0%
NR	1,358	651	1,186	3,195	0.9%
Totals	$ 19,127	$ 318,403	$ 13,853	$ 351,383	100.0%

This table does not tie to Investments Measured at Fair Value because this presentation includes accruals.

Custodial Credit Risk for Investments

Custodial Credit Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, SBCERS would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in SBCERS' name, and held by a counterparty. Generally, SBCERS' securities are not exposed to custodial risk as they are held by our custodial bank in our nominee name.

Short-term investments held in the BNY Mellon Global Securities Services EBTF are uninsured over $250,000, and uncollateralized.

IN THOUSANDS 81 NOTES TO THE FINANCIAL STATEMENTS

Concentrations of Credit Risk

As of June 30, 2021, SBCERS' investment portfolio contained no concentration of investments in any one entity (other than investments guaranteed by the U.S. Government, investments in mutual funds, and external investment pools) that represented 5 percent or more of the total investment portfolio.

Securities Lending

SBCERS is legally authorized to engage in securities lending transactions pursuant to the CERL, California Government Code §31594. SBCERS participates in securities lending through its custodian BNY Mellon to increase income. Securities are lent to brokers and dealers (borrower) and in turn, SBCERS receives collateral. Collateral can be in the forms of cash (both United States and foreign currency), securities issued or guaranteed by the U.S. Government, sovereign debt of foreign countries, or irrevocable bank letters of credit or such other forms as may be agreed upon. SBCERS pays the borrower a negotiated rebate rate on the collateral received and invests the collateral with the goal of earning a higher yield than the rebate rate paid to the borrower. Earnings generated above and beyond the rebate paid to the borrower represent the net income to SBCERS from the transaction.

At year-end, SBCERS had no credit risk exposure to borrowers because the amount of collateral received exceeded the value of securities on loan. As of June 30, 2021, there were no violations of legal or contractual provisions. SBCERS had no losses on securities lending transactions resulting from the default of a borrower for the fiscal year ended June 30, 2021. Due to the nature of the securities lending program and the custodian bank's collateralization of loans at amounts greater than the fair value of the loaned securities, it is deemed that there were no material credit risks to SBCERS as defined by GASB Statements No. 28 and No. 40 by its participation in the Securities Lending Program. However, similar to any other investment portfolio, there is risk associated with investing cash collateral in securities.

Transactions are collateralized at no less than 100% of the security's fair value. Collateral is marked to market daily. The custodian invests the collateral received in short-term investment funds (maintained by the custodian), money market mutual funds, and other similar investments as the custodian may select.

The average term of all SBCERS' loans is overnight or "on demand." The custodian ensures that there is an absolute right to terminate the agreement without cause, upon short notice and without any penalty. SBCERS cannot pledge or sell collateral securities received unless the borrower defaults. In the event of a borrower default, BNY Mellon indemnifies SBCERS to the extent of replacing the securities loaned.

As of June 30, 2021, the fair value of securities on loan was $53.9 million and the value of collateral received for the securities on loan was $56.6 million, of which $43.0 million was non-cash collateral and $13.6 million was cash collateral from equity and fixed income securities. Non-cash collateral, which SBCERS does not have the ability to sell unless the borrower defaults, is not reported in the Statement of Fiduciary Net Position. SBCERS' income net of expense from securities lending was $179 thousand for the fiscal year ending June 30, 2021.

The following is a summary of SBCERS securities lending program:

Securities on Loan	Fair Value of Securities on Loan	Collateral Received	Collateral Percent
Domestic Equities	$ 6,724	$ 6,914	
International Equities	4,589	5,064	
Domestic Corporate Fixed Income	1,570	1,631	
Total Cash	12,883	13,609	
Total Non-Cash	41,049	43,019	
Total Securities on Loan	$ 53,932	$ 56,628	105%

IN THOUSANDS 82 NOTES TO THE FINANCIAL STATEMENTS

Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average of time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates.

Foreign Currency Risk

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. SBCERS' international equity managers are permitted to invest in authorized countries. Forward currency contracts and currency futures (maturity ranging from at least 20 days and not to exceed one year for either instrument) are permitted for defensive currency hedging.

The following schedule is a summary of SBCERS foreign currency risk:

Currency	Cash	Equity	Fixed Income	Total Fair Value
Australian Dollar	$ 11	$ 15,382	$ -	$ 15,394
Brazilian Real	-	14,039	348	14,387
Canadian Dollar	(10)	16,523	1,020	17,533
Chilean Peso	-	2,760	-	2,760
Chinese Yuan Renminbi	-	11,458	-	11,458
Colombian Peso	-	112	539	651
Czech Koruna	-	476	-	476
Danish Krone	1	10,359	-	10,360
Euro	(2,643)	119,600	125	117,082
Hong Kong Dollar	-	82,128	-	82,128
Hungarian Forint	-	278	-	278
Indian Rupee	-	43,365	-	43,365
Indonesian Rupiah	-	5,582	151	5,733
Israeli Shekel	1	1,150	-	1,152
Japanese Yen	157	53,700	-	53,857
Malaysian Ringgit	-	2,451	316	2,767
Mexican Peso	-	3,778	531	4,309
New Taiwan Dollar	-	51,986	-	51,986
New Zealand Dollar	6	664	-	670
Norwegian Krone	1	1,732	-	1,734
Peruvian Nuevo Sol	-	-	246	246
Philippines Peso	-	4,898	9	4,907
Polish Zloty	-	1,171	-	1,171
Qatari Riyal	-	305	-	305
Saudi Riyal	-	3,469	-	3,469
Singapore Dollar	15	6,341	546	6,901
South African Rand	-	19,591	-	19,591
South Korean Won	-	45,289	907	46,196
Swedish Krona	-	9,457	-	9,457
Swiss Franc	-	29,864	-	29,864
Thai Baht	-	4,570	-	4,570
Turkish Lira	-	2,902	-	2,902
United Arab Emirates Dirham	-	364	-	364
United Kingdom Pound Sterling	(805)	47,803	321	47,319
Total Securities Held in Foreign Currency	$ (3,266)	$ 613,547	$ 5,059	$ 615,341

Derivatives

IN THOUSANDS 83 NOTES TO THE FINANCIAL STATEMENTS

Derivatives are investments that derive their value, usefulness, and marketability from an underlying instrument, and represents direct ownership of an asset or obligation of an issuer whose payments are based on or "derived" from the performance of an agreed upon benchmark. The notional amount is the nominal or face amount that is used to calculate payments made on that instrument. As of June 30, 2021, SBCERS' derivatives investments were in Forward Contracts, Futures, and Participation Certificates. Investments in commingled funds may provide added exposure to derivatives.

Forward Contracts

A forward contract represents an agreement to buy or sell an underlying asset at a specified date in the future at a specified price. Payment for the transaction is delayed until the settlement or expiration date.

Currency forward contracts are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions.

Participation Certificates

Participation certificates are equity-linked securities that provide economic exposure to a security of a non-U.S. company without a direct investment in that security.

The following is a summary of SBCERS holdings of derivative securities:

Derivative Type	Notional Amount	Fair Value
Forward Contracts	$ 3,472	$ 3,472
Futures	(2,841)	(59)
Participation Certficates	3,596	3,596
Total	$ 4,227	$ 7,009

Derivative Credit Risk

SBCERS is exposed to credit risk on investment derivatives that are traded over the counter and are reported in asset positions. Derivatives exposed to derivative credit risk include collateralized mortgage obligations, swap agreements, and futures contracts. The following Derivative Credit Risk Schedule discloses the counterparty ratings of SBCERS' investment derivatives in asset positions by type as of June 30, 2021. These amounts represent the maximum loss that would be recognized if all counterparties fail to perform as contracted, without respect to any collateral or other security, or netting arrangement. The schedule displays the fair value of investments by credit rating. As of June 30, 2021, SBCERS' has a net exposure to derivative credit risk of $7.0 million.

The following schedule is a summary of SBCERS derivative credit risk:

	Derivative Type			
S&P Investment Rating	Forward Contracts	Futures	Participation Certificates	Total Fair Value
Investment Grade				
AA	$ 452	$ -	$ -	$ 452
A	3,020	-	-	3,020
BBB	-	-	-	-
Total Investment Grade	$ 3,472	$ -	$ -	$ 3,472
Not Rated	-	(59)	3,596	3,537
Total Fair Value	$ 3,472	$ (59)	$ 3,596	$ 7,009

Ratings are not applicable to all derivative instruments held. Those presented above are based on the counterparty's S&P rating.

IN THOUSANDS 84 NOTES TO THE FINANCIAL STATEMENTS

Derivative Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2021, SBCERS did not have any derivatives with material exposure to interest rate risk.

Derivative Foreign Currency Risk

For those dollar-denominated securities issued by foreign countries, there is an exposure to a foreign currency risk. Currency forward contracts represent foreign exchange contracts that are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions.

The following schedule is a summary of SBCERS derivative foreign currency risk:

Currency	Forwards	Futures
Euro Currency Unit	$ 2,656	$ -
Pound Sterling	816	-
Japanese Yen	-	-
Total	$ 3,472	$ -

4. RESTRICTED CASH AND INVESTMENTS

Cash and investments at June 30, 2021 that are restricted by legal or contractual requirements are comprised of the following:

Governmental Activities		
General Fund		
Property tax loss reserve	$ 9,995	
RDA bond proceeds	375	
Deposits by various developers	349	
Funds for disaster recovery	247	
Total General Fund		$ 10,966
Nonmajor Governmental Funds		
Deposits by various developers	14,193	
Debt service reserves	1,411	
Clean water plan check trust	28	
Total nonmajor governmental funds		15,632
Internal Service Funds		
Funds for underground tank clean-up	10	
Total internal service funds		10
Total governmental activities		26,608
Business-Type Activities		
Resource Recovery Fund		
Funds for landfill site closure and maintenance costs (see Note 13)	22,247	
Debt service reserves	15,329	
Financial assurance for landfill corrective action (see Note 13)	2,134	
Financial assurance for UCSB Hazardous Household Waste Center corrective action	60	
Total Resource Recovery Fund		39,770
Laguna Sanitation Fund		
Financial assurance for landfill corrective action	615	
Total Laguna Sanitation Fund		615
Total business-type activities		40,385
Total restricted cash and investments*		$ 66,993

*Governmental and Business-type Activities do not include $1,423 of Fiduciary Private-Purpose Trust Fund restricted cash and investments.

IN THOUSANDS 86 NOTES TO THE FINANCIAL STATEMENTS

5. RECEIVABLES

The detail of receivable balances and the portion not expected to be collected within the next fiscal year is as follows:

Notes Receivable
The County has recorded a note receivable for governmental activities from the RDA Successor Agency Private-Purpose Trust Fund. The total balance of the note receivable at June 30, 2021 is $9,130 and the amount not expected to be collected within the next fiscal year is $8,160.

Housing Loans Receivable, Net and Loans Interest Receivable, Net
A total of $40,791 was recorded as housing loans receivable, net and a total of $10,069 was recorded as housing loans interest receivable, net at June 30, 2021.

Housing and Community Development recorded $45,233 as loans receivable and $10,381 as interest receivable. A portion of the principal and interest balance, $6,852 in principal and $515 in interest, is for loans containing forgiveness clauses and more than likely will not be repaid back to the County. As a result, the Governmentwide Statement of Net position reports $38,381 as loans receivable, net and $9,865 as interest receivable, net assuming the entire forgiveness clause is executed. These amounts represent low or no interest mortgage notes and related accrued interest to finance multi-family and single family construction and rehabilitation projects, as well as homebuyer assistance for low income families, as part of the County's affordable housing program. Loan terms range from 5 to 55 years with interest rates from 0% to 7.02%. The County's primary sources of funding for these loans come from grants from the federal HOME Investment Partnership (HOME) and Community Development Block Grant (CDBG) programs. The HOME and CDBG grants contain monitoring requirements to ensure grant compliance. These requirements are reflected in the loan agreements. Due to the terms of the loans, offsetting deferred inflows of resources of $48,246 have been established in the Governmental Funds Balance Sheet for the housing loan principal and interest payments.

Behavioral Wellness recorded $2,410 as housing loans receivable and $204 as housing loan interest receivable. These represent Mental Health Services Act (MHSA) Housing Program funds to provide assistance in accordance with Welfare and Institutions Code. A 55-year loan of MHSA Housing Program funds for development of The Residences at Depot Street in Santa Maria provides for an 80 unit affordable rental housing project with 35 units dedicated for a term of 35 years for qualified MHSA tenants. The loan bears simple interest at 3% with principal and interest due and payable on the earlier of: 1) 55 years, 2) the date the property is sold or transferred, 3) borrower fails to commence construction, or 4) there is an uncured event of default by the borrower. Due to the terms of the loan, offsetting deferred inflows of resources of $2,614 have been established in the Governmental Funds Balance Sheet for the housing loan principal and interest.

Other Receivables
The County has recorded a total of $2,472 in other receivables for governmental activities; the following amounts are not expected to be received within the next fiscal year:

- $200 deposit with the County's workers' compensation claims administrator.

The County has recorded a total of $930 in other receivables for business-type activities for other operating revenues earned in the current period that are not expected to be received within the next fiscal year.

The County's discrete component unit recorded a total of $7 in other receivables that are not expected to be received within the next fiscal year.

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 includes the following adjusted amounts:

	Balance July 1, 2020	Additions	Deletions	Transfers & Adjustments, net	Balance June 30, 2021
Governmental activities:					
Capital assets, non-depreciable:					
Land	$ 60,582	$ 1,069	$ --	$ --	$ 61,651
Land easements	53,133	--	--	--	53,133
Service concession arrangements	41,183	114	--	(568)	40,729
Work in progress	164,730	40,973	(16,789)	--	188,914
Total capital assets, non-depreciable	319,628	42,156	(16,789)	(568)	344,427
Capital assets, depreciable/amortizable:					
Land improvements	30,445	891	--	--	31,336
Structures and improvements	279,573	2,698	--	--	282,271
Equipment and software	167,163	11,339	(2,707)	--	175,795
Infrastructure	409,629	9,459	--	(37)	419,051
Total capital assets, depreciable/amortizable	886,810	24,387	(2,707)	(37)	908,453
Less accumulated depreciation/amortization for:					
Land improvements	(10,722)	(761)	--	--	(11,483)
Structures and improvements	(134,273)	(6,160)	--	--	(140,433)
Equipment and software	(105,132)	(12,469)	2,592	--	(115,009)
Infrastructure	(135,990)	(6,345)	--	1	(142,334)
Total accumulated depreciation/amortization	(386,117)	(25,735)	2,592	1	(409,259)
Total capital assets, depreciable/amortizable, net	500,693	(1,348)	(115)	(36)	499,194
Sub-total governmental activities	820,321	40,808	(16,904)	(604)	843,621
Business-Type activities:					
Capital assets, non-depreciable:					
Land	15,654	--	--	--	15,654
Work in progress	113,246	50,749	(7,415)	--	156,580
Total capital assets, non-depreciable	128,900	50,749	(7,415)	--	172,234
Capital assets, depreciable/amortizable:					
Land improvements	483	--	--	--	483
Structures and improvements	17,745	7,016	--	--	24,761
Equipment and software	33,791	2,867	(5)	--	36,653
Infrastructure	76,741	1,275	--	--	78,016
Total capital assets, depreciable/amortizable	128,760	11,158	(5)	--	139,913
Less accumulated depreciation/amortization for:					
Land improvements	(244)	(10)	--	--	(254)
Structures and improvements	(6,196)	(1,023)	--	--	(7,219)
Equipment and software	(19,779)	(1,788)	--	--	(21,567)
Infrastructure	(29,344)	(1,603)	--	--	(30,947)
Total accumulated depreciation/amortization	(55,563)	(4,424)	--	--	(59,987)
Total capital assets, depreciable/amortizable, net	73,197	6,734	(5)	--	79,926
Sub-total business-type activities	202,097	57,483	(7,420)	--	252,160
Total capital assets, net	$ 1,022,418	$ 98,291	$ (24,324)	$ (604)	$ 1,095,781
First 5 Santa Barbara County					
Discrete component unit activities:					
Capital assets, depreciable/amortizable:					
Equipment and software	$ 25	$ --	$ --	$ --	$ 25
Less accumulated depreciation/amortization	(25)	--	--	--	(25)
Total capital assets, net	$ --	$ --	$ --	$ --	$ --

IN THOUSANDS 88 NOTES TO THE FINANCIAL STATEMENTS

Capital assets activity for each major enterprise fund for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions	Deletions	Transfers & Adjustments, net	Balance June 30, 2021
Resource Recovery:					
Capital assets, non-depreciable:					
Land	$ 11,965	$ --	$ --	$ --	$ 11,965
Work in progress	102,585	32,425	(1,504)	--	133,506
Total capital assets, non-depreciable	114,550	32,425	(1,504)	--	145,471
Capital assets, depreciable/amortizable:					
Structures and improvements	10,078	455	--	--	10,533
Equipment and software	25,523	2,136	(5)	--	27,654
Infrastructure	48,863	1,275	--	--	50,138
Total capital assets, depreciable/amortizable	84,464	3,866	(5)	--	88,325
Less accumulated depreciation/amortization for:					
Structures and improvements	(2,573)	(705)	--	--	(3,278)
Equipment and software	(15,362)	(1,370)	--	--	(16,732)
Infrastructure	(17,494)	(997)	--	--	(18,491)
Total accumulated depreciation/amortization	(35,429)	(3,072)	--	--	(38,501)
Total capital assets, depreciable/amortizable, net	49,035	794	(5)	--	49,824
Sub-total Resource Recovery	163,585	33,219	(1,509)	--	195,295
Laguna Sanitation:					
Capital assets, non-depreciable:					
Land	3,689	--	--	--	3,689
Work in progress	10,661	18,324	(5,911)	--	23,074
Total capital assets, non-depreciable	14,350	18,324	(5,911)	--	26,763
Capital assets, depreciable/amortizable:					
Land improvements	483	--	--	--	483
Structures and improvements	7,667	6,561	--	--	14,228
Equipment and software	8,268	731	--	--	8,999
Infrastructure	27,878	--	--	--	27,878
Total capital assets, depreciable/amortizable	44,296	7,292	--	--	51,588
Less accumulated depreciation/amortization for:					
Land improvements	(244)	(10)	--	--	(254)
Structures and improvements	(3,623)	(318)	--	--	(3,941)
Equipment and software	(4,417)	(418)	--	--	(4,835)
Infrastructure	(11,850)	(606)	--	--	(12,456)
Total accumulated depreciation/amortization	(20,134)	(1,352)	--	--	(21,486)
Total capital assets, depreciable/amortizable, net	24,162	5,940	--	--	30,102
Sub-total Laguna Sanitation	38,512	24,264	(5,911)	--	56,865
Total capital assets, net - business-type activities	$ 202,097	$ 57,483	$ (7,420)	$ --	$ 252,160

IN THOUSANDS 89 NOTES TO THE FINANCIAL STATEMENTS

Internal Service Funds (ISF) predominantly serve the governmental funds. Accordingly, their capital assets are included within governmental activities. Capital assets activity for Internal Service Funds for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions	Deletions	Transfers & Adjustments, net	Balance June 30, 2021
Internal Service Funds:					
Capital assets, depreciable/amortizable:					
Structures and improvements	$ 2,606	$ --	$ --	$ --	$ 2,606
Equipment and software	75,631	5,893	(1,698)	--	79,826
Total capital assets, depreciable/amortizable	78,237	5,893	(1,698)	--	82,432
Less accumulated depreciation/amortization for:					
Structures and improvements	(1,279)	(66)	--	--	(1,345)
Equipment and software	(44,076)	(6,410)	1,608	--	(48,878)
Total accumulated depreciation/amortization	(45,355)	(6,476)	1,608	--	(50,223)
Total capital assets, net - internal service funds	$ 32,882	$ (583)	$ (90)	$ --	$ 32,209

Depreciation/amortization expense was charged to functions/programs of the primary government as follows:

	Depreciation/ Amortization (excluding ISF)	ISF Depreciation/ Amortization Allocation (1)	Total
Governmental activities:			
Policy & executive	$ 459	$ 143	$ 602
Public safety	5,159	3,333	8,492
Health & public assistance	2,178	1,451	3,629
Community resources & public facilities	8,638	1,061	9,699
General government & support services	2,752	486	3,238
General county programs	73	2	75
Sub-total governmental activities	19,259	6,476	25,735
Business-Type activities:			
Resource Recovery	3,072	--	3,072
Laguna Sanitation	1,352	--	1,352
Sub-total business-type activities	4,424	--	4,424
Total depreciation expense	$ 23,683	$ 6,476	$ 30,159

(1) Depreciation/amortization of capital assets held by the County's ISF is charged to the various functions based on their usage of the assets.

IN THOUSANDS 90 NOTES TO THE FINANCIAL STATEMENTS

Work in progress at June 30, 2021 consists of the following projects for the primary government:

Governmental activities:		
Capital Outlay projects:		
North County jail	$ 113,339	
Renewable Energy	3,301	
Fire Station 41 Replacement	1,596	
Electric Vehicle Charging Stations	661	
Other projects (individually less than $500)	4,124	
		$ 123,021
Flood Control projects:		
Mission Creek Corps project	26,172	
Randall Road Debris Basin	15,010	
Cold Springs Debris Basin	1,462	
SMDB Improvement	1,244	
Maria Ygnacia Basin - Main	820	
Maria Ygnacia Basin - East	767	
Romero Creek Improvement	555	
Other projects (individually less than $500)	809	
		46,839
Roads projects:		
Floridale Avenue bridge	3,504	
Foothill Road Low Water Crossing replacement	2,182	
Fernald Point bridge	2,087	
Bonita School Road Bridge	1,620	
Hollister and State Improvement	967	
Santa Claus Lane Circulation	687	
Other projects (individually less than $500)	999	
		12,046
General Fund projects		644
Other Governmental Funds:		
Fire Hawk Helicopter Retrofitting	5,865	
Other projects (individually less than $500)	499	
		6,364
Sub-total governmental activities		188,914
Business-Type activities:		
Resource Center		133,506
Laguna Sanitation projects		23,074
Sub-total business-type activities		156,580
Total work in progress		$ 345,494

IN THOUSANDS 91 NOTES TO THE FINANCIAL STATEMENTS

7. SERVICE CONCESSION ARRANGEMENTS (SCA)

A Service Concession Arrangement is a type of public-private or public-public partnership between a government (the transferor) and an operator in which all of the following criteria are met:

a. The transferor conveys to the operator the right and related obligation to provide public services through the use and operation of a capital asset (referred to in the statement as a "facility") in exchange for significant consideration, such as an up-front payment, installment payments, a new facility, or improvements to an existing facility.
b. The operator collects and is compensated by fees from third parties.
c. The transferor determines or has the ability to modify or approve what services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services.
d. The transferor is entitled to significant residual interest in the service utility of the facility at the end of the arrangement.

The County has determined that the following arrangements meet the criteria set forth above (where the County is the transferor) and therefore included these SCAs in the County's financial statements.

Boathouse Restaurant
On February 1, 2008, the County entered into a 10-year agreement (having options for a 10-year extension and a subsequent 5-year extension) with Santa Barbara Shellfish Company Incorporated (SB Shellfish), under which SB Shellfish will operate the Boathouse Restaurant, a walk-up snack bar, and rent beach-related equipment and supplies. On January 1, 2018, the 10-year extension option was exercised and approved. Services are to be provided at reasonable rates. The County has the ability to modify or approve what services SB Shellfish is required to provide. A summary of the important details, capital assets and the present value of installment payments pertaining to this SCA follows.

Jalama Beach Store
On January 1, 2008, the County entered into a 10-year agreement (having an option for two 5-year extensions) with Jalama Beach Store Incorporated (Jalama), under which Jalama has the right to the sell food and beverages (including beer and wine), kitchen supplies, camping supplies, housekeeping and other related supplies and conveniences; rent swimming and beach equipment & supplies; operate a restaurant and delicatessen; and rent vacation trailers. On January 1, 2018, the first 5-year extension option was exercised and approved. Services are to be provided at reasonable rates. The County has the ability to modify or approve what services Jalama is required to provide. A summary of the important details, capital assets and the present value of installment payments pertaining to this SCA follows.

Beachside Restaurant
On March 25, 1985, the County entered into a 37-year agreement with Richhardy Corporation (Richhardy), under which Richhardy will have exclusive rights to operate and maintain a food and beverage business, fishing tackle and bait shop, and boat rental business. The County has the ability to review the rates Richhardy charges. On January 31, 2021, Richhardy terminated their agreement with the County stating their inability to operate the business as contemplated under the Concession Arrangement due to restrictions from the County Public Health Officer Orders due to the COVID-19 pandemic.

Cachuma Café - Smoke on Water

On May 7, 2019, the County entered into a 10-year agreement (having an option for an 8-year extension) with Smoke on Water, LLC, under which the SCA has exclusive rights to operate and maintain a food and beverage business. Services are to be provided at reasonable rates. The agreement contains a provision that a marketing credit up to $500 per month, from the date of commencement through March 31, 2022, may be paid by the County to the SCA for certain pre-approved marketing expenses. Additionally, should the SCA obtain an Alcoholic Beverage Control (ABC) license, the County shall receive 15% of gross sales derived from hard alcohol sales. A summary of the important details and present value of installment payments pertaining to this SCA follows.

Cachuma Store and Marina

On March 6, 2012, the County entered into a 10-year agreement with Pyramid Enterprises, Incorporated (Pyramid), under which Pyramid will operate the Cachuma store and marina and sell gas. In December of 2020, Pyramid notified the County that it had come to an agreement to sell its interest in the SCA to Advenco, LLC. Services are to be provided at reasonable rates. The structures and related equipment pertaining to the SCA have been fully depreciated. A summary of the important details of this SCA follows.

Santa Barbara County Bowl

On June 1, 2011, the County entered into a 45-year agreement (having an option for a 25-year extension) with the Santa Barbara County Bowl Foundation (Foundation), under which the Foundation will operate the outdoor amphitheater, maximizing access for community programs, stage events, musical performances, and other performing art events. Prices for merchandise, food, and beverages are to be comparable to prices charged at similar establishments; however, the Foundation sets ticket pricing. A portion of each ticket goes to the Santa Barbara Arts Commission with the remaining revenue used to run operations and maintain and improve facilities. A summary of the important details and the capital assets pertaining to this SCA follows.

Mission Rowing

On April 21, 2020, the County entered into a 5-year agreement (having options for a 5-year extension and a subsequent 5-year extension) with Mission Rowing under which Mission Rowing shall have the right to provide comprehensive rowing activities and conduct related concession activities at Lake Cachuma. A summary of the important details and present value of installment payments pertaining to this SCA follows.

A summary of the important details for each SCA over the term of their agreements are as follows:

	Date SCA Entered Into	Term of SCA	Expiration of SCA	Minimum Installment Payment (per month)	Revenue Sharing
Boathouse Restaurant	2/1/2008	10 yrs plus 10 yr extension	12/31/2027	$ 16	10% gross sales; 1.47% on income over $3.8 million
Jalama Beach Store	1/1/2008	10 yrs plus 5 yr extension	12/31/2022	3	8.5% of gross sales
Cachuma Café	5/7/2019	10 yrs plus 8 yr extension	3/31/2029	1	8% of gross sales until 3/31/2022; 8.5% of gross sales thereafter
Mission Rowing	4/21/2020	5 yrs plus two 5 yr extensions	4/20/2025	1	8% of gross monthly income for the first year; 10% of gross monthly income afterwards
Cachuma Store and Marina	3/6/2012	10 years	3/5/2022	-	10% of marina gross sales; 7% of store gross sales
Santa Barbara County Bowl	6/1/2011	45 years	5/31/2056	-	$0.50 per ticket sold up to $50,000 per concert season
				$ 21	

Capital assets balances for each SCA for the year ended June 30, 2021 and over the term of the agreement are as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Structures & Structure Improvements				
Santa Barbara County Bowl	$ 37,674	$ 9	$ -	$ 37,683
Boathouse Restaurant	1,698	6	--	1,704
Beachside Restaurant	568	--	(568)	--
Cachuma Café	--	99	--	99
Jalama Beach Store	55	--	--	55
Sub-total Structures & Structure Improvements	39,995	114	(568)	39,541
Land				
Santa Barbara County Bowl	1,188	--	--	1,188
Sub-total Land Improvements	1,188	--	--	1,188
Total SCA Capital Asset Balance	$ 41,183	$ 114	$ (568)	$ 40,729

IN THOUSANDS 94 NOTES TO THE FINANCIAL STATEMENTS

The deferred inflow of resources activity for each SCA for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions	Amortization Allocation (1)	Balance June 30, 2021
SCA Capital Assets (1)				
Santa Barbara County Bowl	$ 31,553	$ 9	$ (881)	$ 30,681
Cachuma Café	--	99	(11)	88
Boathouse Restaurant	91	6	(13)	84
Beachside Restaurant	96	--	(96)	--
Jalama Beach Store	1	--	(1)	--
Sub-total SCA capital assets	31,741	114	(1,002)	30,853
Present Value of Installment Payments (2):				
Boathouse Restaurant	1,298	--	(173)	1,125
Jalama Beach Store	87	--	(35)	52
Cachuma Café	51	--	(6)	45
Mission Rowing	27	--	(2)	25
Beachside Restaurant	32	--	(32)	--
Sub-total SCA installment payments	1,495	--	(248)	1,247
Total deferred inflows	$ 33,236	$ 114	$ (1,250)	$ 32,100

(1) Amortization is calculated using straight-line method for the term of agreement for each SCA.
(2) Installment payments present value is calculated using a discount rate of 2.1% for the term of agreement for each SCA.

IN THOUSANDS 95 NOTES TO THE FINANCIAL STATEMENTS

8. ADVANCES FROM GRANTORS AND THIRD PARTIES

Under both the accrual and modified accrual bases of accounting, revenue may be recognized only when earned. The governmentwide Statement of Net Position as well as governmental and enterprise funds therefore defer revenue recognition in connection with resources that have been received as of year-end, but have not yet been earned. Assets recognized in connection with a transaction before the earnings process is complete are offset by a corresponding liability for advances from grantors and third parties.

At June 30, 2021, the various components of advances from grantors and third parties reported are as follows:

	Advances
General Fund:	
Camping and day use fees	$ 2,842
CARES funds for Emergency Rental Assistance Program	6,644
Total General Fund	9,486
Roads Fund:	
Development Impact Fees	5
Transportation for road projects	1,104
Total Roads Fund	1,109
Public Health Fund:	
SB Cottage/Marian STEMI/Trauma pre-paid revenue	2,071
Social Services Fund:	
Grant drawdowns prior to meeting eligibility requirements	27,790
Behavioral Wellness Fund:	
Early, periodic, screening, diagnosis, and treatment	134
Mental Health Services Act capital/information technology	93
Total Behavioral Wellness Fund	227
Affordable Housing Fund:	
Advances on state & federal grants for Affordable Housing	3,608
Nonmajor Governmental Funds:	
Unrealized gain	1
Total advances from grantors and third parties	$ 44,292

IN THOUSANDS 96 NOTES TO THE FINANCIAL STATEMENTS

9. LEASES

Operating Leases as Lessee

All operating leases entered into by the Primary Government, and it's discretely presented component unit, are cancelable and/or their initial or remaining lease terms are under one year in length as of June 30, 2021.

Total rental expenditure/expense for the year ended June 30, 2021 was $4,345 of which $466 was recorded in the General Fund.

Operating Leases as Lessor

The County as lessor leases sections of the Casa Nueva building to both the Santa Barbara County Association of Governments and the Santa Barbara Air Pollution Control District under operating leases with terms from July 2003 through April 2034. The original cost of the Casa Nueva building was $6,168. As of June 30, 2021, the building had a carrying amount of $4,071, net of accumulated depreciation of $2,097.

The County as lessor also leases sections of the Public Health building to the Veterans Affairs (VA) Clinic under an operating lease with a term of October 2007 through September 2020. The original cost of the VA Clinic was $891. As of June 30, 2021, the building had a carrying amount of $244, net of accumulated depreciation of $647.

The following is a schedule of future minimum rentals to be received under operating leases entered into by the County as lessor that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2021:

Year Ending June 30,	Amount
2022	$ 315
2023	313
2024	312
2025	312
2026	312
2027-2031	1,561
2032-2036	572
Total minimum rentals to be received	$ 3,697

As of the year ended June 30, 2021, total rental income was $722 all of which was recorded in the General Fund.

IN THOUSANDS 97 NOTES TO THE FINANCIAL STATEMENTS

Capital Leases

The County has entered into certain capital lease arrangements under which the related structures and equipment will become the property of the County when all terms of the lease agreements are met. The following is a schedule of future minimum capital lease payments, payable from the General Fund and certain special revenue funds, as of June 30, 2021:

	Governmental Activities	
Year Ending June 30,	Principal	Interest
2022	$ 150	$ 49
2023	158	40
2024	167	32
2025	176	22
2026	185	13
2027-2031	96	3
Total present value of minimum lease payments	$ 932	$ 159

The following is a schedule of capital assets acquired through capital leases as of June 30, 2021:

	Governmental Activities
Land	$ 1,283
Structures and improvements	3,611
Equipment	10
Total capital assets, gross	4,904
Less: accumulated amortization	(1,510)
Total capital assets, net, acquired through capital leases	$ 3,394

The current year's amortization related to capital assets under capital leases for governmental activities was $10 and is included in the Governmental Activities depreciation/amortization of $25,735.

IN THOUSANDS 98 NOTES TO THE FINANCIAL STATEMENTS

10. LONG-TERM LIABILITIES

Changes in Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2021 are as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Governmental activities:					
Compensated absences	$ 40,037	$ 36,510	$ (33,108)	$ 43,439	$ 33,094
Certificates of participation (COP)	24,998	--	(1,430)	23,568	1,485
Unamortized discount on COP	(88)	--	10	(78)	--
Other long-term obligations	2,922	6,823	(1,021)	8,724	1,303
Bonds from direct borrowings	8,515	613	(3,200)	5,928	1,447
Liability for self-insurance claims	10,631	8,058	(7,932)	10,757	4,588
Sub-total governmental activities	87,015	52,004	(46,681)	92,338	41,917
Business-Type activities:					
Compensated absences	796	726	(691)	831	687
Certificates of participation	149,461	24,510	(495)	173,476	3,750
Unamortized premium on COP	15,576	3,833	(1,434)	17,975	--
Bonds and notes from direct borrowings and direct placements	3,513	--	(839)	2,674	863
Sub-total business-type activities	169,346	29,069	(3,459)	194,956	5,300
Total long-term liabilities	$ 256,361	$ 81,073	$ (50,140)	$ 287,294	$ 47,217
First 5 Santa Barbara County Component unit activities:					
Compensated absences	$ 63	$ 62	$ (57)	$ 68	$ 57
Total long-term liabilities	$ 63	$ 62	$ (57)	$ 68	$ 57

Changes in long-term liabilities for each major enterprise fund for the year ended June 30, 2021 are as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Resource Recovery:					
Compensated absences	$ 630	$ 566	$ (526)	$ 670	$ 526
Certificates of participation	149,461	--	(495)	148,966	2,970
Unamortized premium on COP	15,576	--	(1,162)	14,414	--
Sub-total Resource Recovery	165,667	566	(2,183)	164,050	3,496
Laguna Sanitation:					
Compensated absences	166	160	(165)	161	161
Certificates of participation	--	24,510	--	24,510	780
Unamortized premium on COP	--	3,833	(272)	3,561	--
Bonds and notes from direct borrowings and direct placements	3,513	--	(839)	2,674	863
Sub-total Laguna Sanitation	3,679	28,503	(1,276)	30,906	1,804
Total long-term liabilities - business-type activities	$ 169,346	$ 29,069	$ (3,459)	$ 194,956	$ 5,300

IN THOUSANDS 99 NOTES TO THE FINANCIAL STATEMENTS

In governmental activities, the liability for the majority of employee compensated absences is liquidated by the General Fund. Other long-term liabilities consists of a multi-year payment on a Medicare settlement, is liquidated by the Behavior Wellness Fund. The self-insurance claims liability is reported in the risk management and insurance internal service fund and will be liquated by that fund.

Internal Service Funds predominantly serve the governmental funds. Accordingly, their long-term debt is included as part of the totals for governmental activities.

Changes in long-term liabilities for the Internal Service Funds for the year ended June 30, 2021 are as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Internal Service Funds:					
Compensated absences	$ 869	$ 680	$ (647)	$ 902	$ 647
Bonds from direct borrowings	2,540	613	(355)	2,798	427
Liability for self-insurance claims	10,631	8,058	(7,932)	10,757	4,588
Total long-term liabilities - Internal Service Funds	$ 14,040	$ 9,351	$ (8,934)	$ 14,457	$ 5,662

The following is a schedule of total debt service requirements on long-term debt as of June 30, 2021:

	Governmental Activities				Business-Type Activities			
	COP		Bonds and Notes from Direct Borrowings and Direct Placements		COP		Bonds and Notes from Direct Borrowings and Direct Placements	
Year Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	$ 1,485	$ 1,286	$ 1,447	$ 154	$ 3,750	$ 8,119	$ 863	$ 104
2023	1,545	1,209	1,473	113	4,245	7,966	881	74
2024	1,610	1,129	1,508	79	4,755	7,791	305	44
2025	1,680	1,045	438	38	4,715	7,595	310	28
2026	1,750	956	443	23	5,295	7,359	315	12
2027-2031	7,073	3,431	619	8	37,231	31,871	--	--
2032-2036	3,855	2,047	--	--	60,105	19,922	--	--
2037-2041	4,570	733	--	--	53,380	3,946	--	--
Sub-total	23,568	11,836	5,928	415	173,476	94,569	2,674	262
Unamortized premium	--	--	--	--	17,975	--	--	--
Unamortized discount	(78)	--	--	--	--	--	--	--
Total, net	$ 23,490	$ 11,836	$ 5,928	$ 415	$ 191,451	$ 94,569	$ 2,674	$ 262

IN THOUSANDS 100 NOTES TO THE FINANCIAL STATEMENTS

Bonds and Notes Payable

Governmental Activities (Excluding Internal Service Funds)

Bonds from Direct Borrowings

On September 27, 2011, the County issued $16,945 in direct borrowing tax-exempt bonds payable at an interest rate of 2.10%, and used the proceeds to refund the County's 2001 COP debt. The final payment of $1,850 was made on December 1, 2020.

On December 17, 2014 the County issued $9,925 in direct borrowing bonds at an interest rate of 2.33% and used the proceeds to refund the County's 2005 COP debt. The bonds payable outstanding at June 30, 2021 is $3,130.

Internal Service Funds

Photovoltaic Solar Energy Facility Qualified Energy Conservation Bonds from Direct Borrowings

On September 27, 2011, the County issued $5,250 in direct borrowing Qualified Energy Conservation Bonds (QECB) at an interest rate of 4.08% per annum. The proceeds were used to acquire a photovoltaic solar energy facility for the County's Calle Real campus.

The QECBs are taxable bonds that entitle the issuer to receive a direct subsidy payment from the United States Treasury (Treasury) equal to the lesser of (i) the taxable rate of the bonds or (ii) 70% of the Qualified Tax Credit Bond (QTCB) Rate on every semi-annual interest payment date. At the time of issuance, the QTCB Rate was 4.55%; therefore, the County will receive a Treasury subsidy of 70% of 4.55%, or approximately $1,395 over the life of the bonds, resulting in a true interest cost of 0.94%. These bonds will be repaid from the Utilities Fund. The Calle Real solar facility bonds payable outstanding at June 30, 2021 is $2,798.

Business-Type Activities

Laguna Sanitation Wastewater Treatment Plant Note from Direct Borrowing

On August 16, 2001, the Laguna County Sanitation District (Laguna Sanitation) entered into a direct placement financing contract with the State of California (State) for the construction of a Total Dissolved Solids and Recycled Water Treatment Plant. Under the contract, the State made fifteen disbursements totaling $9,150 to Laguna Sanitation during the period of February 2002 through June 2003. Repayment of the note commenced in July 2004 and will continue through July 2023. Note payments are due on July 1st of each year; as such, these payments are regularly made in June of the prior fiscal year. The interest rate on the note is 2.40% per annum. The note contains a provision that, in the event of termination resulting from non-compliance by the County, the outstanding principal balance, accrued interest, and penalty assessments are due and payable immediately. Note payments are secured by revenues on fees and charges collected by the District from the wastewater treatment plant. The notes payable outstanding at June 30, 2021 is $1,149.

Laguna Sanitation Qualified Energy Conservation Bonds from Direct Borrowing

On May 25, 2011, the Laguna County Sanitation District (Laguna Sanitation) issued $4,170 in direct borrowing Qualified Energy Conservation Bonds (QECB) at an interest rate of 5.25% per annum. The proceeds were used to acquire a photovoltaic solar energy facility, which is projected to save Laguna Sanitation $12,000 in financing, operating and maintenance costs over a 30 year period.

The QECBs are taxable bonds that entitle the issuer to receive a direct subsidy payment from the United States Treasury (Treasury) equal to the lesser of (i) the taxable rate of the bonds or (ii) 70% of the Qualified Tax Credit

Bond (QTCB) Rate on every semi-annual interest payment date. At the time of issuance, the QTCB Rate was 4.95%; therefore, the District will receive a Treasury subsidy of 70% of 4.95%, or $1,162 over the life of the bonds, resulting in a true interest cost of 1.97%. The bond documents contain a provision that, in the event of default, the outstanding principal balance and accrued interest shall become due and payable immediately. Bond payments are secured by net revenues on user rates and charges collected by the District for sanitation services. The Laguna Sanitation QECB bonds payable at June 30, 2021 is $1,525.

Certificates of Participation (COP)

The Santa Barbara County Finance Corporation (Corporation), a public benefit corporation, was created to issue certificates of participation that are securities issued and marketed to investors. The certificates are sold to provide funds to finance the costs of acquisition, installation and construction of capital projects. These certificates are secured by annual lease payments paid by the County to the Corporation and these lease payments are used by the Corporation to pay the interest and principal of the debt.

The certificates contain certain debt covenants, which are deemed by the County to be duties imposed by law. The County must include the applicable lease payments due each year in its annual budget and make the necessary appropriations. The County is also required to maintain certain levels of liability, property damage, casualty, business interruption, earthquake and title insurance in connection with each lease agreement. The County is in compliance with all significant financial restrictions and requirements as set forth in its various debt covenants.

In FY 2007-08, the Corporation issued $23,600 of tax-exempt COP debt, comprised of $17,000 classified as Series A-1 Certificates and $6,600 classified as Series A-2 Certificates. The COP debt was issued for the purpose of financing the costs of the acquisition, installation and construction of capital improvements; paying capitalized interest on all or a portion of the Series A-1 Certificates; funding a reserve fund as security for the certificates; and paying certain costs of delivery associated with the certificates. The COP agreement contains a provision, that in the event of default, all rights, title and interest in the lease and sublease will be assigned to the trustee. Pursuant to the trust agreement, a debt service reserve fund was established with a fund requirement in the amount of $561 as of June 30, 2021.

In FY 2009-10, the Corporation issued $14,935 of taxable COP debt classified as Recovery Zone Economic Development Bonds (RZEDB) for purposes of the American Recovery and Reinvestment Act (ARRA). Pursuant to the ARRA, the County expects to receive a cash subsidy payment from the United States Treasury equal to 45% of the interest payable. The County received a subsidy of $391 during the year ended June 30, 2021.

In FY 2018-19, the Resource Recovery and Waste Management Fund (Resource Recovery) issued $149,000 of COP debt classified as the Solid Waste Revenue Certificates of Participation: $8,130 of tax-exempt certificates, $129,870 tax-exempt AMT certificates, and $11,000 of taxable certificates. The COP debt was issued for the purpose of funding certain improvements to the County's solid waste system (Solid Waste System), including the costs of a Materials Recovery Facility, an Anaerobic Digestion Facility and landfill gas engines which collectively constitute the Resource Center. The COP agreement contains a provision, that in the event of default, the outstanding principal balance and accrued interest are due and payable immediately. The Solid Waste System COP payments are secured by net revenues of user charges, fees and rates collected by the Solid Waste System. As of June 30, 2021, the remaining principal and interest requirements totaled $233,766 with a current fiscal year pledged revenue amount of $37,502. Pursuant to the trust agreement, a debt service reserve fund was established with a fund requirement in the amount of $14,768 as of June 30, 2021.

In FY 2020-21, the Laguna County Sanitation District (Laguna Sanitation) issued $24,510 of tax-exempt COP debt classified as the Laguna County Sanitation District Sanitation System Revenue Certificates of Participation. The COP debt was issued for the purpose of funding certain improvements to Laguna Sanitation's management system (System). Pursuant to the trust agreement, all net revenues are pledged to the payment of the debt. Net revenues consist of fees, service charges, connection charges and income received by or imposed by Laguna Sanitation in connection with the ownership and operation of the System less the maintenance and operation costs of the System. As of June 30, 2021, the remaining principal and interest requirements totaled $32,553 with a current fiscal year pledged revenue amount of $14,978.

A summary of COP principal outstanding as of June 30, 2021 is as follows:

	Interest Rate %	Date of Issue	Maturity	Amount of Original Issue	Outstanding as of 6/30/2021
Governmental activities:					
2008 Capital Improvements	4.00-4.75	6/25/2008	12/1/2028	$ 17,000	$ 9,130
2010 Capital Improvements - RZEDB	6.22-6.25	6/10/2010	12/1/2040	14,935	14,438
Sub-total governmental activities				31,935	23,568
Business-Type activities:					
2008 Capital Improvements	3.00-4.50	6/25/2008	12/1/2023	6,600	1,616
2018 Capital Improvements	3.30-5.25	11/28/2018	12/1/2038	149,000	147,350
2020 Capital Improvements	2.00-5.00	9/16/2020	12/1/2040	24,510	24,510
Sub-total business-type activities				180,110	173,476
Total COP principal outstanding				$ 212,045	$ 197,044

Rebateable Arbitrage Earnings

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years. During the current year, the County performed calculations of excess investment earnings on various bonds and financings, and found that the County had no rebateable arbitrage liability at June 30, 2021.

Governmental Activities - Conduit Debt

Fixed Rate Obligation – Montecito Retirement Association

In March 2004, the County issued conduit debt in the form of certificates of participation (COP) under the authority of Chapter 7 of Part 5 of Division 3 of the Health and Safety Code of the State of California. This was done on behalf of the Montecito Retirement Association (Association). These funds were used to finance the construction of facilities in the County, to finance certain equipment used by the Association in its operations, and to refund other debt held by the Association.

In March 2012, the County issued new conduit debt in the form of a fixed rate obligation held by Santa Barbara Bank & Trust. These funds were used to refund the Association's 2004 COP obligations. This debt does not represent a liability of the County, as the County is not obligated in any manner for the debt. Accordingly, it is not reported as a liability in the accompanying financial statements. As of June 30, 2021, the conduit debt principal amount outstanding was $7,218.

IN THOUSANDS 103 NOTES TO THE FINANCIAL STATEMENTS

11. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; cyber liability, aviation and medical malpractice. For these risks, the County has chosen to establish risk management internal service funds where assets are set aside for insurance premium costs and self-insured retentions to pay for specific covered losses. In addition, the County has established separate self-insurance financing funds for unemployment claims and dental insurance benefits for employees and their dependents.

The County of Santa Barbara is a member of Public Risk Innovation, Solutions, and Management (PRISM, formerly CSAC-EIA), a member-directed risk sharing pool of public agencies that provides risk coverage programs. PRISM membership comprises 55 of the 58 California counties, 300 organizations and approximately 2,050 sub-members, which include 70% of the cities, as well as numerous school districts, special districts, housing authorities, fire districts, and other Joint Powers Authorities. A Board of Directors consisting of representatives from its members governs PRISM. The County purchases all its insurance through PRISM. The County's aggregate annual premium, including all insurances, paid to PRISM for the year ended June 30, 2021, was $24,520. PRISM issues its own audited Annual Comprehensive Financial Report which can be obtained from the Authority located at 75 Iron Point Circle, Suite 200, Folsom, CA 95630.

The unpaid claims liabilities included in the risk management self-insurance internal service funds are based on the results of actuarial studies and include amounts for claims incurred but not reported and adjustment expenses. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs, and other economic and social factors. General liability liabilities are carried at present value using a discount rate of 1%. It is the County's practice to annually obtain full actuarial studies for general liability coverages. Rates charged to departments use various allocation methods that include actual costs, claims experience, and payroll costs. Rates charged annually are established such that, when added with cash reserves on hand, adequate resources are provided to meet liabilities as they come due.

Changes in the claims liability for all self-insurance claims during the past two fiscal years are as follows:

	Fiscal Year Ended	
	June 30, 2020	June 30, 2021
Unpaid claims, beginning of year	$ 21,367	$ 10,631
Incurred claims	15,172	8,058
Claim payments	(23,584)	(8,953)
Ceded premiums	(2,324)	1,021
Unpaid claims, end of year	$ 10,631	$ 10,757

In FY 2019-20, the Risk fund entered into a reinsurance agreement with the Authority to reduce its exposure to large losses on the worker's compensation tail claims related to the County's remaining worker's compensation self-insurance liability. The reinsurance agreement discharged the entire worker's compensation self-insurance liability of the fund as direct insurer of the risks insured. As of June 30, 2021, $1,021 has been paid to the Authority for the reinsurance with a remaining payable balance of $1,303 to be paid over the next year.

In addition to the risk coverage provided by the County's internal service funds, the County also has coverage for bodily injury, including passengers and property, up to $5 million through the County's insurance broker, Alliant, for the Sheriff's Aero Squadron. The premiums for this insurance are not allocated through the County's internal service fund and instead are paid directly by the Sheriff's office.

IN THOUSANDS 104 NOTES TO THE FINANCIAL STATEMENTS

12. COMMITMENTS AND CONTINGENCIES

Litigation

The County is subject to various lawsuits and claims involving public liability and other actions incidental to the ordinary course of County operations. To the extent the outcome of such litigation has been determined to result in probable financial loss to the County, a liability for litigation of $474, representing County Counsel's best estimate of the ultimate loss, has been accrued in the governmentwide Statement of Net Position. The timing of the payment of these losses cannot presently be determined.

A number of lawsuits and claims are pending against the County for which the financial loss to the County has been determined to be reasonably possible by County Counsel. These lawsuits include claims filed for inverse condemnation, tort liability, workers' compensation, civil rights violation, breach of contract, land use disputes, and storm damage. These lawsuits are seeking damages in excess of $3,797. The County intends to vigorously defend itself against these lawsuits. The aggregate amount of the uninsured liabilities of the County and the timing of any anticipated payments which may result from such claims will not, in the opinion of County Counsel, significantly affect the financial condition of the County.

Plaintiff alleges the County's Department of Behavioral Wellness made false claims for Medi-Cal reimbursements, and retaliated against her for reporting them. Behavioral Wellness denies the allegations. The County's excess insurance generally covers liability for retaliatory employment practices, but generally does not cover liability for false claims.

The County of Santa Barbara and other public entities have filed suit against Southern California Edison Company and Edison International to recover damages from the Thomas Fire and resulting debris flow. Edison has filed a cross-complaint seeking to shift liability to the County and other public entities should Edison be held liable. The County and its related public entities deny Edison's allegations. The County's excess insurance generally covers liability for negligence or trespass, but generally does not cover "inverse condemnation" or "subsidence."

Plaintiffs, owners of commercial space, allege the signature by a County official on an Estoppel Certificate extended the County's lease for the space. The County contends the Certificate—which Plaintiffs prepared—incorrectly stated the expiration date of the lease, and was signed by the County without knowledge of the error. The County's excess insurance generally covers liability for errors and omissions by public officials, but generally does not cover liability for breach of contract. County Counsel does not believe the potential loss can be estimated.

Grants

The County recognizes as revenue grant monies received as reimbursement for costs incurred in certain federal and state programs it administers. Although the County's federal grant programs are audited in accordance with the requirements of the U.S. Office of Management and Budget Uniform Guidance 2 CFR Part 200, these programs may be subject to financial and compliance audits by the reimbursing agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County expects such amounts, if any, to be immaterial, with the exception of the Behavioral Wellness Fund.

Behavioral Wellness Fund

Counties provide mental health services to Medi-Cal beneficiaries through a publicly or privately operated mental health managed care plan contracted with the State Department of Health Care Services (DHCS) and share in the financial risk. Each California County operates its own mental health plan for Medi-Cal beneficiaries. The County, through the mental health plan, provides mental health services to adults and children directly and through Community Based Organizations (CBO).

Mental Health Medi-Cal claiming is a reimbursement system in which counties are provided an interim cash flow of State and Federal funding pending a three step process of reimbursement that includes filing a cost report, settlement of valid units of service and a cost report audit. Funding is made available through the Federal Medicaid entitlement program and California provides matching State and County funds. Claims are reimbursed based upon the appropriate Federal Medical Assistance Percentage (FMAP). This percentage represents the percentage of a claim for which the Federal government will pay Federal Financial Participation (FFP). Any amounts not provided by FFP must be matched by State or County funds. The year-end reporting process is the culmination of the mental health financial and statistical data accumulation for the services provided within the relevant Fiscal Year. The County is required to submit a cost report to DHCS by December 31 for all services provided by County and CBO staff for a fiscal year ending June 30. The cost report serves as a basis for computing the year-end settlement of approved service units and a settlement payment between DHCS and the County and is also the basic standardized record subject to audit. All year-end settlements are considered interim settlements and are subject to audit by DHCS. The audit is required to be completed three years after the year-end cost report is submitted and reconciled. Generally the cycle, from cost report submittal to final settlement, is not complete until five years after the initial cost report is filed by the County.

In past years this cost report settlement and audit process resulted in significant settlements with the State Department of Mental Health and now its successor agency DHCS. The County currently estimates a potential liability exposure of up to $1,281 thousand for outstanding issues with the State of California. The settlement and payment of these liabilities could span a five to ten year period. These liabilities have been recorded as other payables in the Behavioral Wellness Fund.

Santa Barbara County Redevelopment Successor Agency

In accordance with Assembly Bill (AB) 1X 26 and AB 1434, all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities as of February 1, 2012. It is reasonably possible that the State Department of Finance could invalidate any of the obligations reported on the Successor Agency's Recognized Obligations Payment Schedule. The range of potential loss of revenue to pay these obligations is between $0 and $20,000 over the remaining life of the Successor Agency (8 years).

Contracts

The County has entered into contracts to purchase goods and services from various vendors. Approximately $276,920 will be payable upon future performance under these contracts, including $9,749 in contracts for the Resource Center and $74 for the Northern Branch Jail.

Federal and State Disaster Assistance

On January 2, 2018, a presidential major disaster was declared for the areas affected by the Thomas Fire. On January 11, 2018, the declaration was expanded to include areas affected by the Montecito Debris Flows. The declaration made federal disaster assistance available to the State of California to supplement the County's local recovery efforts. During fiscal years 2019-20 and 2020-21, the County received $4,933 and $380, respectively, of State and Federal disaster aid payments. While an estimated $17,628 of additional costs may be eligible for State and Federal assistance, no additional awards were received through the date these financial statements were issued. Due to uncertainty in the amount and timing of State and Federal awards that may be received in the future, no additional amounts have been recognized as of June 30, 2021.

On March 13, 2020, a presidential emergency was declared for all states, tribes, territories, and the District of Columbia due to the ongoing Coronavirus Disease 2019 (COVID-19) pandemic. As of June 30, 2021, $4,458 of eligible costs have been submitted to FEMA for disaster assistance however no funds have been obligated. Due to uncertainty in the amount and timing of State and Federal awards that may be received in the future, no additional amounts have been recognized as of June 30, 2021.

13. LANDFILL CLOSURE AND POSTCLOSURE CARE

The County owns and operates three landfill sites: Tajiguas, Foxen Canyon, and New Cuyama. Two of the three sites are closed - New Cuyama closed in FY 95-96; Foxen Canyon was converted to a transfer station in FY 03-04 and subsequently closed in FY 08-09.

State and federal laws and regulations require the County to place a final cover on these landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at each site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the respective landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each Balance Sheet date.

The $34,116 reported as landfill closure and postclosure care liability at June 30, 2021, represents the cumulative amount reported to date based on the estimated percentages of used capacity of the landfills as follows:

Landfill	Capacity Used	Remaining Years	Remaining Postclosure Years
Tajiguas	92%	4	Open
Foxen Canyon	95%	closed	20
New Cuyama	100%	closed	10

The County will recognize the remaining estimated cost of closure and postclosure care of $4,558 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all remaining closure and postclosure care in 2021. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. In FY 18-19, the Resource Recovery and Waste Management Fund initiated the Resource Center. The intent of the project is to significantly extend the life of the landfill and reduce landfilling and greenhouse gas emissions.

The County is required by state and federal laws and regulations to make annual contributions and/or provide an alternative funding mechanism to finance closure and postclosure care. The County is in compliance with these requirements, and, at June 30, 2021, restricted cash and investments of $24,381 are held for these purposes. These are reported as restricted assets on the Balance Sheet (see Note 4).

IN THOUSANDS 107 NOTES TO THE FINANCIAL STATEMENTS

Restricted cash for closure, postclosure care, and corrective action financial assurances costs at June 30, 2021 is comprised of the following:

Landfill	Closure Cost	Postclosure Care Cost	Corrective Action Cost	Total Restricted Cash
Tajiguas	$ 17,689	$ 3,678	$ 1,063	$ 22,430
Foxen Canyon	--	755	314	1,069
New Cuyama	--	125	757	882
Total	$ 17,689	$ 4,558	$ 2,134	$ 24,381

Additionally, the County has pledged revenues from future tipping fees generated at the Santa Barbara South Coast Transfer Station to fund a portion of the postclosure maintenance costs. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered through landfill tip fees and/or added program fees to the municipal refuse rates paid by County residents.

IN THOUSANDS 108 NOTES TO THE FINANCIAL STATEMENTS

14. FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned (see Note 1 for a description of these categories). A detailed schedule of fund balances at June 30, 2021 is as follows:

	General	Roads	Public Health	Social Services	Behavioral Wellness	Flood Control District	Affordable Housing	Fire Protection District	Capital Projects	Other Govern-mental Funds	Total Govern-mental Funds
Nonspendable in form:											
Endowment	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ 700	$ 700
Prepaids/Deposits	50	--	--	255	--	--	--	--	--	--	305
Receivables	6	--	--	--	--	--	--	--	--	--	6
Total nonspendable fund balance	56	--	--	255	--	--	--	--	--	700	1,011
Restricted for:											
Purpose of Fund	10,850	28,262	852	3,960	20,884	55,725	6,411	17,850	1,891	31,932	178,617
Allocated for Capital Outlay	1	--	--	--	--	13,378	--	12,254	2,380	916	28,929
Health Care Programs	--	--	25,828	--	--	--	--	--	--	--	25,828
Local Realignment 2011	19,739	--	--	--	566	--	--	--	--	--	20,305
Public Safety Prop 172	8,452	--	--	--	--	--	--	--	--	--	8,452
Probation YOBG	4,744	28	--	--	--	--	--	--	--	--	4,772
Sheriff Categorical Grants	4,018	--	--	--	--	--	--	--	--	--	4,018
Parks Projects	--	--	--	--	--	--	--	--	2,700	239	2,939
Measure A Roads Funds	--	2,712	--	--	--	--	--	--	--	--	2,712
Probation LESF/COPS	2,446	--	--	--	--	--	--	--	--	--	2,446
Housing Trust Funds	--	--	--	--	--	--	2,179	--	--	--	2,179
MHSA Prudent Reserve	--	--	--	--	2,023	--	--	--	--	--	2,023
DMV/Livescan	--	--	--	--	--	--	--	--	1,960	--	1,960
Recorder Modernization	--	--	--	--	--	--	--	--	--	1,775	1,775
Recorder Operations	--	--	--	--	--	--	--	--	--	1,725	1,725
Consumer/Environmental	1,650	--	--	--	--	--	--	--	--	--	1,650
P&D Offsite Mitigation	--	--	--	--	--	--	--	--	--	1,600	1,600
Debt Service	--	--	--	--	--	--	--	--	--	1,413	1,413
GATV Infrastructure	1,378	--	--	--	--	--	--	--	--	--	1,378
Sheriff Asset Forfeiture-State	1,229	--	--	--	--	--	--	--	--	--	1,229
PHD Special Projects	--	--	1,145	--	--	--	--	--	--	--	1,145
Alcoholism Programs	--	--	--	--	1,134	--	--	--	--	--	1,134
Sustainability Programs	1,078	--	--	--	--	--	--	--	--	--	1,078
PRC Performance Security	--	--	--	--	--	1,043	--	--	--	--	1,043
Hollister Ranch Public Access	--	--	--	--	--	--	--	--	--	1,000	1,000
Public Arts Program	918	--	--	--	--	--	--	--	--	--	918
Maintenance-Casa Nueva Bldg	765	--	--	--	--	--	--	--	--	--	765
DA Asset Forfeiture-State	701	--	--	--	--	--	--	--	--	--	701
Los Prietos Donation	640	--	--	--	--	--	--	--	--	--	640
Assessor AB818	504	--	--	--	--	--	--	--	--	--	504
Animal Control Programs	171	--	332	--	--	--	--	--	--	--	503
Real Estate Fraud	485	--	--	--	--	--	--	--	--	--	485
Local Innovation Sub-Account	401	--	--	--	--	--	--	--	--	--	401
Recorder Micrographics	--	--	--	--	--	--	--	--	--	367	367
FY 12/13,13/14 Operating Plans	--	--	--	--	67	201	--	--	--	96	364
Survey Monument	350	--	--	--	--	--	--	--	--	--	350
Dispute Resolution	--	--	--	--	--	--	--	--	--	346	346
Gaviota Bikeway	--	--	--	--	--	--	--	--	--	341	341
Probation Programs	309	--	--	--	--	--	--	--	--	--	309
District Attorney Programs	307	--	--	--	--	--	--	--	--	--	307
DSS Childrens Trust	--	--	--	234	--	--	--	--	--	--	234
Drug Abuse Programs	--	--	--	--	228	--	--	--	--	--	228
Donations	191	--	--	32	--	--	--	--	--	--	223
Recorder ERDS	--	--	--	--	--	--	--	--	--	212	212
CalVet Subvention Program	203	--	--	--	--	--	--	--	--	--	203
DSA Surplus Health Allocations	189	--	--	--	--	--	--	--	--	--	189
Sheriff Asset Forfeiture-Fed	156	--	--	--	--	--	--	--	--	--	156
State Off Hwy Fee	147	--	--	--	--	--	--	--	--	--	147
Vital Records	--	--	--	--	--	--	--	--	--	147	147
Weights and Measures	80	--	--	--	--	--	--	--	--	--	80
Unrealized Gains	4	8	7	5	7	22	5	3	5	12	78
Recorder Redaction	--	--	--	--	--	--	--	--	--	54	54
DARE	40	--	--	--	--	--	--	--	--	--	40
Imprest Cash	10	1	3	15	4	--	--	--	--	1	34
COP Proceeds	--	--	--	--	--	--	--	--	--	12	12
DA-Special Fund	5	--	--	--	--	--	--	--	--	--	5
	62,161	31,011	28,167	4,246	24,913	70,369	8,595	30,107	8,936	42,188	310,693

IN THOUSANDS 109 NOTES TO THE FINANCIAL STATEMENTS

A detailed schedule of fund balances at June 30, 2021 continued:

	General	Roads	Public Health	Social Services	Behavioral Wellness	Flood Control District	Affordable Housing	Fire Protection District	Capital Projects	Other Govern-mental Funds	Total Govern-mental Funds
Committed to:											
Accumulated Capital Outlay	39,967	--	--	--	--	--	--	--	--	--	39,967
Strategic Reserve	38,785	--	--	--	--	--	--	--	--	--	38,785
Disaster Recovery	16,234	--	--	--	--	--	--	--	--	--	16,234
Props 215/64 - Cannabis	15,666	--	--	--	--	--	--	--	--	--	15,666
New Jail Operations	13,347	--	--	--	--	--	--	--	--	--	13,347
General Services Projects	1,691	--	--	--	--	--	--	--	10,837	--	12,528
Litigation	12,025	--	--	--	--	--	--	--	--	--	12,025
Health Care Programs	--	--	--	--	--	--	--	--	--	8,264	8,264
Program Stabilization	7,500	--	--	--	--	--	--	--	--	--	7,500
Tech Replacement & Investment	5,623	--	--	--	--	--	--	--	--	--	5,623
Contingencies	5,359	--	--	--	--	--	--	--	--	--	5,359
Purpose of Fund	879	--	--	2,656	345	--	--	--	21	1,435	5,336
Mental Health	4,723	--	--	--	--	--	--	--	--	--	4,723
Emerging Issues	3,701	--	--	--	--	--	--	--	--	--	3,701
Parks Projects	1,440	--	--	--	--	--	--	--	2,028	--	3,468
County Executive Programs	2,490	--	--	--	--	--	--	--	--	--	2,490
Facilities Maintenance	2,056	--	--	--	--	--	--	--	--	--	2,056
Clerk Record Assessor Projects	1,720	--	--	--	--	--	--	--	--	--	1,720
Sheriff Projects	335	--	--	--	--	--	--	--	1,304	--	1,639
Planning/Development Projects	860	--	--	--	--	--	--	--	--	479	1,339
General County Programs	1,227	--	--	--	--	--	--	--	--	--	1,227
Auditor Systems Maint/Develop	1,105	--	--	--	--	--	--	--	--	--	1,105
P&D Land Use System	--	--	--	--	--	--	--	--	--	973	973
Elections Voting Equipment	916	--	--	--	--	--	--	--	--	--	916
Assessment Appeals Support	669	--	--	--	--	--	--	--	--	--	669
Tobacco Settlement	634	--	--	--	--	--	--	--	--	4	638
In-Car Video Equip Replacement	550	--	--	--	--	--	--	--	--	--	550
District Attorney Programs	492	--	--	--	--	--	--	--	--	--	492
Human Resources Programs	365	--	--	--	--	--	--	--	--	--	365
North County Jail Contingency	302	--	--	--	--	--	--	--	--	--	302
Treas Tax Collector Projects	300	--	--	--	--	--	--	--	--	--	300
Housing Programs	278	--	--	--	--	--	--	--	--	--	278
Rental Maintenance	179	--	--	--	--	--	--	--	--	--	179
Ag Commissioner Projects	134	--	--	--	--	--	--	--	--	--	134
Unrealized Gains	79	--	--	--	--	--	--	--	1	3	83
Probation Programs	49	--	--	--	--	--	--	--	--	--	49
Building & Safety Permitting	--	--	--	--	--	--	--	--	--	40	40
Imprest Cash	27	--	--	--	--	--	--	--	--	3	30
PAPG Revolving Fund	2	--	--	--	--	--	--	--	--	--	2
Salary & Retirement Offset	(192)	--	--	--	--	--	--	--	--	192	--
	181,517	--	--	2,656	345	--	--	--	14,191	11,393	210,102
Unassigned fund balance:	19,839	--	--	--	--	--	--	--	--	--	19,839
Total fund balances	$ 263,573	$ 31,011	$ 28,167	$ 7,157	$ 25,258	$ 70,369	$ 8,595	$ 30,107	$ 23,127	$ 54,281	$ 541,645

IN THOUSANDS 110 NOTES TO THE FINANCIAL STATEMENTS

15. RESTRICTED COMPONENT OF NET POSITION

The restricted component of net position are assets that are subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

The restricted component of net position at June 30, 2021 for governmental activities is as follows:

Restricted for Policy and Executive:		
County Executive Office	$ 1,392	
		$ 1,392
Restricted for Public Safety:		
Probation	28,507	
Fire Protection District	31,506	
Sheriff	13,801	
District Attorney	3,446	
Trial Courts	346	
		77,606
Restricted for Health & Public Assistance:		
Public Health	28,416	
Behavioral Wellness	27,527	
Social Services	4,523	
Child Support Services	738	
		61,204
Restricted for Community Resources & Public Facilities:		
Flood Control District	70,368	
Housing	56,841	
Roads	31,011	
Water Agency	13,107	
Planning and Development	12,493	
County Service Areas	4,897	
Parks	2,915	
		191,632
Restricted for General Government & Support Services:		
Clerk-Recorder-Assessor	4,785	
General Services	3,316	
Other	203	
		8,304
Restricted for General County Programs:		
Other	20,429	
Public and Educational Access	4,220	
		24,649
Total restricted component of net position - governmental activities		$ 364,787

Included in governmental activities restricted net position at June 30, 2021 is net position restricted by enabling legislation of $2,222.

IN THOUSANDS 111 NOTES TO THE FINANCIAL STATEMENTS

16. INTERFUND TRANSACTIONS

Interfund Receivables / Payables

Amounts due to/from other funds at June 30, 2021 are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Behavioral Wellness	$ 3,470
General Fund	Capital Projects	1,721
Social Services	IHSS Public Authority	1,201
Court Operations	General Fund	1,005
General Fund	Affordable Housing	888
General Fund	Court Operations	749
General Fund	Public Health	166
Risk Management	General Fund	136
General Fund	Criminal Justice Construction	54
General Fund	Planning and Development	44
Flood Control Districts	Water Agencies	9
Total due to/from other funds		$ 9,443

The balances above are due to be paid in the subsequent fiscal year and resulted from when funds overdrew their share of pooled cash; or the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Advances to/from other funds at June 30, 2021 are as follows:

Receivable Fund	Payable Fund	Amount
AFDC Homeless Revolving	Social Services	$ 5

Transfers

Transfers are used to (1) move revenues from the fund required by statute or budget to collect them to the fund required by statute or budget to expend them, (2) move receipts identified for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

IN THOUSANDS 112 NOTES TO THE FINANCIAL STATEMENTS

Transfers to/from other funds at June 30, 2021 are as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Affordable Housing Fund	$ 14,230	CARES Distribution
	Nonmajor Governmental Funds	12,339	General Fund Contribution
	Social Services Fund	8,787	General Fund Contribution
	Public Health Fund	7,595	General Fund Contribution
	Nonmajor Governmental Funds	6,824	New Fund Establishment
	Behavioral Wellness Fund	5,840	General Fund Contribution
	Public Health Fund	4,484	CARES Distribution
	Capital Projects Fund	4,307	Capital Projects
	Internal Service Funds	3,637	CARES Distribution
	Capital Projects Fund	3,275	General Fund Contribution
	Public Health Fund	2,698	New Fund Establishment
	Nonmajor Governmental Funds	2,623	Debt Service
	Roads Fund	2,486	COVID-19
	Roads Fund	2,189	Roads Project
	Roads Fund	1,844	General Fund Contribution
	Behavioral Wellness Fund	1,173	CARES Distribution
	Internal Service Funds	884	Vehicles
	Internal Service Funds	803	Other
	Roads Fund	786	Other
	Nonmajor Governmental Funds	784	Other
	Nonmajor Governmental Funds	529	Courts
	Capital Projects Fund	476	Other
	Social Services Fund	366	CARES Distribution
	Nonmajor Governmental Funds	324	CARES Distribution
	Fire Protection District Fund	249	CARES Distribution
	Behavioral Wellness Fund	226	Other
	Roads Fund	184	CARES Distribution
	Enterprise Funds	121	CARES Distribution
	Public Health Fund	99	Other
	Fire Protection District Fund	79	Other
	Flood Control Districts Fund	41	CARES Distribution
	Social Services Fund	15	Other
	Public Health Fund	9	Program Administration
		90,306	
Roads Fund	Capital Projects Fund	114	Other
	Internal Service Funds	108	Vehicles
	Capital Projects Fund	12	Capital Projects
		234	
Public Health Fund	General Fund	1,618	Medicaid
	Internal Service Funds	44	Vehicles
	Social Services Fund	10	Program Administration
		1,672	
Social Services Fund	Behavioral Wellness Fund	171	Other
	Internal Service Funds	117	Vehicles
	Capital Projects Fund	39	Capital Projects
	General Fund	38	Program Administration
		365	
Behavioral Wellness Fund	General Fund	790	Other
	Nonmajor Governmental Funds	467	Debt Service
	Internal Service Funds	142	Vehicles
	Social Services Fund	18	Program Administration
	Public Health Fund	11	Other
	Social Services Fund	1	Other
	Capital Projects Fund	1	Capital Projects
		1,430	

IN THOUSANDS 113 NOTES TO THE FINANCIAL STATEMENTS

Transfers to/from other funds at June 30, 2021 (continued):

Transfer From	Transfer To	Amount	Purpose
Flood Control District Fund	Capital Projects Fund	$ 72	Capital Projects
	Internal Service Funds	36	Vehicles
		108	
Affordable Housing Fund	General Fund	912	Other
	General Fund	572	Program Administration
	Behavioral Wellness Fund	539	Other
	Capital Projects Fund	503	Capital Projects
	Roads Fund	97	Other
	Public Health Fund	78	Other
	General Fund	5	General Fund Contribution
		2,706	
Fire Protection District	General Fund	1,691	Dispatch Services
	Capital Projects Fund	942	Capital Projects
	General Fund	546	Joint Air Operations
	Nonmajor Governmental Funds	241	Debt Service
	Internal Service Funds	236	Vehicles
	Public Health Fund	12	Other
		3,668	
Capital Projects Fund	General Fund	280	Capital Projects
	Internal Service Funds	90	Capital Projects
	Internal Service Funds	6	Other
		376	
Nonmajor Governmental Funds	Public Health Fund	2,069	Other
	General Fund	1,945	Program Administration
	Nonmajor Governmental Funds	1,237	Debt Service
	General Fund	968	Other
	Roads Fund	332	Other
	Behavioral Wellness Fund	313	Program Administration
	Fire Protection District Fund	287	Other
	Public Health Fund	285	Program Administration
	Capital Projects Fund	215	Capital Projects
	Public Health Fund	38	Capital Projects
	Flood Control Districts Fund	33	Other
	Internal Service Funds	22	Vehicles
		7,744	
Resource Recovery	Internal Service Funds	36	Vehicles
	Internal Service Funds	8	Other
		44	
Internal Service Funds	Capital Projects Fund	614	Capital Projects
	General Fund	123	Vehicles
	Internal Service Funds	100	Other
	Internal Service Funds	19	Vehicles
		856	
	Total transfers	$ 109,509	

IN THOUSANDS 114 NOTES TO THE FINANCIAL STATEMENTS

17. TAX ABATEMENTS

The County provides property tax abatements through the Agricultural Preserve Program. The program enrolls land in Williamson Act or Farmland Security Zone contracts whereby the land is restricted to agricultural, open space, or recreational uses in exchange for reduced property tax assessments. Participation in the program is voluntary. The Santa Barbara County Uniform Rules for Agricultural Preserves and Farmland Security Zones is the set of rules by which the County administers its Agricultural Preserve Program. The Agricultural Preserve Advisory Committee is responsible for administering the County's Agricultural Preserve Program.

Under the provisions of these contracts, land parcels are assessed for property tax purposes at a rate consistent with their actual use, rather than potential market value of the property. The minimum contract term is ten years and automatically renews until a nonrenewal or cancellation process is initiated. Under the nonrenewal process, the annual tax assessment increases over a defined period of time until the assessment reflects the market value of the property. Under the cancellation process, a significant onetime cancellation fee is assessed based upon a certain percentage of the unrestricted, current fair market value of the property.

No other commitments were made by the County as part of the Williamson Act or Farmland Security Zone contracts. For the fiscal year ended June 30, 2021, the Agricultural Preserve Program tax abatements were $5,402.

18. PENSIONS

General Information about the Pension Plan

Plan Descriptions

The County, including the discretely presented component unit First 5 Children and Families Commission, provides pension benefits to eligible employees through cost sharing multiple-employer defined benefit pension plans (pension plans) administered by the Santa Barbara County Employees' Retirement System (SBCERS). Members of the pension plans include all permanent employees working full time, or at least 50% part time for the County, and the following independent special districts: Carpinteria Cemetery District, Carpinteria-Summerland Fire Protection District, Goleta Cemetery District, Mosquito and Vector Management District of Santa Barbara County, Oak Hill Cemetery District, Santa Barbara County Air Pollution Control District, Santa Barbara County Association of Governments, Santa Maria Cemetery District, Summerland Sanitary District, and the Santa Barbara County Superior Court. SBCERS issues its own Annual Comprehensive Financial Report (ACFR) that may be obtained by writing to SBCERS at 130 Robin Hill Road, Suite 100, Goleta, CA 93117 or on the SBCERS website at: http://cosb.countyofsb.org/sbcers.

SBCERS was established on January 1, 1944, and is administered by the Board of Retirement to provide service retirement, disability, death, and survivor benefits for employees of the County and participating districts. The Santa Barbara County Board of Supervisors and the governing boards of the participating districts adopt resolutions, as permitted by the California State Government Code §31450 (County Employees' Retirement Law of 1937 (CERL)), which affect the benefits of the SBCERS members. SBCERS is governed by the California Constitution; CERL; and the bylaws, policies and procedures adopted by the SBCERS' Board of Retirement.

SBCERS administers six County pension plans. With the passage of the Public Employees' Pension Reform Act (PEPRA), the County established a new pension plan, Plan 8, with two rate tiers – one for safety and one for general members. As of January 1, 2013, Plan 8 is the only pension plan available to new employees. PEPRA made several changes to the pension benefits that may be offered to employees hired on or after January 1, 2013, including increasing minimum retirement ages, increasing the percentage required for member contributions, and excluding certain types of compensation as pensionable. PEPRA has also created limits on pensionable compensation tied to the Social Security taxable wage base. The cumulative effect of these PEPRA changes will ultimately reduce the County's retirement costs.

Summary of Plans and Eligible Participants

Open for New Enrollment:

General Plan 8 (PEPRA)	General members hired on or after January 1, 2013.*
Safety Plan 8 (PEPRA)	Safety members hired on or after January 1, 2013.*
	*Employees who transfer from and are eligible for reciprocity with another public employer will not be PEPRA members if their service in the reciprocal system was under a pre-PEPRA tier.

Closed to New Enrollment:

General Plan 2	Employees hired on or before June 30, 1999, who elected to join General Plan 2. Once vested, Plan 2 members have a one-time election to defer accrued Plan 2 benefits and enter a contributory plan in effect at the time of election. Contributions are based upon age at time of transfer.
General Plan 5A	General employees hired before October 10, 1994, who did not elect to join General Plan 2.
General Plan 5B	Members in certain bargaining units hired on or after October 10, 1994.
General Plan 5C	Members in certain bargaining units hired on or after October 10, 1994. Members in those bargaining units transferred from Plan 5B on March 10, 2008.
General Plan 7	County General employees hired on or after June 25, 2012 and other new non-PEPRA General hires for employers that have adopted Plan 7.
Safety Plan 4A	Some safety members hired before October 10, 1994.
Safety Plan 4B	Employees in certain bargaining units hired on or after October 10, 1994. Some employees are in Safety Plan 4b without regard to hire date.
Safety Plan 4C	Members in certain bargaining units hired on or after October 10, 1994. All members in certain bargaining units. Members in those bargaining units transferred from Plan 4B on July 3, 2006.
Safety Plan 6A	Members in certain bargaining units hired prior to October 10, 1994. Members in those bargaining units transferred from Plan 4A on February 25, 2008.
Safety Plan 6B	Members in certain bargaining units hired on or after October 10, 1994. Members in those bargaining units transferred from Plan 4B on February 25, 2008.

IN THOUSANDS 117 NOTES TO THE FINANCIAL STATEMENTS

Benefits Provided

All pension plans provide benefits, in accordance with CERL regulations, upon retirement, disability or death of members. Retirement benefits are based on years of service, final average compensation, and retirement age. Employees terminating before accruing 5 years (or 10 years for Plan 2) of retirement service credit (5 or 10-year vesting) forfeit the right to receive retirement benefits unless they establish reciprocity with another public agency within the prescribed time period. Non-vested employees who terminate service are entitled to withdraw their accumulated contributions plus accrued interest. Employees who terminate service after earning 5 years (or 10 years for Plan 2) of retirement service credit may leave their contributions on deposit and elect to take a deferred retirement. Differences between expected or actual experience for vested and non-vested benefits may result in an increase or decrease to pension expense and net pension liability.

Service related disability benefits are based upon final average compensation or retirement benefits (if eligible). Non-service related disability benefits are based on 1) years of service and final average compensation or 2) retirement benefits (if eligible). General Plan 2 participants receive disability benefits through a long-term insurance policy. Death benefits are based upon a variety of factors including whether the participant was retired or not.

Annual cost-of-living adjustments (COLAs) after retirement are provided in all plans except General Plan 2. COLAs are granted to eligible retired members each April based upon the Bureau of Labor Statistics Average Consumer Price Index (CPI) for All Urban Consumers for the Los Angeles-Riverside-Orange County area as of the preceding January 1 and is subject to an annual maximum dependent upon the provisions of the pension plans.

Detailed information about the retirement, disability or death benefit calculations and COLA maximums for each of the pension plans are available in the separately issued SBCERS ACFR.

Contributions

Per Article 16 of the Constitution of the State of California, contribution requirements of the active employees and the participating employers are established and may be amended by the SBCERS Board of Retirement. Depending upon the applicable plan, employees are required to contribute a certain percent of their annual pay. For each of the plans, the County's contractually required contribution rate for the year ended June 30, 2021 was a specified percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Additional amounts required to finance any unfunded accrued liability are the responsibility of the plan sponsors. Contributions to the pension plans from the County were $139,647 for the year ended June 30, 2021. Active members are plan members who are currently accruing benefits and/or paying contributions into the applicable plan.

For the measurement date June 30, 2020, employer and employee contribution rates and active members for each plan are as follows:

	Employer Contribution Rates	Employee Contribution Rates	Active Members
General Plan 2	25.95%	Non-contributory	6
General Plan 5A	37.06%	3.01 - 6.12%	270
General Plan 5B	37.06%	6.01 - 12.23%	201
General Plan 5C	38.83%	2.92 - 6.09%	1091
General Plan 7	38.02%	2.43 - 5.08%	106
General Plan 8	30.74%	8.43%	1388
Safety Plan 4A	58.88%	5.58 - 9.65%	17
Safety Plan 4B	59.20%	11.15 - 19.30%	7
Safety Plan 4C	57.66%	5.38 - 9.52%	281
Safety Plan 6A	66.85%	5.58 - 9.65%	24
Safety Plan 6B	65.48%	5.38 - 9.52%	241
Safety Plan 8	46.76%	15.14%	365

Beginning in FY 2018-19, and continuing for FY 2020-21, members of certain plans and bargaining units paid a portion of the employer contributions between 1.49% - 6.00% depending on the member's bargaining unit. No net change occurred in the combined pension contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the County, including its discretely presented component unit, reported a liability of $981,008 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, updated to June 30, 2020. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all pension plan participants, actuarially determined. At June 30, 2020, the County's proportion was 92.9214%, which was a decrease of 0.3927% from its proportion measured as of June 30, 2019.

IN THOUSANDS 119 NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2021, the County, including its discretely presented component unit, recognized pension expense of $177,272 and $268, respectively. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2021, the County and its discretely presented component unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Proportionate Share			
	County of Santa Barbara		First 5 Children and Families Commission	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 42,269	$ 11,789	$ 64	$ 18
Changes in assumptions	40,051	16,570	61	25
Net difference between projected and actual earnings on retirement plan investments	111,992	--	169	--
Changes in proportion and differences between County contributions and proportionate share of contributions	3,406	2,498	5	4
County contributions subsequent to the measurement date	139,436	--	211	--
	$ 337,154	$ 30,857	$ 510	$ 47

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

The County and its discretely presented component unit reported $139,647 as deferred outflows of resources related to pension contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Proportionate Share	
Year Ending June 30,	Couny of Santa Barbara	First 5 Children and Families Commission
2022	$ 48,042	$ 73
2023	31,252	47
2024	44,287	67
2025	43,280	65
	$ 166,861	$ 252

IN THOUSANDS 120 NOTES TO THE FINANCIAL STATEMENTS

Actuarial Assumptions

The total pension liability, measured as of June 30, 2020, was determined using the following actuarial assumptions. Total pension liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of service for current and inactive employees.

Increases in pay	3.00% wage inflation component plus additional longevity and promotion component based on employee classification and years of service
Investment rate of return	7.00%, net of investment expense
Administrative expenses	Base of $5.3 million for the FYE June 30, 2020 with assumed wage inflation of 3.00% annually
Basic COLA	The cost of living as measured by the Consumer Price Index (CPI) will increase at the rate of 2.75% per year.
Post-Retirement COLA	Benefits are assumed to increase after retirement at the rate of 2.60% per year for General Plans 5, and Safety Plans 4, 6, and 8 (PEPRA); 1.90% per year for General Plans 7 and Plan 8 (PEPRA); and 0% per year for General Plan 2.
Post-Retirement mortality	Healthy Lives: Mortality rates for General active members are based on the sex distinct Public General 2010 Above-Median Income Employee Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2019, without adjustment. Non-duty related mortality rates for Safety active members are based on the sex distinct Public Safety 2010 Employee Mortality Table, with generational mortality improvments projected from 2010 using Projection Scale MP-2019, without adjustment. Safety active members are also subject to the 2014 CalPERS Preretirement Industrial Mortality Table for duty-related death, with generational improvement using Projection Scale MP-2019 from a base year of 2009. Mortality rates for healthy General annuitants are based on the sex distinct Public General 2010 Above-Median Income Retiree Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2019. Mortality rates for Safety annuitants are based on the sex distinct Public Safety 2010 Retiree Mortality Table, with generational improvements projected from 2010 using Projection Scale MP-2019. Disabled Lives: Mortality rates for disabled retirees are based on 2014 CalPERS Industrial Disabled Annuitant Mortality, with no adjustment (Safety only), 2014 CalPERS Non-Industrial Disabled Annuitant Mortality, with no adjustment (General only), with Generational improvement using Projection Scale MP-2019 from a base year of 2009.

IN THOUSANDS 121 NOTES TO THE FINANCIAL STATEMENTS

The actuarial assumptions used in the June 30, 2019 valuation, updated to June 30, 2020, were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2019. As a result of the June 30, 2019 actuarial experience study, no changes were made to the economic assumptions used in the previous actuarial valuation.

The long-term expected rate of return, measured as of June 30, 2020, on pension plan investments (7.0 percent) 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. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Broad U.S. equity	19%	5.30%
Developed market non-U.S. equity	11%	7.00%
Emerging markets equity	7%	9.25%
Core fixed income	17%	0.50%
Custom non-core fixed income	11%	5.10%
Custom real return	15%	5.00%
Custom real estate	10%	4.55%
Private equity	10%	8.00%
Cash	0%	-0.50%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension fund’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. In theory, the discount rate may differ from the long-term expected rate of return discussed previously. However, based on the projected availability of the pension fund’s fiduciary net position, the discount rate is equal to the long-term expected rate of return on pension plan investments, and was applied to all periods of projected benefit payments to determine the total pension liability.

IN THOUSANDS 122 NOTES TO THE FINANCIAL STATEMENTS

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following presents the County and its discretely presented component unit's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate:

Proportionate share - Net pension liability	1% Decrease 6.0%	Discount Rate 7.0%	1% Increase 8.0%
County of Santa Barbara	$ 1,487,956	$ 979,527	$ 548,057
First 5 Children and Families Commission	$ 2,250	$ 1,481	$ 829

Pension Fund Fiduciary Net Position

Detailed information about the pension fund's fiduciary net position is available in the separately issued SBCERS ACFR.

19. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

Plan Description
The County's agent multiple-employer defined benefit postemployment healthcare plan (OPEB Plan) is administered by the Santa Barbara County Employees' Retirement System (SBCERS). The OPEB plan is funded by the County and other plan sponsors, and is administered in accordance with §401(h) of the Internal Revenue Code (IRC). It was established on September 16, 2008, by the County Board of Supervisors who created a 401(h) Medical Trust. Also in 2008, an application for determination and a voluntary compliance plan was submitted to the Internal Revenue Service (IRS), and in October 2013, the IRS acted favorably on the application. SBCERS and its plan sponsors currently operate under the Voluntary Compliance Plan Statement and regulations adopted in 2013.

Other employer OPEB plan sponsors include the Carpinteria-Summerland Fire Protection District, Goleta Cemetery District, Santa Maria Cemetery District, Carpinteria Cemetery District, Summerland Sanitary District, Santa Barbara County Air Pollution Control District, Santa Barbara County Association of Governments, and the Santa Barbara County Superior Court.

On June 26, 2012, the County closed the OPEB plan to new general employees, and on June 20, 2016, the OPEB plan was closed to new County Safety members.

SBCERS issues its own Annual Comprehensive Financial Report which includes note disclosures and required supplementary information for the OPEB Plan. This may be obtained by writing to the Santa Barbara County Employees' Retirement System at 130 Robin Hill Road, Suite 100, Goleta, CA 93117 or on the SBCERS website under the Annual Comprehensive Report Section http://cosb.countyofsb.org/sbcers.

IN THOUSANDS 123 NOTES TO THE FINANCIAL STATEMENTS

Benefits Provided

The OPEB Plan offers healthcare, vision, and dental benefits to eligible County retirees and their dependents. Benefits are provided by third party providers. The County negotiates health care insurance contracts with providers for both its active employees and the participating retired members of SBCERS. Retirees are offered the same health plans as active County employees, as well as enhanced senior plans for retirees on Medicare. Retiree premiums are rated separately from active County employees; as such, the County does not have a retiree premium implicit rate subsidy.

Retirees who elect to participate in a County-sponsored health insurance plan are eligible to receive an explicit subsidy for medical premiums funded by the County and other plan sponsors. The monthly subsidy is $15 per year of service. If the monthly premium for the health plan selected is less than $15 times the member's years of service, the subsidy is limited to the entire premium. The health plans include coverage for eligible spouses and dependents. After the member's death, a beneficiary is eligible to continue health plan coverage. The subsidy benefit will be equal to $15 per year of service times the survivor continuation percentage applicable for pension benefits.

If a member is eligible for a disability retirement benefit, the member can receive a monthly health plan subsidy of $187 per month or a subsidy of $15 per month per year of service, whichever is greater. This subsidy is treated as a nontaxable amount to the disabled recipient.

Retirees who choose not to participate in the County-sponsored health insurance plan receive a monthly benefit of $4 per year of service. This benefit, known as a Healthcare Reimbursement Arrangement, reimburses qualified health care expenses through a health savings account.

Employees Covered By Benefit Terms

At the OPEB liability measurement date of June 30, 2020, the following employees were covered by the benefit terms:

Active employees	2,239
Inactive employees entitled to but not yet receiving benefit payments	801
Inactive employees or beneficiaries currently receiving benefit payments	4,324
	7,364

Contributions

On March 1, 2016, the County adopted a resolution approving an OPEB (401(h) Account) Funding Policy. This policy provides for funding the OPEB Plan at 4% of Covered Payroll for the 401(a) Pension Plan (see Note 21) (as opposed to the smaller covered payroll of the OPEB Plan). This funding policy went into effect on July 1, 2016. Employees are not required to contribute to the OPEB Plan.

Net OPEB Liability

At June 30, 2021, the County, including its discretely presented component unit, reported a net OPEB liability of $98,226 and $261, respectively. The net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019, updated to June 30, 2020.

IN THOUSANDS 124 NOTES TO THE FINANCIAL STATEMENTS

Actuarial Assumptions

The total OPEB liability measured as of June 30, 2020 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increase rate	3% plus an additional longevity and promotion increase compounded based on years of service
Investment rate of return	7.00%, net of investment expense
Healthcare cost trend rates	The Healthcare Cost Trend Rate is not applicable because the total cost of health benefits is not valued. Only the monthly benefit provided is valued using the assumption that no future increase will be granted to the amount.
Future retiree plan election	Non-Medicare-Eligible Retirees: 40% - monthly subsidy of $15 per year of service; 60% - $4 cash benefit option Non-Medicare-Eligible Retirees: 55% - monthly subsidy of $15 per year of service; 45% - $4 cash benefit option
Mortality rates	Healthy Lives: Mortality rates for General active members are based on the sex distinct Public General 2010 Above-Median Income Employee Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2019, without adjustment. Non-duty related morality rates for Safety active member are based on the sex distinct Public Safety 2010 Employee Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2019, without adjustment. Safety active members are also subject to the 2014 CalPERS Preretirements Industrial Mortality Table for duty-related deaths, with generational mortality improvements projected from 2009 using Projection Scale MP-2019, without adjustment. Mortality rates for healthy General annuitants are based on the sex distinct Public General 2010 Above-Median Income Retiree Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2019. Mortality rates for Safety annuitants are based upon the sex distinct Public Safety Retiree Mortality Table, with generational improvements projected from 2010 using Projection Scale MP-2019. Disabled Lives: Mortality rates for disabled retirees are based on 2014 CalPERS Industrial Disabled Annuitant Mortality, with no adjustment (Safety only), 2014 CalPERS Non-Industrial Disabled Annuitant Mortality, with no adjustment (General only), with Generational improvement using Projection Scale MP-2016 from a base year of 2009.

IN THOUSANDS 125 NOTES TO THE FINANCIAL STATEMENTS

The actuarial assumptions used in the valuation as of June 30, 2019, updated to June 30, 2020, were based on 1) the demographic assumptions determined in the actuarial experience study of July 1, 2016 – June 30, 2019 for the Pension Plan, 2) implementation of the OPEB Funding Policy, and 3) current experience for OPEB Plan election by retirees. As the benefit for the OPEB Plan is a fixed payment per year of service that is currently lower than the premiums paid for coverage, and is expected to remain so into the future, no age-related costs are required to be developed.

The OPEB assets are invested in the same commingled vehicles as the pension plan, but with a more simple asset allocation. It is expected that as the OPEB assets continue to grow, the asset allocation will shift to be more like that of the pension plan. Therefore, in the long run, we expect the OPEB Plan to realize the same long-term rate of return as the pension plan. The long-term expected rate of return, measured as of June 30, 2020, on pension plan investments (7.0 %) 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. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	60%	5.30%
Fixed income	40%	0.50%
Total	100%	

Discount Rate

The discount rate used to measure the total OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that County contributions will continue based upon the current OPEB (401(h) Account) Funding Policy. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make projected future benefit payments for current members for all future years. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

IN THOUSANDS 126 NOTES TO THE FINANCIAL STATEMENTS

Changes in the Net OPEB Liability

The table below shows the changes in the total OPEB liability, the Plan Fiduciary Net Position (i.e. fair value of OPEB Plan assets), and the net OPEB liability during the measurement period ending on June 30, 2020 for the County and its discretely presented component unit's proportionate share.

	Increase (Decrease)			Proportionate Share	
				County of Santa Barbara	First 5 Children and Families Commission
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)	Net OPEB Liability	Net OPEB Liability
Balances at 6/30/2019	$ 132,268	$ 22,700	$ 109,568	$ 109,253	$ 315
Changes for the year:					
Service cost	1,538	-	1,538	1,534	4
Interest	9,017	-	9,017	8,993	24
Differences between expected and actual experience	(3,396)	-	(3,396)	(3,387)	(9)
Changes of assumptions	(2,890)	-	(2,890)	(2,882)	(8)
Contributions - employer	-	13,913	(13,913)	(13,876)	(37)
Net investment income	-	1,788	(1,788)	(1,783)	(5)
Benefit payments	(8,520)	(8,520)	-	-	-
Administrative expense	-	(351)	351	350	1
Allocation basis adjustment*	-	-	-	24	(24)
Net changes	(4,251)	6,830	(11,081)	(11,027)	(54)
Balances at 6/30/2020	$ 128,017	$ 29,530	$ 98,487	$ 98,226	$ 261

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

The following presents the net OPEB liability of the County and its discretely presented component unit as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current discount rate:

Proportionate share - Net OPEB liability	1% Decrease 6.0%	Discount Rate 7.0%	1% Increase 8.0%
County of Santa Barbara	$ 112,210	$ 98,226	$ 86,432
First 5 Children and Families Commission	$ 298	$ 261	$ 229

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB Plan's fiduciary net position is available in the separately issued SBCERS financial report.

IN THOUSANDS 127 NOTES TO THE FINANCIAL STATEMENTS

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the County, including its discretely presented component unit, recognized OPEB expense of $5,438 and $14, respectively. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, and actuarial assumptions or method. At June 30, 2021, the County and its discretely presented component unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Proportionate Share			
	County of Santa Barbara		First 5 Children and Families Commission	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 4,469	$ -	$ 12
Changes in assumptions	-	1,923	-	5
Net difference between projected and actual earnings on retirement plan investments	-	202	-	1
County contributions subsequent to the measurement date	14,294	-	38	-
	$ 14,294	$ 6,594	$ 38	$ 18

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Proportionate Share	
Year Ending June 30,	County of Santa Barbara	First 5 Children and Families Commission
2022	$ (3,684)	$ (10)
2023	(2,828)	(8)
2024	(78)	--
2025	(4)	--
	$ (6,594)	$ (18)

20. DEFERRED COMPENSATION PLANS

Santa Barbara County Supplemental Retirement Plan

The Santa Barbara County Supplemental Retirement Plan is an employer discretionary, defined contribution plan established and governed under Internal Revenue Code Section 401(a). Employer-only annual contributions are calculated based upon a percentage of employee compensation under annual agreements with employee bargaining groups and unions.

This plan is administered through a third-party administrator, Empower Retirement, and is available to all employee groups. The County does not perform the investing function and has no fiduciary accountability for the plan. Thus, plan assets and any related liability to plan participants have been excluded from the County's financial statements.

IN THOUSANDS 128 NOTES TO THE FINANCIAL STATEMENTS

The County's actual contributions for the current year and the two preceding years are as follows:

Fiscal Year Ended	Contributions
6/30/2019	$ 222
6/30/2020	232
6/30/2021	253

County of Santa Barbara Employee Contribution Deferred Compensation Plan

The County offers to its employees an optional deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. This plan is available to substantially all employees and allows participants to defer a portion of their current income until future years, up to a maximum of $19,500 (in whole dollars) during 2020 and 2021 (calendar years) so as to shelter such funds and earnings from state and federal taxation until withdrawal. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

This plan is administered through a third-party administrator. The County does not perform the investing function and has no fiduciary accountability for the plan. Thus, plan assets and any related liability to plan participants have been excluded from the County's financial statements.

County of Santa Barbara Social Security Compliance Deferred Compensation Plan

The Social Security Compliance Deferred Compensation Plan is a supplemental retirement program utilized by the County in lieu of payments to Social Security (FICA), governed under Internal Revenue Code Sections 3121 and 457. Enrollment in this plan is mandatory for contract, extra-help, seasonal and temporary employees. Employees enrolled in the regular SBCERS pension plans are not eligible for this plan. Based upon the employee's gross compensation, the employee's deferral, on a before-tax basis, equals 6.0% and the County's contribution equals 1.5% for a combined total of 7.5%.

This plan is administered through a third-party administrator and is available to all employee groups. The County does not perform the investing function and has no fiduciary accountability for the plan. Thus, plan assets and any related liability to plan participants have been excluded from the County's financial statements.

The County's actual contributions for the current year and the two preceding years are as follows:

Fiscal Year Ended	Contributions
6/30/2019	$ 154
6/30/2020	156
6/30/2021	191

IN THOUSANDS 129 NOTES TO THE FINANCIAL STATEMENTS

21. PRIOR PERIOD ADJUSTMENTS

A prior period adjustment of $21,993 was made to increase the governmental activities beginning net position and the governmental funds beginning fund balance. As a result of the implementation of GASB Statement No. 84 in FY 2020-21, a review of former Agency funds was completed to determine whether these funds met the fiduciary criteria under the new standard. Activities that did not meet the fiduciary criteria under GASB Statement No. 84 are now reported within the primary government in the Governmentwide and Governmental Fund statements. Amounts related to prior period revenue in these funds were added to beginning net position in their respective reporting category.

The restatement of beginning net position of the governmental activities is summarized as follows:

Governmental Activities	
Net position at July 1, 2020, as previously stated	$ 534,566
Governmental Activities prior period adjustment	21,993
Net position at July 1, 2020, as restated	$ 556,559

The restatement of beginning fund balance of the governmental funds is summarized as follows:

Governmental Funds	
Fund Balance at July 1, 2020, as previously stated	$ 435,183
General	3,171
Roads	5,671
Public Health	860
Behavioral Wellness	536
Fire Protection District	2,240
Capital Projects	8,014
Other Governmental Fund	1,501
Fund Balance at July 1, 2020, as restated	$ 457,176

Prior period adjustments of $3,193,932 and $32,836 were made, related to SBCERS Pension Trust Funds and the Other Postemployment Benefits Trust Fund, respectively, to establish beginning net position of $3,226,768 in the fiduciary fund statements for Pension (and Other Employee Benefits) Trust Funds. In addition, a prior period adjustment of $29,762 was made to establish beginning net position in the fiduciary fund statements for Other Custodial Funds as well as an $11,654 prior period adjustment to decrease the Investment Trust Fund in accordance with GASB Statement No. 84.

IN THOUSANDS 130 NOTES TO THE FINANCIAL STATEMENTS

The restatement of beginning net position of the fiduciary funds is summarized as follows:

Fiduciary Funds	
Pension (and Other Employee Benefits) Trust Funds	
Net position at July 1, 2020, as previously stated	$ -
SBCERS Pension Trust Funds	3,193,932
Other Postemployment Benefit Trust Fund	32,836
Net position at July 1, 2020, as restated	$ 3,226,768
Other Custodial Funds	
Net position at July 1, 2020, as previously stated	$ -
Unapportioned Collections	25,244
State and City Revenue Funds	2,330
Public Administrator/Public Guardian Funds	1,599
Other Custodial Funds	589
Net position at July 1, 2020, as restated	$ 29,762
Investment Trust Fund	
Net position at July 1, 2020, as previously stated	$ 1,037,141
Investment Trust Fund prior period adjustment	(11,654)
Net position at July 1, 2020, as restated	$ 1,025,487

22. SUBSEQUENT EVENTS

The County evaluated subsequent events from July 1, 2021 through December 31, 2021, the date the financial statements were available to be issued. The following subsequent event was noted:

Fire Related Capital Asset Impairments

As a result of the Alisal Fire that impacted the County's Gaviota Coast in October 2021, two capital asset impairments occurred due to fire damage. The first impairment is related to the Tajiguas Landfill and its environmental systems and greenwaste processing area as well as the biofilter for the Material Recovery Facility (MRF), which is a component of the newly constructed ReSource Center. The site's landfill gas collection wells, stormwater drainage systems, and greenwaste processing equipment were significantly damaged. In addition, the wood chips contained in the MRF biofilter continued to burn for several days creating the need to cut sides out of the biofilter to better access and extinguish the wood chips. Waste material was transported to alternative waste management facilities while the landfill and MRF were not operational. Within two weeks of the fire, all landfill systems were replaced and functioning and the landfill, greenwaste processing area, and anaerobic digester were able to begin operations again. Working with the Air Pollution Control District, the contractor was able to receive a variance that allows the continued operation of the MRF without certain components of the air treatment system as long as the contractor meets certain air quality levels based on daily testing. In the meantime, the contractor is assessing the damage and using the air data to identify specifically what type of technology will need to be installed in the future. At the time of publication, it is anticipated that the total impact to the assets is up to $20,000,000, which may be funded through insurance, state and federal funding, and the Division's Enterprise Fund reserves.

The second capital asset impairment associated with the Alisal Fire is related to the Baron Ranch trail system which was damaged by the fire. As of the time of this publication, the damage to the trail system, associated costs, and timeframe for repair are still being determined.

IN THOUSANDS 131 NOTES TO THE FINANCIAL STATEMENTS

Required Supplementary Information

Santa Barbara County Employees' Retirement System - Schedule of the County's Proportionate Share of the Net Pension Liability

Schedule of the County's Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years*

Measurement date	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
For use in	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
County's proportion of the net pension liability	92.9214%	92.5287%	92.8477%	93.1085%	92.7824%	92.8017%	92.6470%	92.3325%
County's proportionate share of the net pension liability	$ 981,008	$ 789,465	$ 802,341	$ 875,937	$ 780,034	$ 675,252	$ 565,460	$ 721,772
County's covered payroll	$ 346,073	$ 328,862	$ 319,452	$ 316,948	$ 304,480	$ 295,365	$ 283,430	$ 277,298
County's proportionate share of the net pension liability as a percentage of its covered payroll	283.47%	240.06%	251.16%	276.40%	256.20%	228.60%	199.50%	260.30%
Plan fiduciary net position as a percentage of the total pension liability	75.20%	78.90%	77.60%	74.90%	75.20%	77.70%	80.46%	73.66%

**Amounts presented above were determined as of 6/30. Additional years will be presented as they become available.*

Santa Barbara County Employees' Retirement System - Schedule of the County's Contributions

Schedule of the County's Contributions

Last 10 Fiscal Years*

Measurement date	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
For use in	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Actuarially determined contribution	$ 139,647	$ 131,337	$ 124,021	$ 122,369	$ 113,544	$ 113,889	$ 114,714	$ 110,461
Contributions in relation to the actuarially determined contribution	139,647	131,337	124,021	122,369	113,544	114,197	114,946	110,756
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ (308)	$ (232)	$ (295)
County's covered payroll	$ 360,865	$ 346,073	$ 328,862	$ 319,452	$ 316,948	$ 304,480	$ 295,365	$ 283,430
covered payroll	38.70%	37.95%	37.71%	38.31%	35.82%	37.51%	38.92%	39.08%

**Amounts presented above were determined as of 6/30. Additional years will be presented as they become available.*

The information presented above relates solely to the County and its discretely presented component unit and not Santa Barbara County Employees' Retirement System as a whole.

The Notes to Required Supplementary Information (RSI) are integral to the above schedules.

UNAUDITED AND IN THOUSANDS 133 REQUIRED SUPPLEMENTARY INFORMATION

Other Postemployment Benefits (OPEB) Plan - Schedule of Changes in the County's Net OPEB Liability and Related Ratios

Schedule of Changes in the County's Net OPEB Liability and Related Ratios

Last 10 Fiscal Years*				
Measurement date	6/30/2020	6/30/2019	6/30/2018	6/30/2017
For use in	FY 2021	FY 2020	FY 2019	FY 2018
Total OPEB liability				
Service cost	$ 1,538	$ 1,625	$ 1,741	$ 1,856
Interest	9,017	9,057	9,131	8,962
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(3,396)	(2,706)	(3,456)	-
Changes of assumptions	(2,890)	-	-	-
Benefit payments	(8,520)	(8,462)	(8,352)	(8,342)
Net change in total OPEB liability	(4,251)	(486)	(936)	2,476
Total OPEB liability - beginning	132,268	132,754	133,690	131,214
Total OPEB liability - ending (a)	$ 128,017	$ 132,268	$ 132,754	$ 133,690
Plan fiduciary net position				
Contributions - employer	$ 13,913	$ 13,584	$ 12,763	$ 12,642
Net investment income	1,788	1,666	863	589
Benefit payments	(8,520)	(8,462)	(8,352)	(8,342)
Administrative expense	(351)	(379)	(397)	(352)
Net change in plan fiduciary net position	6,830	6,409	4,877	4,537
Plan fiduciary net position - beginning	22,700	16,291	11,414	6,877
Plan fiduciary net position - ending (b)	$ 29,530	$ 22,700	$ 16,291	$ 11,414
County's net OPEB liability - ending (a) - (b)	$ 98,487	$ 109,568	$ 116,463	$ 122,276
Plan fiduciary net position as a percentage of the total OPEB liability	23.07%	17.16%	12.27%	8.54%
Covered payroll	$ 346,073	$ 328,862	$ 319,452	$ 316,948
County's net OPEB liability as a percentage of covered payroll	28.46%	33.32%	36.46%	38.58%

**Amounts presented above were determined as of 6/30. Additional years will be presented as they become available.*

The information presented above relates solely to the County and its discretely presented component unit and not Santa Barbara County Employees' Retirement System as a whole.

The Notes to RSI are integral to the above schedules.

UNAUDITED AND IN THOUSANDS 134 REQUIRED SUPPLEMENTARY INFORMATION

Governmental Funds – General and Major Special Revenue

COUNTY OF SANTA BARBARA, CALIFORNIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Taxes	$ 271,609	$ 279,028	$ 283,833	$ 4,805
Licenses, permits, and franchises	5,513	8,913	8,061	(852)
Fines, forfeitures, and penalties	5,991	8,315	6,432	(1,883)
Use of money and property	3,498	2,296	1,050	(1,246)
Intergovernmental	84,547	159,551	162,349	2,798
Charges for services	67,888	68,776	65,347	(3,429)
Other	3,143	6,675	6,238	(437)
Total revenues	442,189	533,554	533,310	(244)
Expenditures				
Current:				
Policy & executive	24,300	26,005	23,531	2,474
Public safety	265,362	269,324	256,339	12,985
Health & human services	5,428	5,447	4,767	680
Community resources & public facilities	44,808	44,551	38,960	5,591
General government & support services	59,257	61,878	58,257	3,621
General county programs	6,069	12,175	9,003	3,172
Total expenditures	405,224	419,380	390,857	28,523
Excess of revenues over expenditures	36,965	114,174	142,453	28,279
Other financing sources (uses)				
Transfers in	7,112	38,589	37,609	(980)
Transfers out	(71,473)	(133,063)	(118,427)	14,636
Sale of capital assets	--	75	39	(36)
Total other financing uses, net	(64,361)	(94,399)	(80,779)	13,620
Net change in fund balances	(27,396)	19,775	61,674	41,899
Fund balances - beginning	201,899	201,899	201,899	--
Fund balances - ending	$ 174,503	$ 221,674	$ 263,573	$ 41,899

Amounts reported in the GAAP Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds are different because:

Actual amounts (budgetary basis) Total Revenues from the budgetary comparison schedule	$ 533,310
Revenues resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(3,171)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 530,139
Actual amounts (budgetary basis) Total other financing uses, net	$ (80,779)
Transfers in resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(28,121)
Transfers out resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	28,121
Total other financing uses, net on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ (80,779)

COUNTY OF SANTA BARBARA, CALIFORNIA
ROADS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Taxes	$ 7,026	$ 7,026	$ 8,559	$ 1,533
Licenses, permits, and franchises	362	362	492	130
Use of money and property	289	85	(77)	(162)
Intergovernmental	33,092	33,692	23,505	(10,187)
Charges for services	3,868	10,795	13,421	2,626
Other	128	128	375	247
Total revenues	44,765	52,088	46,275	(5,813)
Expenditures				
Current:				
Community resources & public facilities	64,753	71,558	56,873	14,685
Total expenditures	64,753	71,558	56,873	14,685
Deficiency of revenues under expenditures	(19,988)	(19,470)	(10,598)	8,872
Other financing sources (uses)				
Transfers in	7,737	15,186	12,126	(3,060)
Transfers out	(1,234)	(6,328)	(4,442)	1,886
Sale of capital assets	40	40	42	2
Total other financing sources, net	6,543	8,898	7,726	(1,172)
Net change in fund balances	(13,445)	(10,572)	(2,872)	7,700
Fund balances - beginning	33,883	33,883	33,883	--
Fund balances - ending	$ 20,438	$ 23,311	$ 31,011	$ 7,700

Amounts reported in the GAAP Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds are different because:

Actual amounts (budgetary basis) Total Revenues from the budgetary comparison schedule	$ 46,275
Revenues resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(12,560)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 33,715
Actual amounts (budgetary basis) Total Expenditures from the budgetary comparison schedule	$ 56,873
Expenditures resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(6,889)
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 49,984
Actual amounts (budgetary basis) Total Other Financing Sources, Net	$ 7,726
Transfers in resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(4,208)
Transfers out resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	4,208
Total other financing sources, net on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 7,726

COUNTY OF SANTA BARBARA, CALIFORNIA
PUBLIC HEALTH SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Licenses, permits, and franchises	$ 858	$ 858	$ 686	$ (172)
Fines, forfeitures, and penalties	476	1,074	893	(181)
Use of money and property	267	188	(21)	(209)
Intergovernmental	22,028	34,684	36,215	1,531
Charges for services	53,952	53,897	52,607	(1,290)
Other	150	519	573	54
Total revenues	77,731	91,220	90,953	(267)
Expenditures				
Current:				
Health & human services	90,618	101,680	96,884	4,796
Total expenditures	90,618	101,680	96,884	4,796
Deficiency of revenues under expenditures	(12,887)	(10,460)	(5,931)	4,529
Other financing sources (uses)				
Transfers in	13,099	17,645	17,378	(267)
Transfers out	(865)	(2,549)	(1,672)	877
Total other financing sources, net	12,234	15,096	15,706	610
Net change in fund balances	(653)	4,636	9,775	5,139
Fund balances - beginning	18,392	18,392	18,392	--
Fund balances - ending	$ 17,739	$ 23,028	$ 28,167	$ 5,139

Amounts reported in the GAAP Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds are different because:

Actual amounts (budgetary basis) Total Revenues from the budgetary comparison schedule	$ 90,953
Revenues resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(1,285)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 89,668
Actual amounts (budgetary basis) Total Expenditures from the budgetary comparison schedule	$ 96,884
Expenditures resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(425)
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 96,459

COUNTY OF SANTA BARBARA, CALIFORNIA
SOCIAL SERVICES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Licenses, permits, and franchises	$ 66	$ 66	$ 88	$ 22
Fines, forfeitures, and penalties	13	13	11	(2)
Use of money and property	237	202	184	(18)
Intergovernmental	148,265	163,664	153,260	(10,404)
Charges for services	76	76	85	9
Other	416	420	1,213	793
Total revenues	149,073	164,441	154,841	(9,600)
Expenditures				
Current:				
Health & human services	169,040	173,271	161,486	11,785
Total expenditures	169,040	173,271	161,486	11,785
Deficiency of revenues under expenditures	(19,967)	(8,830)	(6,645)	2,185
Other financing sources (uses)				
Transfers in	19,652	9,276	9,263	(13)
Transfers out	(199)	(571)	(431)	140
Total other financing sources, net	19,453	8,705	8,832	127
Net change in fund balances	(514)	(125)	2,187	2,312
Fund balances - beginning	4,970	4,970	4,970	--
Fund balances - ending	$ 4,456	$ 4,845	$ 7,157	$ 2,312

Amounts reported in the GAAP Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds are different because:

Actual amounts (budgetary basis) Total Other Financing Sources, Net	$ 8,832
Transfers in resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(66)
Transfers out resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	66
Total other financing sources, net on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 8,832

COUNTY OF SANTA BARBARA, CALIFORNIA
BEHAVIORAL WELLNESS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Fines, forfeitures, and penalties	$ 41	$ 41	$ 24	$ (17)
Use of money and property	530	758	571	(187)
Intergovernmental	56,248	70,437	67,808	(2,629)
Charges for services	62,647	72,351	67,763	(4,588)
Other	65	7,167	3,843	(3,324)
Total revenues	119,531	150,754	140,009	(10,745)
Expenditures				
Current:				
Health & human services	134,900	146,325	133,521	12,804
Total expenditures	134,900	146,325	133,521	12,804
Excess (deficiency) of revenues over (under) expenditures	(15,369)	4,429	6,488	2,059
Other financing sources (uses)				
Transfers in	14,836	13,435	12,092	(1,343)
Transfers out	(3,919)	(5,372)	(5,260)	112
Sale of capital assets	--	1,600	1,596	(4)
Total other financing sources, net	10,917	9,663	8,428	(1,235)
Net change in fund balances	(4,452)	14,092	14,916	824
Fund balances - beginning	10,342	10,342	10,342	--
Fund balances - ending	$ 5,890	$ 24,434	$ 25,258	$ 824

Amounts reported in the GAAP Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds are different because:

Actual amounts (budgetary basis) Total Revenues from the budgetary comparison schedule	$ 140,009
Revenues resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(15,129)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 124,880
Actual amounts (budgetary basis) Total Expenditures from the budgetary comparison schedule	$ 133,521
Expenditures resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(14,593)
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 118,928
Actual amounts (budgetary basis) Total Other Financing Sources, Net	$ 8,428
Transfers in resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(3,830)
Transfers out resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	3,830
Total other financing sources, net on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 8,428

COUNTY OF SANTA BARBARA, CALIFORNIA
FLOOD CONTROL DISTRICT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Taxes	$ 12,067	$ 12,067	$ 13,092	$ 1,025
Licenses, permits, and franchises	--	--	20	20
Fines, forfeitures, and penalties	--	--	1	1
Use of money and property	762	291	(116)	(407)
Intergovernmental	13,308	13,308	11,656	(1,652)
Charges for services	4,014	4,014	4,011	(3)
Other	2	2	6	4
Total revenues	30,153	29,682	28,670	(1,012)
Expenditures				
Current:				
Community resources & public facilities	39,079	48,084	29,843	18,241
Total expenditures	39,079	48,084	29,843	18,241
Deficiency of revenues under expenditures	(8,926)	(18,402)	(1,173)	17,229
Other financing sources (uses)				
Transfers in	45	86	74	(12)
Transfers out	--	(110)	(108)	2
Sale of capital assets	20	20	36	16
Total other financing sources (uses)	65	(4)	2	6
Net change in fund balances	(8,861)	(18,406)	(1,171)	17,235
Fund balances - beginning	71,540	71,540	71,540	--
Fund balances - ending	$ 62,679	$ 53,134	$ 70,369	$ 17,235

Amounts reported in the GAAP Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds are different because:

Actual amounts (budgetary basis) Total Revenues from the budgetary comparison schedule	$ 28,670
Revenues resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(3,778)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 24,892
Actual amounts (budgetary basis) Total Expenditures from the budgetary comparison schedule	$ 29,843
Expenditures resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(3,778)
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 26,065

COUNTY OF SANTA BARBARA, CALIFORNIA
AFFORDABLE HOUSING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Use of money and property	$ 165	$ 52	$ (45)	$ (97)
Intergovernmental	14,520	20,760	10,854	(9,906)
Charges for services	50	50	255	205
Other	469	469	2,232	1,763
Total revenues	15,204	21,331	13,296	(8,035)
Expenditures				
Current:				
Community resources & public facilities	12,598	39,324	23,088	16,236
Total expenditures	12,598	39,324	23,088	16,236
Excess (deficiency) of revenues over (under) expenditures	2,606	(17,993)	(9,792)	8,201
Other financing sources (uses)				
Transfers in	--	20,800	14,043	(6,757)
Transfers out	(3,986)	(4,300)	(2,519)	1,781
Total other financing sources (uses)	(3,986)	16,500	11,524	(4,976)
Net change in fund balances	(1,380)	(1,493)	1,732	3,225
Fund balances - beginning	6,863	6,863	6,863	--
Fund balances - ending	$ 5,483	$ 5,370	$ 8,595	$ 3,225

Amounts reported in the GAAP Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds are different because:

Actual amounts (budgetary basis) Total other financing sources (uses)	$ 11,524
Transfers in resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	187
Transfers out resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(187)
Total other financing sources (uses) on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 11,524

COUNTY OF SANTA BARBARA, CALIFORNIA
FIRE PROTECTION DISTRICT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual on Budgetary Basis	Variance with Final Budget
Revenues				
Taxes	$ 61,959	$ 61,959	$ 60,375	$ (1,584)
Licenses, permits, and franchises	24	24	22	(2)
Fines, forfeitures, and penalties	--	--	3	3
Use of money and property	24	(56)	(133)	(77)
Intergovernmental	1,987	2,500	2,174	(326)
Charges for services	27,694	33,118	34,636	1,518
Other	1,043	1,100	321	(779)
Total revenues	92,731	98,645	97,398	(1,247)
Expenditures				
Current:				
Public safety	92,540	96,425	91,795	4,630
Total expenditures	92,540	96,425	91,795	4,630
Excess of revenues over expenditures	191	2,220	5,603	3,383
Other financing sources (uses)				
Transfers in	543	792	615	(177)
Transfers out	(9,613)	(9,613)	(3,668)	5,945
Sale of capital assets	--	--	32	32
Total other financing uses, net	(9,070)	(8,821)	(3,021)	5,800
Net change in fund balances	(8,879)	(6,601)	2,582	9,183
Fund balances - beginning	27,525	27,525	27,525	--
Fund balances - ending	$ 18,646	$ 20,924	$ 30,107	$ 9,183

Amounts reported in the GAAP Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds are different because:

Actual amounts (budgetary basis) Total Revenues from the budgetary comparison schedule	$ 97,398
Revenues resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(2,240)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 95,158

Notes to Required Supplementary Information

Other Postemployment Benefits (OPEB) Plan

Beginning in FY 2014, the County adopted an OPEB funding rate based upon pensionable payroll. The funding rates were 3.5% for FY 2015 and 3.75% for FY 2016. Effective July 1, 2016, the County OPEB (401(h) Account) Funding Policy adopted an ongoing rate of 4% of covered payroll for the 401(a) Pension Plan.

Budgetary Compliance

The County is legally required to adopt an annual budget and adhere to the provisions of the California Government Code (Sections 29000 – 29144 and 30200), commonly known as the County Budget Act. Budgets are adopted for the general, special revenue, debt service and capital projects funds. Budgets are prepared on the modified accrual basis of accounting consistent with generally accepted accounting principles (GAAP). The Board of Supervisors (Board) annually conducts a public hearing for the discussion of a recommended budget. At the conclusion of the hearings, statutorily no later than October 2, the Board adopts the final budget including revisions by resolution. However, it has been the County's practice to adopt the budget prior to the start of the fiscal year. The Board also adopts subsequent revisions that occur throughout the year. All annual appropriations lapse at fiscal year-end.

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is maintained at the fund, department, and object level with more stringent control over capital assets, and fund balance accounts which are controlled at the line item level. Except for payroll, the County's financial system does not process payments and disbursements when over-expenditure of object levels would result. For capital asset and fund balance transactions, payments are not processed if over-expenditure at the line item would result. Presentation of the basic financial statements at the legal level is not feasible due to excessive length; therefore, the budget and actual statements have been aggregated by function. The County prepares a separate Final Budget document that demonstrates legal compliance with budgetary control. This document is made available to the public on the County's website http://www.countyofsb.org/auditor, or can be obtained from the Auditor-Controller's office.

For the year ended June 30, 2021, no instances existed in which expenditures exceeded appropriations.

The Board must approve amendments or transfers of appropriations between funds or departments, as well as items related to capital assets, and fund balance accounts. Supplemental appropriations necessary and normally financed by unanticipated revenues during the year must also be approved by the Board. Finally, the Chief Executive Officer (CEO) approves amendments or transfers of appropriations between object levels within the same department, unless related to capital assets or fund balance in which case Board approval is required. Any deficiency caused by expenditures and other financing uses being greater than revenues and other financing sources is financed by beginning available fund balances as provided for in the County Budget Act.

Other Supplementary Information

Other Major Governmental Fund

COUNTY OF SANTA BARBARA, CALIFORNIA
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Use of money and property	12	(92)	(36)	56
Intergovernmental	5,291	6,658	1,042	(5,616)
Charges for services	1,254	6,593	5,447	(1,146)
Other	742	4,281	3,376	(905)
Total revenues	7,299	17,440	9,829	(7,611)
Expenditures				
Capital outlay	36,785	43,557	15,309	28,248
Total expenditures	36,785	43,557	15,309	28,248
Deficiency of revenues under expenditures	(29,486)	(26,117)	(5,480)	20,637
Other financing sources (uses)				
Transfers in	16,656	22,864	10,570	(12,294)
Transfers out	(76)	(472)	(376)	96
Long-term debt issued	2,274	2,274	--	(2,274)
Total other financing sources, net	18,854	24,666	10,194	(14,472)
Net change in fund balances	(10,632)	(1,451)	4,714	6,165
Fund balances - beginning	18,413	18,413	18,413	--
Fund balances - ending	$ 7,781	$ 16,962	$ 23,127	$ 6,165

Amounts reported in the GAAP Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds are different because:

Actual amounts (budgetary basis) Total Revenues from the budgetary comparison schedule	$ 9,829
Revenues resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(8,014)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 1,815

Nonmajor Governmental Funds

Nonmajor governmental funds are funds that do not meet the definition of a major fund, as described in the glossary. The following funds are presented as nonmajor funds in the ACFR:

SPECIAL REVENUE FUNDS

Special Revenue Funds are established to finance particular governmental activities and are financed by specific taxes or other revenues. Such funds are authorized by statutory provisions to pay for certain activities of a continuing nature. Included in the Special Revenue classification are the following funds:

Fish and Game

The Fish and Game Fund is used to account for fines and forfeitures received under Section 13003 of the State of California Fish and Game Code and for other revenues and expenditures for the propagation and conservation of fish and game. The Board of Supervisors authorizes expenditures on advice of the Fish and Game Commission.

Petroleum

The Petroleum Fund, established pursuant to Chapter 25 of the County Code, is used to account for the revenues and expenditures associated with administering the Petroleum Ordinance. The Petroleum Ordinance regulates the issuing of oil well drilling permits. It also regulates drilling, operating and abandoning petroleum wells, pipelines, tanks and associated petroleum equipment for prevention of erosion, pollution and fire hazards and for safety controls.

Public and Educational Access

The fund for Public and Educational Access was established in December 2001 by the Board of Supervisors to receive grant revenue from the local cable television franchisee. The primary objectives and purposes of the fund are the support of education and public information through programs aimed at expanding public access and educational access to telecommunication services.

Clerk-Recorder

The Clerk-Recorder Fund is used to account for activity related to the Clerk-Recorder division of the Clerk-Recorder-Assessor department.

Special Aviation

The Special Aviation Fund is used to account for activity related to the Santa Ynez Airport. It is funded primarily by state and federal grants for airport improvements.

In-Home Supportive Services (IHSS) Public Authority

The In-Home Supportive Services Public Authority Fund was established by the Board of Supervisors to act as the employer of record for IHSS individual providers. As an administrative unit, it carries out functions prescribed in Welfare & Institutions Code Section 12301.6. Those functions include a provider screening process, a registry that will match eligible providers and consumers, and collective bargaining with providers and their representatives. IHSS also offers access to training for providers and consumers while continuing to allow for consumer choice in the selection of providers.

Child Support Services

AB 196, AB 150, and SB 542 established the Child Support Services Fund during FY 00-01 to provide separate fund accountability as required. These legislative bills mandated that all Family Support Divisions located in the District Attorney's Offices become separate and independent departments. Child Support Services establishes paternity, obtains and enforces court orders for child support, collects and distributes payments, and provides community outreach about those services for the benefit of minor children.

Fishermen Assistance

This column combines the following individual County funds:

Fisheries Enhancement

The Fisheries Enhancement Fund (FEF) was established to mitigate impacts to the commercial fishing industry from offshore oil and gas development. Impact fees paid by offshore energy producers, pursuant to permit conditions, supports the FEF. The Planning Commission approved a supplemental needs assessment that, pursuant to Board of Supervisors adopted FEF Guidelines, recommends projects to be pursued for FEF awards.

Local Fishermen's Contingency

The Local Fishermen's Contingency Fund is financed by County permit conditions placed upon energy projects to mitigate impacts to the commercial fishing industry. The intent of the fund is to provide an interest-free loan program to fishermen awaiting payment of claims from the Federal Fishermen's Contingency Fund. The claims are for damage or loss resulting from outer continental shelf development or production, and to reimburse fishermen for damage or loss of gear, not covered under the federal fund, which occurs in state waters because of federal or state oil and gas development, or because of oil production activities such as transport.

Coastal Resources Enhancement

The Coastal Resources Enhancement Fund was established on May 10, 1988 to account for revenues received from offshore oil and gas projects pursuant to permit conditions, and expanded by the Board of Supervisors to projects that mitigate impacts to coastal recreation, aesthetics, tourism, and/or sensitive environmental resources.

Court Activities

AB 2544 in FY 94-95 established the Court Activities Fund to account for the state's portion of Trial Court Funding. AB 233, adopted in FY 97-98, transferred state funding out of the County entity. This fund represents the portion of Trial Court Operations under the County's control.

Criminal Justice Construction

The Criminal Justice Construction Fund was established to account for state authorized surcharges on criminal fines, which are statutorily designated for the establishment of adequate criminal justice facilities in the County.

Courthouse Construction

The Courthouse Construction Fund was established to account for state authorized surcharges on fines for non-parking and other criminal cases, which are statutorily designated for renovation and/or construction of courtroom facilities.

Inmate Welfare

The Inmate Welfare Fund was established pursuant to Penal Code Section 4025 to account for profits from the County jail store and any money attributable to the use of pay telephones. The funds are expended primarily for the benefit, education, and welfare of the inmates confined within the jail.

Planning & Development

The Planning & Development Fund is used to account for activity and operations related to the Planning & Development department.

Tobacco Settlement

The Tobacco Settlement Fund was established by the Board of Supervisors to account for funds received related to the 1998 settlement between several States and major tobacco companies. The funds are expended for various County health related programs.

Tidelands

The Tidelands Fund is used to account for monies received from oil companies which are to be used for operating costs of South County public beach parks.

Refugio Environmental

The Refugio Environmental Fund is used to account for activities related to the litigation of the Refugio oil spill.

SPECIAL DISTRICTS UNDER THE BOARD OF SUPERVISORS

Separate special districts have been established for the purpose of providing specific services to distinct geographical areas within the County. Those special districts that are under the jurisdiction of the Board of Supervisors are included within the Special Revenue Fund classification. These are financed principally from property taxes and benefit assessments, and are comprised of the following:

County Service Areas (CSAs)

This column combines the following individual County funds:

County Service Area #3

This service area serves part of the Goleta Valley, providing extended park and open space acquisition and maintenance, enhanced library services and street lighting. It provides 1,430 streetlights and maintains approximately 535 acres of open space and 148 acres of parks. This fund also made payments for the Goleta Valley Community Center and the Santa Barbara Shores property prior to the transfer of these assets to the City of Goleta.

County Service Area #4

This service area is located north of the City of Lompoc and serves the communities of Mission Hills and Vandenberg Village. It maintains approximately 52 acres of open space.

County Service Area #5

This service area serves the Orcutt area south of Santa Maria, providing extended park and open space activities. Extending from Waller Park, to just south of Rice Ranch Road, CSA #5 encompasses approximately 68 acres of parkland (Waller Park) and 11 acres of open space.

County Service Area #11

This service area embraces the unincorporated urbanized area of Carpinteria Valley and Summerland. The service area provides the community with parks and 77 streetlights.

County Service Area #12 – Mission Canyon Sewer Service Charge

This service area was established for the purpose of assessing property owners for the ongoing maintenance of the sewer system and septic tank inspection services for those properties in the prohibition area, but not on public sewers. A separate assessment is charged to properties remaining on septic systems in order to provide septic performance tracking.

County Service Area #31

This service area embraces the unincorporated community of Isla Vista, located west of the University of California at Santa Barbara, and provides 277 streetlights; installation, maintenance and repair of sidewalks, curbs and gutters and planting, along with maintenance and care of street trees.

County Service Area #41

This service area was established to assess property owners of the Rancho Santa Rita Subdivision, located outside the City of Lompoc, for road repairs, maintenance and improvements.

Community Facilities Districts (CFDs)

This column combines the following individual County funds:

Orcutt Community Facilities District

In October 2002, qualified landowners approved the formation of a CFD within the Orcutt Planning Area, located south of the City of Santa Maria. The CFD levied a special tax that may be used to finance infrastructure construction, fire and sheriff protection services, maintenance of parks, parkways and open space, and flood and storm protection services.

Providence Landing Community Facilities District

This Mello-Roos district encompasses the Providence Landing subdivision in South Vandenberg Village and provides funding for the maintenance of a public park.

Lighting Districts

This column combines the following individual County funds:

Mission Lighting District

This district provides 19 streetlights in the unincorporated area of Mission Canyon, located east of the City of Santa Barbara, and is financed by property taxes and benefit assessments.

North County Lighting District

Casmalia, Los Alamos, and Orcutt Lighting Districts and the lighting function of CSA #4 and CSA #5 were consolidated in FY 94-95 to form the North County Lighting District which provides 2,764 streetlights in the North County. This district is financed by property taxes and benefit assessments.

Sandyland Seawall Maintenance District

This district provides for the maintenance of a seawall constructed in the Sandyland Cove area, and is financed through benefit assessments levied against those properties adjacent to that beachfront area.

Water Agency

This agency prepares investigations and reports on the County's water requirements, project development, and efficient use of water. The agency provides technical assistance to other County departments, water districts, and the public concerning water availability and water well locations and design. The agency also administers the Cachuma Project and Twitchell Dam Project contracts with the U.S. Bureau of Reclamation. It is funded primarily by state grants and property tax revenue.

PERMANENT FUNDS

Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings (and not principal) may be used for the purposes of supporting the program.

Oak Restoration Fund

The Oak Restoration Fund is used to account for activities related to the restoration of oak tress in Santa Barbara County.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt.

Santa Barbara County Finance Corporation

The Santa Barbara County Finance Corporation Debt Service Fund accounts for the accumulation of resources for, and payment of, principal and interest incurred from the sale of Certificates of Participation and other municipal debt that is issued to finance various County capital projects.

COUNTY OF SANTA BARBARA, CALIFORNIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2021 (in thousands)

	Special Revenue						
	Fish and Game	Petroleum	Public and Educational Access	Clerk Recorder	Special Aviation	IHSS Public Authority	Child Support Services
Assets							
Assets:							
Cash and investments	$ 778	$ 759	$ --	$ 4,448	$ 136	$ 1	$ 848
Accounts receivable, net:							
Fines, forfeitures, and penalties	--	--	--	--	--	--	--
Use of money and property	1	1	--	4	--	--	1
Intergovernmental	--	--	--	--	69	1,222	178
Charges for services	--	--	--	--	--	--	95
Other	--	--	--	--	--	--	--
Due from other funds	--	--	--	--	--	--	--
Restricted cash and investments	--	--	--	--	--	--	--
Total assets	$ 779	$ 760	$ --	$ 4,452	$ 205	$ 1,223	$ 1,122
Liabilities and fund balances							
Liabilities:							
Accounts payable	$ --	$ --	$ --	$ 8	$ 30	$ --	$ --
Salaries and benefits payable	--	12	--	112	--	--	384
Other payables	--	--	--	48	9	--	--
Advances from grantors and third parties	--	--	--	--	--	--	--
Due to other funds	--	--	--	--	--	1,201	--
Customer deposits payable	--	--	--	--	--	--	--
Total liabilities	--	12	--	168	39	1,201	384
Fund balances:							
Nonspendable	--	--	--	--	--	--	--
Restricted	779	748	--	4,282	166	22	738
Committed	--	--	--	2	--	--	--
Total fund balances	779	748	--	4,284	166	22	738
Total liabilities and fund balances	$ 779	$ 760	$ --	$ 4,452	$ 205	$ 1,223	$ 1,122

	Special Revenue						
	Fishermen Assistance	Coastal Resources Enhancement	Court Activities	Criminal Justice Construction	Courthouse Construction	Inmate Welfare	
							Assets
							Assets:
	$ 441	$ 2,912	$ --	$ 1	$ 4,162	$ 3,172	Cash and investments
							Accounts receivable, net:
	--	--	117	54	54	--	Fines, forfeitures, and penalties
	--	3	(1)	(1)	4	3	Use of money and property
	--	--	--	--	--	--	Intergovernmental
	--	--	208	--	--	--	Charges for services
	--	--	--	--	--	564	Other
	--	--	1,005	--	--	--	Due from other funds
	--	--	--	--	--	--	Restricted cash and investments
	$ 441	$ 2,915	$ 1,329	$ 54	$ 4,220	$ 3,739	Total assets
							Liabilities and fund balances
							Liabilities:
	$ --	$ --	$ 228	$ --	$ --	$ 409	Accounts payable
	--	--	--	--	--	29	Salaries and benefits payable
	--	--	--	--	--	--	Other payables
	--	--	--	--	--	--	Advances from grantors and third parties
	--	--	749	54	--	--	Due to other funds
	--	--	--	--	--	--	Customer deposits payable
	--	--	977	54	--	438	Total liabilities
							Fund balances:
	--	--	--	--	--	--	Nonspendable
	441	2,915	346	--	4,220	3,301	Restricted
	--	--	6	--	--	--	Committed
	441	2,915	352	--	4,220	3,301	Total fund balances
	$ 441	$ 2,915	$ 1,329	$ 54	$ 4,220	$ 3,739	Total liabilities and fund balances

COUNTY OF SANTA BARBARA, CALIFORNIA
COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2021 (in thousands)

	Special Revenue						
	Planning & Development	Tobacco Settlement	Tidelands	Refugio Environmental	County Service Areas	Community Facilites Districts	Lighting Districts
Assets							
Assets:							
Cash and investments	$ 5,049	$ 8,278	$ 276	$ 11	$ 5,195	$ 715	$ 597
Accounts receivable, net:							
Licenses, permits, and franchises	262	--	--	--	--	--	--
Fines, forfeitures, and penalties	--	--	--	--	--	--	--
Use of money and property	7	9	--	--	5	1	1
Intergovernmental	--	--	--	--	--	--	--
Charges for services	104	--	--	--	--	--	--
Other	--	--	--	--	--	--	--
Due from other funds	--	--	--	--	--	--	--
Restricted cash and investments	14,193	--	--	--	--	--	--
Total assets	$ 19,615	$ 8,287	$ 276	$ 11	$ 5,200	$ 716	$ 598
Liabilities and fund balances							
Liabilities:							
Accounts payable	$ 210	$ 16	$ --	$ --	$ 303	$ --	$ 88
Salaries and benefits payable	689	--	--	--	--	--	--
Other payables	--	--	--	--	--	--	--
Advances from grantors and third parties	--	--	--	--	--	--	--
Due to other funds	44	--	--	--	--	--	--
Customer deposits payable	13,742	--	--	--	--	--	--
Total liabilities	14,685	16	--	--	303	--	88
Fund balances:							
Nonspendable	--	--	--	--	--	--	--
Restricted	2,356	--	276	11	4,897	716	510
Committed	2,574	8,271	--	--	--	--	--
Total fund balances	4,930	8,271	276	11	4,897	716	510
Total liabilities and fund balances	$ 19,615	$ 8,287	$ 276	$ 11	$ 5,200	$ 716	$ 598

	Special Revenue: Sandyland Seawall Maintenance District	Special Revenue: Water Agency	Special Revenue Total	Permanent: Oak Restoration	Debt Service: Santa Barbara County Finance Corporation	Total Nonmajor Governmental Funds
Assets						
Assets:						
Cash and investments	$ 775	$ 13,706	$ 52,260	$ 763	$ 107	$ 53,130
Accounts receivable, net:						
Licenses, permits, and franchises	--	--	262	--	--	262
Fines, forfeitures, and penalties	--	--	225	--	--	225
Use of money and property	1	13	52	1	--	53
Intergovernmental	--	39	1,508	--	--	1,508
Charges for services	--	--	407	--	--	407
Other	--	--	564	--	--	564
Due from other funds	--	--	1,005	--	--	1,005
Restricted cash and investments	--	28	14,221	--	1,411	15,632
Total assets	$ 776	$ 13,786	$ 70,504	$ 764	$ 1,518	$ 72,786
Liabilities and fund balances						
Liabilities:						
Accounts payable	$ --	$ 56	$ 1,348	$ --	$ --	$ 1,348
Salaries and benefits payable	--	46	1,272	--	--	1,272
Other payables	--	--	57	--	--	57
Advances from grantors and third parties	--	--	--	1	--	1
Due to other funds	--	9	2,057	--	--	2,057
Customer deposits payable	--	28	13,770	--	--	13,770
Total liabilities	--	139	18,504	1	--	18,505
Fund balances:						
Nonspendable	--	--	--	700	--	700
Restricted	776	13,107	40,607	63	1,518	42,188
Committed	--	540	11,393	--	--	11,393
Total fund balances	776	13,647	52,000	763	1,518	54,281
Total liabilities and fund balances	$ 776	$ 13,786	$ 70,504	$ 764	$ 1,518	$ 72,786

COUNTY OF SANTA BARBARA, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Special Revenue						
	Fish and Game	Petroleum	Public and Educational Access	Clerk Recorder	Special Aviation	IHSS Public Authority	Child Support Services
Revenues							
Taxes	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Licenses, permits, and franchises	--	5	--	280	--	--	--
Fines, forfeitures, and penalties	664	18	--	13	--	--	--
Use of money and property	1	(1)	(3)	15	--	(2)	--
Intergovernmental	--	--	--	--	407	10,948	8,891
Charges for services	--	596	--	3,938	--	--	52
Other	--	--	--	6	--	--	--
Total revenues	665	618	(3)	4,252	407	10,946	8,943
Expenditures							
Current:							
Public safety	--	--	--	--	--	--	--
Health & human services	--	--	--	--	--	11,726	9,158
Community resources & public facilities	3	422	--	--	--	--	--
General government & support services	--	--	--	3,140	384	--	--
General county programs	--	--	285	--	--	--	--
Debt service:							
Principal	--	--	--	--	--	--	--
Interest	--	--	--	--	--	--	--
Total expenditures	3	422	285	3,140	384	11,726	9,158
Excess (deficiency) of revenues over (under) expenditures	662	196	(288)	1,112	23	(780)	(215)
Other financing sources (uses)							
Transfers in	--	--	--	3,172	--	794	207
Transfers out	--	--	(780)	--	--	--	--
Total other financing sources (uses)	--	--	(780)	3,172	--	794	207
Net change in fund balances	662	196	(1,068)	4,284	23	14	(8)
Fund balances - beginning	117	552	1,068	--	143	8	746
Prior period adjustment	--	--	--	--	--	--	--
Fund balances - beginning, as restated	117	552	1,068	--	143	8	746
Fund balances - ending	$ 779	$ 748	$ --	$ 4,284	$ 166	$ 22	$ 738

	Special Revenue						
	Fishermen Assistance	Coastal Resources Enhancement	Court Activities	Criminal Justice Construction	Courthouse Construction	Inmate Welfare	
							Revenues
	$ --	$ --	$ --	$ --	$ --	$ --	Taxes
	--	--	--	--	--	--	Licenses, permits, and franchises
	--	--	997	431	432	--	Fines, forfeitures, and penalties
	(1)	(4)	1	(2)	(6)	425	Use of money and property
	--	--	--	--	--	--	Intergovernmental
	--	--	2,216	--	--	--	Charges for services
	23	449	1,038	--	--	1,345	Other
	22	445	4,252	429	426	1,770	Total revenues
							Expenditures
							Current:
	--	--	14,041	--	--	1,706	Public safety
	--	--	--	--	--	--	Health & human services
	6	100	--	--	--	--	Community resources & public facilities
	--	--	--	--	--	--	General government & support services
	--	--	--	(1)	2	--	General county programs
							Debt service:
	--	--	--	--	--	--	Principal
	--	--	--	--	--	--	Interest
	6	100	14,041	(1)	2	1,706	Total expenditures
	16	345	(9,789)	430	424	64	Excess (deficiency) of revenues over (under) expenditures
							Other financing sources (uses)
	--	--	9,796	586	--	--	Transfers in
	--	--	--	(1,016)	(221)	--	Transfers out
	--	--	9,796	(430)	(221)	--	Total other financing sources (uses)
	16	345	7	--	203	64	Net change in fund balances
	425	2,570	322	--	4,017	3,237	Fund balances - beginning
	--	--	23	--	--	--	Prior period adjustment
	425	2,570	345	--	4,017	3,237	Fund balances - beginning, as restated
	$ 441	$ 2,915	$ 352	$ --	$ 4,220	$ 3,301	Fund balances - ending

COUNTY OF SANTA BARBARA, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Special Revenue						
	Planning & Development	Tobacco Settlement	Tidelands	Refugio Environmental	County Service Areas	Community Facilities Districts	Lighting Districts
Revenues							
Taxes	$ --	$ --	$ --	$ --	$ 1,653	$ 883	$ 578
Licenses, permits, and franchises	13,241	--	--	--	--	--	--
Fines, forfeitures, and penalties	29	--	--	--	--	--	--
Use of money and property	40	(11)	--	--	(9)	(1)	(2)
Intergovernmental	--	--	--	--	6	--	2
Charges for services	1,101	--	--	--	559	--	--
Other	211	4,706	--	(19)	3	--	--
Total revenues	14,622	4,695	--	(19)	2,212	882	578
Expenditures							
Current:							
Public safety	--	--	--	--	--	--	--
Health & human services	--	--	--	--	--	--	--
Community resources & public facilities	15,699	--	--	--	937	192	521
General government & support services	--	--	--	--	--	--	--
General county programs	--	79	--	--	--	--	--
Debt service:	--	--					
Principal	--	--	--	--	--	--	--
Interest	--	--	--	--	--	--	--
Total expenditures	15,699	79	--	--	937	192	521
Excess (deficiency) of revenues over (under) expenditures	(1,077)	4,616	--	(19)	1,275	690	57
Other financing sources (uses)							
Transfers in	5,624	--	--	--	--	--	--
Transfers out	(29)	(4,008)	--	--	(1,043)	(621)	--
Total other financing sources (uses)	5,595	(4,008)	--	--	(1,043)	(621)	--
Net change in fund balances	4,518	608	--	(19)	232	69	57
Fund balances - beginning	--	7,663	--	--	4,665	647	453
Prior period adjustment	412	--	276	30	--	--	--
Fund balances - beginning, as restated	412	7,663	276	30	4,665	647	453
Fund balances - ending	$ 4,930	$ 8,271	$ 276	$ 11	$ 4,897	$ 716	$ 510

Special Revenue: Sandyland Seawall Maintenance District	Special Revenue: Water Agency	Special Revenue Total	Permanent: Oak Restoration	Debt Service: Santa Barbara County Finance Corporation	Total Nonmajor Governmental Funds	
						Revenues
$ --	$ 3,391	$ 6,505	$ --	$ --	$ 6,505	Taxes
--	2	13,528	--	--	13,528	Licenses, permits, and franchises
--	--	2,584	--	--	2,584	Fines, forfeitures, and penalties
(1)	(22)	417	--	--	417	Use of money and property
--	583	20,837	--	1,379	22,216	Intergovernmental
--	38	8,500	--	--	8,500	Charges for services
--	--	7,762	3	--	7,765	Other
(1)	3,992	60,133	3	1,379	61,515	Total revenues
						Expenditures
						Current:
--	--	15,747	--	--	15,747	Public safety
--	--	20,884	--	--	20,884	Health & human services
2	3,356	21,238	--	--	21,238	Community resources & public facilities
--	--	3,524	--	--	3,524	General government & support services
--	--	365	--	10	375	General county programs
						Debt service:
--	--	--	--	4,417	4,417	Principal
--	--	--	--	1,530	1,530	Interest
2	3,356	61,758	--	5,957	67,715	Total expenditures
(3)	636	(1,625)	3	(4,578)	(6,200)	Excess (deficiency) of revenues
						Other financing sources (uses)
--	621	20,800	--	4,568	25,368	Transfers in
--	(26)	(7,744)	--	--	(7,744)	Transfers out
--	595	13,056	--	4,568	17,624	Total other financing sources (uses)
(3)	1,231	11,431	3	(10)	11,424	Net change in fund balances
779	12,416	39,828	--	1,528	41,356	Fund balances - beginning
--	--	741	760	--	1,501	Prior period adjustment
779	12,416	40,569	760	1,528	42,857	Fund balances - beginning, as restated
$ 776	$ 13,647	$ 52,000	$ 763	$ 1,518	$ 54,281	Fund balances - ending

COUNTY OF SANTA BARBARA, CALIFORNIA
FISH AND GAME SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Fines, forfeitures, and penalties	$ 11	$ 667	$ 664	$ (3)
Use of money and property	1	--	1	1
Total revenues	12	667	665	(2)
Expenditures				
Current:				
Community resources & public facilities	26	26	3	23
Total expenditures	26	26	3	23
Excess (deficiency) of revenues over (under) expenditures	(14)	641	662	21
Net change in fund balances	(14)	641	662	21
Fund balances - beginning	117	117	117	--
Fund balances - ending	$ 103	$ 758	$ 779	$ 21

COUNTY OF SANTA BARBARA, CALIFORNIA
PETROLEUM SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Licenses, permits, and franchises	$ 17	$ 17	$ 5	$ (12)
Fines, forfeitures, and penalties	10	10	18	8
Use of money and property	2	(2)	(1)	1
Charges for services	673	673	596	(77)
Total revenues	702	698	618	(80)
Expenditures				
Current:				
Community resources & public facilities	637	637	422	215
Total expenditures	637	637	422	215
Excess of revenues over expenditures	65	61	196	135
Net change in fund balances	65	61	196	135
Fund balances - beginning	552	552	552	--
Fund balances - ending	$ 617	$ 613	$ 748	$ 135

COUNTY OF SANTA BARBARA, CALIFORNIA
PUBLIC AND EDUCATIONAL ACCESS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Use of money and property	3	--	(3)	(3)
Total revenues	3	--	(3)	(3)
Expenditures				
Current:				
General county programs	8	293	285	8
Total expenditures	8	293	285	8
Deficiency of revenues under expenditures	(5)	(293)	(288)	5
Other financing uses				
Transfers out	--	(783)	(780)	3
Total other financing uses	--	(783)	(780)	3
Net change in fund balances	(5)	(1,076)	(1,068)	8
Fund balances - beginning	1,068	1,068	1,068	--
Fund balances - ending	$ 1,063	$ (8)	$ --	$ 8

COUNTY OF SANTA BARBARA, CALIFORNIA
CLERK RECORDER SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Licenses, permits, and franchises	$ 273	$ 273	$ 280	$ 7
Fines, forfeitures, and penalties	7	7	13	6
Use of money and property	--	1	15	14
Charges for services	2,769	3,914	3,938	24
Other	3	3	6	3
Total revenues	3,052	4,198	4,252	54
Expenditures				
Current:				
General government & support services	3,341	3,303	3,139	164
General county programs	--	--	1	(1)
Total expenditures	3,341	3,303	3,140	163
Excess (deficiency) of revenues over (under) expenditures	(289)	895	1,112	217
Other financing sources				
Transfers in	85	3,259	3,172	(87)
Total other financing sources	85	3,259	3,172	(87)
Net change in fund balances	(204)	4,154	4,284	130
Fund balances - beginning	--	--	--	--
Fund balances - ending	$ (204)	$ 4,154	$ 4,284	$ 130

COUNTY OF SANTA BARBARA, CALIFORNIA
SPECIAL AVIATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Intergovernmental	$ 305	$ 2,317	$ 407	$ (1,910)
Total revenues	305	2,317	407	(1,910)
Expenditures				
Current:				
General government & support services	305	2,317	384	1,933
Total expenditures	305	2,317	384	1,933
Excess of revenues over expenditures	--	--	23	23
Net change in fund balances	--	--	23	23
Fund balances - beginning	143	143	143	--
Fund balances - ending	$ 143	$ 143	$ 166	$ 23

COUNTY OF SANTA BARBARA, CALIFORNIA
IN-HOME SUPPORTIVE SERVICES (IHSS) PUBLIC AUTHORITY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Use of money and property	$ --	$ (2)	$ (2)	$ --
Intergovernmental	9,966	10,970	10,948	(22)
Total revenues	9,966	10,968	10,946	(22)
Expenditures				
Current:				
Health & human services	10,765	11,769	11,726	43
Total expenditures	10,765	11,769	11,726	43
Deficiency of revenues under expenditures	(799)	(801)	(780)	21
Other financing sources				
Transfers in	794	794	794	--
Total other financing sources	794	794	794	--
Net change in fund balances	(5)	(7)	14	21
Fund balances - beginning	8	8	8	--
Fund balances - ending	$ 3	$ 1	$ 22	$ 21

COUNTY OF SANTA BARBARA, CALIFORNIA
CHILD SUPPORT SERVICES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Use of money and property	$ 17	$ 14	$ --	$ (14)
Intergovernmental	9,440	9,081	8,891	(190)
Charges for services	--	110	52	(58)
Total revenues	9,457	9,205	8,943	(262)
Expenditures				
Current:				
Health & human services	9,483	9,488	9,158	330
Total expenditures	9,483	9,488	9,158	330
Deficiency of revenues under expenditures	(26)	(283)	(215)	68
Other financing sources				
Transfers in	--	207	207	--
Total other financing sources	--	207	207	--
Net change in fund balances	(26)	(76)	(8)	68
Fund balances - beginning	746	746	746	--
Fund balances - ending	$ 720	$ 670	$ 738	$ 68

COUNTY OF SANTA BARBARA, CALIFORNIA
FISHERMEN ASSISTANCE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Use of money and property	$ 4	$ 1	$ (1)	$ (2)
Other	12	12	23	11
Total revenues	16	13	22	9
Expenditures				
Current:				
Community resources & public facilities	31	31	6	25
Total expenditures	31	31	6	25
Excess (deficiency) of revenues over (under) expenditures	(15)	(18)	16	34
Net change in fund balances	(15)	(18)	16	34
Fund balances - beginning	425	425	425	--
Fund balances - ending	$ 410	$ 407	$ 441	$ 34

COUNTY OF SANTA BARBARA, CALIFORNIA
COASTAL RESOURCES ENHANCEMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Use of money and property	10	(7)	(4)	3
Other	450	450	449	(1)
Total revenues	460	443	445	2
Expenditures				
Current:				
Community resources & public facilities	1,339	1,339	100	1,239
Total expenditures	1,339	1,339	100	1,239
Excess (deficiency) of revenues over (under) expenditures	(879)	(896)	345	1,241
Net change in fund balances	(879)	(896)	345	1,241
Fund balances - beginning	2,570	2,570	2,570	--
Fund balances - ending	$ 1,691	$ 1,674	$ 2,915	$ 1,241

COUNTY OF SANTA BARBARA, CALIFORNIA
COURT ACTIVITIES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Fines, forfeitures, and penalties	$ 1,418	$ 818	$ 997	$ 179
Use of money and property	19	18	1	(17)
Charges for services	2,772	2,772	2,216	(556)
Other	1,326	1,326	1,061	(265)
Total revenues	5,535	4,934	4,275	(659)
Expenditures				
Current:				
Public safety	14,818	14,818	14,041	777
Total expenditures	14,818	14,818	14,041	777
Deficiency of revenues under expenditures	(9,283)	(9,884)	(9,766)	118
Other financing sources				
Transfers in	9,291	9,891	9,796	(95)
Total other financing sources	9,291	9,891	9,796	(95)
Net change in fund balances	8	7	30	23
Fund balances - beginning	322	322	322	--
Fund balances - ending	$ 330	$ 329	$ 352	$ 23

Amounts reported in the GAAP Statement of Revenues, Expenditures, and Changes in Fund Balances are different because:

Actual amounts (budgetary basis) Total Revenues from the budgetary comparison schedule	$ 4,275
Revenues resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(23)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 4,252

COUNTY OF SANTA BARBARA, CALIFORNIA
CRIMINAL JUSTICE CONSTRUCTION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Fines, forfeitures, and penalties	$ 600	$ 600	$ 431	$ (169)
Use of money and property	--	--	(2)	(2)
Total revenues	600	600	429	(171)
Expenditures				
Current:				
General county programs	--	--	(1)	1
Total expenditures	--	--	(1)	1
Excess of revenues over expenditures	600	600	430	(170)
Other financing sources (uses)				
Transfers in	417	642	586	(56)
Transfers out	(1,017)	(1,017)	(1,016)	1
Total other financing uses, net	(600)	(375)	(430)	(55)
Net change in fund balances	--	225	--	(225)
Fund balances - beginning	--	--	--	--
Fund balances - ending	$ --	$ 225	$ --	$ (225)

COUNTY OF SANTA BARBARA, CALIFORNIA
COURTHOUSE CONSTRUCTION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Fines, forfeitures, and penalties	$ 600	$ 600	$ 432	$ (168)
Use of money and property	30	4	(6)	(10)
Total revenues	630	604	426	(178)
Expenditures				
Current:				
General county programs	--	--	2	(2)
Total expenditures	--	--	2	(2)
Excess of revenues over expenditures	630	604	424	(180)
Other financing uses				
Transfers out	(222)	(222)	(221)	1
Total other financing uses	(222)	(222)	(221)	1
Net change in fund balances	408	382	203	(179)
Fund balances - beginning	4,017	4,017	4,017	--
Fund balances - ending	$ 4,425	$ 4,399	$ 4,220	$ (179)

COUNTY OF SANTA BARBARA, CALIFORNIA
INMATE WELFARE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Use of money and property	$ 594	$ 572	$ 425	$ (147)
Other	1,434	1,434	1,345	(89)
Total revenues	2,028	2,006	1,770	(236)
Expenditures				
Current:				
Public safety	2,076	2,226	1,706	520
Total expenditures	2,076	2,226	1,706	520
Excess (deficiency) of revenues over (under) expenditures	(48)	(220)	64	284
Net change in fund balances	(48)	(220)	64	284
Fund balances - beginning	3,237	3,237	3,237	--
Fund balances - ending	$ 3,189	$ 3,017	$ 3,301	$ 284

COUNTY OF SANTA BARBARA, CALIFORNIA
PLANNING & DEVELOPMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Licenses, permits, and franchises	$ 14,142	$ 14,144	$ 13,241	$ (903)
Fines, forfeitures, and penalties	25	25	29	4
Use of money and property	15	58	40	(18)
Charges for services	3,719	3,719	1,101	(2,618)
Other	343	728	623	(105)
Total revenues	18,244	18,674	15,034	(3,640)
Expenditures				
Current:				
Community resources & public facilities	20,723	20,931	15,699	5,232
Total expenditures	20,723	20,931	15,699	5,232
Deficiency of revenues under expenditures	(2,479)	(2,257)	(665)	1,592
Other financing sources (uses)				
Transfers in	2,060	5,945	5,624	(321)
Transfers out	(835)	(938)	(29)	909
Total other financing sources	1,225	5,007	5,595	588
Net change in fund balances	(1,254)	2,750	4,930	2,180
Fund balances - beginning	--	--	--	--
Fund balances - ending	$ (1,254)	$ 2,750	$ 4,930	$ 2,180

Amounts reported in the GAAP Statement of Revenues, Expenditures, and Changes in Fund Balances are different because:

Actual amounts (budgetary basis) Total Revenues from the budgetary comparison schedule	$ 15,034
Revenues resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(412)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 14,622

COUNTY OF SANTA BARBARA, CALIFORNIA
TOBACCO SETTLEMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Use of money and property	$ 120	$ 70	$ (11)	$ (81)
Other	4,349	4,438	4,706	268
Total revenues	4,469	4,508	4,695	187
Expenditures				
Current:				
General county programs	79	79	79	--
Total expenditures	79	79	79	--
Excess of revenues over expenditures	4,390	4,429	4,616	187
Other financing uses				
Transfers out	(4,151)	(4,240)	(4,008)	232
Total other financing uses	(4,151)	(4,240)	(4,008)	232
Net change in fund balances	239	189	608	419
Fund balances - beginning	7,663	7,663	7,663	--
Fund balances - ending	$ 7,902	$ 7,852	$ 8,271	$ 419

COUNTY OF SANTA BARBARA, CALIFORNIA
TIDELANDS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Other	$ --	$ 276	$ 276	$ --
Total revenues	--	276	276	--
Expenditures				
Total expenditures	--	--	--	--
Excess of revenues over expenditures	--	276	276	--
Net change in fund balances	--	276	276	--
Fund balances - beginning	--	--	--	--
Fund balances - ending	$ --	$ 276	$ 276	$ --

Amounts reported in the GAAP Statement of Revenues, Expenditures, and Changes in Fund Balances are different because:

Actual amounts (budgetary basis) Total Revenues from the budgetary comparison schedule	276
Revenues resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(276)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	--

COUNTY OF SANTA BARBARA, CALIFORNIA
REFUGIO ENVIRONMENTAL SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Other	$ --	$ 11	$ 11	$ --
Total revenues	--	11	11	--
Expenditures				
Total expenditures	--	--	--	--
Excess of revenues over expenditures	--	11	11	--
Net change in fund balances	--	11	11	--
Fund balances - beginning	--	--	--	--
Fund balances - ending	$ --	$ 11	$ 11	$ --

Amounts reported in the GAAP Statement of Revenues, Expenditures, and Changes in Fund Balances are different because:

Actual amounts (budgetary basis) Total Revenues from the budgetary comparison schedule	$ 11
Revenues resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(30)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ (19)

COUNTY OF SANTA BARBARA, CALIFORNIA
COUNTY SERVICE AREAS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Taxes	$ 1,566	$ 1,573	$ 1,653	$ 80
Use of money and property	44	12	(9)	(21)
Intergovernmental	1	1	6	5
Charges for services	541	541	559	18
Other	--	--	3	3
Total revenues	2,152	2,127	2,212	85
Expenditures				
Current:				
Community resources & public facilities	1,046	1,085	937	148
Total expenditures	1,046	1,085	937	148
Excess of revenues over expenditures	1,106	1,042	1,275	233
Other financing uses				
Transfers out	(741)	(1,316)	(1,043)	273
Total other financing uses, net	(741)	(1,316)	(1,043)	273
Net change in fund balances	365	(274)	232	506
Fund balances - beginning	4,665	4,665	4,665	--
Fund balances - ending	$ 5,030	$ 4,391	$ 4,897	$ 506

COUNTY OF SANTA BARBARA, CALIFORNIA
COMMUNITY FACILITIES DISTRICTS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Taxes	$ 815	$ 815	$ 883	$ 68
Use of money and property	11	7	(1)	(8)
Total revenues	826	822	882	60
Expenditures				
Current:				
Community resources & public facilities	214	214	192	22
Total expenditures	214	214	192	22
Excess of revenues over expenditures	612	608	690	82
Other financing uses				
Transfers out	(626)	(626)	(621)	5
Total other financing uses	(626)	(626)	(621)	5
Net change in fund balances	(14)	(18)	69	87
Fund balances - beginning	647	647	647	--
Fund balances - ending	$ 633	$ 629	$ 716	$ 87

COUNTY OF SANTA BARBARA, CALIFORNIA
LIGHTING DISTRICTS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Taxes	$ 562	$ 562	$ 578	$ 16
Use of money and property	5	1	(2)	(3)
Intergovernmental	2	2	2	--
Total revenues	569	565	578	13
Expenditures				
Current:				
Community resources & public facilities	613	578	521	57
Total expenditures	613	578	521	57
Excess (deficiency) of revenues over (under) expenditures	(44)	(13)	57	70
Net change in fund balances	(44)	(13)	57	70
Fund balances - beginning	453	453	453	--
Fund balances - ending	$ 409	$ 440	$ 510	$ 70

COUNTY OF SANTA BARBARA, CALIFORNIA
SANDYLAND SEAWALL MAINTENANCE DISTRICT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Use of money and property	$ 13	$ 8	$ (1)	$ (9)
Total revenues	13	8	(1)	(9)
Expenditures				
Current:				
Community resources & public facilities	175	175	2	173
Total expenditures	175	175	2	173
Deficiency of revenues under expenditures	(162)	(167)	(3)	164
Net change in fund balances	(162)	(167)	(3)	164
Fund balances - beginning	779	779	779	--
Fund balances - ending	$ 617	$ 612	$ 776	$ 164

COUNTY OF SANTA BARBARA, CALIFORNIA
WATER AGENCY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Taxes	$ 3,157	$ 3,157	$ 3,391	$ 234
Licenses, permits, and franchises	--	--	2	2
Use of money and property	108	27	(22)	(49)
Intergovernmental	3,991	4,131	583	(3,548)
Charges for services	126	126	38	(88)
Total revenues	7,382	7,441	3,992	(3,449)
Expenditures				
Current:				
Community resources & public facilities	8,459	8,608	3,356	5,252
Total expenditures	8,459	8,608	3,356	5,252
Excess (deficiency) of revenues over (under) expenditures	(1,077)	(1,167)	636	1,803
Other financing sources (uses)				
Transfers in	611	621	621	--
Transfers out	(71)	(71)	(26)	45
Total other financing sources, net	540	550	595	45
Net change in fund balances	(537)	(617)	1,231	1,848
Fund balances - beginning	12,416	12,416	12,416	--
Fund balances - ending	$ 11,879	$ 11,799	$ 13,647	$ 1,848

COUNTY OF SANTA BARBARA, CALIFORNIA
OAK RESTORATION PERMANENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Use of money and property	$ --	$ 10	$ --	$ (10)
Other	--	765	763	(2)
Total revenues	--	775	763	(12)
Expenditures				
Total expenditures	--	--	--	--
Excess of revenues over expenditures	--	775	763	(12)
Net change in fund balances	--	775	763	(12)
Fund balances - beginning	--	--	--	--
Fund balances - ending	$ --	$ 775	$ 763	$ (12)

Amounts reported in the GAAP Statement of Revenues, Expenditures, and Changes in Fund Balances are different because:

Actual amounts (budgetary basis) Total Revenues from the budgetary comparison schedule	$ 763
Revenues resulting from transfers between the operating funds that are combined into a single special revenue fund are eliminated for financial reporting purposes.	(760)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 3

COUNTY OF SANTA BARBARA, CALIFORNIA
SANTA BARBARA COUNTY FINANCE CORPORATION DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Budgeted Amounts		Actual on	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Use of money and property	$ 30	$ 29	$ --	$ (29)
Intergovernmental	1,380	1,380	1,379	(1)
Total revenues	1,410	1,409	1,379	(30)
Expenditures				
Current:				
General county programs	64	64	10	54
Debt service:				
Principal	4,418	4,418	4,417	1
Interest	1,532	1,532	1,530	2
Total expenditures	6,014	6,014	5,957	57
Deficiency of revenues under expenditures	(4,604)	(4,605)	(4,578)	27
Other financing sources				
Transfers in	4,582	4,582	4,568	(14)
Total other financing sources	4,582	4,582	4,568	(14)
Net change in fund balances	(22)	(23)	(10)	13
Fund balances - beginning	1,528	1,528	1,528	--
Fund balances - ending	$ 1,506	$ 1,505	$ 1,518	$ 13

Internal Service Funds

INTERNAL SERVICE FUNDS

Internal Service Funds are established to account for services furnished to the County and various other governmental agencies. They are exempt from legal compliance for budgetary control and follow commercial accounting principles for a determination of operating, rather than budgetary, results. Their major source of revenue consists of charges to user departments for services rendered. These charges are based upon standard rates calculated on an estimated cost recovery basis. A more detailed description of the funds established and used by the County follows:

Information Technology Services

This fund provides enterprise information technology services to County departments and various other governmental agencies. Four lines of service are supported: Network and Security, Infrastructure, Desktop Support, and Enterprise Applications. Costs are allocated to all users based upon utilization factors for each service and are designed to recover costs of each system. Profits or losses are carried forward and used to adjust allocations in subsequent years. Costs of operating the fund include personnel, supplies, utilities, maintenance, and depreciation of equipment.

Vehicle Operations and Maintenance

This fund provides for the maintenance, servicing and repair of County vehicles. Rental rates, which include the cost of gas, oil, maintenance, replacement of equipment and personnel costs, are charged to the user department to support the vehicle program. Vehicles are replaced based on mileage and age criteria which varies per class of vehicle; new additions to the vehicle fleet are provided through the Garage Equipment and Motor Pool budgets of the General Fund and through contributions from other funds.

Risk Management and Insurance

This column combines the County's five self-insurance funds: Dental, Unemployment, Workers' Compensation, General Liability, and Medical Malpractice.

Dental Self-Insurance

This fund provides for the payment of dental expenses incurred by County employees, eligible dependents and retirees who are part of the self-funded plan. This fund does not account for employees or retirees on the Dental Net, Prudential or Firefighter health plans. Professional administrators process all claims and make payments to claimants based on a payment schedule of medical and dental benefits. The fund reimburses the claims administrator for the payment of claims plus a fee for administration and participation in a prescription drug program. Additionally, the County contracts with a preferred provider organization for reduced fees from member dental service providers, physicians, and other specialists. The County contributes towards the cost of employee coverage through departmental budgets; the employee pays any remaining employee or dependent coverage.

Unemployment Self-Insurance

State law requires the County to maintain unemployment insurance. The County has elected to be self-insured and has established this fund for the payment of unemployment insurance claims by County employees, which have been processed and approved by the State Employment Development Department. Each department has been charged a percentage of its gross payroll for the establishment of a general reserve for this program and to provide for claim payments.

Workers' Compensation Self-Insurance

This fund provides for investigation services, temporary disability and medical payments, excess insurance, permanent disability awards, administrative services, litigation costs, and safety services. Premiums based on employee worker classifications are charged to each department to maintain actuarially recommended reserves for claims proportionate to current industry rates applicable to job functions.

General Liability Self-Insurance

This fund provides for payment of self-insured general liability and automobile liability claims, excess insurance, claims adjusting services, litigation costs, and administrative services. Contributions are made by participating County departments and funds based on past claims experience and appropriate risk factors.

Medical Malpractice Self-Insurance

This fund provides for the payment of self-insured medical malpractice and general liability claims, excess insurance, claim investigation services, and litigation costs. Contributions are made by covered participating County departments and are based on allocation of expenses by past claims experience and appropriate risk factor.

Communications Services

This fund provides communication services to County departments and various other governmental agencies. Telephone, Radio and Audio-Visual Systems are maintained. Costs are billed from a standard price schedule which is periodically adjusted to reflect cost changes and are designed to recover costs of each system. Profits or losses are carried forward and used to adjust allocations in subsequent years. Costs of operating the fund include personnel, supplies, utilities, maintenance, and depreciation of equipment.

Utilities

This fund provides for payment of County-wide utility costs. Utility costs are allocated to various County departments based on their energy consumption. Charging County departments for their energy usage fosters awareness and accountability related to energy costs and savings.

COUNTY OF SANTA BARBARA, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2021 (in thousands)

	Information Technology Services	Vehicle Operations and Maintenance	Risk Management and Insurance	Communi-cations Services	Utilities	Total
Assets						
Current assets:						
Cash and investments (Note 3)	$ 7,915	$ 26,185	$ 17,004	$ 10,999	$ 1,293	$ 63,396
Accounts receivable, net:						
Use of money and property	6	24	15	10	2	57
Charges for services	--	2	73	--	14	89
Due from other funds	--	--	136	--	--	136
Inventories	--	116	--	110	--	226
Total current assets	7,921	26,327	17,228	11,119	1,309	63,904
Noncurrent assets:						
Other receivables	--	--	273	--	66	339
Restricted cash and investments (Note 4)	--	10	--	--	--	10
Capital assets, net of						
accumulated depreciation/amortization (Note 6)	5,022	19,793	3	4,784	2,607	32,209
Total noncurrent assets	5,022	19,803	276	4,784	2,673	32,558
Total assets	12,943	46,130	17,504	15,903	3,982	96,462
Deferred outflows of resources						
Deferred pensions (Note 20)	2,547	1,215	603	922	97	5,384
Deferred OPEB (Note 19)	138	50	32	51	8	279
Total deferred outflows of resources	2,685	1,265	635	973	105	5,663
Liabilities						
Current liabilities:						
Accounts payable	445	181	1,253	167	--	2,046
Salaries and benefits payable	263	120	55	76	9	523
Compensated absences (Note 10)	313	136	44	142	12	647
Other Short - Term Liabilities	--	--	1,303	--	--	1,303
Bonds and notes payable (Note 10)	--	--	--	--	427	427
Liability for self-insurance claims (Note 11)	--	--	4,588	--	--	4,588
Total current liabilities	1,021	437	7,243	385	448	9,534
Noncurrent liabilities:						
Compensated absences (Note 10)	99	47	95	--	14	255
Bonds and notes payable (Note 10)	--	--	--	--	2,371	2,371
Liability for self-insurance claims (Note 11)	--	--	6,169	--	--	6,169
Net pension liability (Note 18)	7,399	3,531	1,752	2,680	281	15,643
Net OPEB liability (Note 19)	947	343	217	351	53	1,911
Total noncurrent liabilities	8,445	3,921	8,233	3,031	2,719	26,349
Total liabilities	9,466	4,358	15,476	3,416	3,167	35,883
Deferred inflows of resources						
Deferred pensions (Note 19)	233	111	55	84	9	492
Deferred OPEB (Note 19)	64	23	15	24	4	130
Total deferred inflows of resources	297	134	70	108	13	622
Net position						
Net investment in capital assets	5,022	19,781	4	4,796	(192)	29,411
Unrestricted	843	23,122	2,589	8,556	1,099	36,209
Total net position	$ 5,865	$ 42,903	$ 2,593	$ 13,352	$ 907	$ 65,620

COUNTY OF SANTA BARBARA, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Information Technology Services	Vehicle Operations and Maintenance	Risk Management and Insurance	Communi-cations Services	Utilities	Total
Operating revenues						
Charges for services	$ 11,742	$ 11,592	$ 37,252	$ 5,640	$ 6,153	$ 72,379
Self-insurance recovery	--	--	1,177	--	--	1,177
Other operating revenues	199	123	229	36	--	587
Total operating revenues	11,941	11,715	38,658	5,676	6,153	74,143
Operating expenses						
Salaries and benefits	5,882	2,774	1,219	2,244	152	12,271
Services and supplies	6,204	5,100	24,745	2,333	6,039	44,421
Self-insurance claims	--	--	8,058	--	--	8,058
Contractual services	347	77	220	221	15	880
Depreciation and amortization	1,578	3,602	--	920	376	6,476
County overhead allocation	263	342	2,504	138	9	3,256
Total operating expenses	14,274	11,895	36,746	5,856	6,591	75,362
Operating income (loss)	(2,333)	(180)	1,912	(180)	(438)	(1,219)
Non-operating revenues (expenses)						
Use of money and property	(15)	(43)	1	132	(2)	73
Interest expense	--	--	--	--	(96)	(96)
Gain (loss) on sale of capital assets	--	146	--	(30)	--	116
Other non-operating revenues (expenses)	--	139	12	--	417	568
Total non-operating revenues (expenses)	(15)	242	13	102	319	661
Income (loss) before transfers	(2,348)	62	1,925	(78)	(119)	(558)
Transfers in	2,827	1,666	1,592	199	4	6,288
Transfers out	--	(133)	(100)	(9)	(614)	(856)
Total transfers in, net	2,827	1,533	1,492	190	(610)	5,432
Change in net position	479	1,595	3,417	112	(729)	4,874
Total net position - beginning	5,386	41,308	(824)	13,240	1,636	60,746
Total net position - ending	$ 5,865	$ 42,903	$ 2,593	$ 13,352	$ 907	$ 65,620

COUNTY OF SANTA BARBARA, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Information Technology Services	Vehicle Operations and Maintenance	Risk Management and Insurance	Communi-cations Services	Utilities	Total
Cash flows from operating activities						
Receipts from interfund services provided	$ 11,941	$ 11,715	$ 37,460	$ 5,675	$ 6,176	$ 72,967
Receipts from self-insurance recovery	--	--	1,177	--	--	1,177
Payments to employees	(5,209)	(2,424)	(1,217)	(1,830)	(182)	(10,862)
Payments to suppliers	(6,650)	(5,054)	(24,783)	(2,394)	(6,056)	(44,937)
Payments for self-insurance claims	--	--	(8,953)	--	--	(8,953)
County overhead allocation payments (to) from the General Fund	(263)	(342)	(2,504)	(138)	(9)	(3,256)
Other receipts	--	139	12	--	417	568
Net cash provided (used) by operating activities	(181)	4,034	1,192	1,313	346	6,704
Cash flows from noncapital financing activities						
Transfers from other funds	2,827	1,666	1,592	199	4	6,288
Transfers to other funds	--	(133)	(100)	(9)	(614)	(856)
State and federal aid	--	--	--	--	--	--
Net cash provided (used) by noncapital financing activities	2,827	1,533	1,492	190	(610)	5,432
Cash flows from capital and related financing activities						
Purchase of capital assets	(1,053)	(4,403)	--	(436)	--	(5,892)
Proceeds from sales of capital assets	--	206	--	--	--	206
Principal paid on bonds and notes payable	--	--	--	--	(355)	(355)
Interest paid on bonds and notes payable	--	--	--	--	(96)	(96)
Proceeds of long-term debt	--	--	--	--	614	614
Net cash provided (used) by capital and related financing activities	(1,053)	(4,197)	--	(436)	163	(5,523)
Cash flows from investing activities						
Use of money and property received	41	171	120	216	10	558
Changes in fair value of investments	(42)	(163)	(93)	(65)	(10)	(373)
Net cash provided (used) by investing activities	(1)	8	27	151	--	185
Net change in cash and cash equivalents	1,592	1,378	2,711	1,218	(101)	6,798
Cash and cash equivalents - beginning	6,323	24,817	14,293	9,781	1,394	56,608
Cash and cash equivalents - ending	$ 7,915	$ 26,195	$ 17,004	$ 10,999	$ 1,293	$ 63,406
Reconciliation of cash and cash equivalents to the Statement of Net Position						
Cash and investments per Statement of Net Position	$ 7,915	$ 26,185	$ 17,004	$ 10,999	$ 1,293	$ 63,396
Restricted cash and investments per Statement of Net Position	--	10	--	--	--	10
Total cash and cash equivalents per Statement of Net Position	$ 7,915	$ 26,195	$ 17,004	$ 10,999	$ 1,293	$ 63,406
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	$ (2,333)	$ (180)	$ 1,912	$ (180)	$ (438)	$ (1,219)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	1,578	3,602	--	920	376	6,476
Other non-operating revenue	--	139	12	--	417	568
Changes in assets, deferred inflows of resources, liabilities, and deferred outflows of resources:						
Accounts and other receivables	--	--	(20)	--	24	4
Inventories	--	12	--	--	--	12
Accounts payable	(99)	111	182	160	(2)	352
Salaries and benefits payable	673	350	1	413	(31)	1,406
Liability for self-insurance claims	--	--	(895)	--	--	(895)
Net cash provided (used) by operating activities	$ (181)	$ 4,034	$ 1,192	$ 1,313	$ 346	$ 6,704
Noncash investing, capital, and financing activities	$ --	$ --	$ --	$ --	$ --	$ --

Fiduciary Funds

Fiduciary funds are custodial in nature and account for assets held on behalf of others.

PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS

Account for the activities of the County's SBCERS pension plans and Other Postemployment Benefit Trusts Funds, which accumulate resources for pension and other postemployment benefit payments to qualified beneficiaries.

SBCERS Pension Trust Fund

Accounts for the resources accumulated for the County's portion of the SBCERS pension plans.

Other Postemployment Benefit Trust Fund

Accounts for the resources accumulated for the County's postemployment healthcare for qualified beneficiaries.

CUSTODIAL FUNDS

Account for assets which are held for other governmental agencies or individuals by the County in a custodial capacity.

Unapportioned Collections

Accounts for property taxes held pending authority for apportionment

State and City Revenue Funds

Temporarily holds various fees, fines, and penalties collected by the County departments for the State of California or various cities in Santa Barbara County, which are passed through to these entities.

Public Administrator/Public Guardian Funds

Accounts for assets held by the County for dependents who have no known relatives who are willing to administer their estate or for County residents who have lost the ability to care for themselves and have no one else available to care for them.

Other Custodial Funds

Accounts for other assets held in a custodial capacity.

COUNTY OF SANTA BARBARA, CALIFORNIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - PENSION (AND OTHER EMPLOYEE BENEFITS) TRUST FUNDS
June 30, 2021 (in thousands)

	SBCERS Pension Trust Funds	Other Postemployment Benefits Trust Fund	Total Pension (and Other Employee Benefits) Trust Funds
Assets			
Other cash and cash equivalents (Note 3)	$ 19,177	$ --	$ 19,177
Collateral held for securities lent	13,609	--	13,609
Short-term investments	49,391	4,100	53,491
Total other cash and cash equivalents	82,177	4,100	86,277
Investments:			
Private equity	493,546	--	493,546
Domestic equity	761,791	27,687	789,478
Core fixed income	592,979	18,171	611,150
Developed markets non-US equity	406,768	--	406,768
Emerging market equity	318,037	--	318,037
Non-core fixed income	287,020	--	287,020
Private credit	90,111	--	90,111
Real assets/real return	604,896	--	604,896
Real estate	348,687	--	348,687
Prepaids and receivables			
Prepaid assets	3,402	--	3,402
Contributions	8,980	650	9,630
Accrued interest	2,151	11	2,162
Dividends	3,812	--	3,812
Security sales	24,097	--	24,097
Total prepaids and receivables	42,442	661	43,103
Total assets	4,028,454	50,619	4,079,073
Liabilities			
Accounts payable	686	50	736
Collateral held for securities lent	13,609	--	13,609
Benefits payable	14,083	--	14,083
Security purchases	9,177	4,100	13,277
Total liabilities	37,555	4,150	41,705
Net position			
Restricted for:			
Pensions	3,990,899	--	3,990,899
Postemployment benefits other than pensions	--	46,469	46,469
Total net position	$ 3,990,899	$ 46,469	$ 4,037,368

COUNTY OF SANTA BARBARA, CALIFORNIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - PENSION (AND OTHER EMPLOYEE BENEFITS) TRUST FUNDS
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	SBCERS Pension Trust Funds	Other Postemployment Benefits Trust Fund	Total Pension (and Other Employee Benefits) Trust Funds
Additions			
Contributions			
Employers	$ 150,093	$ 14,668	$ 164,761
Plan members	35,520	--	35,520
Total Contributions	185,613	14,668	200,281
Investment income			
Net increase (decrease) in the fair value of investments	801,308	7,975	809,283
Interest	9,885	48	9,933
Dividends	26,586	--	26,586
Total investment income	837,779	8,023	845,802
Less investment expense	(15,434)	--	(15,434)
Net investment income	822,345	8,023	830,368
Securities lent income	97	--	97
Securities lent expense			
Borrower rebates	141	--	141
Management fees	(59)	--	(59)
Net securities income	179	--	179
Class action settlements	16	--	16
Commission recapture	3	--	3
Miscellaneous income	165	416	581
Total miscellaneous income	184	416	600
Total additions	1,008,321	23,107	1,031,428
Deductions			
Benefits	204,081	9,250	213,331
Member withdrawals	1,578	--	1,578
Administrative Expense	5,695	224	5,919
Total deductions	211,354	9,474	220,828
Net increase (decrease) in fiduciary net position	796,967	13,633	810,600
Net position - beginning	--	--	--
Prior period adjustment (Note 21)	3,193,932	32,836	3,226,768
Net position - beginning, as restated	3,193,932	32,836	3,226,768
Net position - ending	$ 3,990,899	$ 46,469	$ 4,037,368

COUNTY OF SANTA BARBARA, CALIFORNIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - CUSTODIAL FUNDS
June 30, 2021 (in thousands)

	Unapportioned Collections	State and City Revenue Funds	Public Administrator/ Public Guardian Funds	Other Custodial Funds	Total Custodial Funds
Assets					
Cash and investments (Note 3)	$ 19,418	$ 3,112	$ 944	$ 1,170	$ 24,644
Receivables	101	2	1	--	104
Total assets	19,519	3,114	945	1,170	24,748
Liabilities					
Accounts payable	306	--	--	3	309
Total liabilities	306	--	--	3	309
Net position					
Restricted for:					
Individuals, organizations, and other governments	19,213	3,114	945	1,167	24,439
Total net position	$ 19,213	$ 3,114	$ 945	$ 1,167	$ 24,439

COUNTY OF SANTA BARBARA, CALIFORNIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - CUSTODIAL FUNDS
FOR THE FISCAL YEAR ENDED June 30, 2021 (in thousands)

	Unapportioned Collections	State and City Revenue Funds	Public Administrator/ Public Guardian Funds	Other Custodial Funds	Total Custodial Funds
Additions					
Contributions to pooled investments	$ --	$ --	$ 233	$ 3,291	$ 3,524
Property tax collections	3,659,255	--	--	--	3,659,255
Other taxes and fees collected for other governments	--	34,195	--	--	34,195
Net investment earnings	287	(5)	(3)	--	279
Total additions	3,659,542	34,190	230	3,291	3,697,253
Deductions					
Beneficiary payments	--	--	884	2,713	3,597
Property tax distributions	3,665,573	--	--	--	3,665,573
Payments to other governments	--	33,406	--	--	33,406
Total deductions	3,665,573	33,406	884	2,713	3,702,576
Net increase (decrease) in fiduciary net position	(6,031)	784	(654)	578	(5,323)
Net position - beginning	--	--	--	--	--
Prior period adjustment (Note 21)	25,244	2,330	1,599	589	29,762
Net position - beginning, as restated	25,244	2,330	1,599	589	29,762
Net position - ending	$ 19,213	$ 3,114	$ 945	$ 1,167	$ 24,439

STATISTICAL SECTION

COUNTY OF SANTA BARBARA
CALIFORNIA

The information in this section is not covered by the Independent Auditor's Report, but is presented as supplemental data for the benefit of the readers of the Annual Comprehensive Financial Report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess the County's economic condition.

TABLE OF CONTENTS - STATISTICAL SECTION

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

COUNTY OF SANTA BARBARA, CALIFORNIA
NET POSITION BY CATEGORY (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands)
(accrual basis of accounting)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Governmental activities										
Net investment in capital assets	$ 493,753	$ 511,144	$ 578,314	$ 588,989	$ 612,548	$ 648,420	$ 692,549	$ 736,255	$ 755,491	$ 782,419
Restricted for:										
Policy & executive	--	--	--	--	--	436	716	972	1,164	1,392
Public safety	13,450	19,594	24,107	28,640	38,927	49,093	54,810	62,243	66,293	77,606
Health & public assistance	33,627	33,734	31,005	37,477	35,910	36,411	36,848	48,951	37,386	61,204
Community resources & public facilities	95,892	97,710	103,497	152,739	149,668	154,523	154,848	163,959	187,676	191,632
General government & support services	5,240	3,886	4,951	4,960	5,242	5,804	5,447	6,164	4,833	8,304
General county programs	15,957	14,959	15,596	12,736	16,232	18,352	18,373	20,052	19,405	24,649
Unrestricted	37,170	30,976	62,497	(551,588)	(529,641)	(532,968)	(562,947)	(534,700)	(537,682)	(504,884)
Total governmental activities net position	$ 695,089	$ 712,003	$ 819,967	$ 273,953	$ 328,886	$ 380,071	$ 400,644	$ 503,896	$ 534,566	$ 642,322
Business-Type activities										
Net investment in capital assets	$ 64,943	$ 65,806	$ 70,562	$ 73,988	$ 78,188	$ 80,852	$ 83,764	$ 82,723	$ 88,655	$ 98,539
Unrestricted	16,606	21,648	25,191	14,062	19,888	21,326	34,638	45,582	57,723	61,334
Total business-type activities net position	$ 81,549	$ 87,454	$ 95,753	$ 88,050	$ 98,076	$ 102,178	$ 118,402	$ 128,305	$ 146,378	$ 159,873
Primary government										
Net investment in capital assets	$ 558,696	$ 576,950	$ 648,876	$ 662,977	$ 690,736	$ 729,272	$ 776,313	$ 818,978	$ 844,146	$ 880,958
Restricted for:										
Policy & executive	--	--	--	--	--	436	716	972	1,164	1,392
Public safety	13,450	19,594	24,107	28,640	38,927	49,093	54,810	62,243	66,293	77,606
Health & public assistance	33,627	33,734	31,005	37,477	35,910	36,411	36,848	48,951	37,386	61,204
Community resources & public facilities	95,892	97,710	103,497	152,739	149,668	154,523	154,848	163,959	187,676	191,632
General government & support services	5,240	3,886	4,951	4,960	5,242	5,804	5,447	6,164	4,833	8,304
General county programs	15,957	14,959	15,596	12,736	16,232	18,352	18,373	20,052	19,405	24,649
Unrestricted	53,776	52,624	87,688	(537,526)	(509,753)	(511,642)	(528,309)	(489,118)	(479,959)	(443,550)
Total primary government net position	$ 776,638	$ 799,457	$ 915,720	$ 362,003	$ 426,962	$ 482,249	$ 519,046	$ 632,201	$ 680,944	$ 802,195

COUNTY OF SANTA BARBARA, CALIFORNIA
CHANGES IN NET POSITION (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands)
(accrual basis of accounting)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Expenses										
Governmental activities:										
Policy & executive	$ 11,635	$ 14,455	$ 14,057	$ 10,721	$ 13,056	$ 14,315	$ 18,938	$ 17,878	$ 19,074	$ 19,661
Public safety	224,486	271,326	282,251	276,688	275,809	314,026	361,703	341,931	376,065	389,249
Health & public assistance	304,747	307,239	319,565	335,132	363,789	364,675	360,185	361,494	397,009	412,050
Community resources & public facilities	88,871	89,382	92,377	88,788	94,254	94,387	110,529	119,654	122,448	147,650
General government & support services	28,965	29,585	33,931	37,766	37,131	37,716	39,023	37,982	46,294	48,950
General county programs	15,077	5,664	3,980	2,462	2,807	2,206	2,514	963	1,819	9,583
Interest on long-term debt	4,146	3,712	3,505	2,651	2,275	2,152	2,024	1,895	1,772	1,619
Subtotal governmental activities expenses	723,982	721,363	749,666	754,208	789,121	829,477	894,916	881,797	964,481	1,028,762
Business-type activities:										
Resource Recovery	20,601	20,529	20,300	26,250	23,017	29,196	24,507	32,819	34,258	34,030
Laguna Sanitation	5,793	6,181	6,176	6,270	5,631	6,822	6,564	7,204	7,356	8,736
Subtotal business-type activities expenses	26,394	26,710	26,476	32,520	28,648	36,018	31,071	40,023	41,614	42,766
Total expenses	$ 750,376	$ 748,073	$ 776,142	$ 786,728	$ 817,769	$ 865,495	$ 925,987	$ 921,820	$ 1,006,095	$ 1,071,528
Program revenues										
Governmental activities:										
Charges for services										
Health & public assistance	$ --	$ --	$ 75,536	$ 86,215	$ 93,580	$ 97,921	$ 94,589	$ 108,234	$ 104,073	$ 113,940
Public safety	--	--	43,635	44,118	51,704	55,405	59,746	57,201	55,358	61,308
Other	--	--	54,704	54,258	54,348	57,559	61,750	66,119	94,762	67,919
Operating grants & contributions	308,610	325,138	332,533	346,620	349,865	364,316	386,829	416,369	380,748	490,869
Capital grants & contributions	57	50	52,352	44	85	3,201	200	58	81	523
Subtotal governmental activities	471,369	325,188	558,760	531,255	549,582	578,402	603,114	647,981	635,022	734,559
Business-type activities:										
Charges for services										
Resource Recovery	21,370	22,381	23,439	23,184	24,617	26,053	30,721	31,060	38,096	37,263
Laguna Sanitation	7,688	8,662	9,907	11,069	12,377	12,644	13,183	14,091	15,228	14,917
Operating grants & contributions	6,202	1,732	1,038	987	1,150	1,155	1,049	2,437	4,253	3,488
Subtotal business-type activities	35,260	32,775	34,384	35,240	38,144	39,852	44,953	47,588	57,577	55,668
Total program revenues	$ 506,629	$ 357,963	$ 593,144	$ 566,495	$ 587,726	$ 618,254	$ 648,067	$ 695,569	$ 692,599	$ 790,227
Net (expense) / revenue										
Governmental activities	$ (252,613)	$ (396,175)	$ (190,906)	$ (222,953)	$ (239,539)	$ (251,075)	$ (291,802)	$ (233,816)	$ (329,459)	$ (294,203)
Business-type activities	8,866	6,065	7,908	2,720	9,496	3,834	13,882	7,565	15,963	12,902
Total net expense	$ (243,747)	$ (390,110)	$ (182,998)	$ (220,233)	$ (230,043)	$ (247,241)	$ (277,920)	$ (226,251)	$ (313,496)	$ (281,301)
General revenues and other changes in net position										
Governmental activities:										
Taxes										
Property taxes	$ 186,047	$ 227,452	$ 231,247	$ 244,139	$ 254,166	$ 267,613	$ 284,284	$ 290,046	$ 309,150	$ 323,795
Motor vehicle in-lieu tax	931	187	155	150	147	167	198	182	--	--
Sales taxes	14,700	13,527	14,039	15,306	16,332	18,172	18,118	18,995	19,068	21,104
Transient occupancy tax	7,570	6,993	7,539	8,550	9,072	10,068	8,364	10,320	10,182	12,535
Cannabis tax	--	--	--	--	--	--	--	6,761	12,182	15,747
Unrestricted investment earnings	1,048	453	1,407	1,661	854	335	753	4,356	3,484	(783)
Extraordinary item and special item	--	--	--	--	--	--	--	--	--	--
Transfers	6	2	(34)	--	(15)	--	36	80	21	(77)
Other	39,268	8,419	8,100	8,474	9,494	5,905	5,778	5,834	6,042	7,645
Subtotal governmental activities	249,570	257,033	262,453	278,280	290,050	302,260	317,531	336,574	360,129	379,966
Business-type activities:										
Unrestricted investment earnings	290	(95)	344	254	416	265	405	2,370	2,109	(185)
Transfers	(6)	(2)	13	--	15	--	(36)	(80)	(21)	77
Other	17	38	34	(38)	99	3	--	48	22	701
Subtotal business-type activities	301	(59)	391	216	530	268	369	2,338	2,110	593
Total primary government	$ 249,871	$ 256,974	$ 262,844	$ 278,496	$ 290,580	$ 302,528	$ 317,900	$ 338,912	$ 362,239	$ 380,559
Extraordinary Items										
RDA dissolution transactions	$ 16,345	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Changes in net position										
Governmental activities	$ 13,302	$ 16,309	$ 71,547	$ 55,327	$ 50,511	$ 51,185	$ 25,729	$ 102,758	$ 30,670	$ 85,763
Business-Type activities	9,167	6,006	8,299	2,936	10,026	4,102	14,251	9,903	18,073	13,495
Total primary government	$ 22,469	$ 22,315	$ 79,846	$ 58,263	$ 60,537	$ 55,287	$ 39,980	$ 112,661	$ 48,743	$ 99,258

COUNTY OF SANTA BARBARA, CALIFORNIA
FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands)
(modified accrual basis of accounting)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
General Fund										
Nonspendable	$ 8,780	$ 9,618	$ 10,138	$ 11,042	$ 12,130	$ 13,619	$ 11,977	$ 11,407	$ 2,318	$ 56
Restricted	17,536	19,800	21,245	22,946	27,527	31,529	38,002	44,054	55,068	62,161
Committed	52,002	50,298	58,018	61,887	67,703	60,161	69,305	102,087	131,484	181,517
Assigned	--	--	--	--	--	--	--	--	--	--
Unassigned	7,591	8,092	3,405	3,242	7,684	7,761	10,591	18,654	13,029	19,839
Subtotal General Fund	85,909	87,808	92,806	99,117	115,044	113,070	129,875	176,202	201,899	263,573
All Other Governmental Funds (1)										
Nonspendable	586	1,084	791	1,129	1,496	1,942	1,714	--	--	955
Restricted	149,010	145,842	151,021	162,156	163,656	175,173	175,660	193,207	206,072	248,532
Committed	9,604	18,930	18,630	18,642	19,236	30,864	29,378	20,960	27,212	28,585
Assigned	1,817	1,287	--	--	--	--	--	--	--	--
Unassigned	(2,822)	(2,850)	--	--	--	--	--	--	--	--
Subtotal all other governmental funds	158,195	164,293	170,442	181,927	184,388	207,979	206,752	214,167	233,284	278,072
Total governmental fund balance	$ 244,104	$ 252,101	$ 263,248	$ 281,044	$ 299,432	$ 321,049	$ 336,627	$ 390,369	$ 435,183	$ 541,645

Notes:
(1) Substantial increases or decreases in fund balance components are explained in the Management's Discussion and Analysis (MD&A).

COUNTY OF SANTA BARBARA, CALIFORNIA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands)
(modified accrual basis of accounting)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Revenues (by source)										
Taxes	$ 241,142	$ 249,414	$ 254,177	$ 269,412	$ 281,279	$ 295,066	$ 309,983	$ 325,337	$ 349,820	$ 372,365
Licenses, permits, and franchises	12,966	14,011	14,030	13,660	14,282	14,221	16,758	17,281	17,296	19,764
Fines, forfeitures, and penalties	10,990	9,582	10,883	9,581	9,160	9,141	11,281	8,883	12,965	9,468
Use of money and property	4,307	2,321	4,995	4,902	4,809	3,332	4,324	12,047	10,233	1,643
Intergovernmental	306,609	321,765	380,785	340,807	345,428	361,392	382,633	402,412	369,325	486,640
Charges for services	139,685	135,625	141,839	161,637	181,022	189,834	189,613	201,067	200,162	217,264
Other	25,920	19,582	20,804	19,033	16,149	16,177	16,255	20,252	48,174	22,775
Total revenues	741,619	752,300	827,513	819,032	852,129	889,163	930,847	987,279	1,007,975	1,129,919
Expenditures (by function)										
Policy & executive	15,172	15,349	15,408	15,563	16,484	16,585	21,242	21,707	21,046	23,531
Public safety	250,145	259,968	270,605	281,211	288,174	303,151	329,172	330,711	348,327	363,881
Health & public assistance	300,536	304,982	317,322	343,584	351,911	361,796	353,241	361,345	386,431	402,524
Community resources & public facilities	97,130	100,838	145,572	93,443	106,380	99,463	108,561	122,690	121,468	159,335
General government & support services	42,643	43,691	44,194	47,357	50,104	52,597	53,563	53,640	57,334	61,781
General county programs	12,287	5,091	8,199	3,190	2,679	2,167	1,590	334	2,942	9,378
Debt service										
Principal	23,749	4,133	4,502	15,318	3,764	3,874	3,951	4,026	4,034	4,417
Interest	4,183	3,518	3,308	2,516	2,111	2,002	1,889	1,775	1,666	1,530
Capital outlay	15,795	7,290	7,079	8,353	6,229	24,983	39,756	35,416	16,110	15,309
Total expenditures	761,640	744,860	816,189	810,535	827,836	866,618	912,965	931,644	959,358	1,041,686
Excess (deficiency) of revenues over (under) expenditures	(20,021)	7,440	11,324	8,497	24,293	22,545	17,882	55,635	48,617	88,233
Other financing sources (uses)										
Transfers in	96,986	86,395	49,715	60,305	54,535	68,603	57,082	52,729	96,412	103,100
Transfers out	(96,912)	(86,338)	(49,965)	(61,278)	(55,935)	(69,673)	(59,669)	(55,282)	(100,328)	(108,609)
Proceeds from sale of capital assets	220	500	73	347	205	142	283	166	113	1,745
Long-term debt issued	16,957	--	--	9,925	10	--	--	--	--	--
Long-term receivable collected	356	--	--	--	--	--	--	--	--	--
Total other financing sources (uses)	17,607	557	(177)	9,299	(1,185)	(928)	(2,304)	(2,387)	(3,803)	(3,764)
Extraordinary Items										
RDA dissolution transactions	(13,092)	--	--	--	--	--	--	--	--	--
Net change in fund balance	$ (2,414)	$ 7,997	$ 11,147	$ 17,796	$ 23,108	$ 21,617	$ 15,578	$ 53,248	$ 44,814	$ 84,469
Debt service as a percentage of noncapital expenditures (1):	3.84%	1.07%	1.06%	2.27%	0.74%	0.71%	0.68%	0.65%	0.62%	0.60%

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Expenditures (2)										
General government	$ 48,395	$ 64,886	$ 65,289	$ 64,462	$ 68,216	$ 74,054	$ 74,874	$ 82,831	$ 87,194	$ 117,315
Public protection	303,442	302,982	316,926	328,238	336,140	353,536	386,355	382,468	403,545	418,481
Public ways and facilities	35,540	29,814	28,226	25,750	30,620	23,720	29,672	37,417	36,655	44,182
Health and sanitation	157,298	155,560	157,460	171,631	173,590	180,615	180,185	186,688	205,917	216,911
Public assistance	138,397	139,800	148,702	159,753	165,569	166,155	158,593	161,040	167,035	4,494
Education	2,734	3,199	3,128	3,132	3,568	3,800	4,097	3,866	4,106	173,713
Recreational and cultural services	10,866	10,504	11,422	12,811	14,237	14,022	16,306	14,776	15,603	16,042
Debt service	27,933	7,651	7,809	17,834	5,875	5,876	5,840	5,801	5,700	5,947
Capital outlay	37,035	30,464	77,227	26,924	30,021	44,840	57,043	56,757	33,603	44,601
Total expenditures	$ 761,640	$ 744,860	$ 816,189	$ 810,535	$ 827,836	$ 866,618	$ 912,965	$ 931,644	$ 959,358	$ 1,041,686

Notes:

(1) In FY 16-17 the calculation for debt service as a percentage of noncapital expenditures was revised to include the appropriate amounts. This change impacted all years reported.

(2) By State Controller function.

COUNTY OF SANTA BARBARA, CALIFORNIA
ASSESSED VALUE OF TAXABLE PROPERTY AND ACTUAL VALUE OF PROPERTY (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands)

Due to the 1978 passage of the property tax initiative Proposition 13 (Prop 13), the County does not track the estimated actual value of all County properties. Under Prop 13, property is assessed at the 1978 market value with an annual increase limited to the lesser of 2% or the consumer price index (CPI) on properties not involved in a change of ownership or properties that did not undergo new construction. Newly acquired property is assessed at its new market value (usually the purchase price) and the value of any new construction is added to the existing base value of a parcel. As a result, similar properties can have substantially different assessed values based on the date of purchase. Additionally, Prop 13 limits the property tax rate to 1% of assessed value plus the rate necessary to fund local voter-approved bonds and special assessments.

Fiscal Year	(1) Secured	(2) Unsecured	(3) Unitary	(4) Exempt	Total Taxable Assessed Value	Total Direct Tax Rate (%)
2011 - 2012	$ 61,739,881	$ 2,923,496	$ 807,247	$ (2,713,216)	$ 62,757,408	100.00%
2012 - 2013	62,696,346	2,896,396	883,587	(3,074,291)	63,402,038	100.00%
2013 - 2014	65,478,241	2,897,317	897,504	(3,308,629)	65,964,433	100.00%
2014 - 2015	68,635,212	3,441,635	925,196	(3,353,701)	69,648,342	100.00%
2015 - 2016	71,941,255	3,619,135	1,004,561	(3,505,586)	73,059,365	100.00%
2016 - 2017	75,131,736	3,603,348	1,064,198	(3,807,072)	75,992,210	100.00%
2017 - 2018	79,372,934	3,798,374	1,001,291	(4,123,907)	80,048,692	100.00%
2018 - 2019	83,555,061	3,870,105	1,053,450	(4,560,120)	83,918,496	100.00%
2019 - 2020	87,781,519	3,739,696	1,094,609	(4,549,691)	88,066,133	100.00%
2020 - 2021	92,073,180	3,833,714	1,194,253	(4,577,525)	92,523,622	100.00%

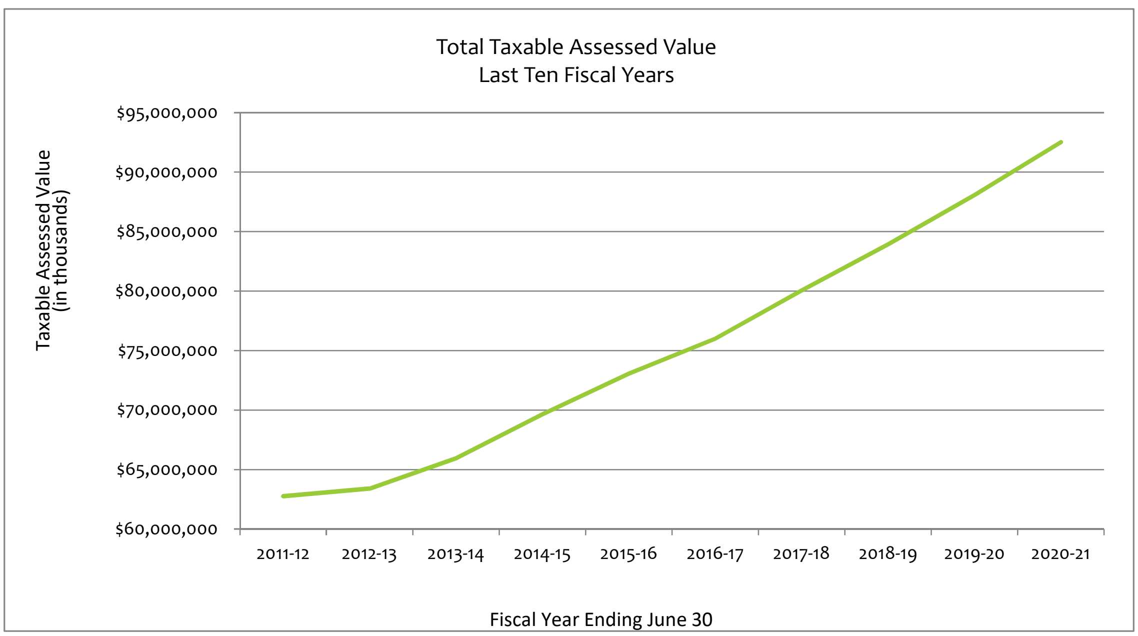
Notes:

(1) Local assessed secured property is generally real property, defined as land, mines, minerals, timber, and improvements such as buildings, structures, crops, trees, and vines.

(2) Unsecured property is generally personal property including machinery, equipment, office tools, and supplies.

(3) Unitary properties are railroads and utilities crossing the County and are assessed by the State Board of Equalization. Most of the amount reported is unitary but includes a small amount of other state-assessed property.

(4) Exempt properties include numerous full and partial exclusions/exemptions provided by the State Constitution and the legislature that relieve certain taxpayers from the burden of paying property taxes.



Source:
Auditor-Controller, County of Santa Barbara

COUNTY OF SANTA BARBARA, CALIFORNIA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS (UNAUDITED)
($1 PER $100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS

	County Direct Rates	Overlapping Rates		
Fiscal Year	**Santa Barbara County General**	**Cities (1)**	**Schools (2)**	**Total**
2011 - 2012	1.00000%	0.00014%	0.01310%	1.01324%
2012 - 2013	1.00000%	0.00012%	0.01352%	1.01364%
2013 - 2014	1.00000%	0.00013%	0.01462%	1.01475%
2014 - 2015	1.00000%	0.00012%	0.01473%	1.01485%
2015 - 2016	1.00000%	0.00011%	0.01979%	1.01990%
2016 - 2017	1.00000%	0.00010%	0.01875%	1.01885%
2017 - 2018	1.00000%	0.00010%	0.01816%	1.01826%
2018 - 2019	1.00000%	0.00014%	0.02339%	1.02353%
2019 - 2020	1.00000%	0.00000%	0.02208%	1.02208%
2020 - 2021	1.00000%	0.00000%	0.02139%	1.02139%

Notes:
(1) Rates shown represent a weighted average of the eight incorporated cities within the County.
(2) Rates shown represent a weighted average of the various school district tax rate areas within the County.

Source:
Auditor-Controller, County of Santa Barbara

COUNTY OF SANTA BARBARA, CALIFORNIA
PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED)
June 30, 2021 AND June 30, 2012 (in thousands)

In accordance with GASB Statement No. 44, the following tables present information for the County's principal property taxpayers as of June 30, 2021 and June 30, 2012

June 30, 2021:

Taxpayers	Type of Business	(1) Net Assessed Secured Property Value	Percentage of Total Net Assessed Value	(2) Total Secured Tax Levy Fiscal Year 2020-21	Percentage of Total Secured Tax Levy Fiscal Year 2020-21
Southern California Edison Co	Utility	$ 410,339	0.44%	$ 5,422	0.62%
Cwi Santa Barbara Hotel LP (Bacara)	Hotel	388,798	0.42%	4,198	0.48%
Southern California Gas Company	Utility	317,849	0.34%	4,203	0.48%
Miramar Acquisition Co, LLC	Hotel	287,478	0.31%	3,158	0.36%
Windset Farms California Inc	Agriculture	234,034	0.25%	2,583	0.29%
1260 Bb Property LLC (Biltmore)	Hotel	232,148	0.25%	3,056	0.35%
Islay Investments	Real Estate Holdings	198,447	0.21%	2,286	0.26%
Pacific Gas & Electric Co	Utility	178,612	0.19%	2,361	0.27%
Regency Tropicana, LLC	Residential Rentals	158,101	0.17%	1,767	0.20%
Celite Corporation	Mining	144,966	0.16%	1,735	0.20%
Ten largest taxpayers		2,550,772	2.74%	30,769	3.51%
All other taxpayers		89,972,850	97.26%	850,078	96.49%
Total		$ 92,523,622	100.00%	$ 880,847	100.00%

June 30, 2012:

Taxpayers	Type of Business	(1) Net Assessed Secured Property Value	Percentage of Total Net Assessed Value	(2) Total Secured Tax Levy Fiscal Year 2011-12	Percentage of Total Secured Tax Levy Fiscal Year 2011-12
Exxon Corporation	Petroleum & Gas	$ 326,353	0.52%	$ 3,350	0.57%
United Launch Alliance LLC	Aerospace	188,637	0.30%	2,218	0.38%
Southern California Gas Company	Utility	178,619	0.28%	2,044	0.35%
Verizon California Inc	Utility	166,986	0.27%	1,961	0.33%
Southern California Edison Co	Utility	157,110	0.25%	1,836	0.31%
Fairway Bb Property LLC	Residental Estate	150,511	0.24%	1,543	0.26%
1260 Bb Property LLC (Biltmore)	Hotels	145,000	0.23%	1,782	0.30%
Pacific Gas & Electric Company	Utility	121,104	0.19%	1,415	0.24%
Ht-Santa Barbara Inc (Bacara)	Hotels	118,000	0.19%	1,284	0.22%
Pacific Offshore Pipeline Co	Petroleum & Gas	110,487	0.18%	1,132	0.19%
Ten largest taxpayers		1,662,807	2.65%	18,565	3.15%
All other taxpayers		61,094,602	97.35%	571,780	96.85%
Total		$ 62,757,409	100.00%	$ 590,345	100.00%

Notes:

(1) Net Assessed Secured amounts include Secured & Unitary less exemptions.
See "Assessed Value of Taxable Property and Actual Value of Property" schedule for total assessed value.

(2) Includes 1%, bonds, fixed charges, late penalties and costs (Only Secured & Unitary Tax Levy amounts).

Source:
County of Santa Barbara Treasurer / Tax Collector

COUNTY OF SANTA BARBARA, CALIFORNIA
PROPERTY TAX LEVIES and COLLECTIONS (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands)

Fiscal Year	(1) Taxes Levied	(2) Collections Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2011 - 2012	$ 590,345	$ 583,214	98.79%	$ 7,100	$ 590,314	99.99%
2012 - 2013	599,416	593,841	99.07%	5,542	599,383	99.99%
2013 - 2014	626,258	621,794	99.29%	4,382	626,176	99.99%
2014 - 2015	658,542	653,778	99.28%	4,617	658,395	99.98%
2015 - 2016	690,326	684,131	99.10%	5,884	690,015	99.95%
2016 - 2017	720,855	714,505	99.12%	5,814	720,319	99.93%
2017 - 2018	759,352	751,947	99.02%	6,281	758,228	99.85%
2018 - 2019	796,449	788,819	99.04%	6,002	794,821	99.80%
2019 - 2020	837,914	827,552	98.76%	7,231	834,783	99.63%
2020 - 2021	880,847	870,620	98.84%	--	870,620	98.84%

Notes:
(1) Secured and Unitary tax levy for the County itself, school districts, cities, and special districts under the supervision of their own governing boards.
(2) Included are amounts collected by the County on behalf of itself, school districts, cities, and special districts under the supervision of their own governing boards.

Source:
Auditor-Controller, County of Santa Barbara

LAST TEN FISCAL YEARS (in thousands, except per capita)

	Governmental Activities					Business-Type Activities						
Fiscal Year	Certificates of Participation (1)	Capital Leases	Long-Term Loans	Other Long-Term Obligations (4)	Bonds and Notes Payable	Certificate of Participation (1)	Capital Leases	Long-Term Settlement	Bonds and Notes Payable	Total Primary Government	Percentage of Personal Income (2)	Per Capita (3)
2010 - 2011	$ 68,759	$ 4,017	$ --	$ --	$ --	$ 9,532	$ --	$ --	$ 10,314	$ 92,622	0.49%	$ 216
2011 - 2012	44,840	3,735	--	--	22,195	8,144	--	--	9,637	88,551	0.47%	207
2012 - 2013	43,161	3,418	--	2,222	19,740	7,473	--	--	8,928	84,942	0.43%	193
2013 - 2014	41,414	3,013	--	2,434	17,070	6,781	--	--	8,203	78,915	0.37%	177
2014 - 2015	29,550	2,686	--	2,740	23,580	6,061	--	--	7,462	72,079	0.32%	159
2015 - 2016	28,693	2,351	--	2,266	20,690	5,323	--	--	6,704	66,027	0.29%	143
2016 - 2017	27,798	1,983	--	1,069	17,745	4,554	--	--	5,930	59,079	0.24%	129
2017 - 2018	26,872	1,636	--	1,238	14,730	3,766	--	--	5,139	53,381	0.21%	118
2018 - 2019	25,908	1,315	--	598	11,655	167,038	--	--	4,335	210,849	0.79%	463
2019 - 2020	24,910	1,075	--	598	8,515	165,037	--	--	3,513	203,648	0.73%	451
2020 - 2021	23,490	932	--	8,724	5,928	191,451	--	--	2,674	233,199	0.79%	529

Notes:

(1) See the "Assessed Value of Taxable Property and Actual Value of Property" schedule for total taxable assessed value. Assessed value does not include tax exempt property.
(1) Beginning in fiscal year 2013-14, the Certifcates of Particpation totals in this schedule were updated to included unamortized premiums and discounts.
(2) See the "Demographics and Economic Statistics" schedule for personal income and population data. Note that this ratio is calculated using population for the latest calendar year for each corresponding fisc

(3) See the "Demographics and Economics Statistics" schedule for population figures. Note that this ratio is calculated using population for the latest calendar year for each corresponding fiscal year.

(4) Beginning in fiscal year 2018-19, this schedule was updated to include Long-Term Settlements. Prior year balances have been updated to reflect this change.

Source:
Auditor-Controller, County of Santa Barbara

COUNTY OF SANTA BARBARA, CALIFORNIA
COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands)

Fiscal Year	(1) Assessed Value	(2) Legal Debt Limit	Total Net Applicable Debt	(3) Legal Debt Margin	Legal Debt Margin / Debt Limit
2011 - 2012	$ 62,757,408	$ 784,468	--	$ 784,468	1
2012 - 2013	63,402,039	792,525	--	792,525	1
2013 - 2014	65,964,432	824,555	--	824,555	1
2014 - 2015	69,453,967	868,175	--	868,175	1
2015 - 2016	73,059,365	913,242	--	913,242	1
2016 - 2017	75,992,210	949,903	--	949,903	1
2017 - 2018	80,048,692	1,000,609	--	1,000,609	1
2018 - 2019	83,918,496	1,048,981	--	1,048,981	1
2019 - 2020	88,066,133	1,100,827	--	1,048,981	1
2020 - 2021	92,523,622	1,156,545	--	1,156,545	1

Notes:

(1) Assessed Value does not include tax exempt property. Property value data can be found in the "Assessed Value of Taxable Property and Actual Value of Property" schedule.

(2) California Government Code Section 29909 read in conjunction with Revenue and Taxation Code Section 135 imposes a legal debt limitation for General Obligation Bond indebtedness to 1.25% of the total full cash valuation.

(3) The legal debt margin is the County's available borrowing authority under state finance statutes and is calculated by subtracting the debt applicable to the legal debt limit from the legal debt limit.

Source:
Auditor-Controller, County of Santa Barbara

COUNTY OF SANTA BARBARA, CALIFORNIA
DIRECT AND OVERLAPPING BONDED DEBT (UNAUDITED)
AS OF June 30, 2021

2020-2021 Assessed Valuation: $ 92,523,622

	Percent Applicable (1)	Debt
Overlapping Tax and Assessment Debt:		
Allan Hancock Joint Community College District	99.651%	$ 132,611
Santa Barbara Community College District	100%	55,325
Santa Maria Jt. Union High School District	99.998%	100,607
Santa Ynez Valley Union High School District	100%	11,935
Carpinteria Unified School District	100%	92,175
Cuyama Jt. Unified School District	77.255%	3,032
Lompoc Unified School District	100%	9,476
Santa Barbara Unified School District & High School District	100%	195,170
Santa Barbara Unified School District & Elementary School District	100%	84,424
Buellton Union School District	100%	5,718
Cold Spring School District	100%	3,482
College School District	100%	5,577
Goleta Union School District	100%	16,240
Guadalupe Union School District	100%	6,827
Hope Elementary School District	100%	20,872
Los Olivos School District	100%	2,948
Montecito Union School District	100%	1,720
Orcutt Union School District	100%	48,755
Santa Maria-Bonita Joint School District	99.996%	44,423
Solvang School District	100%	9,124
Lompoc Healthcare District	100%	65,415
City and Special District 1915 Act Bonds	100%	5,245
Total Overlapping Tax and Assessment Debt		921,100
Direct and Overlapping General Fund Debt		
Santa Maria-Bonita School District Certificates of Participation	99.996%	26,809
Cuyama Joint Unified School District Certificates of Participation	77.255%	838
Santa Ynez Valley Union High School District Certificates of Participation	100%	1,537
Santa Maria Joint Union High School District Certificates of Participation	99.998%	1,445
College School District Certificates of Participation	100%	1,758
Guadalupe Union School District Certificates of Participation	100%	3,175
City of Lompoc General Fund Obligations	100%	4,331
City of Santa Barbara Certificates of Participation	100%	27,810
Carpinteria Sanitary District General Fund Obligations	98.423%	5,275
Total Gross Overlapping General Fund Obligation Debt		72,978
Less: Less: Santa Barbara County utility supported obligations		(2,185)
Less: City of Santa Barbara revenue bonds supported by airport revenues		(27,810)
Less: Carpinteria Sanitary District revenue bonds supported by wastewater system revenues		(5,275)
Total Net Overlapping General Fund Obligation Debt		37,707
Total Net Overlapping Tax and Assessment and General Fund Obligation Debt		958,807
Overlapping Tax Increment Debt:		26,910
Direct General Fund Obligation Debt:		
Governmental Activities Certificates of Participation and Bonds and Notes Payable		29,496
Business-type Activities Certificates of Participation (3)		148,966
Total Direct General Fund Obligation Debt		178,462
Total Net Combined Overlapping and Direct Debt		$ 1,164,179
Total Gross Combined Overlapping and Direct Debt		$ 1,199,450 (2)

Ratio to 2020-21 Assessed Valuation:	
Total Overlapping Tax and Assessment Debt	1.00%
Ratios to Adjusted Assessed Valuation:	
Total Gross Direct Debt	0.03%
Total Net Direct Debt	0.03%
Gross Combined Total Debt	1.14%
Net Combined Total Debt	1.10%

Notes:

(1) Percentage of overlapping agency's assessed valuation located within the boundaries of the County

(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds, non-bonded capital lease obligations and state contractual obligations within the Department of Water Resources.

(3) 2008 and 2018 COP's for Business-type activities are legal obligations of the General Fund. Detailed information can be found at Note-11 Certificates of Participation (COP).

Source:
California Municipal Statistics, Incorporated

COUNTY OF SANTA BARBARA, CALIFORNIA
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS* (in thousands)

Fiscal Year	Resource Recovery and Waste Management Fund (Resource Recovery) Revenue Bond (1)						
				Debt Service			
	Operating Revenue (3)	Less: Operating Expenses	Net Operating Revenue	Principal	Interest	Total Debt Service	Coverage Ratio
2018 - 2019	$ 31,060	$ 29,319	$ 1,741	$ 1,650	$ 3,720	$ 5,370	0.3
2019 - 2020	38,096	27,346	10,750	--	7,253	7,253	1.5
2020 - 2021	37,263	27,767	9,496	--	7,253	7,253	1.3

Fiscal Year	Laguna County Sanitation District (Laguna Sanitation) Revenue Bond (2)						
				Debt Service			
	Operating Revenue (3)	Less: Operating Expenses	Net Operating Revenue	Principal	Interest	Total Debt Service	Coverage Ratio
2020 - 2021	$ 14,917	$ 8,244	$ 6,673	$ --	$ 614	$ 614	11

Notes:
* Amounts presented above were determined as of 6/30. Additional Years will be presented as they become available.
(1) New in 2018-2019.
(2) New in 2020-2021.
(3) Operating Revenues include Charges for services, Sale of scrap and recyclables, and Other operating revenues.

Source:
Auditor-Controller, County of Santa Barbara

COUNTY OF SANTA BARBARA, CALIFORNIA
DEMOGRAPHICS AND ECONOMIC STATISTICS (UNAUDITED)
LAST FISCAL TEN YEARS

(1) Year	(2) Population	(3),(4) Personal Income	Per Capita Personal Income	(5) School Enrollment	(6) Unemployment Rate
2012	427,267	$ 19,000,000,000	$ 44,469	66,349	7.9%
2013	429,200	19,303,120,000	44,975	66,837	6.3%
2014	433,398	20,640,576,000	47,625	67,686	5.4%
2015	437,643	21,700,000,000	49,584	68,581	4.7%
2016	446,717	22,300,000,000	49,920	69,069	4.9%
2017	450,663	24,200,000,000	53,699	69,062	4.3%
2018	453,457	25,000,000,000	55,132	69,752	3.9%
2019	454,593	26,646,853,000	58,617	69,379	3.5%
2020	451,840	27,992,849,000	61,953	69,006	11.6%
2021	441,172	29,502,767,000	66,874	67,470	5.9%

Detail of estimated population, as of January 1, 2021 (whole numbers):

(2) Incorporated Cities	
Buellton	5,435
Carpinteria	13,196
Goleta	32,339
Guadalupe	8,346
Lompoc	42,493
Santa Barbara	93,055
Santa Maria	107,445
Solvang	5,512
Total of Incorporated Cities	307,821
Total of Unincorporated Areas	133,351
Total Population	441,172

Notes:

(1) Calendar year
(2) Population as of January 1
(3) Estimated amounts

Sources:

(2) California Department of Finance
(4) Bureau of Economic Analysis
(5) California Department of Education
(6) Employment Development Department Research Center

COUNTY OF SANTA BARBARA, CALIFORNIA
PRINCIPAL EMPLOYERS (UNAUDITED)
June 30, 2021 AND June 30, 2012

June 30, 2021

Company or Organization	Type of Business	Jobs (1, 2)	Percent of Total County Employment
County of Santa Barbara	Government	4,307	1.81%
UC Santa Barbara	Education	4,250	1.79%
Cottage Health	Health	3,245	1.36%
Vandenberg Air Force Base	Defense	2,500	1.05%
Santa Maria-Bonita School District	Education	2,010	0.85%
Chumash Casino Resort	Recreation/Hospitality	2,000	0.84%
Mission Linen Supply	Textiles/Facility Services	2,000	0.84%
Marian Regional Medical Center	Health	1,486	0.62%
Allan Hancock College	Education	1,400	0.59%
Appfolio	Software	1,350	0.57%
Total ten largest		24,548	10.32%
Total all other		213,300	89.68%
Total companies or organizations		237,848	100.00%

June 30, 2012

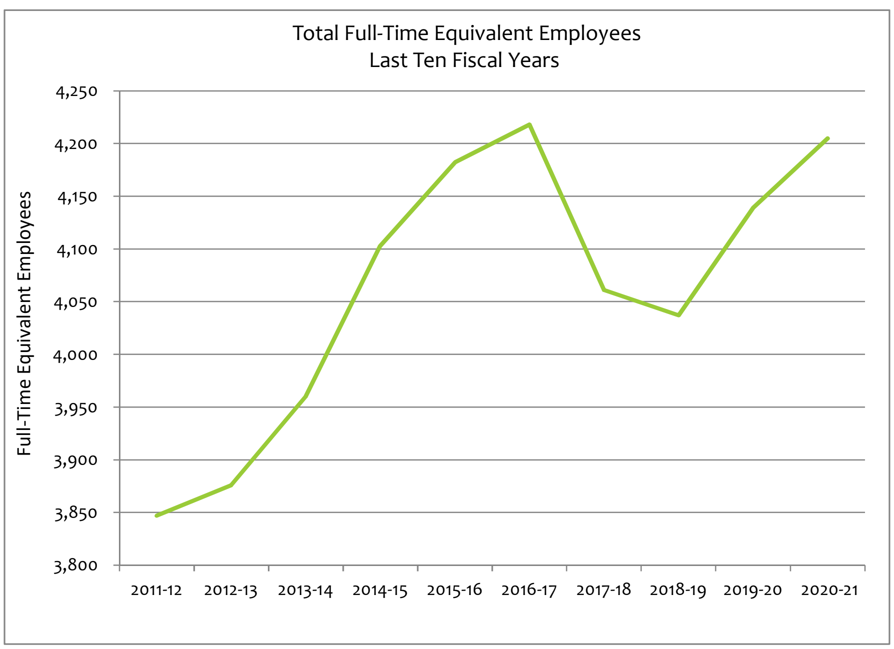
Company or Organization	Type of Business	Jobs (3)	Percent of Total County Employment
University of California, Santa Barbara	Education	10,063	4.69%
Vandenberg Air Force Base	Defense	6,878	3.21%
County of Santa Barbara	Government	4,383	2.04%
Cottage Health System	Health	2,845	1.33%
Santa Barbara Unified School District	Education	2,531	1.18%
Santa Barbara City College	Education	1,791	0.83%
City of Santa Barbara	Government	1,695	0.79%
Chumash Casino Resort	Recreation/Hospitality	1,650	0.77%
Marian Medical Center	Health	1,457	0.68%
Santa Maria-Bonita School District	Education	1,366	0.64%
Total ten largest		34,659	16.16%
Total all other		179,941	83.84%
Total companies or organizations		214,600	100.00%

Sources:
(1) Pacific Coast Business Times "Book of Lists" - individual company data
(2) University of California, Santa Barbara "Economic Summit" - total employment data
(3) County of Santa Barbara ACFR for fiscal year presented

COUNTY OF SANTA BARBARA, CALIFORNIA
COUNTY EMPLOYEES BY FUNCTION/PROGRAM (UNAUDITED)
LAST TEN FISCAL YEARS

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Paid employees (1)										
Policy & executive	92	94	96	99	105	103	106	109	109	118
Public safety	1,455	1,467	1,478	1,498	1,521	1,540	1,540	1,550	1,594	1,606
Health & public assistance	1,634	1,732	1,799	1,926	1,973	1,961	1,806	1,751	1,780	1,806
Community resources & public facilities	416	419	424	419	424	443	442	453	464	469
General government & support services	343	334	334	350	359	361	348	341	351	359
General county programs	17	6	5	3	6	6	5	5	7	7
Resource Recovery	81	79	83	81	77	80	77	78	82	81
Laguna Sanitation	16	16	16	16	15	16	17	18	18	18
Total County employees	4,054	4,147	4,235	4,392	4,480	4,510	4,341	4,305	4,405	4,464
Actual full-time equivalent employees (2)										
Policy & executive	85	88	88	91	94	93	93	97	97	105
Public safety	1,390	1,386	1,394	1,415	1,433	1,448	1,452	1,463	1,509	1,533
Health & public assistance	1,548	1,608	1,679	1,796	1,841	1,842	1,697	1,652	1,681	1,707
Community resources & public facilities	391	389	392	382	389	402	402	413	426	432
General government & support services	328	315	313	326	335	339	325	320	330	333
General county programs	13	--	--	1	1	1	1	--	--	--
Resource Recovery	76	74	78	77	74	77	74	75	78	77
Laguna Sanitation	16	16	16	15	15	16	17	17	18	18
Total County employees	3,847	3,876	3,960	4,103	4,182	4,218	4,061	4,037	4,139	4,205

Notes:
(1) Paid employees: Count of employees paid, including terminated employees. Employees with more than one job will be counted once for each job for which the employee was paid.
(2) Actual full-time equivalent employees: Count of number of full-time equivalents paid. For full-time and part-time, the full-time equivalent (FTE) used is from the employee's assigned work schedule. For extra help and contractors, the FTE is calculated as the number of hours worked this pay period divided by 80.



Source:
Santa Barbara County payroll records as of June 30.

COUNTY OF SANTA BARBARA, CALIFORNIA
OPERATING INDICATORS BY FUNCTION/PROGRAM (UNAUDITED)
LAST TEN FISCAL YEARS

Function/Program	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Public safety										
Other:										
Filed felonies-District Attorney	2,741	2,979	3,176	2,499	2,898	2,835	2,659	2,801	2,582	2,181
Filed misdemeanors-District Attorney	10,983	10,022	9,838	11,347	12,355	12,404	11,124	10,065	8,935	6,534
Public Defender's total new caseload (2)	21,642	18,963	20,973	23,391	24,024	23,414	24,014	12,316	12,247	7,872
Fire emergency responses	12,714	13,989	13,842	13,927	14,307	15,123	15,763	15,634	14,723	14,618
Sheriff:										
Total miles patrolled	1,447,978	1,230,191	1,477,038	1,413,902	1,439,005	1,413,060	1,454,032	1,441,414	1,406,295	1,362,890
Processed and booked adult offenders	15,763	16,677	16,780	17,117	17,744	15,623	14,130	13,710	11,108	8,326
Probation:										
Juvenile referrals processed	4,122	3,449	3,070	3,313	3,371	3,150	2,964	2,656	1,987	722
Adult and Juvenile cases supervised	8,364	8,321	8,331	8,196	8,114	8,112	7,358	6,088	7,318	4,801
Institutional care for minors	58,923	52,268	38,763	34,894	37,372	34,214	26,695	22,147	16,344	6,920
Submit written reports to courts on Adults	5,146	6,582	6,628	6,838	6,856	7,337	6,763	5,238	3,911	2,538
Health & public assistance										
Behavioral Wellness clients served	11,825	12,313	12,647	13,936	14,653	15,344	13,004	14,711	14,052	10,652
Established orders for child support	12,963	12,565	11,922	11,544	11,452	11,317	11,270	11,227	10,964	10,458
Assistance claims paid to eligible recipients	76,762	72,678	70,924	99,513	99,597	97,127	91,623	88,672	85,710	79,809
Patient encounters at Public Health clinics	120,540	120,700	114,000	111,000	107,000	115,000	111,000	118,500	113,500	121,000
Community resources & public facilities										
Building inspections	19,736	20,689	23,752	22,431	22,583	21,804	24,230	26,930	24,952	24,943
Enhanced or maintained road lanes (miles)	81	67	82	73	24	23	21	44	64	46
Flood control work requests (1)	95	--	--	--	--	--	--	--	--	--
General government & support services										
Clerk-Recorder-Assessor										
Recorded documents & vital copies issued	119,522	135,053	103,060	102,694	110,846	110,089	95,912	90,740	104,052	140,571
Resource Recovery										
Waste recycled (tons per month)	7,824	7,043	7,244	6,792	5,084	5,241	5,825	7,645	7,882	8,253
Landfill waste disposal (tons per month)	13,891	14,607	14,894	15,163	16,690	17,172	19,050	19,215	17,744	16,245

Notes:
(1) Beginning in FY 12-13 Public Works no longer tracks flood control work requests.
(2) Beginning in FY 18-19 Public Defender does not include cases previously appointed that were reappointed during the fiscal year.

Sources:
Various Department Personnel, County of Santa Barbara

COUNTY OF SANTA BARBARA, CALIFORNIA
CAPITAL ASSETS AND INFRASTRUCTURE STATISTICS BY FUNCTION/PROGRAM (UNAUDITED)
LAST TEN FISCAL YEARS

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Function/Program										
Policy & executive										
Buildings										
Public safety										
Court buildings	7	7	7	7	7	7	7	7	7	7
Other buildings	5	5	5	5	5	5	5	5	5	5
Fire stations	16	16	16	16	16	16	16	16	16	16
Fire trucks	42	42	42	42	41	41	43	43	45	45
Ambulances	6	6	6	6	6	6	6	6	6	6
Sheriff sub stations	4	4	4	4	4	4	4	4	4	4
Patrol units	49	49	49	52	52	60	60	59	63	61
Aircrafts	6	6	6	6	6	6	6	7	6	7
Jail and detention facilities	6	6	6	6	6	6	6	6	6	6
Administration buildings	9	9	9	9	9	9	9	10	10	10
Health & public assistance										
Clinics	7	7	7	7	9	9	9	11	12	12
Administration buildings	5	5	5	5	5	5	5	3	3	3
Community resources & public facilities										
Public parks & open space acreage	2,027	2,122	2,122	2,122	2,122	2,122	2,122	2,122	2,122	2,160
Day use & camping parks	26	26	26	26	26	26	26	26	26	26
Open space areas (County developed)	43	45	45	45	45	45	45	45	45	45
Outdoor events center	1	1	1	1	1	1	1	1	1	1
Veterans buildings	3	3	3	3	3	3	3	3	3	3
Seawalls	2	2	2	2	2	2	2	2	2	2
Road lane miles	1,670	1,671	1,671	1,671	1,671	1,651	1,650	1,650	1,650	1,650
Bridges	113	115	115	115	115	115	118	120	120	120
Traffic signals	43	44	44	44	44	44	43	43	43	43
Roads heavy equipment	51	43	43	43	43	43	48	48	49	49
Sanitary sewers (miles of collection)	121	129	129	129	129	129	129	129	129	129
Treatment capacity (million gallons per day)	4	4	4	4	4	4	4	4	4	4
Resource Recovery heavy equipment	78	72	69	57	58	59	71	72	77	84
General government & support services										
Buildings	7	7	7	7	7	7	7	7	7	7

Notes:
Buildings include those that are capitalized but exclude real property that is leased.

Sources:
Various Department Personnel, County of Santa Barbara

GLOSSARY

COUNTY OF SANTA BARBARA
CALIFORNIA

ACCOUNTS PAYABLE - A short-term liability account reflecting amounts owed to private persons or organizations for goods and services received by a government.

ACCOUNTS RECEIVABLE - An asset account reflecting amounts due from private persons or organizations for goods and services furnished by a government (but not including amounts due from other funds or other governments).

ACCRUAL BASIS OF ACCOUNTING - The recording of the financial effects of a government of transactions and other events and circumstances that have cash consequences for the government in the periods in which those transactions, events, and circumstances occur, rather than only in the periods in which cash is received or paid by the government.

ACCUMULATED DEPRECIATION - A contra-asset account used to report the accumulation of periodic credits to reflect the expiration of the estimated service life of capital assets.

ACTIVE EMPLOYEES - Individuals employed at the end of the reporting or measurement period, as applicable.

ACTUARIAL PRESENT VALUE OF PROJECTED BENEFIT PAYMENTS - Projected benefit payments discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.

ACTUARIAL VALUATION - The determination, as of a point in time (the actuarial valuation date), of the service cost, total pension liability or total OPEB liability, and related actuarial present value of projected benefit payments for pensions or OPEB performed in conformity with Actuarial Standards of Practice unless otherwise specified by the GASB.

ACTUARIAL VALUATION DATE - The date as of which an actuarial valuation is performed.

ACTUARIALLY DETERMINED CONTRIBUTION - A target or recommended contribution to either a defined benefit pension plan or a defined benefit OPEB plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.

AGENT MULTIPLE-EMPLOYER PLAN - A multiple-employer defined benefit OPEB plan that is administered through a trust that meets the criteria of GASB Statement No. 75 and in which OPEB plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

AMORTIZATION - The portion of the cost of a limited-life or intangible asset charged as an expense during a particular period. The reduction of debt by regular payments of principal and interest sufficient to retire the debt by maturity.

ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) - An ACFR is a financial report that encompasses all funds and component units of the government. It contains (a) the basic financial statements and required supplementary information, (b) combining statements to support columns in the basic financial statements that aggregate information from more than one fund or component unit, and (c) individual fund statements as needed. It is the governmental unit's official annual report and it also contains introductory information, schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, and statistical data.

APPROPRIATION - A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation usually is limited in amount and time it may be expended.

ASSESSED VALUATION - A valuation set upon real estate or other property by a government as a basis for levying taxes.

ASSIGNED FUND BALANCE - Amounts that are constrained by the County's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority, or by a body or an official designated for that purpose. This is also the classification for residual funds in the County's special revenue funds.

AUDITOR'S REPORT - In the context of a financial audit, a statement by the auditor describing the scope of the audit and the auditing standards applied in the examination, and setting forth the auditor's opinion on the fairness of presentation of the financial information in conformity with GAAP or some other comprehensive basis of accounting.

BALANCE SHEET - The financial statement disclosing the assets, liabilities, and equity of an entity at a specified date in conformity with GAAP.

BASIC FINANCIAL STATEMENTS (BFS) - The minimum combination of financial statements and note disclosures required for fair presentation in conformity with GAAP. Basic financial statements have three components: governmentwide financial statements, fund financial statements, and notes to the financial statements.

BASIS OF ACCOUNTING - A term used to refer to *when* revenues, expenditures, expenses, and transfers, and the related assets and liabilities, are recognized in the accounts and reported in the financial statements. Specifically, it relates to the *timing* of the measurements made, regardless of the nature of the measurement, on either the cash or the accrual method.

BENEFICIAL INTEREST - The right to a portion of the benefits from donated resources pursuant to a split-interest agreement in which the donor enters into a trust or other legally enforceable agreement with characteristics that are equivalent to a split-interest agreement and transfers the resources to an intermediary.

BUDGET - A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year. The term "budget" is used in two senses in practice. Sometimes it designates the financial plan presented to the appropriating governing body for adoption, and sometimes, the plan finally approved by that body.

BUDGETARY CONTROL - The control or management of a government or enterprise in accordance with an approved budget to keep expenditures within the limitations of available appropriations and available revenues.

BUSINESS-TYPE ACTIVITIES - One of two classes of activities reported in the governmentwide financial statements. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. These activities are usually reported in enterprise funds.

CAPITAL ASSETS - Long-lived assets obtained or controlled as a result of past transactions, events, or circumstances. Capital assets include equipment, buildings, and improvements other than buildings; land; infrastructure; and intangible assets. In the private sector, these assets are referred to most often as property, plant and equipment, and intangible assets.

CAPITAL OUTLAY - Expenditures resulting in the acquisition of or addition to the government's general capital assets.

CAPITALIZATION POLICY - The criteria used by a government to determine which outlays should be reported as capital assets.

CAPITAL LEASE - An agreement that conveys the right to use property, plant, or equipment, usually for a stated period of time. See **LEASE-PURCHASE AGREEMENTS**.

CAPITAL PROJECTS FUND - A fund created to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

CASH BASIS OF ACCOUNTING - A basis of accounting under which transactions are recognized only when cash is received or disbursed.

CASH EQUIVALENT – Short-term, highly liquid investments that are both (1) readily convertible to known amounts of cash and (2) so near their maturity that they present insignificant risk of changes in value due to changes in interest rates.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING PROGRAM - A voluntary program administered by the GFOA to encourage governments to publish efficiently organized and easily readable ACFRs/Component Unit Financial Reports (CUFRs) and to provide technical assistance and peer recognition to the finance officers preparing them.

CHANGE IN THE FAIR VALUE OF INVESTMENTS - The difference between the fair value of investments at the beginning of the year and at the end of the year, taking into consideration investment purchases, sales, and redemptions.

CLOSED AMORTIZATION PERIOD - Term used in connection with the unfunded actuarial accrued liability associated with defined benefit pension and other postemployment benefit plans. A specific number of years that is counted from one date and, therefore, declines to zero with the passage of time. For example, if the amortization period is initially 30 years on a closed basis, 29 years remain after the first year, 28 years after the second year, and so forth.

COLLECTIVE DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS AND OPEB - Deferred outflows of resources and deferred inflows of resources related to pensions or OPEB arising from certain changes in the collective net pension liability or the collective net OPEB liability.

COLLECTIVE NET PENSION OR OPEB LIABILITY - The net pension or OPEB liability for benefits provided through (1) a cost-sharing pension or OPEB plan or (2) a single-employer or agent pension or OPEB plan in circumstances in which there is a special funding situation.

COLLECTIVE PENSION OR OPEB EXPENSE – Pension or OPEB expense arising from certain changes in the collective net pension or OPEB liability.

COLLECTIVE TOTAL PENSION LIABILITY - The total pension liability for benefits provided through (a) a pension or plan that is used to provide pensions to the employees of a primary government and its component units or (b) a pension plan in circumstances in which there is a special funding situation.

COMMITTED FUND BALANCE - Amounts that can only be used for specific purposes determined by formal action of the County's highest level of decision-making authority (the Board of Supervisors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

COMPENSATED ABSENCES - Absences, such as vacation, illness, and holidays, for which it is expected employees will be paid. The term does not encompass severance or termination pay, postretirement benefits, deferred compensation, or other long-term fringe benefits, such as group insurance and long-term disability pay.

COMPONENT UNIT – Legally separate organization for which the elected officials of the primary government are financially accountable.

CONTINGENT LIABILITY - Items that may become liabilities as a result of conditions undetermined at a given date, such as guarantees, pending lawsuits, judgments under appeal, unsettled disputed claims, unfilled purchase orders, and uncompleted contracts. Contingent liabilities should be disclosed within the financial statements (including the notes) when there is a reasonable possibility a loss may have been incurred. Guarantees, however, should be disclosed even though the possibility of loss may be remote.

CONTRIBUTIONS - Additions to a pension or OPEB plan's fiduciary net position for amounts from employers, nonemployer contributing entities (for example, state government contributions to a local government pension plan), or employees. Contributions can result from cash receipts by the pension or OPEB plan or from recognition by the pension or OPEB plan of a receivable from one of these sources.

COST-OF-LIVING ADJUSTMENTS - Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.

COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (COST-SHARING PENSION PLAN) - A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

COVERED PAYROLL - Term used in connection with defined benefit pension and other postemployment benefit plans to describe all elements of annual compensation paid to active employees on which contributions to a plan are based.

CURRENT FINANCIAL RESOURCES MEASUREMENT FOCUS - Measurement focus according to which the aim of a set of financial statements is to report the near-term (current) inflows, outflows, and balances of expendable (spendable) financial resources. The current financial resources measurement focus is unique to accounting and financial reporting for state and local governments and is used solely for reporting the financial position and results of operations of governmental funds.

CUSTODIAL FUND - A fund established to account for all fiduciary activities that are not governed by a trust agreement or equivalent agreement.

DEBT - An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts of governments include bonds, time warrants, and notes.

DEBT SERVICE FUND - A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

DEFERRED INFLOWS OF RESOURCES – An acquisition of net position that is applicable to a future reporting period.

DEFERRED OUTFLOWS OF RESOURCES – A consumption of net position that is applicable to a future reporting period.

DEFICIT - (1) The excess of the liabilities of a fund over its assets. (2) The excess of expenditures over revenues during an accounting period or, in the case of proprietary funds, the excess of expenses over revenues during an accounting period.

DEFINED BENEFIT OPEB - OPEB for which the benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The OPEB may be stated as (a) a specified dollar amount; (b) an amount that is calculated based on one or more factors such as age, years of service, and compensation; or (c) a type or level of coverage such as prescription drug coverage or a percentage of health insurance premiums.

DEFINED BENEFIT OPEB PLAN – OPEB plans that are used to provide defined benefit OPEB.

DEFINED BENEFIT PENSION PLAN - Pension plans that are used to provide defined benefit pensions.

DEFINED BENEFIT PENSIONS - Pensions for which the income or other benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The pensions may be stated as a specified dollar amount or as an amount that is calculated based on one or more factors such as age, years of service, and compensation.

DEPRECIATION - (1) Expiration in the service life of capital assets, other than wasting assets, attributable to wear and tear, deterioration, action of the physical elements, inadequacy, and obsolescence. (2) The portion of the cost of a capital asset, other than a wasting asset, charged as an expense during a particular period. In accounting for depreciation, the cost of a capital asset, less any salvage value, is prorated over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the entire cost of the asset is ultimately charged off as an expense.

DISCOUNT RATE - A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

DUE FROM OTHER FUNDS - An asset account reflecting amounts owed to a particular fund by another fund for goods sold or services rendered. This account includes only short-term obligations on open account, not interfund loans.

DUE TO OTHER FUNDS - A liability account reflecting amounts owed by a particular fund to another fund for goods sold or services rendered. This account includes only short-term obligations on open account, not interfund loans.

ECONOMIC RESOURCES MEASUREMENT FOCUS - Measurement focus under which the aim of a set of financial statements is to report all inflows, outflows, and balances affecting or reflecting an entity's net position. The economic resources measurement focus is used for proprietary and fiduciary funds, as well as for governmentwide financial reporting. It is also used by business enterprises in the private sector.

EMPLOYER'S CONTRIBUTIONS - Contributions made in relation to the annual required contributions of the employer (ARC). An employer has made a contribution in relation to the ARC if the employer has (a) made payments of benefits directly to or on behalf of a retiree or beneficiary, (b) made premium payments to an insurer, or (c) irrevocably transferred assets to a trust, or equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) or plan administrator.

ENCUMBRANCES - Commitments related to unperformed (executory) contracts for goods or services. Used in budgeting, encumbrances are not GAAP expenditures or liabilities, but represent the estimated amount of expenditures ultimately to result if unperformed contracts in process are completed.

ENTERPRISE FUND - Proprietary fund type used to report an activity for which a fee is charged to external users for goods and services.

ENTRY AGE ACTUARIAL COST METHOD - A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the *normal cost*. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the *actuarial accrued liability*.

EXCHANGE-LIKE TRANSACTION - Transaction in which there is an identifiable exchange between the reporting government and another party, but the values exchanged may not be quite equal or the direct benefits of the exchange may not be exclusively for the parties to the exchange.

EXPENDITURES - Decreases in net financial resources. Expenditures include current operating expenses requiring the present or future use of net current assets, debt service, and capital outlays, and intergovernmental grants, entitlement, and shared revenues.

EXPENDITURE-DRIVEN GRANTS - Government-mandated or voluntary non-exchange transactions in which expenditure is the prime factor for determining eligibility. Also referred to as reimbursement grants.

EXPENSES - Outflows or other using up of assets or incurrence of liabilities (or a combination of both) from delivering or producing goods, rendering services, or carrying out other activities that constitute the entity's ongoing major or central operations.

EXTERNAL AUDITORS - Independent auditors typically engaged to conduct an audit of a government's financial statements.

EXTERNAL INVESTMENT POOL - An arrangement that commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio; one or more of the participants is not part of the sponsor's reporting entity. An external investment pool can be sponsored by an individual government, jointly by more than one government, or by a nongovernmental entity. An investment pool that is sponsored by an individual state or local government is an external investment pool if it includes participation by a legally separate entity that is not part of the same reporting entity as the sponsoring government. If a government-sponsored pool includes only the primary government and its component units, it is an internal investment pool and not an external investment pool.

FAIR VALUE - The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FIDUCIARY FUNDS - The trust and custodial funds used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other government units, and/or other funds.

FINANCIAL RESOURCES - Resources that are or will become available for spending. Financial resources include cash and resources ordinarily expected to be converted to cash (e.g., receivables or investments). Financial resources may also include inventories and prepaids (because they obviate the need to expend current available resources).

FISCAL AGENT - A fiduciary agent, usually a bank or county treasurer, who performs the function of paying debt principal and interest when due.

FUND - A fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and residual equities, or balances, and changes therein, are recorded and segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restrictions, or limitations.

FUND BALANCE - The difference between fund assets and fund liabilities of governmental and similar trust funds.

FUND FINANCIAL STATEMENTS - Basic financial statements presented on the basis of funds. Term used in contrast with *governmentwide financial statements*.

FUND TYPE - Any one of seven categories into which all funds are classified in governmental accounting. The seven fund types are: general, special revenue, debt service, capital projects, enterprise, internal service, trust, and custodial.

FUNDING POLICY - The program for the amounts and timing of contributions to be made by plan members, employer(s), and other contributing entities (for example, state government contributions to a local government plan) to provide the benefits specified by an OPEB plan.

GENERAL FUND - The general fund is one of five governmental fund types and typically serves as the chief operating fund of the government. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

GENERAL REVENUES - All revenues that are not required to be reported as program revenues. All taxes, even those that are levied for a specific purpose, are general revenues and should be reported by type of tax (e.g., property tax, sales tax, and transient occupancy tax). All other nontax revenues (including interest, grants, and contributions) that do not meet the criteria to be reported as program revenues should also be reported as general revenues.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) - The conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements. The various sources of GAAP for state and local governments are set forth by Statement of Accounting Standards (SAS) No. 69, *The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles" in the Independent Auditor's Report.*

GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA) - An association of public finance professionals founded in 1906 as the Municipal Finance Officers Association. The GFOA has played a major role in the development and promotion of GAAP for state and local governments since its inception and has sponsored the Certificate of Achievement for Excellence in Financial Reporting Program since 1946.

GOVERNMENTAL ACCOUNTING - The composite activity of analyzing, recording, summarizing, reporting, and interpreting the financial transactions of governments.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) - The ultimate authoritative accounting and financial reporting standard-setting body for state and local governments. The GASB was established in June 1984 to replace the National Council on Governmental Accounting (NCGA).

GOVERNMENTAL ACTIVITIES - Activities generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. These activities are usually reported in governmental funds and internal service funds.

GOVERNMENTAL FUNDS - Funds generally used to account for tax-supported activities. The five different types of governmental funds are as follows: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

GOVERNMENTWIDE FINANCIAL STATEMENTS - Financial statements that incorporate all of a government's governmental and business-type activities, as well as its non-fiduciary component units. There are two basic governmentwide financial statements: the statement of net position and the statement of activities. Both basic governmental financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

HEALTHCARE COST TREND RATES - The rates of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

IMPROVEMENT - An addition made to, or change made in, a capital asset, other than maintenance, to prolong its life or to increase its efficiency or capacity. The cost of the addition or change is added to the book value of the asset.

INACTIVE EMPLOYEES - Terminated individuals that have accumulated benefits but are not yet receiving them, and retirees or their beneficiaries currently receiving benefits.

INDIRECT EXPENSES - Expenses that cannot be specifically associated with a given service, program, or department and thus, cannot be clearly associated with a particular functional category.

INFRASTRUCTURE - Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems.

INTERFUND RECEIVABLE/PAYABLE - Short-term loans made by one fund to another, or the current portion of an advance to or from another fund.

INTERFUND TRANSFERS - Flow of assets (such as cash or goods) between funds and blended component units of the primary government without equivalent flows of assets in return and without a requirement for payment.

INTERMEDIARY - The trustee, fiscal agent, government, or any other legal or natural person that is holding and administering donated resources pursuant to a split-interest agreement. An intermediary is not required to be a third party.

INTERNAL SERVICE FUND - A fund used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

INVESTMENTS WITH FISCAL AGENT - An asset account reflecting deposits with fiscal agents, such as commercial banks, for the payment of bond principal and interest.

IRREVOCABLE SPLIT-INTEREST AGREEMENT - A split-interest agreement in which the donor has not reserved, or conferred to another person, the right to terminate the agreement at will and have the assets returned to the donor or a third party.

JOINT VENTURE - A legal entity or other contractual arrangement in which a government participates as a separate and specific activity for the benefit of the public or service recipients and in which the government retains an ongoing financial interest.

LAPSE - As applied to appropriations, the automatic termination of an appropriation. Except for indeterminate appropriations and continuing appropriations, an appropriation is made for a certain period of time. At the end of this period, any unexpended or unencumbered balance thereof lapses, unless otherwise provided by law.

LEAD INTEREST - A type of beneficial interest that confers the right to receive all or a portion of the benefits of resources during the term of a split-interest agreement.

LEGAL LEVEL OF BUDGETARY CONTROL - The level at which spending in excess of budgeted amounts would be a violation of law.

LEVEL PERCENTAGE OF PROJECTED PAYROLL AMORTIZATION METHOD - Amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members over a given number of years. The dollar amount of the payments generally will increase over time as payroll increases due to inflation; in dollars adjusted for inflation, the payments can be expected to remain level.

LIABILITIES - Probable future sacrifices of economic benefits, arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.

LIFE-CONTINGENT TERM - A term specifying that the termination of a split-interest agreement is contingent upon the occurrence of a specified event, commonly the death of either the donor or other lead interest beneficiary.

LOANS RECEIVABLE - An asset account reflecting amounts loaned to individuals or organizations external to a government, including notes taken as security for such loans. Loans to other funds and governments should be recorded and reported separately.

MAJOR FUND - A governmental fund or enterprise fund reported as a separate column in the basic fund financial statements. The general fund is always a major fund. Otherwise, major funds are funds whose revenues/expenditures, assets, or liabilities are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. Any other governmental or enterprise fund may be reported as a major fund if the government's officials believe that fund is particularly important to financial statement users.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - A component of required supplementary information used to introduce the basic financial statements and to provide an analytical overview of the government's financial activities.

MEASUREMENT FOCUS - A way of presenting an entity's financial performance and position by considering which *resources* are measured (financial or economic) and *when* the effects of transactions or events involving those resources are recognized (the basis of accounting). The measurement focus of governmentwide financial statements, proprietary fund financial statements, and fiduciary fund financial statements is economic resources. The measurement focus of governmental fund financial statements is current financial resources.

MEASUREMENT PERIOD - The period between the prior and the current measurement dates.

MODIFIED ACCRUAL BASIS OF ACCOUNTING - The accrual basis of accounting adapted to the governmental fund-type measurement focus. Under it, revenues and other financial resource increments (e.g., bond issue proceeds) are recognized when they become susceptible to accrual, that is when they become both "measurable" and "available to finance expenditures of the current period." "Available" means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Generally, expenditures are recognized when the fund liability is incurred. All governmental funds, expendable trust funds, and custodial funds are accounted for using the modified accrual basis of accounting.

MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN - A defined benefit pension plan that is used to provide pensions to the employees of more than one employer.

NET INVESTMENT IN CAPITAL ASSETS - One of three components of net position that must be reported in both governmentwide and proprietary fund financial statements. Related debt, for this purpose, includes the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of capital assets of the government.

NET OPEB LIABILITY - The liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit OPEB plan that is administered through a trust that meets the criteria of GASB Statement No. 75.

NET PENSION LIABILITY - The liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit pension plan.

NET POSITION – The residual of all other elements presented in a statement of financial position.

NONSPENDABLE FUND BALANCE - Amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

OPERATING TRANSFERS – All interfund transfers other than residual equity transfers (e.g., legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended).

OTHER FINANCING SOURCES - An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends. The use of the other financing sources category is limited to items so classified by GAAP.

OTHER FINANCING USES - A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends. The use of other financing uses category is limited to items so classified by GAAP.

OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as postemployment healthcare benefits paid in the period after employment (if any), regardless of the manner in which they are provided. Other postemployment benefits do not include termination benefits or termination payments for sick leave.

OPEB PLANS - Arrangements through which OPEB is determined, assets dedicated for OPEB (if any) are accumulated and managed, and benefits are paid as they come due.

OVERLAPPING DEBT - The proportionate share that property within a government must bear of the debts of all local governments located wholly or in part within the geographic boundaries of the reporting government. Except for special assessment debt, the amount of debt of each unit applicable to the reporting unit is arrived at by (1) determining what percentage of the total assessed value of the overlapping jurisdiction lies within the limits of the reporting unit, and (2) applying this percentage to the total debt of the overlapping jurisdiction. Special assessment debt is allocated on the basis of the ratio of assessment receivable in each jurisdiction, which will be used wholly or in part to pay off the debt, to total assessments receivable, which will be used wholly or in part for this purpose.

PAY-AS-YOU-GO - a method of financing a pension plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

PAYROLL GROWTH RATE - an actuarial assumption with respect to future increases in total covered payroll attributable to inflation; used in applying the level percentage of projected payroll amortization method.

PENSION BENEFITS - Retirement income and all other benefits, including disability benefits, death benefits, life insurance, and other ancillary benefits, except healthcare benefits, that are provided through a defined benefit pension plan to plan members and beneficiaries after termination of employment or after retirement. Postemployment healthcare benefits are considered other postemployment benefits, whether they are provided through a defined benefit pension plan or another type of plan.

PENSION PLANS - Arrangements through which pensions are determined, assets dedicated for pensions are accumulated and managed, and benefits are paid as they come due.

PENSIONS - Retirement income and, if provided through a pension plan, postemployment benefits other than retirement income (such as death benefits, life insurance, and disability benefits). Pensions do not include postemployment healthcare benefits and termination benefits.

PERIOD-CERTAIN TERM - A term specifying that the termination of a split-interest agreement occurs after a specified period. (For example, a number of years.)

PLAN MEMBERS - Individuals that are covered under the terms of a pension or OPEB plan. Plan members generally include (a) employees in active service (active plan members) and (b) terminated employees who have accumulated benefits but are not yet receiving them and retirees or their beneficiaries currently receiving benefits (inactive plan members).

POSTEMPLOYMENT – The period after employment.

POSTEMPLOYMENT BENEFIT CHANGES - Adjustments to the pension or OPEB of an inactive employee.

POSTEMPLOYMENT HEALTHCARE BENEFITS - Medical, dental, vision, and other health-related benefits paid subsequent to the termination of employment.

PROJECTED BENEFIT PAYMENTS - All benefits estimated to be payable through the pension or OPEB plan to current active and inactive employees as a result of their past service and their expected future service.

PROGRAM REVENUES - Term used in connection with the governmentwide statement of activities. Revenues that derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's general revenues.

PROJECTED BENEFIT PAYMENTS - All benefits estimated to be payable through the pension plan to current active and inactive employees as a result of their past service and their expected future service.

PROPRIETARY FUNDS - Funds that focus on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

REAL RATE OF RETURN - The rate of return on an investment after adjustment to eliminate inflation.

REBATEABLE ARBITRAGE - A term used in connection with the reinvestment of the proceeds of tax-exempt debt. A requirement to remit to the federal government interest revenue in excess of interest costs when the proceeds from the sale of tax-exempt securities are reinvested in a taxable money market instrument with a materially higher yield.

REMAINDER INTEREST - A type of beneficial interest that confers the right to receive all or a portion of the resources remaining at the end of a split-interest agreement's term.

REPORTING ENTITY - The oversight unit and all of its component units, if any, that are combined in the ACFR/BFS.

REQUIRED SUPPLEMENTARY INFORMATION - Consists of statements, schedules, statistical data, or other information that according to the GASB is necessary to supplement, although not required to be a part of, the basic financial statements.

RESTRICTED ASSETS - Assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

RESTRICTED FUND BALANCE - Amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

RESTRICTED NET POSITION - A component of net position calculated by reducing the carrying value of restricted assets by the amount of any related debt outstanding.

REVENUE BONDS - Bonds whose principal and interest are payable exclusively from earnings of an enterprise fund. In addition to a pledge of revenues, such bonds sometimes contain a mortgage on the enterprise fund's property.

REVENUES – (1) Increases in the net current assets of a governmental fund type from other than expenditure refunds and residual equity transfers. Also, general long-term debt proceeds and operating transfers in are classified as "other financing sources", rather than as revenues. (2) Increases in the net total assets of a proprietary fund type from other than expense refunds, capital contributions, and residual equity transfers. Also, operating transfers in are classified separately from revenues.

RISK MANAGEMENT - All the ways and means used to avoid accidental loss or to reduce its consequences if it does occur.

SELF-INSURANCE - A term often used to describe the retention by an entity of a risk of loss arising out of the ownership of property or from some other cause, instead of transferring that risk to an independent third party through the purchase of an insurance policy. It is sometimes accompanied by the setting aside of assets to fund any related losses. Because no insurance is involved, the term self-insurance is a misnomer.

SERVICE COSTS - The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.

SERVICE LIFE – The average remaining years of service of all members of the retirement plan (both current employees and retirees).

SINGLE AUDIT - An audit performed in accordance with *Title 2 U.S. Code of Federal Regulations.* The Single Audit allows or requires governments (depending on the amount of federal assistance received) to have one audit performed to meet the needs of all federal agencies.

SPECIAL DISTRICT - An independent unit of local government organized to perform a single government function or a restricted number of related functions. Special districts usually have the power to incur debt and levy taxes; however, certain types of special districts are entirely dependent upon enterprise earnings and cannot impose taxes. Examples of special districts are water districts, drainage districts, flood control districts, hospital districts, fire protection districts, cemetery districts, transit authorities, port authorities, and electric power authorities.

SPECIAL REVENUE FUND - A fund used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

SPLIT-INTEREST AGREEMENT - An agreement in which the donor enters into a trust or other legally enforceable agreement (with characteristics that are equivalent to a split-interest agreement) under which the donor transfers resources to an intermediary to administer for the benefit of at least two beneficiaries, one of which could be a government.

SUBSTANTIVE PLAN - Terms of an OPEB plan as understood by the employer(s) and plan members.

TAX ABATEMENT – A reduction of or exemption from taxes granted to encourage certain activities.

TAX AND REVENUE ANTICIPATION NOTES (TRAN) - Notes issued in anticipation of the collection of taxes and revenues, usually retirable only from tax collections, and frequently only from the proceeds of the tax and revenue levy whose collection they anticipate.

TERMINATION BENEFITS- Inducements offered by employers to active employees to hasten the termination of services, or payments made in consequence of the early termination of services. Termination benefits include early-retirement incentives, severance benefits, and other termination-related benefits.

TOTAL PENSION LIABILITY - The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service.

TRUST FUNDS - Funds used to account for assets held by a government in a trustee capacity for individuals, private organizations, other governments, and/or other funds.

UNASSIGNED FUND BALANCE – The residual classification for the County's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

UNCONDITIONAL BENEFIT - A right belonging to the government that cannot be taken away without the government's consent, such as an unconditional beneficial interest.

UNEARNED REVENUES - Resource inflows that do not yet meet the criteria for revenue recognition. In governmental funds, earned amounts also are reported as unearned revenue until they are available to liquidate liabilities of the current period.

UNMODIFIED OPINION - An opinion rendered without reservation by the independent auditor that financial statements are fairly presented.

UNRESTRICTED NET POSITION - That portion of net position that is neither restricted nor invested in capital assets (net of related debt).

VARIANCE POWER - The unilateral power to redirect the benefit of the transferred resources to another beneficiary, overriding the donor's instructions. This transfer would occur without the approval of the donor, specified beneficiaries, or any other interested party.

Betsy M. Schaffer, CPA, CPFO
Auditor-Controller
105 East Anapamu Street, Room 303
Santa Barbara, CA 93101

Learn more about the Auditor-Controller's Office and
view other financial publications at:
www.countyofsb.org/auditor

Office: (805) 568-2100
Email: auditor@countyofsb.org

Cover image created by Steven Herrera.

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2021

Kern County Water Agency

KERN COUNTY WATER AGENCY
BAKERSFIELD, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2021

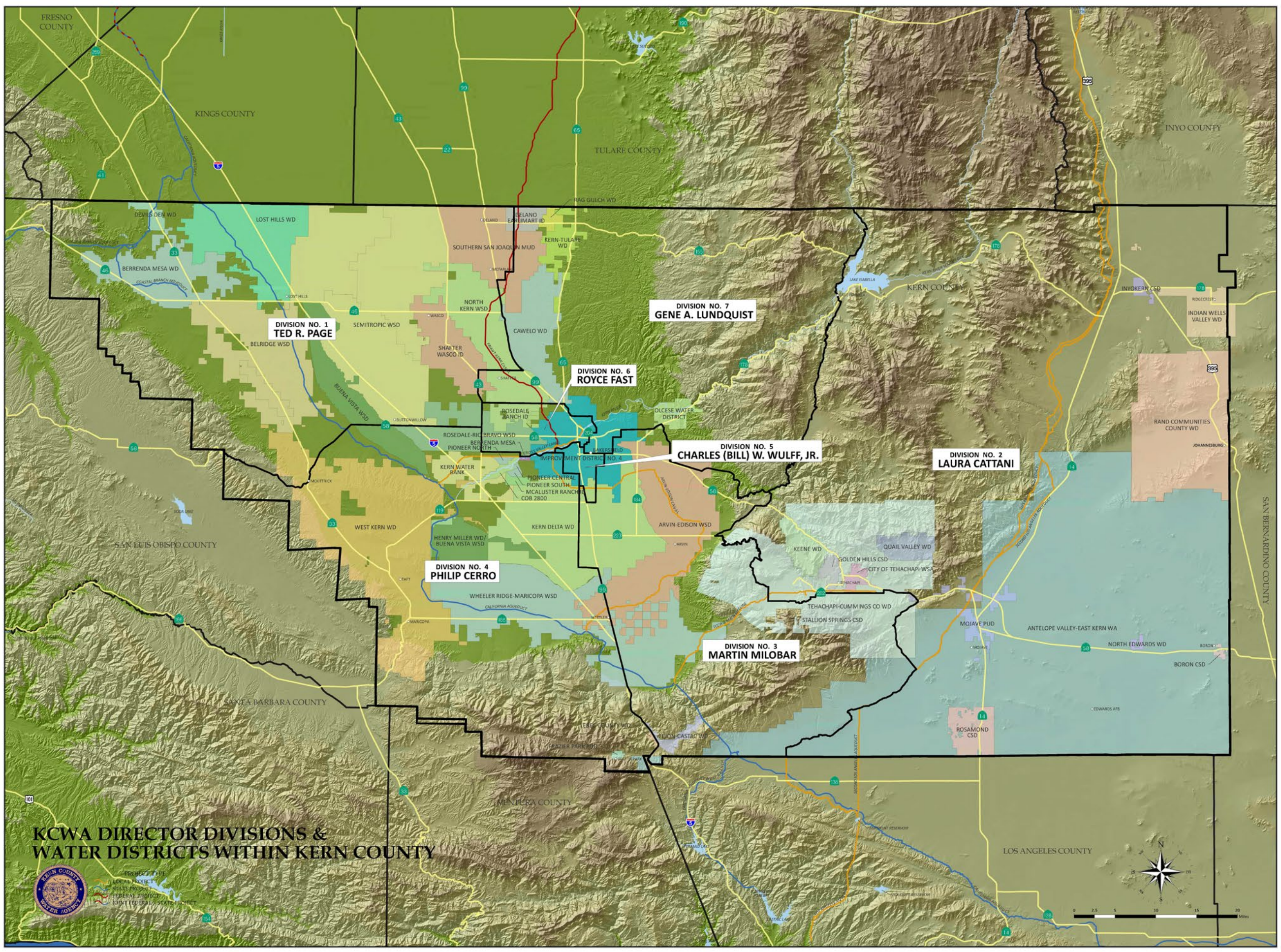
KERN COUNTY WATER AGENCY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

INTRODUCTORY SECTION

Kern County Water Agency

Board of Directors



KERN COUNTY WATER AGENCY

Elected Seven-Member Board

GENERAL COUNSEL
Amelia T. Minaberrigarai

GENERAL MANAGER
Thomas D. McCarthy

Human Resources Manager
Christina M. Van Meter
Human Resources Analyst
Jessica L. Massey (III)

ASST. GENERAL MANAGER
Bay-Delta / Government Relations
Brent E. Walthall

Executive Assistant
Stephanie N. Prince

ADMINISTRATIVE OPERATIONS

AO Manager
Controller
Nick L. Pavletich

Business Manager
Steven M. Ruettgers
IT/Network Services Coordinator
Vacant
Admin. Services Coordinator
Audrey A. Garcia (II)
Support Pool Coordinator
Cecilia M. Seymour
Office Assistant
Vacant

Accountant
Veronica Arreola (II)
Accounting Clerk
Elizabeth Perez (II)

ENGINEERING AND GROUNDWATER SERVICES

EGS Manager
Martin M. Varga
Vacant

Management Assistant
Denise D. Kini (II)

Geologist
Michelle L. Anderson (III)
Water Resources Planner
Maegan A. Allen (III)

Engineer
Michael E. McGovern (III)
Scott T. Chambless (II)
Vacant

IMPROVEMENT DISTRICT NO. 4

ID4 Manager
David R. Beard

Water Resources Planner
Donna E. Semar (III)

Superintendent
Vacant
Operations Supervisor
Brian R. Sarver
Water Purification Plant Operator
John M. Annear (IV)
Brenner J. Corbett (IV)
Gabriel A. Ornelas (III)
Omar Zavala (III)
Aiden T. Kelly (III)
Anthony R. Ledesma (III)
Laboratory Supervisor
Paul A. Wagner
Laboratory Analyst
Laura D. Monahan (III)
Rosa A. Torres (I)

Maintenance Supervisor
Jason R. Lancaster
Electrical & Control Technician
Zachary R. Howell
Vacant
Asst. Maintenance Supervisor
Vacant
Journeyman Maint. Mechanic
James M. Fleming
D.J. Billiard
Maintenance Mechanic
Miguel G. De La Torre (II)
Maintenance Worker
Vacant

WATER RESOURCES

WR Manager
Holly L. Melton

Management Assistant
Candice P. Valdez (II)

State Water Project Manager
Craig A. Wallace

Water Resources Planner IV
Vacant
Water Resources Planner
Lauren A. Bauer (III)
Nicholas R. Gatti (III)
Trent E. Taylor (III)
Monica C. Tennant (II)

O&M Superintendent
Thane J. Campbell
O&M Supervisor
Martin J. Ansolabehere
Electrical & Control Technician
Vacant
Pump Maintenance Technician
William P. Barrett (I)
Heavy Equip./Systems Operator
Robert L. Carls
Systems/Heavy Equip. Operator
Victor M. Aguilar
Systems Operator
Kent G. Thompson (II)
Kenneth R. Schoenborn (II)
Steve W. Yoder (II)
David S. Downs (II)
Vacant

6/30/21

Filled Positions:	51
Vacant Positions:	11

FINANCIAL SECTION

DANIELLS PHILLIPS
VAUGHAN & BOCK
CPAs and Advisors

An independently owned member RSM US Alliance

Member of AICPA Division for Firms
Private Companies Practice Section

NANCY C. BELTON

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kern County Water Agency
Bakersfield, California

Report on the Financial Statements

We have audited the accompanying financial statements of **Kern County Water Agency**, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise **Kern County Water Agency**'s basic financial statements as listed in the table of contents.

The summarized financial information for **Kern County Water Agency** as of and for the years ended June 30, 2019, 2018, and 2017 is presented for purposes of additional analysis. This information was derived from audit reports for those years; however, it does not include all disclosures required for a presentation in accordance with accounting principles generally accepted in the United States of America for those years.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

300 New Stine Road – Bakersfield, CA 93309 – Tel. 661.834.7411 – Fax.661.834.4389 – www. dpvb.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Kern County Water Agency** as of June 30, 2021 and 2020, and the respective changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the net OPEB liability and related ratios and schedule of OPEB contributions on pages 3-7 and 38-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that comprise **Kern County Water Agency**'s basic financial statements. The schedules of functional expenses and combining financial statements, as listed in the table of contents as other supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of functional expenses and combining financial statements, as listed in the table of contents as other supplementary information, have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2022 on our consideration of **Kern County Water 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 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 **Kern County Water Agency**'s internal control over financial reporting and compliance.

Daniells Phillips Vaughan & Bock

Bakersfield, California
February 21, 2022

KERN COUNTY WATER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the Kern County Water Agency (Agency) for the fiscal year ended June 30, 2021. The purpose of the CAFR is to provide the Board of Directors, the Member Units, and other interested parties with reliable financial information about the Agency. The Agency's Administrative Operations Department has prepared the CAFR in accordance with generally accepted accounting principles. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with Agency management. Staff believes the data, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and results of the operation of the Agency.

FINANCIAL HIGHLIGHTS

At the Fiscal Years ended June 30, 2021 and 2020, the Agency's total assets were $526.1 and $510.0 million, respectively. Current and Other Assets totaled $214.8 million at June 30, 2021 and $193.3 million at June 30, 2020. Current Liabilities totaled $73.4 and $71.7 million as of June 30, 2021 and 2020, respectively. Noncurrent liabilities equaled $148.2 and $152.0 million at June 30, 2021 and 2020, respectively.

Kern County Water Agency's Net Assets

(in millions)

	2021	2020
Current and Other Non Capital Assets	$ 214.8	$ 193.3
Capital Assets (Net of Depreciation)	311.3	316.7
Total Assets	526.1	510.0
Deferred Outflows of Resources	9.2	7.8
Total Assets and Deferred Outflows of Resources	$ 535.3	$ 517.8
Current Liabilities	$ 73.4	$ 71.7
Noncurrent Liabilities	148.2	152.0
Total Liabilities	221.6	223.7
Deferred Inflows of Resources	8.4	9.1
Total Liabilities and Deferred Inflows of Resources	230.0	232.8
Invested in Capital Assets, Net of Related Debt	198.8	199.3
Unrestricted	106.5	85.7
Total Net Position	305.3	285.0
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 535.3	$ 517.8

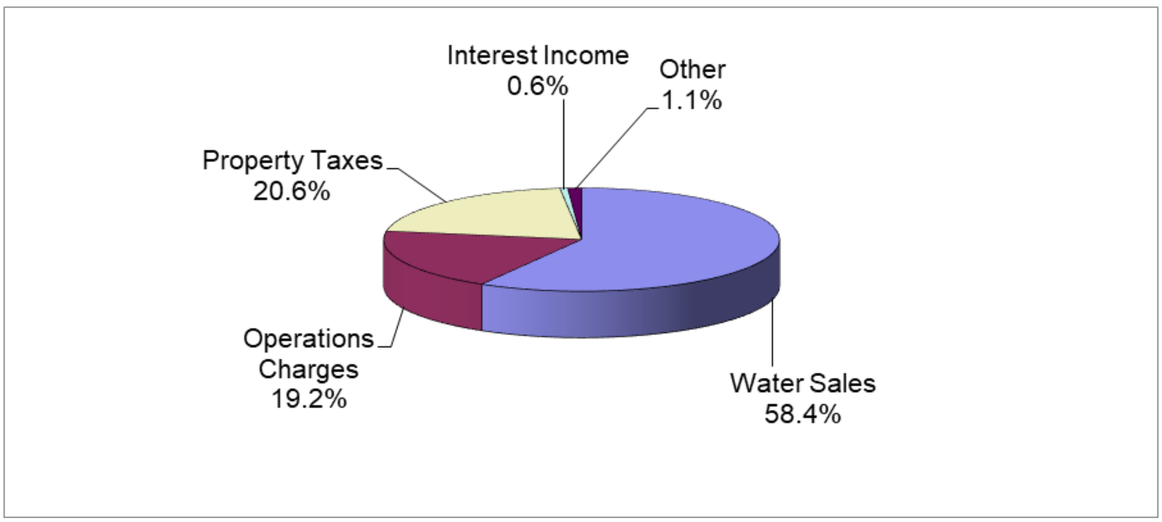
Total revenues as reported in the Statement of Revenues, Expenses and Changes in Net Position for Fiscal Years ended June 30, 2021 and 2020 were $243.9 and $222.5 million and includes total operating revenues of $189.2 and $171.0 million and non-operating revenues of $54.7 and $51.5 million, respectively, which includes taxes and interest income.

Total operating and non-operating expenses for Fiscal Years ended June 30, 2021 and 2020 were $223.6 and $200.8 million, respectively (includes non-operating expenses, interest and other expenditures). Operating costs were $218.2 and $195.2 million including depreciation and amortization expenses of $9.8 and $9.3 million and non-operating expenses were $5.4 and $5.6 million for the Fiscal Years ended June 30, 2021 and 2020, respectively.

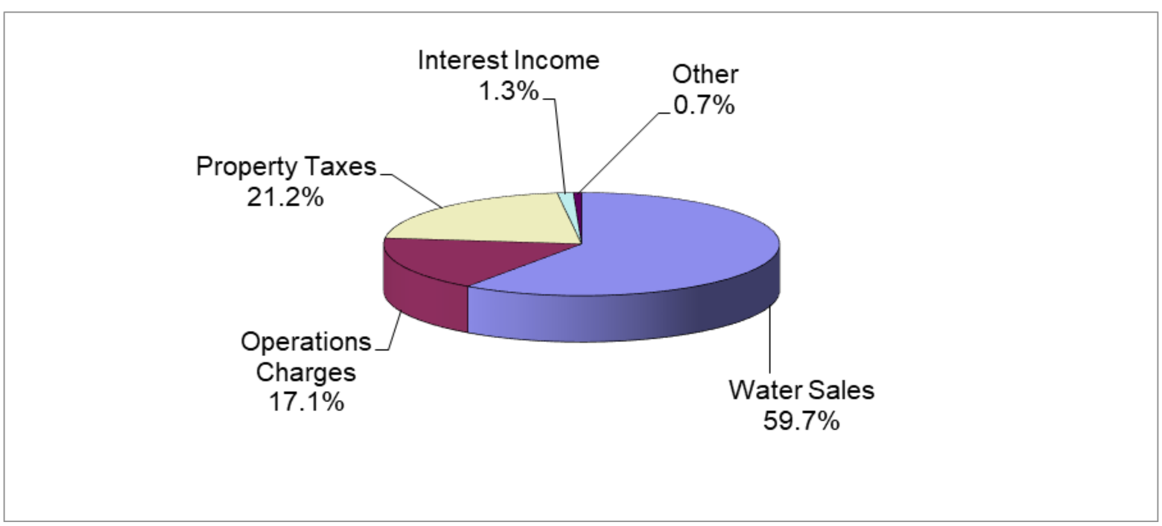
Kern County Water Agency's Increase in Net Assets
(in millions)

	2021	2020
Operating Revenues	$ 189.2	$ 171.0
Operating Expenses	218.2	195.2
Operating (Loss)	(29.0)	(24.2)
Non-operating Revenues	54.7	51.5
Non-operating Expenses	5.4	5.6
Net Non-operating Income	49.3	45.9
Change in Net Position	$ 20.3	$ 21.7

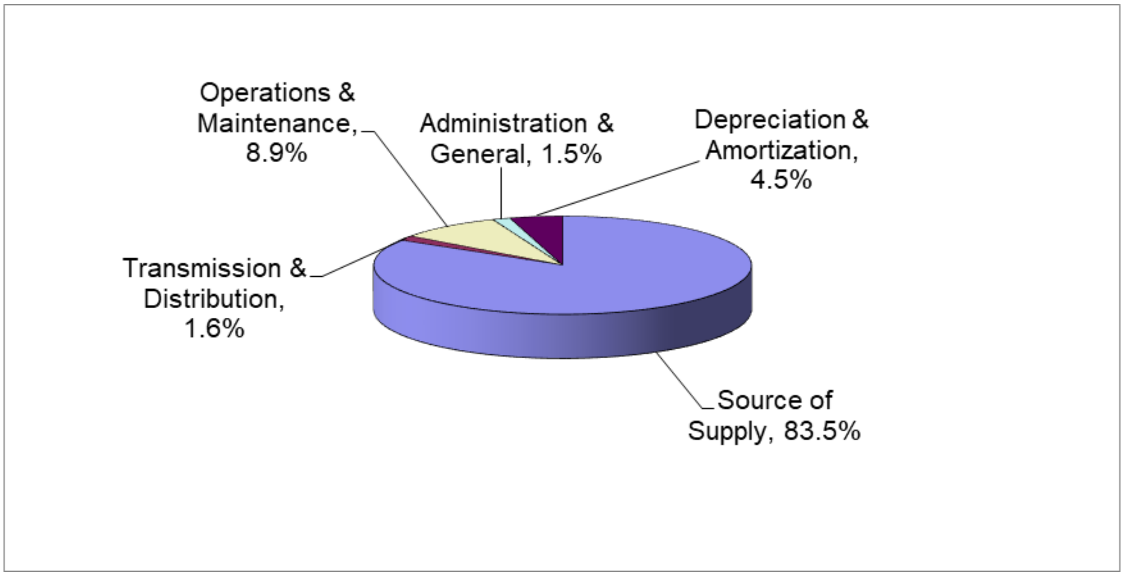
Sources of Revenue for Fiscal Year Ended June 30, 2021



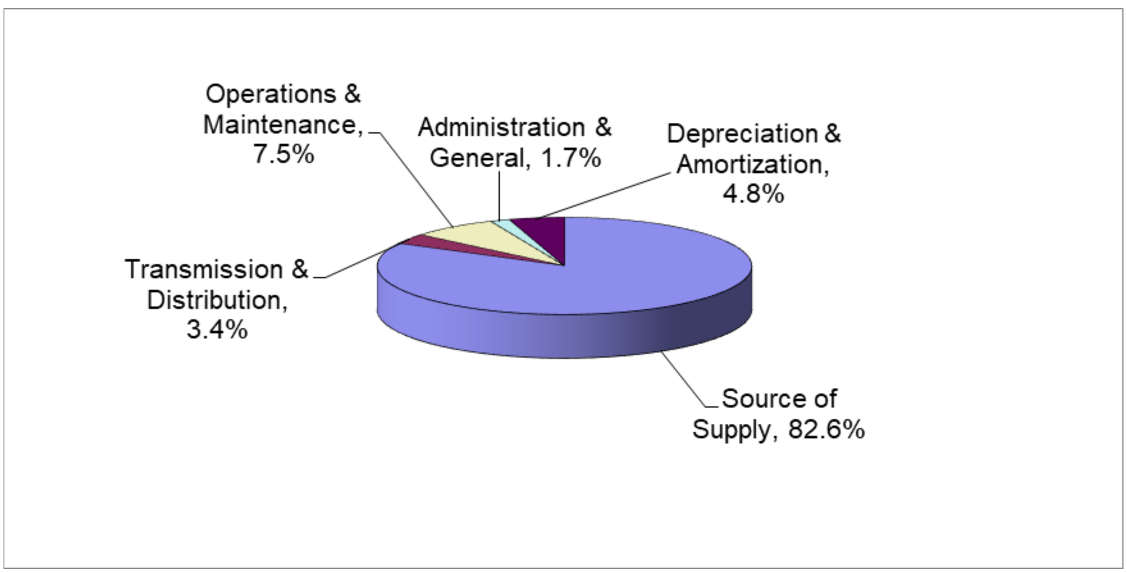
Sources of Revenue for Fiscal Year Ended June 30, 2020



Functional Expenses for Fiscal Year Ended June 30, 2021



Functional Expenses for Fiscal Year Ended June 30, 2020



CAPITAL ASSETS AND CAPITAL IMPROVEMENT PROGRAM

The Agency's ending Fiscal Year 2020-2021 capital assets were $435.6 million net of $124.3 million of accumulated depreciation for a net book value of $311.3 million. Included in the total reported on the Statement of Net Position is $2.4 million in construction in progress reflecting capital projects in various stages of completion.

The Agency's Fiscal Year 2019-2020 capital assets were $431.2 million net of $114.5 million of accumulated depreciation for a net book value of $316.7 million. Included in the total reported on the Statement of Net Position is $3.4 million in construction in progress reflecting capital projects in various stages of completion.

LONG-TERM DEBT

At the fiscal years ended June 30, 2021 and 2020, the Agency had approximately $112.5 and $117.4 million, respectively, in bonds, notes and certificates of participations outstanding, a decrease of $4.9 million from last year. More detailed information about the Agency's long-term debts is presented in Notes 5 and 6 to the Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Agency relies on property taxes to cover administration costs in its General Fund. Budgeted property tax revenues for the General Fund are not expected to change in Fiscal Year 2021-22. Fiscal Year 2021-22 budgeted expenditures in the General Fund are down approximately $360,000 from the prior year budget.

REPORTING ENTITY

The Agency is accounted for as an enterprise fund. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses, in which the purpose is to conserve and add to basic resources, while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continual basis and that are financed substantially by revenues derived from user charges. As an enterprise fund, the Agency uses the accrual basis of accounting; revenues are recognized when they become measurable and available, and expenditures are recognized as they are incurred.

The Agency applies all applicable Governmental Accounting Standards Board (GASB) pronouncements in accounting and reporting for proprietary operations, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

The Administrative Operations Department is responsible for providing financial services for the Agency, including: financial accounting and reporting; accounts payable; custody and investment of funds; borrowing of funds and protection of credit ratings in the investment market; long-range financial planning; billing and collection of water charges, taxes, and other revenues; and special financial analyses.

INTERNAL CONTROLS

Agency management is responsible for establishing and maintaining a system of internal controls designed to safeguard the Agency's assets from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in accordance with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurance that these objectives are met. When establishing or reviewing controls, management recognizes that the cost to implement a control should not exceed the benefits likely to be derived, and that in order to assess cost vs. benefit, estimates and judgment on the part of management will be required. All internal control evaluations occur within the above framework. Management believes the current system of internal controls adequately safeguards the Agency's assets and provides reasonable assurance that accounting transactions are properly recorded.

BUDGETARY CONTROLS

The Agency is required to prepare an annual budget, which contains revenues and expenditures that range in nature from regular annual operations to one-time capital projects. The completion of some operations and one-time capital projects is contingent on the receipt of certain revenues. If certain revenues are not received during a particular fiscal year, the operation or capital project may not be completed in that fiscal year. Budgetary authority is required before funds may be expended during the next fiscal year. Some operations and projects included within the Agency's budget are contingent upon receiving funding from sources both outside the Agency and between Agency-operated funds.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Board of Directors, the Agency's Member Units, taxpayers, creditors and investors with a general overview of the Kern County Water Agency's accountability for the financial resources it manages. If you have questions about this report or need additional financial information, contact the Kern County Water Agency's Administrative Operations Department at 3200 Rio Mirada Drive, Bakersfield, California 93308.

ACKNOWLEDGEMENTS

Staff wishes to thank the Directors for their continued leadership in excellence in financial management.

BASIC FINANCIAL STATEMENTS

KERN COUNTY WATER AGENCY

STATEMENTS OF NET POSITION
June 30, 2021 and 2020

		2021		2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets				
Cash and investments (Note 2)	**$**	**192,382,431**	$	172,477,922
Receivables:				
Accounts receivable		**9,520,266**		7,311,645
Taxes receivable		**356,223**		323,857
Interest receivable		**362,064**		601,378
Prepaid expenses		**322,878**		473,786
Inventories (Note 3)		**7,226,444**		7,486,633
Total current assets		**210,170,306**		188,675,221
Restricted Cash and Investments (Note 2)		**4,680,117**		4,671,395
Property and Equipment (Note 4)		**311,272,126**		316,688,234
Total assets		**526,122,549**		510,034,850
Deferred Outflows of Resources				
Related to pensions (Note 7)		**7,615,166**		6,209,212
Related to other postemployment benefits (OPEB) (Note 10)		**1,556,467**		1,576,676
Deferred bond refunding		**-**		-
Total assets and deferred outflows of resources	**$**	**535,294,182**	$	517,820,738
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Current Liabilities				
Current portion of long-term debt (Notes 5 and 6)	**$**	**4,670,172**	$	4,941,766
Accounts payable		**8,716,711**		15,641,722
Accrued expenses		**9,735,787**		8,900,139
Deferred revenue		**50,285,380**		42,211,687
Total current liabilities		**73,408,050**		71,695,314
Noncurrent Liabilities				
Long-term debt (Notes 5 and 6)		**107,806,024**		112,476,197
Net pension liability (Notes 7)		**27,955,350**		26,191,822
OPEB liability (Notes 10 and 11)		**12,420,577**		13,370,931
Total noncurrent liabilities		**148,181,951**		152,038,950
Commitments and Contingencies (Note 8)				
Deferred Inflows of Resources				
Related to pensions (Note 7)		**2,041,117**		1,770,656
Related to OPEB (Note 10)		**6,344,781**		7,315,055
Total deferred inflows of resources		**8,385,898**		9,085,711
Net Position				
Net investment in capital assets		**198,795,930**		199,270,271
Unrestricted		**106,522,353**		85,730,492
Total net position		**305,318,283**		285,000,763
Total liabilities, deferred inflows of resources and net position	**$**	**535,294,182**	$	517,820,738

See Notes to the Basic Financial Statements.

Summarized Financial Information

2019	2018	2017
$ 151,105,290	$ 123,177,186	$ 121,054,431
3,158,366	4,981,028	5,828,534
267,500	110,874	247,363
836,314	512,738	322,016
560,674	261,291	720,998
7,542,794	7,310,209	6,463,738
163,470,938	136,353,326	134,637,080
4,968,216	4,928,934	4,914,468
320,761,974	326,080,889	326,319,314
489,201,128	467,363,149	465,870,862
7,487,019	7,941,871	7,603,042
1,073,076	1,044,880	-
-	-	2,529,284
$ 497,761,223	$ 476,349,900	$ 476,003,188
$ 5,062,560	$ 4,866,157	$ 4,850,022
12,633,648	9,158,011	11,576,940
10,336,483	8,582,646	12,386,703
39,291,672	35,984,732	43,988,513
67,324,363	58,591,546	72,802,178
117,735,648	122,798,150	127,664,243
25,420,676	24,828,434	23,954,836
14,100,006	20,808,452	16,640,488
157,256,330	168,435,036	168,259,567
2,201,688	2,202,854	1,716,942
7,681,499	2,207,128	-
9,883,187	4,409,982	1,716,942
197,963,766	195,072,891	190,461,358
65,333,577	49,840,445	42,763,143
263,297,343	244,913,336	233,224,501
$ 497,761,223	$ 476,349,900	$ 476,003,188

KERN COUNTY WATER AGENCY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2021 and 2020

	2021	2020
Operating Revenues		
Charges for untreated water	**$ 130,572,032**	$ 122,070,010
Charges for treated water	**9,228,543**	8,700,561
Ground water charges	**2,496,766**	2,118,499
Charges for operations and maintenance	**14,952,993**	16,600,122
Charges for power	**11,237,399**	8,036,295
Exchange and conveyance fees	**915,834**	1,348,424
Other user charges	**1,566,906**	871,119
Refunds and credits	**12,932,035**	9,253,490
Reimbursements	**5,343,996**	2,000,072
	189,246,504	170,998,592
Operating Expenses		
Source of supply	**182,288,345**	161,418,612
Transmission and distribution	**3,406,909**	6,613,452
Operations and maintenance	**19,338,069**	14,549,320
Administration and general	**3,317,428**	3,274,513
Depreciation	**9,839,408**	9,333,469
	218,190,159	195,189,366
Operating (loss)	**(28,943,655)**	(24,190,774)
Non-operating Revenues (Expenses)		
Property taxes:		
General purpose distribution	**7,046,292**	6,422,955
Voter approved	**43,358,829**	40,717,097
Cost sharing income	**1,281,380**	234,463
Interest income	**1,525,470**	2,917,724
County collection charges	**(176,076)**	(174,113)
Interest expense	**(5,252,892)**	(5,473,368)
Other	**1,478,172**	1,249,436
	49,261,175	45,894,194
Change in net position	**20,317,520**	21,703,420
Net position, beginning, as previously stated	**285,000,763**	263,297,343
Prior period adjustment (Note 11)	**-**	-
Net position, beginning, as restated	**285,000,763**	263,297,343
Net position, ending	**$ 305,318,283**	$ 285,000,763

See Notes to the Basic Financial Statements.

Summarized Financial Information

2019	2018	2017
$ 112,998,972	$ 121,838,788	$ 104,938,338
8,381,686	8,702,541	7,232,216
2,291,152	2,324,845	2,267,114
15,311,093	16,175,348	14,947,852
6,718,688	8,340,065	5,974,567
1,473,796	1,457,976	610,173
569,919	273,417	445,294
7,639,170	9,041,896	7,044,905
1,822,121	6,309,316	3,401,583
157,206,597	174,464,192	146,862,042
148,157,502	158,861,127	156,276,666
7,057,149	9,826,693	3,787,681
11,346,087	13,936,426	14,729,815
4,027,842	3,840,092	4,706,537
8,936,221	8,524,549	8,912,254
179,524,801	194,988,887	188,412,953
(22,318,204)	(20,524,695)	(41,550,911)
6,326,293	6,053,407	5,806,216
35,389,060	35,255,438	27,398,692
-	55,102	750
2,740,922	1,654,233	1,083,617
(163,603)	(156,381)	(128,276)
(5,661,470)	(8,356,256)	(9,232,544)
2,071,009	2,977,151	4,216,208
40,702,211	37,482,694	29,144,663
18,384,007	16,957,999	(12,406,248)
244,913,336	233,224,501	245,630,749
-	(5,269,164)	-
244,913,336	227,955,337	245,630,749
$ 263,297,343	$ 244,913,336	$ 233,224,501

KERN COUNTY WATER AGENCY

STATEMENTS OF CASH FLOWS (Page 1 of 2)
Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Receipts from users	**$ 195,111,576**	$ 169,765,328
Source of supply purchases	**(182,164,032)**	(161,026,369)
Payments for administration services	**(3,652,279)**	(3,700,713)
Payments for suppliers for goods and services	**(29,485,090)**	(19,395,234)
Net cash (used in) operating activities	**(20,189,825)**	(14,356,988)
Cash Flows From Noncapital Financing Activities		
Receipt of cost sharing income	**1,281,380**	234,463
Proceeds from property taxes	**50,372,755**	47,083,695
Other non-operating income	**1,331,822**	1,107,530
Net cash provided by noncapital financing activities	**52,985,957**	48,425,688
Cash Flows From Capital And Related Financing Activities		
Principal payments on long term-debt	**(4,941,767)**	(5,380,245)
Interest payments	**(5,290,618)**	(5,505,575)
Purchases of property and equipment	**(4,423,300)**	(5,259,729)
Proceeds from sale of property and equipment	**8,000**	-
Net cash (used in) capital and related financing activities	**(14,647,685)**	(16,145,549)
Cash Flows From Investing Activities		
Interest received -		
Net cash provided by investing activities	**1,764,784**	3,152,660
Net increase in cash and investments and restricted cash and investments	**19,913,231**	21,075,811
Cash and investments and restricted cash and investments		
Beginning	**177,149,317**	156,073,506
Ending	**$ 197,062,548**	$ 177,149,317

See Notes to the Basic Financial Statements.

Summarized Financial Information

2019	2018	2017
$ 162,336,199	$ 167,307,920	$ 158,297,906
(148,435,042)	(159,696,599)	(156,301,960)
(4,427,112)	(3,696,445)	(4,457,432)
(13,245,263)	(26,070,034)	(12,335,215)
(3,771,218)	(22,155,158)	(14,796,701)
-	55,102	750
41,558,727	41,445,334	33,187,946
1,935,315	2,847,148	4,152,941
43,494,042	44,347,584	37,341,637
(4,866,099)	(4,849,958)	(1,434,109)
(5,689,379)	(8,382,634)	(9,297,553)
(3,617,306)	(8,286,124)	(8,969,794)
-	-	-
(14,172,784)	(21,518,716)	(19,701,456)
2,417,346	1,463,511	956,179
27,967,386	2,137,221	3,799,659
128,106,120	125,968,899	122,169,240
$ 156,073,506	$ 128,106,120	$ 125,968,899

KERN COUNTY WATER AGENCY

STATEMENTS OF CASH FLOWS (Page 2 of 2)
Years Ended June 30, 2021 and 2020

	2021	2020
Reconciliation of operating (loss) to net cash (used in) operating activities		
Operating (loss)	**$ (28,943,655)**	$ (24,190,774)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation	**9,839,408**	9,333,469
Changes in:		
Deferred outflows of resources	**(1,385,745)**	774,207
Net pension liability	**1,763,528**	771,146
OPEB liability	**(950,354)**	(729,075)
Deferred inflows of resources	**(699,813)**	(797,476)
Changes in working capital components:		
(Increase) decrease in:		
Accounts receivable	**(2,208,621)**	(4,153,279)
Prepaid expenses	**150,908**	86,888
Inventories	**260,189**	56,161
Increase (decrease) in:		
Accounts payable	**(6,925,011)**	3,008,074
Accrued expenses	**835,648**	(1,436,344)
Deferred revenue	**8,073,693**	2,920,015
Net cash (used in) operating activities	**$ (20,189,825)**	$ (14,356,988)

Summarized Financial Information

2019	2018	2017
$ (22,318,204)	$ (20,524,695)	$ (41,550,911)
8,936,221	8,524,549	8,912,254
426,656	1,819,806	(1,555,479)
592,242	873,598	1,691,434
(6,708,446)	(1,775,431)	1,125,830
5,473,205	2,693,040	625,388
1,822,662	847,506	5,137,263
(299,383)	459,707	(495,378)
(232,585)	(846,471)	(233,056)
3,475,637	(2,418,929)	2,588,458
1,753,837	(3,804,057)	2,658,895
3,306,940	(8,003,781)	6,298,601
$ (3,771,218)	$ (22,155,158)	$ (14,796,701)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Agency

Kern County Water Agency (the Agency) was established July 6, 1961 under the provisions of the Kern County Water Agency Act. The Agency is a completely separate and autonomous body from the County of Kern. Accounting policies of the Agency conform to accounting principles generally accepted in the United States of America applicable to state and local governments.

The Agency operates under a Board of Directors/Manager form of government and provides the following services as authorized by its charter: Acquiring water supplies for its Member Units, authorizing the acquisition of property and works to carry out the purpose of the Agency, authorizing the incurrence of indebtedness, providing for the issuance of bonds, providing for the levy and collection of taxes for the payment of such indebtedness, and providing for its organization, operation and management. The Agency's Directors are elected to four-year terms by the population of Kern County in its general election held in even numbered years.

Global Pandemic

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Agency operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Agency, to date, the Agency is experiencing minimal to no impact on its revenues, and minor fluctuations in expenses with increases in information technology, phones and cleaning and sanitizing supplies, and saving associated with deferred maintenance, janitorial and travel due to state mandated stay at home orders.

A summary of the Agency's significant accounting policies follows:

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 expenses during the reporting period. Actual results could differ from those estimates. Significant estimates with respect to the Agency's financial statements include amounts receivable from member units with respect to various contracts with the state of California, the deferred outflows of resources, the deferred inflows of resources, the net pension liability, and the OPEB liability.

Reporting Entity

The criteria used in determining what accounting entities, agencies, commissions and authorities are part of the Agency's operations include how the budget is adopted, whether debt is secured by general obligation of the Agency, the Agency's duty to cover any deficits that may occur, and supervision over the accounting functions. There are no other agencies, organizations or activities meeting any of the above criteria that are excluded from the Agency reporting entity.

Basis of Presentation

The Agency accounts for its operations as an enterprise fund, and the accompanying basic financial statements reflect the flow of economic resources measurement focus and the full accrual basis of accounting in conformity with the Uniform System of Accounts for Special Districts as prescribed by the Controller of the State of California. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

An enterprise fund distinguishes 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 Agency's principal ongoing operations. The principal operating revenues of the Agency are charges for wholesale water sales to purveyors within the Agency. Operating expenses of the Agency include cost of sales, administrative expenses, depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As a result of the implementation of GASB 75 for the year ended June 30, 2018 as explained in Note 10, beginning net position was restated as required, as explained in Note 11. As such, the Agency has elected to present comparative financial statements; however, years prior to June 30, 2018 have not been restated as all information is not readily available to restate prior years.

Cash and Short-Term Investments

The Agency has adopted GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. In accordance with GASB No. 31, investments consisting of short-term cash equivalents, are reported at their fair value and all changes in fair value are reflected in income of the period in which they occur. In addition, all interest income generated from investment pools are allocated to all funds based on the cash balance within each fund. See Note 2 for further information on cash and short-term investments.

Restricted Cash

These assets consist of cash and investments restricted by various funds for specific purposes. See Note 2 for a detail listing of the restricted cash amounts.

Inventories

Inventories are stated at cost, not to exceed market value, using the first-in/first-out method. Banked water inventory is calculated using actual cost per acre-foot, not to exceed market value. Other inventory items held for consumption consist of the cost of chemicals on hand for water treatment.

Property and Equipment

Property and equipment is stated at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation with a capitalization policy of $2,500 or greater for items that are expected to be utilized by the Agency in excess of one year.

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Structures & Improvements	15 to 40 years
Equipment	7 years
Wells	20 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Deferred Revenue

Deferred revenue is primarily the result of advance billings during the last month of the fiscal year for water or services to be provided subsequent to year-end.

Long-term Obligations

Long-term debt is recognized as a liability when incurred. Bonds payable represent general obligations of Improvement District No. 4 (Urban Bakersfield). The Board of Directors of the Agency is obligated to levy ad valorem taxes for payment of bond principal and interest on all taxable property, exclusive of mineral rights, within the boundaries of Improvement District No. 4, subject to taxation by the Agency without limitation of rate or amount.

Although the bonds are general obligations, it is the intention of the Agency to pay the bond service from a combination of revenue sources, which include ad valorem taxes, water sales and a pump tax generated within Improvement District No. 4.

Other Postemployment Benefits (OPEB)

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

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

Year End Date	June 30, 2021	June 30, 2020
Valuation Date	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2020	June 30, 2019
Measurement Period	July 1, 2019 to June 30, 2020	July 1, 2018 to June 30, 2019

Net Position/Fund Equity

The basic financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

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

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

- *Unrestricted Net Position* - This category represents net position of the Agency not restricted for any project or other purpose.

Compensated Absences

Compensated absences represent the vested portion of accumulated vacation, sick and disability pay and are presented as a component of fringe benefits in the financial statements.

The Agency accrues a liability for compensated absences which meet the following criteria:

- The Agency's obligation relating to employees' rights to receive compensation for future absences is attributed to employees' services already rendered.
- The obligation relates to rights that vest or accumulate.
- Payment of the compensation is probable.
- The amount can be reasonably estimated.

In accordance with the above criteria, expenditures for vacation and vested sick leave benefits are recognized when earned and expensed as salaries in the year earned.

Property Taxes

The County of Kern bills and collects taxes on behalf of the Agency. Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable to the County in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. Tax revenues are recognized by the Agency when they are both measurable and available.

Budgets and Budgetary Accounting

Annually, the Agency produces a budget for the forthcoming year which details ongoing and future Agency activities. The procedures established to develop a final budget are as follows:

By May's regular board meeting each year, the Business Manager prepares a preliminary budget based upon the Agency's goals and objectives for the coming fiscal year. The operating budget includes proposed expenditures and the means of financing them for the year, along with estimates for the current year and actual financial data for the two preceding years. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/cost center level.

The budget is then reviewed by the Agency's Board Administrative Committee before the May board meeting. A public hearing is opened at the May board meeting to receive public comments, in accordance with the requirements of Section 7.6 of the Agency Act. The public hearing is closed and the budget is adopted (with any changes) on or before the June board meeting.

Subsequent Events

The Agency has evaluated subsequent events through February 21, 2022, the date on which the financial statements were available to be issued. There were no subsequent events identified by management which would require disclosure in the financial statements.

Authoritative Pronouncements Not Yet Adopted:

The following statements issued by GASB are effective for years ending after June 30, 2021 and management is evaluating the impact of the implementation of these statements on their financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Early application is encouraged.

In October 2021, the GASB issued statement No. 98, *The Annual Comprehensive Financial Report*. This statement established the term *annual comprehensive financial report* and its acronym *ACFR*. The new term and acronym replaces instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles from state and local governments.

This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.

The requirements of this Statement are effective for fiscal years ending after December 15, 2021.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2021 and 2020 are classified in the accompanying financial statements as follows:

	2021	2020
Cash and investments:		
Cash in bank and on hand	$ 1,827,660	$ 8,717,025
Cash in Local Agency Investment Fund	59,278,395	61,670,808
Investments in County Treasury	131,276,376	102,090,089
	192,382,431	172,477,922
Restricted cash and investments:		
Cash with fiscal agent - 2008 bonds	271,028	253,172
Ag rate management trust	4,409,089	4,418,223
	4,680,117	4,671,395
Total cash and investments	$ 197,062,548	$ 177,149,317

Deposits are carried at cost plus accrued interest. The bank balances are protected by a combination of FDIC insurance and the bank's collateral pool, in accordance with the California Government Code.

For all cash on hand and on deposit at June 30, 2021 and 2020 amortized cost approximates fair market value.

Investments Authorized by the California Government Code and the Agency's Investment Policy

The table below identifies the *investment types* that are authorized for the Agency by the California Government Code (or the Agency's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or Agency's investment policy, where more restrictive) that address *interest rate risk, credit risk,* and *custodial or credit risk.*

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations: CA and Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Bankers' Acceptances	180 days	40%	None
Commercial Paper: Non-pooled Funds (under $100,000,000 of investments)	270 days or less	25% of the agency's money	Highest letter and number rating by an NRSRO
Commercial Paper: Non-pooled Funds (minimum $100,000,000 of investments)	270 days or less	40% of the agency's money	Highest letter and number rating by an NRSRO
Commercial Paper: Pooled Funds	270 days or less	40% of the agency's money	Highest letter and number rating by an NRSRO
Negotiable Certificates of Deposit	5 years	30%	None
Non-negotiable Certificates of Deposit	5 years	None	None
Placement Service Deposits	5 years	50%	None
Placement Service Certificates of Deposit	5 years	50%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	20% of the base value of the portfolio	None
Medium-term Notes	5 years or less	30%	"A" rating category or its equivalent or better
Mutual Funds and Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-through and Asset Backed Securities	5 years or less	20%	"AA" rating category or its equivalent or better
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple
Local Agency Investment (LAIF)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None
Supranational Obligations	5 years or less	30%	"AA" rating category or its equivalent or better
Public Bank Obligations	5 years	None	None

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. All Agency investments are considered short-term investments with maturities of 12 months or less.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will 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 Agency is required to disclose the rating for all investments. Cash invested in the Local Agency Investment Fund (LAIF) and the Kern County Treasury are considered “exempt from disclosure” under GASB No. 40. The investments held in cash with fiscal agent are federal treasury obligations and rated AAA at June 30, 2021 and 2020.

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 not be able to recover collateral securities that are in the possession of an outside party. 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 deposits or investments, 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.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: none of the Agency’s deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

Investments in State Investment Pool

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair 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 be 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.

Fair Value Measurements

The Fair Value Measurements topic of the Financial Accounting Standards Board Codification establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Agency has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The funds pooled with LAIF at June 30, 2021 are considered to be level 2 assets.

NOTE 3 – INVENTORIES

Inventories consist of the following at June 30, 2021 and 2020:

	2021	2020
Improvement District No. 4:		
Chemicals	$ 206,964	$ 174,195
Banked water	4,113,879	4,318,597
Total Improvement District No. 4	4,320,843	4,492,792
General Fund:		
Banked water	2,600,902	2,689,142
Lower Kern River:		
Banked water	304,699	304,699
Total Inventory	$ 7,226,444	$ 7,486,633

Changes in banked water inventory for Improvement District No. 4 were as follows:

	Acre-Feet	Valuation
Balance at June 30, 2019	280,140	$ 4,207,153
Additions	3,961	111,444
Balance at June 30, 2020	284,101	4,318,597
Deletions	(21,797)	(204,718)
Balance at June 30, 2021	262,304	$ 4,113,879

Changes in banked water inventory for Ground Water Banking were as follows:

	Acre-Feet	Valuation
Balance at June 30, 2019	169,344	$ 3,159,032
Deletions	(3,389)	(165,191)
Balance at June 30, 2020	165,955	2,993,841
Deletions	(5,584)	(88,240)
Balance at June 30, 2021	160,371	$ 2,905,601

NOTE 4 - PROPERTY AND EQUIPMENT

Capital asset activity for the years ended June 30, 2021 and 2020 was as follows:

	Balance 7/1/2020	Additions	Deletions	Transfers	Balance 6/30/2021
Land	$ 15,825,736	$ -	$ -	$ -	$ 15,825,736
Water Rights	36,223,143	-	-	-	36,223,143
Construction in Progress	3,394,047	1,858,679	-	(2,876,563)	2,376,163
Subtotal	55,442,926	1,858,679	-	(2,876,563)	54,425,042
Structures & Improvements	338,983,812	432,090	-	2,747,329	342,163,231
Equipment	12,130,854	1,942,697	(37,019)	-	14,036,532
Wells	24,651,223	189,834	-	129,234	24,970,291
Subtotal	375,765,889	2,564,621	(37,019)	2,876,563	381,170,054
Accumulated depreciation:					
Structures & Improvements	99,229,254	7,767,556	-	-	106,996,810
Equipment	6,294,834	827,680	(37,019)	-	7,085,495
Wells	8,996,493	1,244,172	-	-	10,240,665
Subtotal	114,520,581	9,839,408	(37,019)	-	124,322,970
Net Depreciable Capital Assets	261,245,308	(7,274,787)	-	2,876,563	256,847,084
Total Capital Assets	$ 316,688,234	$ (5,416,108)	$ -	$ -	$ 311,272,126

	Balance 7/1/2019	Additions	Deletions	Transfers	Balance 6/30/2020
Land	$ 15,825,736	$ -	$ -	$ -	$ 15,825,736
Water Rights	36,223,143	-	-	-	36,223,143
Construction in Progress	3,669,312	2,073,253	-	(2,348,518)	3,394,047
Subtotal	55,718,191	2,073,253	-	(2,348,518)	55,442,926
Structures & Improvements	335,513,472	1,357,400	-	2,112,940	338,983,812
Equipment	10,805,473	1,197,505	(107,702)	235,578	12,130,854
Wells	24,019,652	631,571	-	-	24,651,223
Subtotal	370,338,597	3,186,476	(107,702)	2,348,518	375,765,889
Accumulated depreciation:					
Structures & Improvements	91,618,954	7,610,300	-	-	99,229,254
Equipment	5,721,353	681,183	(107,702)	-	6,294,834
Wells	7,954,507	1,041,986	-	-	8,996,493
Subtotal	105,294,814	9,333,469	(107,702)	-	114,520,581
Net Depreciable Capital Assets	265,043,783	(6,146,993)	-	2,348,518	261,245,308
Total Capital Assets	$ 320,761,974	$ (4,073,740)	$ -	$ -	$ 316,688,234

NOTE 5 - LONG-TERM DEBT

The following is a summary of the long-term debt activity for the years ended June 30, 2021 and 2020:

	Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021	Amount Due in One Year
Certificates of Participation:					
2008 Certificates of Participation	$ 29,110,000	$ -	$ 885,000	$ 28,225,000	$ 945,000
Water Revenue Refunding Bond:					
2016 Water Revenue Refunding Bond	79,860,000	-	3,530,000	76,330,000	3,195,000
Premium on Water Revenue Refunding Bond - 2016	6,868,018	-	385,123	6,482,895	385,122
	86,728,018	-	3,915,123	82,812,895	3,580,122
Notes Payable:					
California Dept. of Water Resources SRF-ID4 Operations	1,579,945	-	141,644	1,438,301	145,050
	$ 117,417,963	$ -	$ 4,941,767	$ 112,476,196	$ 4,670,172

	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020	Amount Due in One Year
Certificates of Participation:					
2008 Certificates of Participation	$ 29,940,000	$ -	$ 830,000	$ 29,110,000	$ 885,000
Water Revenue Refunding Bond:					
2016 Water Revenue Refunding Bond	83,260,000	-	3,400,000	79,860,000	3,530,000
Premium on Water Revenue Refunding Bond - 2016	7,253,140	-	385,122	6,868,018	385,122
	90,513,140	-	3,785,122	86,728,018	3,915,122
Notes Payable:					
California Dept. of Water Resources - Pioneer Project	626,681	-	626,681	-	-
California Dept. of Water Resources SRF-ID4 Operations	1,718,387	-	138,442	1,579,945	141,644
	2,345,068	-	765,123	1,579,945	141,644
	$ 122,798,208	$ -	$ 5,380,245	$ 117,417,963	$ 4,941,766

Total interest expense incurred during the years ended June 30, 2021 and 2020 was $5,252,892 and $5,473,368, respectively.

NOTE 6 - CERTIFICATES OF PARTICIPATION, WATER REVENUE REFUNDING BOND, AND NOTES PAYABLE

In April 2006, the Agency issued $17,150,000 2006 A Water Revenue Certificates of Participation and $10,550,000 2006 B Water Revenue Certificates of Participation, to provide funding for the expansion of the Agency's Henry C. Garnett Water Purification Plant.

The 2006 A series certificates had an interest rate range of 4.00% to 4.60% and the 2006 B series certificates had an interest rate of 5.85%. Under the terms of the agreement, the Agency was responsible for interest payments on May 1 and November 1 of each year. The Agency was responsible for principal payments once per year.

In May 2008, the Agency issued $84,365,000 2008 A Water Revenue Certificates of Participation and $36,555,000 2008 B Water Revenue Certificates of Participation, to provide funding for the expansion of the Agency's Cross Valley Canal.

The 2008 A series certificates had an interest rate range of 3% to 5%. The 2008 B series certificates have an interest rate range of 4.838% to 6.649%. Under the terms of the agreement, the Agency is responsible for interest payments on May 1 and November 1 of each year. The Agency is responsible for principal payments once per year.

The annual principal and interest requirements for retirement of the 2008 certificates of participation are as follows:

Year Ending June 30,	Interest	Principal	Total Debt Service
2008 B Series:			
2022	$ 1,876,680	$ 945,000	$ 2,821,680
2023	1,813,847	1,010,000	2,823,847
2024	1,746,692	1,075,000	2,821,692
2025	1,675,216	1,145,000	2,820,216
2026	1,599,085	1,220,000	2,819,085
2027-2031	6,663,628	7,440,000	14,103,628
2032-2036	3,838,800	10,265,000	14,103,800
2037-2038	516,627	5,125,000	5,641,627
Total 2008 COP's	$ 19,730,575	$ 28,225,000	$ 47,955,575

On May 1, 2016, the Agency issued $88,107,958 in 2016 A Water Revenue Refunding Bonds and $9,361,800 in 2016 B Water Revenue Refunding Bonds, for a total of $97,469,758. The interest rates range from 3.00% to 5.00% and 1.45% to 4.276% on the A and B COP Bonds, respectively. The 2016 Water Revenue Refunding Bonds were issued to advance refund $12,325,000 of outstanding 2006 Series A COPs with interest rates ranging from 4.00% to 4.60%, $9,015,000 of outstanding 2006 Series B COPs with an interest rate of 5.85%, and $67,700,000 of outstanding 2008 Series A COPs with interest rates ranging from 3.00% to 5.00%. As a result of the refunding, the All-In True Interest Cost decreased from approximately 5.02% to 3.16%. The net proceeds of $88,900,000 (after payment of underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2006 A and B COP's, as well as the remaining portion of the 2008 Series A COPs. As a result, the 2006 A and B COP's and all but $3,905,000 of the 2008 Series A COPs are considered to be defeased, and the liabilities for those bonds have been removed from the statement of net position.

The deferred refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $5,564,425. This difference, reported in the financial statements as deferred outflows of resources, has been charged to operations through the year 2018 using the effective-interest rate method. The Agency completed the deferred refunding to reduce its total debt service payments over the next 21 years by $12,033,966 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of $4,439,532. Under the terms of the agreement, the Agency is responsible for interest payments on May 1 and November 1 of each year. The Agency is responsible for principal payments once per year. The annual principal and interest requirements for retirement of the 2016 Water Revenue Refunding Bonds are as follows:

Year Ending June 30,	Interest	Principal	Total Debt Service
2016 A Series:			
2022	$ 2,843,825	$ 2,810,000	$ 5,653,825
2023	2,703,325	2,955,000	5,658,325
2024	2,555,575	3,110,000	5,665,575
2025	2,400,075	3,260,000	5,660,075
2026	2,237,075	3,420,000	5,657,075
2027-2031	8,440,625	19,865,000	28,305,625
2032-2036	4,361,125	23,940,000	28,301,125
2037-2038	532,875	9,410,000	9,942,875
	26,074,500	68,770,000	94,844,500
2016 B Series:			
2022	302,394	385,000	687,394
2023	291,499	395,000	686,499
2024	279,333	405,000	684,333
2025	265,968	420,000	685,968
2026	251,478	435,000	686,478
2027-2031	977,492	2,470,000	3,447,492
2032-2036	401,302	3,050,000	3,451,302
	2,769,466	7,560,000	10,329,466
Total 2016 Water Revenue Refunding Bonds	$ 28,843,966	$ 76,330,000	$ 105,173,966

California Department of Water Resources SRF Loan – ID4 Operations

During fiscal year 2008, the Agency entered into a contract with the California DWR to borrow up to $2,825,780 under the Department's Safe Drinking Water State Revolving Fund loan program. The loan proceeds were used to construct infrastructure to enable the Agency to continue to meet safe drinking water standards of the State of California. The loan has an interest rate of 2.39% and is payable in semi-annual installments over a period of 20 years beginning six months from completion of the project, which occurred in December 2009. Interest payments began January 1, 2009. As of June 30, 2021 and 2020, the Agency had borrowings against the loan totaling $1,438,301 and $1,579,945, respectively. The Agency is responsible for interest and principal payments on April 1 and October 1 of each year. According to the contract, the payments remaining at June 30, 2021 are due as follows:

Year Ending June 30,	Interest	Principal	Total Debt Service
2022	$ 33,514	$ 145,050	$ 178,564
2023	30,026	148,537	178,563
2024	26,455	152,109	178,564
2025	22,798	155,766	178,564
2026	19,053	159,511	178,564
2027-2030	36,929	677,328	714,257
Total	$ 168,775	$ 1,438,301	$ 1,607,076

NOTE 7 - RETIREMENT PLAN

Kern County Employees Retirement Plan

General Information about the Pension Plan

Plan Description: The Agency contributes to the Kern County Employees' Retirement Association (KCERA), a cost-sharing multiple-employer defined benefit pension plan which covers all permanent employees of the Agency. KCERA was established on January 1, 1945 by the County of Kern Board of Supervisors under the provisions of the County Employees' Retirement Law of 1937 (CERL). KCERA provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. State statutes assign the authority to establish and amend benefit provisions to the Kern County Board of Supervisors. KCERA issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to KCERA, 11125 River Run Boulevard, Bakersfield, CA 93311 or by calling (661) 381-7700.

Benefits provided: KCERA provides service retirement, disability, death, survivor and supplemental benefits to eligible employees. All regular full-time employees of the Agency who work 50% or more of the regular standard hours required become members of KCERA effective on the first day of the payroll period following the date of hire. General members (excluding Tier III) are eligible to retire once they attain the age of 70 regardless of service or at age 50 with 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. General Tier III members are eligible to retire at age 70 regardless of service or at age 52 with 5 or more years of retirement service credit. The retirement benefit the member will receive is based on age at retirement, final average compensation (FAC), years of retirement service credit and benefit tier. A member with five years of service, regardless of age, who becomes permanently incapacitated from the performance of duty will be eligible for a nonservice-connected disability retirement. Any member who becomes permanently incapacitated from the performance of duty as a result of an injury or disease arising out of and in the course of employment is eligible for a service-connected disability, regardless of service length or age. An active member's beneficiary is entitled to receive death benefits, which consist of accumulated contributions, plus interest, and one month's salary for each full year of service, up to a maximum of six months of salary. If a member dies after retirement, a death benefit of $5,000 is payable to the designated beneficiary(ies) or the estate. KCERA provides an annual cost-of-living benefit to all retirees. The annual cost-of-living adjustment is capped at 2.5%, depending on the rate of inflation.

The KCERA plan provisions and benefits in effect at June 30, 2021 and 2020 are summarized as follows:

		2021	2020
Hire date	Prior to January 1, 2013	On or after January 1, 2013	
Benefit formula (Tier I)	3% @ 60	3% @ 60	3% @ 60
Benefit formula (Tier II)	1.62% @ 65	1.62% @ 65	1.62% @ 65
Benefit vesting schedule	5-10 years of service	5-10 years of service	5-10 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50-52	50-52	50-52
Monthly benefits, as a % of eligible compensation	1.62% to 3%	1.62% to 3%	1.62% to 3%
Retirement employee contribution rates	4.25% to 17.50%	6.58% average	3.14% to 14.15%
Required employer contribution rates	30.68% to 57.89%	45.71% average	31.93% to 38.63%

Contributions: The Agency contributes to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from KCERA's actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of June 30, 2020 for 2019-2020 (based on the June 30, 2018 valuation and after reflecting the phase-in of the impact of assumption change) was 45.71% of compensation. The average employer contribution rate as of June 30, 2019 for 2018-2019 (based on the June 30, 2017 valuation) was 45.66% of compensation.

Members are required to make contributions to KCERA regardless of the retirement plan or tier in which they are included. The average member contribution rate as of June 30, 2020 for 2019-2020 (based on the June 30, 2018 valuation) was 6.58% of compensation. The average member contribution rate as of June 30, 2019 for 2018-2019 (based on the June 30, 2017 valuation) was 6.46% of compensation.

For the years ended June 30, 2021 and 2020, the contributions recognized as part of pension expense for the plan were as follows:

	2021	2020
Contributions - employer	$ 3,118,984	$ 2,951,952
Contributions - employee (paid by employer)	$ 242,607	$ 233,758

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2021 and 2020, the Agency reported net pension liability for its proportionate shares of the net pension liability of $27,955,350 and $26,191,822, respectively.

The Agency's net pension liability as of June 30, 2021 is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial evaluation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the plan relative to the projected contributions of all participating employers, actuarially determined. The Agency's proportionate share of the net pension liability as of June 30, 2019 and June 30, 2020 was as follows:

Proportion - June 30, 2019	1.099%
Proportion - June 30, 2020	1.050%
Change - Decrease	-0.049%

The Agency's net pension liability as of June 30, 2020 is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial evaluation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the plan relative to the projected contributions of all participating employers, actuarially determined. The Agency's proportionate share of the net pension liability as of June 30, 2018 and June 30, 2019 was as follows:

Proportion - June 30, 2018	1.091%
Proportion - June 30, 2019	1.099%
Change - Increase	0.008%

For the years ended June 30, 2021 and 2020, the Agency recognized pension expense of $3,747,020 and $4,569,873, respectively. At June 30, 2021 and 2020, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	$ 3,118,984	$ -	$ 2,951,952	$ -
Changes in assumptions or other inputs	1,724,553	913,119	890,890	24,185
Changes in proportion and differences between employer's contributions and proportionate share of contributions	915,038	-	1,520,408	-
Net excess of projected over actual earnings on pension plan investments	1,856,591	-	845,962	-
Difference between expected and actual experience in the Total Pension Liability	-	1,127,998	-	1,746,471
Total	$ 7,615,166	$ 2,041,117	$ 6,209,212	$ 1,770,656

$3,118,984 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30,	
2022	$ 726,700
2023	693,266
2024	601,913
2025	429,980
2026	3,206
	$ 2,455,065

Actuarial Assumptions: The total pension liabilities in the June 30, 2019 and 2018 actuarial valuations were determined using the following actuarial assumptions:

	2021	2020
Valuation date	June 30, 2019	June 30, 2018
Measurement date	June 30, 2020	June 30, 2019
Actuarial cost method	Entry-Age actuarial cost method	
Actuarial assumptions:		
Discount rate	7.25%	7.25%
Inflation	2.75%	3.00%
Projected salary increase	General: 4.00% - 8.75% (a)	General: 4.00% - 9.00% (a)
Investment rate of return	7.25% (b)	7.25% (b)
Mortality	(c)	(d)

(a) Varies by service, including inflation
(b) Net of pension plan investment expense, including inflation
(c) Pub-2010 General Healthy Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates increased by 15% for females, projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP-2019, weighted 30% male and 70% female.
(d) Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table set forward one year for males and set forward two years for females, projected to 2034 with the two-dimensional MP-2016 projection scale, weighted 30% male and 70% female.

Discount Rate: The discount rate used to measure the total pension liability was 7.25% as of June 30, 2020 and 2019. The projection of cash flows used to determine the discount rates assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates.

The discount rate assumptions have been developed without taking into consideration any impact of the 50/50 allocation of future excess earnings between the retirement and Supplement Retirement Benefit Reserve (SRBR) asset pools.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. This data is combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the deviation of the long-term expected investment rate of return assumptions are summarized in the following chart:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Global Equity	37%	6.51%
Core Fixed Income	14%	1.09%
High Yield Corporate Credit	6%	3.38%
Emerging Market Debt Blend	4%	3.41%
Commodities	4%	3.08%
Core Real Estate	5%	4.59%
Private Real Estate	5%	9.50%
Midstream	5%	8.20%
Capital Efficiency Alpha Pool	5%	2.40%
Hedge Fund	10%	2.40%
Private Equity	5%	9.40%
Private Credit	5%	5.60%
Cash	-5%	0.00%
Total	100%	

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

The following represents the Agency's proportionate share of the net pension liability, calculated using the discount rate, as well as what the Agency'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:

	2021	2020
1% Decrease	6.25%	6.25%
Net Pension Liability	$ 37,904,670	$ 35,948,398
Current Discount Rate	7.25%	7.25%
Net Pension Liability	$ 27,955,350	$ 26,191,822
1% Increase	8.25%	8.25%
Net Pension Liability	$ 19,871,235	$ 18,166,522

Pension Plan Fiduciary Net Position: Detailed information about KCERA's fiduciary net position is available in the separately issued KCERA financial report.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Operating Lease

The Agency leases office space under a non-cancelable operating lease that expires in June 2025. Rent expense for the years ended June 30, 2021 and 2020 was $60,471 and $57,774, respectively.

At June 30, 2021 total annual rental commitments are as follows:

Year ending June 30,		
2022	$	49,939
2023		62,664
2024		64,545
2025		66,481
	$	243,629

Litigation

The Agency is involved in various litigation and subject to claims in the normal course of business. While it is not feasible to determine the outcome of any of these uncertainties, it is the opinion of management that their outcomes will not have a material adverse effect on the financial position, results of operations, or cash flows of the Agency.

In addition, the County of Kern is involved in litigation regarding protested tax assessments. The contested assessments at June 30, 2021 and 2020 totaled approximately $2,488,600 and $2,346,500, respectively. In the opinion of legal counsel for the County of Kern, a large majority of the appeals will be withdrawn by the applicant or settled by a stipulation of value, and the County Tax Assessor will prevail in the majority of appeals. Accordingly, liabilities have not been recorded for these amounts.

NOTE 9 - JOINT VENTURES

The Agency is a member of the Association of California Water Agencies Joint Powers Insurance Authority (JPIA) whose members have pooled funds to be self-insured for Liability and Property Insurance. The JPIA was created on July 5, 1979, and has continued without interruption since that time. The Agency has an auto and general liability self-insured retention level of $25,000.

The relationship between the Agency and the JPIA is such that the JPIA is not a component unit of the Agency for financial reporting purposes.

Condensed financial information for JPIA for the years ended September 30, 2020 and 2019 (the most recent data available) is as follows:

		2020		2019
Total Assets	$	237,525,073	$	212,099,851
Deferred Outflows of Resources		1,054,750		553,790
Total Liabilities		(113,075,164)		(112,046,920)
Deferred Inflows of Resources		(1,817,452)		(1,672,219)
Net Position	$	123,687,207	$	98,934,502
Total Revenues	$	197,639,443	$	181,825,144
Total Expenses		172,886,738		169,356,246
Net Increase in Net Position	$	24,752,705	$	12,468,898

The JPIA had no outstanding debt at September 30, 2020 or 2019. The Agency's share of year-end assets, liabilities and fund equity has not been computed.

The Agency is a participant in the Kern Water Bank Authority (KWBA) which was established in 1995 after the Kern Water Bank was transferred from the California Department of Water Resources to local ownership. The Agency's percentage of ownership in the KWBA is 9.62% within Improvement District No. 4.

The relationship between the Agency and KWBA is such that the KWBA is not a component unit of the Agency for financial reporting purposes.

Condensed financial information for KWBA for the years ended December 31, 2020 and 2019 (the most recent data available) is as follows:

		2020		2019
Total Assets	$	85,296,160	$	71,460,894
Total Liabilities		31,411,718		15,860,160
Total Net Position	$	53,884,442	$	55,600,734
Total Revenues	$	12,232,653	$	6,618,610
Total Expenses		13,948,945		7,555,448
(Decrease) in Net Position	$	(1,716,292)	$	(936,838)

The KWBA had outstanding loans in the amount of $19,870,397 and $10,721,000 at December 31, 2020 and 2019, respectively. The Agency's share of year-end assets, liabilities and retained earnings has not been computed.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS

Plan Description: The Kern County Water Agency Post-Employment Benefits Plan (the Plan) is a single-employer, defined benefit healthcare plan administered by Kern County Water Agency. The Plan provides medical insurance benefits to eligible employees and their spouses. Agency employees who retire directly from the Kern County Employees' Retirement Association (KCERA) are eligible for retiree health benefits if they satisfy the retirement eligibility rules of KCERA and meet the "Rule of 70" (age plus years of continuous agency service is greater than or equal to 70). The Agency contributes a portion of the retiree and spouse health premiums for eligible Agency retirees, their dependent spouses, and any surviving spouses of retirees who remain covered under the Agency's health plan. Effective January 1, 2014, the Agency's contribution to each medical plan is equivalent to the previous year's contribution plus 75 percent of any increase or decrease to that medical plan's premium for the subsequent year. The employee/retiree contribution to each medical plan is equivalent to the previous year's contribution plus 25 percent of any increase or decrease to that medical plan's premium for the subsequent year. However, calculated employee/retiree contributions for each medical plan shall not be less than zero and may result in a further adjustment to the Agency's contribution. The Agency's Board of Directors has the authority to establish and amend benefit provisions.

The Agency invests its assets in the California Employers' Retiree Benefit Trust Fund (CERBT) to fund its OPEB liabilities.

Employees Covered: As of June 30, 2021 and 2020, which includes the actuarial valuation dates of June 30, 2019 and 2018, respectively, the following current and former employees were covered by the benefit terms under the Plan:

	2021	2020
Active employees	55	55
Inactive employees or beneficiaries currently receiving benefits	51	51
Inactive employees entitled to, but not yet receiving benefits	-	-
	106	106

Contributions: The Plan and its contribution requirements are established by the Board of Directors. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2021, the Agency's cash contributions were $687,364 in annual pay-as-you-go costs, increased by $187,364 to reflect the estimated implicit rate subsidy. Additionally, the Agency made a deposit of $500,000 into the OPEB Trust subsequent to the measurement date of June 30, 2020. The sum of the contributions resulted in total payments of $1,187,364. For the fiscal year ended June 30, 2020, the Agency's cash contributions were $622,806 in annual pay-as-you-go costs, increased by $122,806 to reflect the estimated implicit rate subsidy. Additionally, the Agency made a deposit of $500,000 into the OPEB Trust subsequent to the measurement date of June 30, 2019. The sum of the contributions resulted in total payments of $1,122,806.

Net OPEB Liability: The Agency's net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019, that was rolled forward to determine the June 30, 2020 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Assumptions:	
Discount Rate	6.75%
Inflation	2.75%
Salary Increases	3.00%
Investment Rate of Return	6.75%
Mortality Rate	(a)
Pre-Retirement Turnover	(b)
Healthcare Trend Rate	(c)

The Agency's net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2018 that was rolled forward to determine the June 30, 2020 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Assumptions:	
Discount Rate	6.75%
Inflation	2.75%
Salary Increases	3.00%
Investment Rate of Return	6.75%
Mortality Rate	(a)
Pre-Retirement Turnover	(b)
Healthcare Trend Rate	(c)

(a) RP-2014 Headcount-Weighted Healthy Annuitant, set forward one year for males and set forward two years for females, projected generationally with 2D mortality improvement scale MP-2016

(b) Tier I employees - 3% @ 60 and Tier II employees - 1.62% @ 65; based on the retirement eligibility rules of KCERA and meet the KCERA "Rule of 70"

(c) Health costs and premiums are based on the "Getzen" model published by the Society of Actuaries for purposes of evaluating long term medical trends

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. This data is combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the deviation of the long-term expected investment rate of return assumptions are summarized in the following chart:

Asset Class	Target Allocation	Long-Term Expected Aritmetic Real Rate of Return
Global Equity	37%	6.51%
Core Fixed Income	14%	1.09%
High Yield Corporate Credit	6%	3.38%
Emerging Market Debt Blend	4%	3.41%
Commodities	4%	3.08%
Core Real Estate	5%	4.59%
Private Real Estate	5%	9.50%
Midstream	5%	8.20%
Capital Efficiency Alpha Pool	5%	2.40%
Hedge Fund	10%	2.40%
Private Equity	5%	9.40%
Private Credit	5%	5.60%
Cash	-5%	0.00%
Total	100%	

Discount Rate: The discount rate used to measure the total OPEB liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that Agency contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the OPEB Liability: The changes to the net OPEB liability for the Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Pension (b)	Net OPEB Liability/Asset (c) = (a) - (b)
Balance at June 30, 2019 (Valuation Date June 30, 2018)	$ 14,619,693	$ 519,687	$ 14,100,006
Changes recognized for the measurement period:			
Service cost	376,413	-	376,413
Interest on the total OPEB liability	987,893	-	987,893
Changes of benefit terms	-	-	-
Differences between actual and expected experience with regard to economic or demographic factors	(1,353,054)	-	(1,353,054)
Changes of assumptions	534,810	-	534,810
(Benefit payments)	(733,287)	(733,287)	-
Contributions from employer	-	1,233,284	(1,233,284)
Net investment income	-	42,160	(42,160)
Administrative expense	-	(307)	307
Other changes	-	-	-
Net increase within fiscal 2019/20	(187,225)	541,850	(729,075)
Balance at June 30, 2020 (Valuation Date June 30, 2019)	14,432,468	1,061,537	13,370,931
Changes recognized for the measurement period:			
Service cost	299,842	-	299,842
Interest on the total OPEB liability	969,810	-	969,810
Changes of benefit terms	-	-	-
Differences between actual and expected experience with regard to economic or demographic factors	-	-	-
Changes of assumptions	(899,747)	-	(899,747)
(Benefit payments)	(741,628)	(741,628)	-
Contributions from employer	-	1,241,628	(1,241,628)
Net investment income	-	79,190	(79,190)
Administrative expense	-	(559)	559
Other changes	-	-	-
Net increase within fiscal 2020/21	(371,723)	578,631	(950,354)
Balance at June 30, 2021 (Measurement Date June 30, 2020)	$ 14,060,745	$ 1,640,168	$ 12,420,577

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability of the Agency if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020 and 2019:

	2021	2020
1% Decrease	5.75%	5.75%
Net OPEB Liability	$ 14,418,728	$ 15,526,289
Current Discount Rate	6.75%	6.75%
Net OPEB Liability	$ 12,420,577	$ 13,370,931
1% Increase	7.75%	7.25%
Net OPEB Liability	$ 10,806,966	$ 11,646,482

Sensitivity to the Net OPEB Liability to Changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability of the Agency if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020 and 2019:

	2021	2020
1% Decrease (various rates grading to:)	3.25%	3.50%
Net OPEB Liability	$ 10,707,465	$ 11,642,172
Current Discount Rate (various rates grading to:)	4.25%	4.50%
Net OPEB Liability	$ 12,420,577	$ 13,370,931
1% Increase (various rates grading to:)	5.25%	5.50%
Net OPEB Liability	$ 14,593,220	$ 15,577,793

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB. For the fiscal years ended June 30, 2021 and 2020, the Agency recognized OPEB expense (benefit) of $(1,900,419) and $(1,599,121), respectively. At June 30, 2021 and 2020, the Agency reported deferred outflows of resources and deferred inflow of resources related to the OPEB from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to the measurement date	$ 1,187,364	$ -	$ 1,122,806	$ -
Differences between expected and actual experience	-	905,022	-	1,129,038
Changes of assumption	357,720	5,439,759	446,265	6,183,683
Net difference between projected and actual earnings	11,383	-	7,605	2,334
	$ 1,556,467	$ 6,344,781	$ 1,576,676	$ 7,315,055

The $1,187,364 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as expense as follows:

Year ended June 30,	
2022	$ 1,776,208
2023	1,776,210
2024	1,534,730
2025	728,189
2026	154,383
Later years	5,958
	$ 5,975,678

NOTE 11 – PRIOR PERIOD ADJUSTMENT

As a result of the implementation of GASB 75 for the year ended June 30, 2018, a restatement to beginning net position for that year was required. Net OPEB liability recognized for the Agency's Post-Employment Benefits Plan resulted in a decrease to beginning net position of $5,269,164.

REQUIRED SUPPLEMENTARY INFORMATION

KERN COUNTY WATER AGENCY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
As of June 30, 2021

Last 10 Years*

	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability	1.050%	1.099%	1.091%	1.050%	0.992%	1.011%	0.925%
Proportionate share of the net pension liability	$ 27,955,350	$ 26,191,822	$ 25,420,676	$ 24,828,434	$ 23,954,836	$ 22,263,402	$ 19,135,553
Covered - employee payroll	$ 6,118,418	$ 6,509,654	$ 6,670,825	$ 6,215,199	$ 6,342,198	$ 6,490,763	$ 6,138,341
Proportionate share of the net pension liability as a percentage of covered-employee payroll	456.90%	402.35%	381.07%	399.48%	377.71%	343.00%	311.74%
Plan's fiduciary net position	$ 4,438,794,794	$ 4,345,780,060	$ 4,198,862,285	$ 3,962,895,176	$ 3,571,587,594	$ 3,625,093,183	$ 3,576,111,526
Plan fiduciary net position as a percentage of the total pension liability	55.90%	58.47%	59.22%	57.90%	57.15%	59.25%	60.66%

* Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.

KERN COUNTY WATER AGENCY

SCHEDULE OF PENSION CONTRIBUTIONS
As of June 30, 2021

Last 10 Years*

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 2,757,571	$ 2,575,870	$ 2,805,082	$ 2,550,718	$ 2,551,466	$ 2,630,706	$ 2,533,907
Contributions in relation to the actuarially determined contributions	3,118,984	2,951,952	3,196,318	2,846,661	2,694,136	2,716,443	2,602,731
Contribution deficiency (excess)	$ 361,413	$ 376,082	$ 391,236	$ 295,943	$ 142,670	$ 85,737	$ 68,824
Covered-employee payroll	$ 6,118,418	$ 6,509,654	$ 6,670,825	$ 6,215,199	$ 6,342,198	$ 6,490,763	$ 6,138,341
Contributions as a percentage of determine covered-employee payroll	45.07%	39.57%	42.05%	41.04%	40.23%	40.53%	41.28%

Notes to Schedule

Valuation date:	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Actuarial Cost Method						
Amortization method	Level percent of payroll for total unfunded liability						
Remaining amortization period	15.5 years	16.5 years	17.5 years	18.5 years	19.5 years	20.5 years	21.5 years
Asset valuation method	Market value of assets (MVA) less unrecognized returns in each of the last five years. Unrecognized returns are equal to the difference between the actual market return and the expected return on a market value basis and are recognized semi-annually over a five-year period. The Actuarial Valuation of Assets (AVA) cannot be less than 50% of MVA, nor greater than 150% of MVA. The AVA is reduced by the value of the non-valuation reserves.						
Inflation	2.75%	3.00%	3.00%	3.00%	3.25%	3.25%	3.25%
Salary increases	4.00% to 8.75%	4.00% to 9.00%	4.00% to 9.00%	4.00% to 9.00%	4.25% to 9.25%	4.25% to 9.25%	4.25% to 9.25%
Investment rate of return	7.25% (a)	7.25% (a)	7.25% (a)	7.25% (a)	7.50% (a)	7.50% (a)	7.50% (a)
Retirement age	70, or 50 with 10 years of credited service						
Mortality	(b)	(c)	(c)	(c)	(d)	(d)	(d)

(a) Net of pension plan investment expenses, including inflation

(b) Pub-2010 General Healthy Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates increased by 15% for females, projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP-2019, weighted 30% male and 70% female

(c) Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table set forward one year for males and set forward two years for females, projected to 2034 with the two-dimensional MP-2016 projection scale, weighted 30% male and 70% female

(d) RP 2000 combined Healthy Mortality Table projected with Scale BB to 2023 set forward one year for males and females

* Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.

KERN COUNTY WATER AGENCY

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
As of June 30, 2021

Last 10 Years*

Measurement Period	2020	2019	2018	2017
Total OPEB Liability				
Service cost	$ 299,842	$ 376,413	$ 716,200	$ 855,420
Interest on the total OPEB liability	969,810	987,893	758,212	658,480
Actual and expected experience difference	-	(1,353,054)	-	-
Changes in assumptions	(899,747)	534,810	(6,965,966)	(2,615,098)
Changes in benefit terms	-	-	-	-
Benefit payments	(741,628)	(733,287)	(697,205)	(674,231)
Net change in total OPEB liability	(371,723)	(187,225)	(6,188,759)	(1,775,429)
Total OPEB liability - beginning	14,432,468	14,619,693	20,808,452	22,583,881
Total OPEB liability - ending (a)	14,060,745	14,432,468	14,619,693	20,808,452
Plan Fiduciary Net Position				
Contributions - employer	1,241,628	1,233,284	1,197,205	674,231
Net investment income	79,190	42,160	19,875	-
Benefit payments	(741,628)	(733,287)	(697,205)	(674,231)
Administrative expense	(559)	(307)	(188)	-
Net change in plan fiduciary net position	578,631	541,850	519,687	-
Plan fiduciary net position - beginning	1,061,537	519,687	-	-
Plan fiduciary net position - ending (b)	1,640,168	1,061,537	519,687	-
Net OPEB liability - ending (a) - (b)	$ 12,420,577	$ 13,370,931	$ 14,100,006	$ 20,808,452
Plan fiduciary net position as a percentage of the total OPEB liability	11.66%	7.36%	3.55%	0.00%
Covered-employee payroll	$ 6,118,418	$ 6,509,654	$ 6,670,825	$ 6,215,199
Net OPEB liability as a percentage of covered-employee payroll	203.00%	205.40%	211.37%	334.80%

Notes to Schedule:

Changes in assumptions: The discount rate was changed from 3.58% (net of administrative expense) to 6.75% for the measurement period June 30, 2018. There were no changes in assumptions for the measurement periods June 30, 2019 or June 30, 2020.

*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

KERN COUNTY WATER AGENCY

SCHEDULE OF OPEB CONTRIBUTIONS
As of June 30, 2021

Last Ten Fiscal Years*

Fiscal Year Ended June 30	2021	2020	2019	2018
Actuarially Determined Contribution (ADC)	$ 1,558,000	$ 1,305,000	$ 2,140,000	$ 2,311,764
Contributions in relation to the ADC	1,241,628	1,233,284	1,197,205	674,231
Contribution deficiency (excess)	$ 316,372	$ 71,716	$ 942,795	$ 1,637,533
Covered-employee payroll	$ 6,118,418	$ 6,509,654	$ 6,670,825	$ 6,215,199
Contributions as a percentage of covered-employee payroll	20.29%	18.95%	17.95%	10.85%

Notes to Schedule:

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Years 2021, 2020, 2019, and 2018 were from the June 30, 2019, 2018, 2017, and 2016 actuarial valuations, respectively.

Methods and Assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal Cost Method (EAN)
Amortization Method/Period	Amortized as a level dollar amount over 20 years on an "open" basis.
Asset Valuation Method	Market value
Inflation	2.75%
Payroll Growth	3.00%
Investment Rate of Return	2020 6.75%; 2019 6.75%; 2018 6.75%; 2017 3.58%
Healthcare cost-trend rates	Health costs and premiums are based on the "Getzen" model published by the Society of Actuaries for purposes of evaluating long term medical trends.
Retirement Age	Tier I employees - 3% @ 60 and Tier II employees - 1.62% @ 65; based on the retirement eligibility rules of KCERA and meet the KCERA "Rule of 70"
Mortality	RP-2014 Headcount-Weighted Healthy Annuitant, set forward one year for males and set forward two years for females, projected generationally with 2D mortality improvement scale MP-2016.

* Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

OTHER SUPPLEMENTARY INFORMATION

KERN COUNTY WATER AGENCY

SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

	Source of Supply	Transmission and Distribution	Operations and Maintenance	Administration and General	Total
Water purchases	$ 161,025,552	$ -	$ -	$ -	$ 161,025,552
Refunds and credits	12,925,139	-	-	2,892	12,928,031
Power	893,375	926,560	10,896,919	-	12,716,854
Salaries, wages and benefits	2,949,735	1,574,665	4,270,477	2,427,582	11,222,459
Association and membership fees	1,595,139	12,132	141,874	25,060	1,774,205
Recharge and recovery fees	1,461,286	-	-	88,240	1,549,526
Professional fees	646,733	98,402	697,033	101,867	1,544,035
Maintenance	34,482	191,558	1,067,411	141,470	1,434,921
Operations	87,735	54,757	1,200,010	4,935	1,347,437
Capital outlay	-	62,594	664,306	20,406	747,306
Other	414,655	56,646	183,840	61,159	716,300
Exchange and conveyance fees	88,605	339,686	-	-	428,291
Other administrative	-	-	45,887	272,560	318,447
Telephone and utilities	45,665	34,444	43,350	118,523	241,982
Insurance	25,018	46,664	92,167	35,124	198,973
Director fees	95,135	8,622	18,892	11,316	133,965
Meeting and travel	91	179	15,903	6,294	22,467
	$ 182,288,345	$ 3,406,909	$ 19,338,069	$ 3,317,428	$ 208,350,751

KERN COUNTY WATER AGENCY

SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

	Source of Supply	Transmission and Distribution	Operations and Maintenance	Administration and General	Total
Water purchases	$ 144,391,851	$ -	$ -	$ -	$ 144,391,851
Salaries, wages and benefits	3,258,789	1,801,451	4,647,447	2,236,905	11,944,592
Power	546,808	3,894,659	6,449,905	-	10,891,372
Refunds and credits	9,253,490	-	-	27,514	9,281,004
Association and membership fees	1,469,371	11,709	253,255	25,500	1,759,835
Operations	87,951	66,732	1,266,996	6,922	1,428,601
Maintenance	112,443	105,621	1,018,123	177,765	1,413,952
Professional fees	625,370	93,413	275,761	159,594	1,154,138
Recharge and recovery fees	942,147	-	-	165,191	1,107,338
Other	355,482	32,640	186,480	72,215	646,817
Exchange and conveyance fees	80,066	347,867	-	-	427,933
Capital outlay	7,181	155,786	187,844	12,233	363,044
Insurance	44,850	55,148	146,483	66,278	312,759
Other administrative	2,479	17,637	46,714	189,694	256,524
Telephone and utilities	41,675	26,812	33,027	105,235	206,749
Meetings and travel	132,163	1,768	16,283	15,512	165,726
Director fees	66,496	2,209	21,002	13,955	103,662
	$ 161,418,612	$ 6,613,452	$ 14,549,320	$ 3,274,513	$ 185,855,897

KERN COUNTY WATER AGENCY

COMBINING STATEMENT OF NET POSITION - SUMMARY OF ALL ACTIVITIES
June 30, 2021

	State Contract Activities	Treatment Transportation Flood Control Activities	Groundwater Banking Activities	General and Administrative Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets				
Cash and investments	$ 95,097,379	$ 40,130,014	$ 5,642,646	$ 51,512,392
Receivables:				
Accounts receivable	-	3,074,159	3,549,807	3,023,441
Taxes receivable	193,038	121,100	-	42,085
Interest receivable	183,457	70,673	11,475	96,459
Due from other funds	-	-	156,596	44,109
Prepaid expenses	9,939,045	5,126,211	626,887	530,797
Inventories	-	4,320,843	304,699	2,600,902
Total current assets	105,412,919	52,843,000	10,292,110	57,850,185
Restricted Cash and Investments	4,409,089	271,028	-	-
Property and Equipment	3,085	260,934,472	36,420,922	14,403,456
Total assets	109,825,093	314,048,500	46,713,032	72,253,641
Deferred Outflows of Resources				
Related to pensions	816,831	3,677,905	-	3,120,430
Related to OPEB	230,701	848,610	-	477,156
Total assets and deferred outflows of resources	$ 110,872,625	$ 318,575,015	$ 46,713,032	$ 75,851,227
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Current Liabilities				
Current portion of long-term debt	$ -	$ 4,670,172	$ -	$ -
Accounts payable	3,919,644	2,037,102	2,459,678	300,287
Accrued expenses	1,709,311	5,560,181	968,129	1,625,307
Due to other funds	-	-	44,109	156,596
Deferred revenue	51,498,801	13,587,951	1,098,690	-
Total current liabilities	57,127,756	25,855,406	4,570,606	2,082,190
Noncurrent Liabilities				
Long-term debt	-	107,806,024	-	-
Net pension liability	3,013,699	13,483,761	-	11,457,890
OPEB liability	1,625,122	6,384,409	-	4,411,046
Total noncurrent liabilities	4,638,821	127,674,194	-	15,868,936
Deferred Inflows of Resources				
Related to pensions	212,521	958,994	-	869,602
Related to OPEB	620,979	3,143,431	-	2,580,371
Total deferred inflows of resources	833,500	4,102,425	-	3,449,973
Net Position				
Net investment in capital assets	3,085	148,458,276	36,420,922	14,403,456
Unrestricted	48,269,463	12,484,714	5,721,504	40,046,672
Total net position	48,272,548	160,942,990	42,142,426	54,450,128
Total liabilities, deferred inflows of resources, and net position	$ 110,872,625	$ 318,575,015	$ 46,713,032	$ 75,851,227

Subtotal	Interfund Eliminations	2021 Total	2020 Total
$ 192,382,431	$ -	$ 192,382,431	$ 172,477,922
9,647,407	(127,141)	9,520,266	7,311,645
356,223	-	356,223	323,857
362,064	-	362,064	601,378
200,705	(200,705)	-	-
16,222,940	(15,900,062)	322,878	473,786
7,226,444	-	7,226,444	7,486,633
226,398,214	(16,227,908)	210,170,306	188,675,221
4,680,117	-	4,680,117	4,671,395
311,761,935	(489,809)	311,272,126	316,688,234
542,840,266	(16,717,717)	526,122,549	510,034,850
7,615,166	-	7,615,166	6,209,212
1,556,467	-	1,556,467	1,576,676
$ 552,011,899	$ (16,717,717)	$ 535,294,182	$ 517,820,738
$ 4,670,172	$ -	$ 4,670,172	$ 4,941,766
8,716,711	-	8,716,711	15,641,722
9,862,928	(127,141)	9,735,787	8,900,139
200,705	(200,705)	-	-
66,185,442	(15,900,062)	50,285,380	42,211,687
89,635,958	(16,227,908)	73,408,050	71,695,314
107,806,024	-	107,806,024	112,476,197
27,955,350	-	27,955,350	26,191,822
12,420,577	-	12,420,577	13,370,931
148,181,951	-	148,181,951	152,038,950
2,041,117	-	2,041,117	1,770,656
6,344,781	-	6,344,781	7,315,055
8,385,898	-	8,385,898	9,085,711
199,285,739	(489,809)	198,795,930	199,270,271
106,522,353	-	106,522,353	85,730,492
305,808,092	(489,809)	305,318,283	285,000,763
$ 552,011,899	$ (16,717,717)	$ 535,294,182	$ 517,820,738

KERN COUNTY WATER AGENCY

COMBINING STATEMENT OF NET POSITION - STATE CONTRACT ACTIVITIES
June 30, 2021

	State Contract Payment	Westlands Payback	Zone of Benefit No. 17	Zone of Benefit No. 18
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets				
Cash and investments	$ 42,544,654	$ 1,463,575	$ 25,284,060	$ 3,402,769
Receivables:				
Accounts receivable	-	-	-	-
Taxes receivable	-	-	93,855	9,900
Interest receivable	89,584	2,768	45,097	6,057
Due from other funds	-	-	-	-
Prepaid expenses	291	-	4,969,377	884,505
Inventories	-	-	-	-
Total current assets	42,634,529	1,466,343	30,392,389	4,303,231
Restricted Cash and Investments	4,409,089	-	-	-
Property and Equipment	3,085	-	-	-
Total assets	47,046,703	1,466,343	30,392,389	4,303,231
Deferred Outflows of Resources				
Related to pensions	816,831	-	-	-
Related to OPEB	230,701	-	-	-
Total assets and deferred outflows of resources	$ 48,094,235	$ 1,466,343	$ 30,392,389	$ 4,303,231
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Current Liabilities				
Current portion of long-term debt	$ -	$ -	$ -	$ -
Accounts payable	3,919,644	-	-	-
Accrued expenses	1,064,497	-	322,407	322,407
Due to other funds	-	-	-	-
Deferred revenue	50,041,289	1,457,512	-	-
Total current liabilities	55,025,430	1,457,512	322,407	322,407
Noncurrent Liabilities				
Long-term debt	-	-	-	-
Net pension liability	3,013,699	-	-	-
OPEB liability	1,625,122	-	-	-
Total noncurrent liabilities	4,638,821	-	-	-
Deferred Inflows of Resources				
Related to pensions	212,521	-	-	-
Related to OPEB	620,979	-	-	-
Total deferred inflows of resources	833,500	-	-	-
Net Position				
Net investment in capital assets	3,085	-	-	-
Unrestricted	(12,406,601)	8,831	30,069,982	3,980,824
Total net position	(12,403,516)	8,831	30,069,982	3,980,824
Total liabilities, deferred inflows of resources, and net position	$ 48,094,235	$ 1,466,343	$ 30,392,389	$ 4,303,231

Zone of Benefit No. 19	2021 Total	2020 Total
$ 22,402,321	$ 95,097,379	$ 88,238,251
-	-	1,532,383
89,283	193,038	195,043
39,951	183,457	297,696
-	-	-
4,084,872	9,939,045	10,203,952
-	-	-
26,616,427	105,412,919	100,467,325
-	4,409,089	4,418,223
-	3,085	6,083
26,616,427	109,825,093	104,891,631
-	816,831	632,875
-	230,701	231,850
$ 26,616,427	$ 110,872,625	$ 105,756,356
$ -	$ -	$ -
-	3,919,644	10,488,399
-	1,709,311	1,190,112
-	-	-
-	51,498,801	48,235,565
-	57,127,756	59,914,076
-	-	-
-	3,013,699	2,782,957
-	1,625,122	1,717,367
-	4,638,821	4,500,324
-	212,521	177,134
-	620,979	747,931
-	833,500	925,065
-	3,085	6,083
26,616,427	48,269,463	40,410,808
26,616,427	48,272,548	40,416,891
$ 26,616,427	$ 110,872,625	$ 105,756,356

KERN COUNTY WATER AGENCY

COMBINING STATEMENT OF NET POSITION - TREATMENT TRANSPORTATION FLOOD CONTROL ACTIVITIES
June 30, 2021

	Cross Valley Canal Operations	Improvement District No. 1	Improvement District No. 3	Improvement District No. 4 Operations
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets				
Cash and investments	$ 8,224,563	$ 291,434	$ (46,169)	$ 5,354,126
Receivables:				
Accounts receivable	47,526	-	-	3,026,633
Taxes receivable	-	678	373	-
Interest receivable	14,096	551	(92)	8,094
Due from other funds	-	-	-	-
Prepaid expenses	-	-	-	1,021,773
Inventories	-	-	-	4,320,843
Total current assets	8,286,185	292,663	(45,888)	13,731,469
Restricted Cash and Investments	-	-	-	271,028
Property and Equipment	106,914,811	590,049	48,227	25,535,388
Total assets	115,200,996	882,712	2,339	39,537,885
Deferred Outflows of Resources				
Related to pensions	1,331,308	-	-	2,346,597
Related to OPEB	254,065	-	-	594,545
Total assets and deferred outflows of resources	$ 116,786,369	$ 882,712	$ 2,339	$ 42,479,027
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Current Liabilities				
Current portion of long-term debt	$ -	$ -	$ -	$ 145,050
Accounts payable	168,699	-	49	1,868,354
Accrued expenses	389,566	-	-	1,919,012
Due to other funds	-	-	-	-
Deferred revenue	7,589,518	-	-	3,892,989
Total current liabilities	8,147,783	-	49	7,825,405
Noncurrent Liabilities				
Long-term debt	-	-	-	1,293,251
Net pension liability	4,738,687	-	-	8,745,074
OPEB liability	2,089,443	-	-	4,294,966
Total noncurrent liabilities	6,828,130	-	-	14,333,291
Deferred Inflows of Resources				
Related to pensions	325,620	-	-	633,374
Related to OPEB	1,004,892	-	-	2,138,539
Total deferred inflows of resources	1,330,512	-	-	2,771,913
Net Position				
Net investment in capital assets	106,914,811	590,049	48,227	24,097,087
Unrestricted	(6,434,867)	292,663	(45,937)	(6,548,669)
Total net position	100,479,944	882,712	2,290	17,548,418
Total liabilities, deferred inflows of resources, and net position	$ 116,786,369	$ 882,712	$ 2,339	$ 42,479,027

Improvement District No. 4 Bonds	Zone of Benefit No. 7	2021 Total	2020 Total
$ 2,521,120	$ 23,784,940	$ 40,130,014	$ 31,628,174
-	-	3,074,159	2,325,550
-	120,049	121,100	85,464
5,620	42,404	70,673	114,577
-	-	-	-
-	4,104,438	5,126,211	5,509,342
-	-	4,320,843	4,492,792
2,526,740	28,051,831	52,843,000	44,155,899
-	-	271,028	2,989,064
127,845,997	-	260,934,472	266,930,264
130,372,737	28,051,831	314,048,500	314,075,227
-	-	3,677,905	2,955,218
-	-	848,610	858,838
$ 130,372,737	$ 28,051,831	$ 318,575,015	$ 317,889,283
$ 4,525,122	$ -	$ 4,670,172	$ 4,941,766
-	-	2,037,102	3,140,179
926,335	2,325,268	5,560,181	6,100,582
-	-	-	-
2,105,444	-	13,587,951	9,785,486
7,556,901	2,325,268	25,855,406	23,968,013
106,512,773	-	107,806,024	112,476,197
-	-	13,483,761	12,577,275
-	-	6,384,409	6,869,469
106,512,773	-	127,674,194	131,922,941
-	-	958,994	819,972
-	-	3,143,431	3,642,170
-	-	4,102,425	4,462,142
16,808,102	-	148,458,276	149,512,301
(505,039)	25,726,563	12,484,714	8,023,886
16,303,063	25,726,563	160,942,990	157,536,187
$ 130,372,737	$ 28,051,831	$ 318,575,015	$ 317,889,283

KERN COUNTY WATER AGENCY

COMBINING STATEMENT OF NET POSITION - GROUNDWATER BANKING ACTIVITIES
June 30, 2021

	Kern Water Bank	Lower Kern River	Pioneer Project	Proposition 204 Loan
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets				
Cash and investments	$ (123,513)	$ 462,936	$ 4,522,062	$ 42,877
Receivables:				
Accounts receivable	67,150	877,366	1,974,961	-
Taxes receivable	-	-	-	-
Interest receivable	279	1,557	8,086	129
Due from other funds	-	-	-	-
Prepaid expenses	-	41,088	-	-
Inventories	-	304,699	-	-
Total current assets	(56,084)	1,687,646	6,505,109	43,006
Restricted Cash and Investments	-	-	-	-
Property and Equipment	-	14,163,616	15,408,344	3,519,120
Total assets	(56,084)	15,851,262	21,913,453	3,562,126
Deferred Outflows of Resources				
Related to pensions	-	-	-	-
Related to OPEB	-	-	-	-
Total assets and deferred outflows of resources	$ (56,084)	$ 15,851,262	$ 21,913,453	$ 3,562,126
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Current Liabilities				
Current portion of long-term debt	$ -	$ -	$ -	$ -
Accounts payable	16,018	10,942	2,052,774	-
Accrued expenses	8,302	206,313	130,307	6,900
Due to other funds	-	-	-	-
Deferred revenue	-	188,631	702,899	33,810
Total current liabilities	24,320	405,886	2,885,980	40,710
Noncurrent Liabilities				
Long-term debt	-	-	-	-
Net pension liability	-	-	-	-
OPEB liability	-	-	-	-
Total noncurrent liabilities	-	-	-	-
Deferred Inflows of Resources				
Related to pensions	-	-	-	-
Related to OPEB	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Net Position				
Net investment in capital assets	-	14,163,616	15,408,344	3,519,120
Unrestricted	(80,404)	1,281,760	3,619,129	2,296
Total net position	(80,404)	15,445,376	19,027,473	3,521,416
Total liabilities, deferred inflows of resources, and net position	$ (56,084)	$ 15,851,262	$ 21,913,453	$ 3,562,126

Entitlement Retention	Joint KCWA/BM Water Banking	Agency Participation in CVC	2021 Total	2020 Total
$ (352,388)	$ 1,015,743	$ 74,929	$ 5,642,646	$ 5,386,270
46,862	583,468	-	3,549,807	3,362,400
-	-	-	-	-
(659)	2,054	29	11,475	26,059
-	156,596	-	156,596	156,596
355,968	-	229,831	626,887	669,427
-	-	-	304,699	304,699
49,783	1,757,861	304,789	10,292,110	9,905,451
-	-	-	-	-
-	3,329,842	-	36,420,922	35,692,997
49,783	5,087,703	304,789	46,713,032	45,598,448
-	-	-	-	-
-	-	-	-	-
$ 49,783	$ 5,087,703	$ 304,789	$ 46,713,032	$ 45,598,448
$ -	$ -	$ -	$ -	$ -
-	379,944	-	2,459,678	1,526,763
275,931	110,545	229,831	968,129	2,840,699
-	44,109	-	44,109	44,109
126,640	46,710	-	1,098,690	925,890
402,571	581,308	229,831	4,570,606	5,337,461
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	3,329,842	-	36,420,922	35,692,997
(352,788)	1,176,553	74,958	5,721,504	4,567,990
(352,788)	4,506,395	74,958	42,142,426	40,260,987
$ 49,783	$ 5,087,703	$ 304,789	$ 46,713,032	$ 45,598,448

KERN COUNTY WATER AGENCY

COMBINING STATEMENT OF NET POSITION - GENERAL AND ADMINISTRATIVE ACTIVITIES
June 30, 2021

	General	Water Management	Western Hills	Section 125
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets				
Cash and investments	$ 29,562,682	$ 22,377,995	$ (407,441)	$ 13,056
Receivables:				
Accounts receivable	-	-	2,989,666	-
Taxes receivable	42,085	-	-	-
Interest receivable	97,668	617	(723)	-
Due from other funds	44,109	-	-	-
Prepaid expenses	180,301	-	350,496	-
Inventories	2,600,902	-	-	-
Total current assets	32,527,747	22,378,612	2,931,998	13,056
Restricted Cash and Investments	-	-	-	-
Property and Equipment	14,403,456	-	-	-
Total assets	46,931,203	22,378,612	2,931,998	13,056
Deferred Outflows of Resources				
Related to pensions	3,120,430	-	-	-
Related to OPEB	477,156	-	-	-
Total assets and deferred outflows of resources	$ 50,528,789	$ 22,378,612	$ 2,931,998	$ 13,056
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Current Liabilities				
Current portion of long-term debt	$ -	$ -	$ -	$ -
Accounts payable	292,231	-	5,248	2,787
Accrued expenses	1,263,504	-	377,178	(15,375)
Due to other funds	156,596	-	-	-
Deferred revenue	-	-	-	-
Total current liabilities	1,712,331	-	382,426	(12,588)
Noncurrent Liabilities				
Long-term debt	-	-	-	-
Net pension liability	11,457,890	-	-	-
OPEB liability	4,411,046	-	-	-
Total noncurrent liabilities	15,868,936	-	-	-
Deferred Inflows of Resources				
Related to pensions	869,602	-	-	-
Related to OPEB	2,580,371	-	-	-
Total deferred inflows of resources	3,449,973	-	-	-
Net Position				
Net investment in capital assets	14,403,456	-	-	-
Unrestricted	15,094,093	22,378,612	2,549,572	25,644
Total net position	29,497,549	22,378,612	2,549,572	25,644
Total liabilities, deferred inflows of resources, and net position	$ 50,528,789	$ 22,378,612	$ 2,931,998	$ 13,056

Kern Fan Monitoring Committee	2021 Total	2020 Total
$ (33,900)	$ 51,512,392	$ 43,177,054
33,775	3,023,441	2,942,945
-	42,085	43,350
(1,103)	96,459	163,046
-	44,109	44,109
-	530,797	983,977
-	2,600,902	2,689,142
(1,228)	57,850,185	50,043,623
-	-	1,312,281
-	14,403,456	14,548,699
(1,228)	72,253,641	65,904,603
-	3,120,430	2,621,119
-	477,156	485,988
$ (1,228)	$ 75,851,227	$ 69,011,710
$ -	$ -	$ -
21	300,287	486,381
-	1,625,307	1,620,379
-	156,596	156,596
-	-	157,658
21	2,082,190	2,421,014
-	-	-
-	11,457,890	10,831,590
-	4,411,046	4,784,095
-	15,868,936	15,615,685
-	869,602	773,550
-	2,580,371	2,924,954
-	3,449,973	3,698,504
-	14,403,456	14,548,699
(1,249)	40,046,672	32,727,808
(1,249)	54,450,128	47,276,507
$ (1,228)	$ 75,851,227	$ 69,011,710

KERN COUNTY WATER AGENCY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - SUMMARY OF ALL ACTIVITIES
Year Ended June 30, 2021

	State Contract Activities	Treatment Transportation Flood Control Activities	Groundwater Banking Activities	General and Administrative Activities
Operating Revenues				
Charges for untreated water	$ 158,548,724	$ -	$ 1,055,388	$ 1,693,125
Charges for treated water	-	9,242,604	-	-
Ground water charges	-	2,496,766	-	-
Charges for operations and maintenance	-	12,841,286	4,904,301	-
Charges for power	-	5,016,459	7,451,859	-
Exchange and conveyance fees	-	627,011	369,247	-
Other user charges	-	1,123,607	434,050	77,962
Refunds and credits	12,925,139	6,896	-	-
Reimbursements	4,047,857	707,282	1,120,549	134,621
	175,521,720	32,061,911	15,335,394	1,905,708
Operating Expenses				
Salaries, wages and benefits	2,423,044	5,230,027	1,122,861	2,446,527
Water purchases	179,894,123	10,343,119	967,275	1,192,380
Exchange and conveyance fees	10,353	128,296	878,898	-
Recharge and recovery fees	-	2,120,300	-	88,240
Power	-	6,716,153	6,419,291	-
Refunds and credits	12,928,032	-	-	-
Operations	66,646	1,204,963	70,893	4,935
Maintenance	1,685	2,300,346	1,050,631	141,470
Other administrative	(7,871)	27,834	9,536	272,575
Insurance	20,345	126,221	17,180	35,227
Telephone and utilities	42,379	72,132	8,943	134,220
Meeting and travel	91	16,082	-	6,294
Association and membership fees	1,592,250	120,850	42,773	25,382
Director fees	86,579	21,288	13,821	12,277
Professional fees	516,922	732,931	189,260	116,311
Capital outlay	-	748,149	3,977	20,406
Depreciation	2,998	8,300,122	1,271,375	264,913
Agency overhead allocation	726,801	1,493,694	626,469	(2,846,964)
Other	138,803	251,181	1,084,704	349,396
	198,443,180	39,953,688	13,777,887	2,263,589
Operating income (loss)	(22,921,460)	(7,891,777)	1,557,507	(357,881)
Non-operating Revenues (Expenses)				
Property taxes:				
General purpose distribution	-	-	-	7,046,292
Voter approved	29,197,927	14,160,902	-	-
Cost sharing income	-	1,673,412	224,659	-
Interest income	688,697	310,709	49,839	476,225
County collection charges	(69,386)	(34,774)	(79)	(71,837)
Interest expense	-	(5,248,271)	(4,325)	(296)
Other	-	437,637	12,945	1,080,855
Transfers to other funds	-	(1,288,670)	(187,029)	(1,191,713)
Transfers from other funds	959,879	1,287,635	227,922	191,976
	30,777,117	11,298,580	323,932	7,531,502
Change in net position	7,855,657	3,406,803	1,881,439	7,173,621
Net position, beginning	40,416,891	157,536,187	40,260,987	47,276,507
Net position, ending	$ 48,272,548	$ 160,942,990	$ 42,142,426	$ 54,450,128

Subtotal	Interfund Eliminations	2021 Total	2020 Total
$ 161,297,237	$ (30,725,205)	$ 130,572,032	$ 122,070,010
9,242,604	(14,061)	9,228,543	8,700,561
2,496,766	-	2,496,766	2,118,499
17,745,587	(2,792,594)	14,952,993	16,600,122
12,468,318	(1,230,919)	11,237,399	8,036,295
996,258	(80,424)	915,834	1,348,424
1,635,619	(68,713)	1,566,906	871,119
12,932,035	-	12,932,035	9,253,490
6,010,309	(666,313)	5,343,996	2,000,072
224,824,733	(35,578,229)	189,246,504	170,998,592
11,222,459	-	11,222,459	11,944,591
192,396,897	(31,371,345)	161,025,552	144,391,851
1,017,547	(589,256)	428,291	427,933
2,208,540	(659,014)	1,549,526	1,107,338
13,135,444	(418,590)	12,716,854	10,891,372
12,928,032	(1)	12,928,031	9,281,004
1,347,437	-	1,347,437	1,428,601
3,494,132	(2,059,211)	1,434,921	1,413,952
302,074	16,373	318,447	256,524
198,973	-	198,973	312,759
257,674	(15,692)	241,982	206,749
22,467	-	22,467	165,726
1,781,255	(7,050)	1,774,205	1,759,835
133,965	-	133,965	103,662
1,555,424	(11,389)	1,544,035	1,154,138
772,532	(25,226)	747,306	363,044
9,839,408	-	9,839,408	9,333,469
-	-	-	-
1,824,084	(1,107,784)	716,300	646,818
254,438,344	(36,248,185)	218,190,159	195,189,366
(29,613,611)	669,956	(28,943,655)	(24,190,774)
7,046,292	-	7,046,292	6,422,955
43,358,829	-	43,358,829	40,717,097
1,898,071	(616,691)	1,281,380	234,463
1,525,470	-	1,525,470	2,917,724
(176,076)	-	(176,076)	(174,113)
(5,252,892)	-	(5,252,892)	(5,473,368)
1,531,437	(53,265)	1,478,172	1,249,436
(2,667,412)	-	(2,667,412)	(1,893,653)
2,667,412	-	2,667,412	1,893,653
49,931,131	(669,956)	49,261,175	45,894,194
20,317,520	-	20,317,520	21,703,420
285,490,572	(489,809)	285,000,763	263,297,343
$ 305,808,092	$ (489,809)	$ 305,318,283	$ 285,000,763

KERN COUNTY WATER AGENCY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - STATE CONTRACT ACTIVITIES
Year Ended June 30, 2021

	State Contract Payment	Westlands Payback	Zone of Benefit No. 17	Zone of Benefit No. 18
Operating Revenues				
Charges for untreated water	$ 158,548,724	$ -	$ -	$ -
Charges for treated water	-	-	-	-
Ground water charges	-	-	-	-
Charges for operations and maintenance	-	-	-	-
Charges for power	-	-	-	-
Exchange and conveyance fees	-	-	-	-
Other user charges	-	-	-	-
Refunds and credits	12,925,139	-	-	-
Reimbursements	4,047,857	-	-	-
	175,521,720	-	-	-
Operating Expenses				
Salaries, wages and benefits	2,423,044	-	-	-
Water purchases	161,025,549	-	9,434,284	1,042,014
Exchange and conveyance fees	10,353	-	-	-
Recharge and recovery fees	-	-	-	-
Power	-	-	-	-
Refunds and credits	12,925,139	2,893	-	-
Operations	66,646	-	-	-
Maintenance	1,685	-	-	-
Other administrative	(7,871)	-	-	-
Insurance	20,345	-	-	-
Telephone and utilities	42,379	-	-	-
Meeting and travel	91	-	-	-
Association and membership fees	1,592,250	-	-	-
Director fees	86,579	-	-	-
Professional fees	516,922	-	-	-
Capital outlay	-	-	-	-
Depreciation	2,998	-	-	-
Agency overhead allocation	726,801	-	-	-
Other	138,803	-	-	-
	179,571,713	2,893	9,434,284	1,042,014
Operating (loss)	(4,049,993)	(2,893)	(9,434,284)	(1,042,014)
Non-operating Revenues (Expenses)				
Property taxes:				
General purpose distribution	-	-	-	-
Voter approved	-	-	14,384,274	1,814,615
Cost sharing income	-	-	-	-
Interest income	300,144	12,474	187,426	25,092
County collection charges	-	-	(34,324)	(4,113)
Interest expense	-	-	-	-
Other	-	-	-	-
Transfers to other funds	-	-	-	-
Transfers from other funds	959,879	-	-	-
	1,260,023	12,474	14,537,376	1,835,594
Change in net position	(2,789,970)	9,581	5,103,092	793,580
Net position, beginning	(9,613,546)	(750)	24,966,890	3,187,244
Net position, ending	$ (12,403,516)	$ 8,831	$ 30,069,982	$ 3,980,824

Zone of Benefit No. 19	2021 Total	2020 Total
$ -	$ 158,548,724	$ 147,354,299
-	-	-
-	-	-
-	-	23
-	-	-
-	-	-
-	-	-
-	12,925,139	9,253,490
-	4,047,857	276,463
-	175,521,720	156,884,275
-	2,423,044	2,760,483
8,392,276	179,894,123	160,718,033
-	10,353	3,319
-	-	-
-	-	-
-	12,928,032	9,281,004
-	66,646	64,928
-	1,685	5,157
-	(7,871)	(2,670)
-	20,345	35,268
-	42,379	39,414
-	91	131,924
-	1,592,250	1,466,128
-	86,579	64,760
-	516,922	565,517
-	-	7,126
-	2,998	2,998
-	726,801	716,549
-	138,803	69,486
8,392,276	198,443,180	175,929,424
(8,392,276)	(22,921,460)	(19,045,149)
-	-	-
12,999,038	29,197,927	27,536,354
-	-	-
163,561	688,697	1,328,579
(30,949)	(69,386)	(65,249)
-	-	-
-	-	9,371
-	-	-
-	959,879	935,765
13,131,650	30,777,117	29,744,820
4,739,374	7,855,657	10,699,671
21,877,053	40,416,891	29,717,220
$ 26,616,427	$ 48,272,548	$ 40,416,891

KERN COUNTY WATER AGENCY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - TREATMENT TRANSPORTATION FLOOD CONTROL ACTIVITIES
Year Ended June 30, 2021

	Cross Valley Canal Operations	Improvement District No. 1	Improvement District No. 3	Improvement District No. 4 Operations
Operating Revenues				
Charges for untreated water	$ -	$ -	$ -	$ -
Charges for treated water	-	-	-	9,242,604
Ground water charges	-	-	-	2,496,766
Charges for operations and maintenance	3,152,135	-	-	1,312,543
Charges for power	920,532	-	-	4,095,927
Exchange and conveyance fees	10,511	-	-	616,500
Other user charges	-	-	-	1,123,607
Refunds and credits	-	-	-	6,896
Reimbursements	32,242	-	505	674,535
	4,115,420	-	505	19,569,378
Operating Expenses				
Salaries, wages and benefits	1,574,665	17,074	23,412	3,614,876
Water purchases	-	-	-	-
Exchange and conveyance fees	-	-	-	128,296
Recharge and recovery fees	-	-	-	2,120,300
Power	926,560	-	-	5,789,593
Refunds and credits	-	-	-	-
Operations	54,757	-	-	1,150,206
Maintenance	191,558	-	-	2,108,788
Other administrative	(10,657)	74	220	38,197
Insurance	46,664	287	364	78,906
Telephone and utilities	34,444	47	827	36,814
Meeting and travel	179	-	339	15,564
Association and membership fees	11,560	-	-	109,290
Director fees	8,622	-	-	12,666
Professional fees	98,402	2,970	4,504	621,005
Capital outlay	62,594	-	-	685,555
Depreciation	3,527,283	19,533	-	976,768
Agency overhead allocation	478,733	23,555	24,452	966,954
Other	67,302	-	70	177,868
	7,072,666	63,540	54,188	18,631,646
Operating income (loss)	(2,957,246)	(63,540)	(53,683)	937,732
Non-operating Revenues (Expenses)				
Property taxes:				
General purpose distribution	-	-	-	-
Voter approved	-	116,663	17,010	-
Cost sharing income	1,673,412	-	-	-
Interest income	48,021	2,183	(302)	47,165
County collection charges	-	(1,220)	(115)	-
Interest expense	-	-	-	(36,753)
Other	-	-	-	52,514
Transfers to other funds	-	(1,035)	-	(1,287,635)
Transfers from other funds	-	-	-	-
	1,721,433	116,591	16,593	(1,224,709)
Change in net position	(1,235,813)	53,051	(37,090)	(286,977)
Net position, beginning	101,715,757	829,661	39,380	17,835,395
Net position, ending	$ 100,479,944	$ 882,712	$ 2,290	$ 17,548,418

Improvement District No. 4 Bonds	Zone of Benefit No. 7	2021 Total	2020 Total
$ -	$ -	$ -	$ -
-	-	9,242,604	8,713,780
-	-	2,496,766	2,118,499
8,376,608	-	12,841,286	15,511,728
-	-	5,016,459	7,672,013
-	-	627,011	355,310
-	-	1,123,607	512,093
-	-	6,896	-
-	-	707,282	88,301
8,376,608	-	32,061,911	34,971,724
-	-	5,230,027	5,930,416
-	10,343,119	10,343,119	9,719,363
-	-	128,296	382,675
-	-	2,120,300	866,588
-	-	6,716,153	9,169,080
-	-	-	-
-	-	1,204,963	1,300,524
-	-	2,300,346	2,264,948
-	-	27,834	56,724
-	-	126,221	184,689
-	-	72,132	57,311
-	-	16,082	17,654
-	-	120,850	204,704
-	-	21,288	14,984
6,050	-	732,931	272,232
-	-	748,149	379,535
3,776,538	-	8,300,122	7,928,233
-	-	1,493,694	1,657,613
5,941	-	251,181	220,126
3,788,529	10,343,119	39,953,688	40,627,399
4,588,079	(10,343,119)	(7,891,777)	(5,655,675)
-	-	-	-
-	14,027,229	14,160,902	13,180,743
-	-	1,673,412	234,463
45,043	168,599	310,709	597,063
-	(33,439)	(34,774)	(31,841)
(5,211,518)	-	(5,248,271)	(5,442,001)
385,123	-	437,637	406,740
-	-	(1,288,670)	(1,287,350)
1,287,635	-	1,287,635	1,286,315
(3,493,717)	14,162,389	11,298,580	8,944,132
1,094,362	3,819,270	3,406,803	3,288,457
15,208,701	21,907,293	157,536,187	154,247,730
$ 16,303,063	$ 25,726,563	$ 160,942,990	$ 157,536,187

KERN COUNTY WATER AGENCY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - GROUNDWATER BANKING ACTIVITIES

Year Ended June 30, 2021

	Kern Water Bank	Lower Kern River	Pioneer Project	Proposition 204 Loan
Operating Revenues				
Charges for untreated water	$ -	$ -	$ -	$ -
Charges for treated water	-	-	-	-
Ground water charges	-	-	-	-
Charges for operations and maintenance	-	-	3,208,628	(3,400)
Charges for power	-	931,593	5,596,707	-
Exchange and conveyance fees	-	-	322,218	-
Other user charges	-	-	395,032	-
Refunds and credits	-	-	-	-
Reimbursements	519,342	590,408	10,799	-
	519,342	1,522,001	9,533,384	(3,400)
Operating Expenses				
Salaries, wages and benefits	278,338	117,855	615,115	-
Water purchases	-	-	-	-
Exchange and conveyance fees	31,476	587,521	213,125	-
Recharge and recovery fees	-	-	-	-
Power	4,350	-	5,510,080	-
Refunds and credits	-	-	-	-
Operations	14,364	-	49,804	-
Maintenance	12,930	-	168,874	-
Other administrative	822	-	7,396	-
Insurance	658	369	12,610	-
Telephone and utilities	2,508	66	5,662	-
Meeting and travel	-	-	-	-
Association and membership fees	152	342	39,633	-
Director fees	147	7,448	6,226	-
Professional fees	3,030	85,818	78,910	-
Capital outlay	-	-	3,977	-
Depreciation	-	-	1,046,805	101,285
Agency overhead allocation	85,578	46,937	406,335	-
Other	4,885	455,649	5,902	-
	439,238	1,302,005	8,170,454	101,285
Operating income (loss)	80,104	219,996	1,362,930	(104,685)
Non-operating Revenues (Expenses)				
Property taxes:				
General purpose distribution	-	-	-	-
Voter approved	-	-	-	-
Cost sharing income	-	-	224,659	-
Interest income	-	8,953	32,045	(307)
County collection charges	-	(79)	-	-
Interest expense	(1,389)	-	-	-
Other	300	7,238	4,929	-
Transfers to other funds	(11,398)	(144,783)	(23,995)	-
Transfers from other funds	-	227,922	-	-
	(12,487)	99,251	237,638	(307)
Change in net position	67,617	319,247	1,600,568	(104,992)
Net position, beginning	(148,021)	15,126,129	17,426,905	3,626,408
Net position, ending	$ (80,404)	$ 15,445,376	$ 19,027,473	$ 3,521,416

	Entitlement Retention		Joint KCWA/BM Water Banking		Agency Participation in CVC		2021 Total		2020 Total
$	1,055,388	$	-	$	-	$	1,055,388	$	1,365,743
	-		-		-		-		-
	-		-		-		-		-
	-		390,765		1,308,308		4,904,301		3,689,503
	-		880,960		42,599		7,451,859		4,494,083
	-		47,029		-		369,247		1,400,532
	-		39,018		-		434,050		306,407
	-		-		-		-		-
	-		-		-		1,120,549		1,828,778
	1,055,388		1,357,772		1,350,907		15,335,394		13,085,046
	3,482		108,071		-		1,122,861		1,006,828
	967,275		-		-		967,275		2,671,332
	-		46,776		-		878,898		710,679
	-		-		-		-		194,190
	-		893,375		11,486		6,419,291		5,505,291
	-		-		-		-		-
	-		6,725		-		70,893		56,677
	-		19,867		848,960		1,050,631		1,115,037
	-		1,318		-		9,536		12,760
	85		3,458		-		17,180		26,355
	-		707		-		8,943		4,786
	-		-		-		-		477
	237		1,836		573		42,773		63,222
	-		-		-		13,821		9,685
	1,033		20,469		-		189,260		171,012
	-		-		-		3,977		4,347
	-		123,285		-		1,271,375		1,138,413
	8,403		73,530		5,686		626,469		562,791
	-		1,577		616,691		1,084,704		731,031
	980,515		1,300,994		1,483,396		13,777,887		13,984,913
	74,873		56,778		(132,489)		1,557,507		(899,867)
	-		-		-		-		-
	-		-		-		-		-
	-		-		-		224,659		-
	-		9,006		142		49,839		145,947
	-		-		-		(79)		(35)
	(2,936)		-		-		(4,325)		(30,767)
	-		478		-		12,945		37,522
	(481)		(6,372)		-		(187,029)		(181,152)
	-		-		-		227,922		-
	(3,417)		3,112		142		323,932		(28,485)
	71,456		59,890		(132,347)		1,881,439		(928,352)
	(424,244)		4,446,505		207,305		40,260,987		41,189,339
$	(352,788)	$	4,506,395	$	74,958	$	42,142,426	$	40,260,987

KERN COUNTY WATER AGENCY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - GENERAL AND ADMINISTRATIVE ACTIVITIES
Year Ended June 30, 2021

	General	Water Management	Western Hills	Section 125
Operating Revenues				
Charges for untreated water	$ -	$ -	$ 1,693,125	$ -
Charges for treated water	-	-	-	-
Ground water charges	-	-	-	-
Charges for operations and maintenance	-	-	-	-
Charges for power	-	-	-	-
Exchange and conveyance fees	-	-	-	-
Other user charges	-	-	-	-
Refunds and credits	-	-	-	-
Reimbursements	134,621	-	-	-
	134,621	-	1,693,125	-
Operating Expenses				
Salaries and wages	2,381,776	-	18,945	138
Water purchases	-	-	1,192,380	-
Exchange and conveyance fees	-	-	-	-
Recharge and recovery fees	88,240	-	-	-
Power	-	-	-	-
Refunds and credits	-	-	-	-
Operations	3,537	-	-	-
Maintenance	141,381	-	-	-
Other administrative	272,199	-	15	-
Insurance	34,636	-	103	-
Telephone and utilities	133,853	-	5	-
Meeting and travel	6,294	-	-	-
Association and membership fees	25,020	-	322	-
Director fees	11,316	-	961	-
Professional fees	95,817	-	20,494	-
Capital outlay	20,406	-	-	-
Depreciation	264,913	-	-	-
Agency overhead allocation	(2,898,556)	1,030	19,035	-
Other	54,571	-	294,178	-
	635,403	1,030	1,546,438	138
Operating income (loss)	(500,782)	(1,030)	146,687	(138)
Non-operating Revenues (Expenses)				
Property taxes:				
General purpose distribution	7,046,292	-	-	-
Voter approved	-	-	-	-
Cost sharing income	-	-	-	-
Interest income	278,965	194,605	2,655	-
County collection charges	(71,837)	-	-	-
Interest expense	-	-	-	-
Other	53,336	1,027,519	-	-
Transfers to other funds	-	(1,187,801)	(631)	-
Transfers from other funds	49,291	142,685	-	-
	7,356,047	177,008	2,024	-
Change in net position	6,855,265	175,978	148,711	(138)
Net position, beginning	22,642,284	22,202,634	2,400,861	25,782
Net position, ending	$ 29,497,549	$ 22,378,612	$ 2,549,572	$ 25,644

Kern Fan Monitoring Committee	2021 Total	2020 Total
$ -	$ 1,693,125	$ 3,253,861
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
77,962	77,962	86,644
-	-	-
-	134,621	8,647
77,962	1,905,708	3,349,152
45,668	2,446,527	2,246,864
-	1,192,380	1,187,016
-	-	-
-	88,240	165,191
-	-	-
-	-	-
1,398	4,935	6,922
89	141,470	177,765
361	272,575	189,710
488	35,227	66,447
362	134,220	120,250
-	6,294	15,671
40	25,382	25,781
-	12,277	14,233
-	116,311	156,594
-	20,406	12,235
-	264,913	263,825
31,527	(2,846,964)	(2,936,954)
647	349,396	227,685
80,580	2,263,589	1,939,235
(2,618)	(357,881)	1,409,917
-	7,046,292	6,422,955
-	-	-
-	-	-
-	476,225	846,135
-	(71,837)	(76,988)
(296)	(296)	(600)
-	1,080,855	795,803
(3,281)	(1,191,713)	(939,677)
-	191,976	186,099
(3,577)	7,531,502	7,233,727
(6,195)	7,173,621	8,643,644
4,946	47,276,507	38,632,863
$ (1,249)	$ 54,450,128	$ 47,276,507

DANIELLS PHILLIPS
VAUGHAN & BOCK
CPAs and Advisors

An independently owned member RSM US Alliance

Member of AICPA Division for Firms
Private Companies Practice Section

NANCY C. BELTON

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

Board of Directors
Kern County Water Agency
Bakersfield, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **Kern County Water Agency**, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which comprise **Kern County Water Agency**'s financial statements, and have issued our report thereon dated February 21, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Kern County Water Agency**'s 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 statements, but not for the purpose of expressing an opinion on the effectiveness of **Kern County Water Agency**'s internal control. Accordingly, we do not express an opinion on the effectiveness of **Kern County Water Agency**'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

300 New Stine Road – Bakersfield, CA 93309 – Tel. 661.834.7411 – Fax.661.834.4389 – www. dpvb.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Kern County Water Agency**'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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.

Daniells Phillips Vaughan & Bock

Bakersfield, California
February 21, 2021

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Annual Comprehensive Financial Report
For the Fiscal Years Ended June 30, 2021 and 2020

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Annual Comprehensive Financial Report

For the Fiscal Years Ended June 30, 2021 and 2020

Prepared by:

Office of the Chief Financial Officer

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Annual Comprehensive Financial Report
For the Fiscal Years Ended June 30, 2021 and 2020

TABLE OF CONTENTS

TABLE OF CONTENTS
(Continued)

STATISTICAL SECTION (Unaudited)

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Executive Office

December 15, 2021

To the Board of Directors of
The Metropolitan Water District of Southern California:

We are pleased to present the Annual Comprehensive Financial Report for The Metropolitan Water District of Southern California (Metropolitan) for the fiscal years ended June 30, 2021 and 2020.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the basic financial statements are free of any material misstatements.

KPMG LLP, an independent public accounting firm, has issued an unmodified opinion on Metropolitan's basic financial statements for the fiscal years ended June 30, 2021 and 2020. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of Metropolitan

Metropolitan is a public agency and a quasi-municipal corporation, which was created by an act of the state Legislature in 1928. Metropolitan's primary purpose is to provide a supplemental supply of water for domestic and municipal uses and purposes at wholesale rates to its member public agencies. Most member agencies have other sources of water. Metropolitan is comprised of 26 member agencies consisting of 14 cities, 11 municipal water districts, and one county water authority, which collectively provide services in more than 300 cities and numerous unincorporated communities. Its service area spans some 5,200 square miles, and includes all or portions of the six counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura.

Metropolitan has historically provided between 40 and 60 percent of the water used by nearly 19 million Southern Californians who reside within its service area. Metropolitan imports water from two principal sources, Northern California, via the Edmund G. Brown California Aqueduct of the State Water Project owned by the State of California, and the Colorado River, via the Colorado River Aqueduct (CRA) owned by Metropolitan.

Metropolitan is governed by a 38-member Board of Directors (Board), with each member agency having at least one representative on the Board. Representation and voting rights are based upon the assessed valuation of real property within the jurisdictional boundary of each member agency. The Board elects the Chair and Secretary, and the Vice Chairs are appointed by the Chair.

Metropolitan's biennial budget for fiscal year 2021-22 included 1,907 regular full time positions with approximately 1,804 positions filled at fiscal year ended June 30, 2021, and the remaining positions under recruitment or vacant. Employees are represented by the American Federation of State, County and Municipal Employees, Locals 1001 and 1902, the Association of Confidential Employees, and the Supervisors Association of Metropolitan. Metropolitan is an equal opportunity employer and encourages diversity in contracting and in the workforces of Metropolitan contractors.

Financial Policies and Highlights

Metropolitan has a comprehensive set of financial policies. These policies set forth guidelines to maintain control and accountability over revenue and expenses, maintain a reasonable balance between debt and assets in providing funding for capital assets, and ensure proper appropriation of reserves and restricted funds.

Rate Stabilization

Metropolitan’s reserve policy provides for minimum reserve requirement and target amount of unrestricted reserves at June 30 of each year. The minimum reserve requirement at June 30 of each year is equal to the portion of fixed costs estimated to be recovered by water revenues for the 18 months beginning with the immediately succeeding July. Funds representing the minimum reserve requirement are held in the Revenue Remainder Fund. Any funds in excess of the minimum reserve requirement are held in the Water Rate Stabilization Fund. The target amount of unrestricted reserves is equal to the portion of the fixed costs estimated to be recovered by water revenues during the two years immediately following the 18-month period used to calculate the minimum reserve requirement. If the fixed charge coverage ratio is less than 1.2, funds in excess of the target amount are to be utilized for capital expenditures in lieu of the issuance of additional debt, or for the redemption, defeasance or purchase of outstanding bonds or commercial paper as determined by the Board. Provided that the fixed charge coverage ratio is at or above 1.2, amounts in excess of the target may be expended for any lawful purpose of Metropolitan, as determined by the Board.

Investment

Annually, the Board adopts an investment policy that is in compliance with the California Government Code, Sections 53600 et seq. The investment of idle funds is delegated by the Board to Metropolitan's Treasurer who assumes full responsibility for the transactions of the investment program, which includes the investment of bond proceeds and debt service reserves. Metropolitan's investments are in compliance with the adopted investment policy. Refer to Note 3 in the Notes to the Basic Financial Statements for detailed investment information.

Ad Valorem Tax

In addition to water revenues, Metropolitan is expressly empowered under the Metropolitan Water District Act to levy and collect taxes on all taxable property within its boundaries for the purpose of carrying on its operations and paying its obligations. As a result of legislation enacted in 1984, tax levies beginning in fiscal year 1990-91, other than annexation taxes, are limited to the amount needed to pay debt service on Metropolitan's general obligation bonds and Metropolitan's proportionate share of state general obligation bond debt service under the State Water Contract. However, under the terms of the 1984 legislation, the Board may, following a public hearing, suspend this particular restriction upon a finding that doing so is essential to Metropolitan's fiscal integrity. The Board made such a finding for fiscal years ended June 30, 2014 through 2021, and maintained the tax rate for those fiscal years at the rate levied during fiscal year ended June 30, 2013 to pay a portion of State Water Contract costs other than debt service.

Budget and Rates

Metropolitan's budget system incorporates features of program budgeting, management by objectives, and performance reporting, which provides for funding, analysis, review, and control. Operating budgets are prepared by each group and department biennially. Each program and its required resources are reviewed by management and, upon acceptance, are incorporated into the overall budget for approval by the Board. Costs are maintained by project and activity, and expenditures are controlled by Board-approved appropriations.

The adopted biennial budget for fiscal years 2020-21 and 2021-22 meets the fixed charge coverage target, makes progress towards meeting the revenue bond coverage target, provides increased funding from revenues for the Capital Investment Plan, and promotes the long-term fiscal sustainability goals of Metropolitan. The total budgets for fiscal years 2020-21 and 2021-22 were $2.04 billion and $2.15 billion, respectively. The adopted biennial budget includes an overall water rates and charges increase of 3.0% effective January 1, 2021 and an additional 4.0% on January 1, 2022.

Each month, variances between budget estimates and actual receipts and expenditures are identified and evaluated. This review is performed as one of several control measures to assure progress in meeting Metropolitan's goals and program objectives.

Metropolitan's budgetary accounting method is done on a modified accrual basis. The modified accrual basis of accounting that Metropolitan uses varies from the accrual basis of accounting in the following respects: depreciation and amortization are not recorded and payments of debt service are recorded when due and payable. Under the modified accrual basis of accounting, revenues are recognized in the fiscal year in which they are earned and available and certain expenses are recognized when incurred.

Metropolitan's Economic Condition

Local Economy

Metropolitan's service area has an economic base that is diversified and well-positioned to participate in U.S. and world economic growth over the next ten years. In 2020, the economy of Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura counties (the "Six County Area") was larger than all but twelve nations of the world, ranking between the Russian Federation and Brazil with an estimated gross domestic product ("GDP") of $1.499 trillion. In 2020, the major sectors of the economy providing employment in the Six County Area were education and health services, professional and business services, which include architecture, design, computer, research and development, advertising, legal, accounting, and internet-related and management services; government, leisure and hospitality, retail trade and manufacturing. Educational and health services, professional and business services and transportation, warehousing and utilities have shown the largest job growth since 2010. The Six County Area has an above-average share of three additional fast-growing sectors—Wholesale Trade and Transportation, tied to the area's projected growth in foreign trade; Information, which includes motion pictures; and the tourism component of Leisure and Hospitality, tied to growth in disposable income in the U.S. and worldwide. International trade has been a leading growth sector in the Six County Area economy with Los Angeles and Long Beach ports being the nation's leading port complex in terms of trade volumes reaching record levels in 2020.

The Six County Area had an employed labor force of approximately 8.8 million through December 2020, the most recent date that employment data is available. The Six County Area had 22.2 million residents in 2020, approximately 56 percent of the State's population. High housing prices and large job losses have contributed to slowing population growth since 2005, yet the population grew by approximately 1.7 million residents between 2000 and 2010 and another 1.2 million between 2010 and 2020. In 2020 population growth was negative for the Six County Area as the number of people leaving the region outpaced the number of people moving to the region.

Long-term Financial Planning

Metropolitan currently has several major construction projects underway. These projects primarily involve infrastructure and system reliability, either as upgrades to existing capital assets or replacements and refurbishments of existing facilities, to ensure reliability as well as enhance operational efficiency and flexibility, and comply with water quality regulations. As set forth in the adopted biennial budget for fiscal years 2020-21 and 2021-22, Metropolitan's capital investment plan for the fiscal years ending June 30, 2021 through 2025 totals approximately $1.4 billion.

Metropolitan's capital investment plan is regularly reviewed and updated. Implementation and construction of specific elements of the program are subject to Board approval, and the amount and timing of borrowings will depend upon, among other factors, status of construction activity and water demands within Metropolitan's service area. Major projects in the capital investment plan are highlighted below.

Funding of the capital investment plan is accomplished with external and internal resources. The Board has adopted an internal funding objective to fund 55 to 60 percent of capital program expenditures. The amount of internal funding is determined by the Board as part of the biennial budget process. The remainder of capital program expenditures is funded primarily through the issuance of water revenue bonds payable from net operating revenues. Additional information on Metropolitan's capital investment plan can be found in Note 9f of the Notes to the Basic Financial Statements.

Highlights of the Capital Investment Plan

Colorado River Aqueduct Facilities. Deliveries through the CRA began in 1941. Through annual inspections and maintenance activities, the performance and reliability of the various components of the CRA are regularly evaluated. Projects under the CRA facilities program are designed to replace or refurbish facilities and components on the CRA system in order to reliably convey water from the Colorado River to Southern California. A variety of projects have been completed over the past 10 years, including, among other things, replacement of high voltage circuit breakers and transformers at the five pumping plant switchyards, refurbishment of operators and power centers on the head gates downstream of the pumping plants, replacement of several miles of deteriorated concrete canal liner, new wastewater systems at the Hinds and Eagle Mountain Pumping Plants, replacement of the sand trap facilities upstream of the Hinds, Eagle Mountain, and Iron Mountain pumping plants, and replacement of the outlet gates and appurtenant electrical, mechanical, and control systems at the Copper Basin Reservoir. Projects currently underway to refurbish or replace electrical and mechanical system components at each of the five pumping plants includes power cables, uninterruptible power supply systems, and sump systems. Additionally, many of the mechanical and electrical components, including the nine main pumps and motors at each of the five pumping plants will be evaluated and replaced or refurbished over the next several years. To facilitate efficient execution of the pump and motor replacement or refurbishment, new isolation coupling assemblies have been installed at each of the pump discharge pipelines at all five pumping plants during the February 2021 CRA shutdown.

Distribution System - Prestressed Concrete Cylinder Pipe. Metropolitan's distribution system is comprised of approximately 830 miles of pipelines ranging in diameter from 30 inches to over 200 inches. 163 miles of the distribution system is made up of prestressed concrete cylinder pipe (PCCP). In response to PCCP failures experienced by several water agencies, Metropolitan initiated the PCCP Assessment Program in December 1996 to evaluate the condition of Metropolitan's PCCP lines and investigate inspection and refurbishment methods. As a result, Metropolitan has identified and made improvements to several sections of PCCP. The costs for these improvements through February 2021 were $100.7 million. Rather than continue to make spot repairs to pipe segments, Metropolitan has initiated a long-term capital program to rehabilitate approximately 100 miles of PCCP in five pipelines by relining with a welded steel liner. The first three major contracts to reline approximately 10.9 miles of PCCP on the Second Lower Feeder were completed by fiscal year end June 30, 2021. Subsequent contracts are planned to be awarded annually depending on shutdown scheduling.

Distribution System Refurbishments and Improvements. In addition to the long-term program to rehabilitate Metropolitan's PCCP lines, several other components of the distribution system are being refurbished and/or improved. Major projects completed to date include the $70 million replacement of the outlet facilities at Lake Mathews, the first two phases of the Orange County Feeder and Etiwanda Pipeline relining projects and various other facility refurbishment and replacement projects ranging in cost from approximately $0.5 million to over $10.0 million. Ongoing projects to ensure the reliability of the distribution system, primarily due to age, include multiple replacements or refurbishments of isolation and control valves and gates, lining replacement of remaining portions of the Etiwanda Pipeline and Orange County Feeder, refurbishment to pressure control and hydroelectric power facilities, system improvements to provide drought relief, replacement of finished water reservoir covers and liners, upgrading dam monitoring systems, and various other upgrades.

System Reliability. System Reliability projects are implemented at facilities throughout Metropolitan's system to utilize new processes or technologies, to improve safety, or to increase overall reliability. Significant projects in this category include seismic strengthening of Metropolitan's headquarters building, construction or improvement of operations support facilities such as the La Verne machine and fabrication shops, security system enhancements, and information technology infrastructure projects.

F.E. Weymouth Treatment Plant Improvements. The F.E. Weymouth Treatment Plant, built in 1938, is Metropolitan's oldest water treatment facility. It has been subsequently expanded several times since its original construction. Metropolitan has completed several upgrades and refurbishment/replacement projects to maintain the plant's reliability and improve its efficiency. These include power systems upgrades, a residual solids dewatering facility, refurbishment/ replacement of the mechanical equipment in two of the eight flocculation and settling basins, a new plant maintenance facility, new chemical feed systems and storage tanks, replacement of the plant domestic/fire water system, seismic upgrades to the plant inlet structure and filter buildings, upgrades to the plants filters, and a new chlorine handling and containment facility. Significant projects over the next several years include refurbishment of four of the plant's settling basins and strengthening inlet channels to the basins, seismic retrofits to the administration building, and replacement of the valves used to control filter operation.

Robert B. Diemer Treatment Plant Improvements. The Robert B. Diemer Treatment Plant, built in 1963 and subsequently expanded in 1968, is Metropolitan's second oldest water treatment facility. Several upgrades and refurbishment/replacement projects have been completed at the Diemer plant, including power system upgrades, a new residual solids dewatering facility, new vehicle and plant maintenance facilities, new chemical feed systems and storage tanks, a new chlorine handling and containment facility, construction of a roller-compacted concrete slope stabilization system, a new secondary access road, and upgrades to half of the plant's settling basins and filter valves. Significant projects over the next several years include the completion of refurbishment of the plant's settling basins and replacement of the valves used to control filter operation, and seismic retrofits to the filter buildings.

Major Initiatives

Metropolitan faces a number of challenges in providing adequate, reliable, and high-quality supplemental water supplies for Southern California. These challenges include population growth in Metropolitan's service area, increased competition for low-cost water supplies, variable weather conditions, increased environmental regulations, and climate change. Metropolitan's resources and strategies for meeting these long-term challenges are identified in its Integrated Water Resources Plan (IRP).

The Board-adopted IRP was developed by Metropolitan, its member agencies, sub-agencies, and groundwater basin managers with the purpose of balancing local and imported water resources to meet the water supply reliability and water quality needs for the service area in a cost-effective and environmentally sound manner. On January 12, 2016, the IRP was updated (2015 IRP Update) enabling Metropolitan and its member agencies to manage future challenges and changes in California's water conditions and to balance investments with water reliability benefits. The 2015 IRP Update seeks to provide regional reliability by stabilizing Metropolitan's traditional imported water supplies and continuing to develop additional conservation programs and local resources. It also advances long-term planning for potential future contingency resources, such as storm water capture and seawater desalination. In February 2020 Metropolitan began the process of updating the IRP which will be referred to as the 2020 IRP update which is still in development and likely to be finalized in fiscal year 2022.

Since 2010, Metropolitan has been evaluating the potential and feasibility of implementing a regional recycled water program (the RRWP). Chronic drought conditions have resulted in significant reductions in local surface supplies and groundwater production and have increased the need for recharge supplies to groundwater and surface water reservoirs to improve their sustainable yields and operating integrity. In 2015, Metropolitan executed an agreement with the Sanitation Districts of Los Angeles County (LACSD) to implement a demonstration project and to establish a framework of terms and conditions of the RRWP. The objectives of the RRWP are to enable the potential reuse of up to 150 million gallons per day (mgd) of treated effluent from LACSD's Joint Water Pollution Control Plant. Purified water from a new advanced treatment facility could be delivered through pipelines to the region's groundwater basins, industrial facilities, and two of Metropolitan's treatment plants. Construction of a 0.5-mgd advanced water treatment demonstration plant was approved in 2017 and was completed in September 2019. Testing and operation of the plant began in October 2019 to confirm treatment costs and provide the basis for regulatory approval of the proposed treatment process. The initial phase of testing is scheduled for completion in 2021 with future testing phases planned that will form the basis for the design, operation, and optimization of, and will inform Metropolitan's Board decision whether to move forward with, a full-scale advanced water treatment facility. Finally, the RRWP will have the flexibility to be expanded in the future to implement Direct Potable Reuse (DPR) through raw water augmentation at two of Metropolitan's treatment plants. The State Water Resources Control Board Division of Drinking Water is in the process of developing regulations for DPR in California, with the current anticipated date for promulgation by the end of 2023. The fiscal year 2020-21 and 2021-22 biennial budget includes $30 million for the preparation of a programmatic environment impact report for the RRWP. Metropolitan's financial projections through fiscal year ending June 30, 2024 do not include any future capital costs associated with a potential full-scale RRWP. On November 10, 2020, Metropolitan's Board voted to begin environmental planning work on the RRWP. In December 2020, Metropolitan and SNWA executed a funding agreement under which Southern Nevada Water Authority (SNWA) will contribute up to $6.0 million for the environmental planning costs for the RRWP. In the event either SNWA or Metropolitan decides not to proceed or participate in the RRWP in the future, SNWA's financial contribution to the RRWP's environmental planning would be returned by Metropolitan.

The Sites Reservoir is a proposed reservoir project of approximately 1.3 million to 1.5 million acre-feet, being analyzed by the Sites Reservoir Authority, to be located in Colusa County. The water stored in the proposed project would be diverted from the Sacramento River. As currently proposed, the Sites Reservoir project would have dedicated water storage and yield that would be used for fishery enhancement, water quality, and other environmental purposes. The proposed project could also provide additional water supply that could be used for dry-year benefits. Metropolitan is a member of the Sites Reservoir Committee, a group of 30 agencies that are participating in certain planning activities in connection with the proposed development of the project, including the development of environmental planning documents, a federal feasibility report and project permitting. In October 2020, Metropolitan's Board approved $5.0 million in funding for Metropolitan's continued participation in such planning activities through the end of 2021. Metropolitan's agreement to participate in funding of this phase of project development activities does not commit Metropolitan to participate in any actual reservoir project that may be undertaken in the future.

On July 10, 2018, Metropolitan's Board approved the funding of up to 64.6 percent, approximately $10.8 billion (in 2017 dollars) of the overall capital cost of the California WaterFix (CWF), a project designed as an improvement to the State Water Project by updating the aging infrastructure of Southern California's water delivery system to improve reliability of water supply. Metropolitan's funding commitment was intended to support the full two tunnel project. However, on February 12, 2019, on his State of the State address, Governor Gavin Newsom announced the shift from a twin tunnel CWF project to a single tunnel project now referred to as the Delta Conveyance Project. Subsequently, 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. Following the Governor's executive order, on May 2, 2019, the Department of Water Resources (DWR) withdrew the approval for the CWF project, decertified the Environmental Impact Report (EIR), and rescinded various permitting applications including those submitted to the State Water Resources Control Board, U.S. Army Corps of Engineers, and State and federal Endangered Species Acts permits. In light of the executive order, DWR launched a new environmental review and planning process and released a Notice of Preparation of an EIR on January 15, 2020, for the single-tunnel Delta Conveyance Project. The DWR is continuing to develop the draft EIR under the California Environmental Quality Act. A range of reasonable alternatives to consider and analyze in the EIR has been identified and current efforts are focused on analyzing the alternatives' potential impacts on environmental resources. On December 8, 2020, the Board voted unanimously to fund its share of the environmental planning and pre-construction costs of the Delta Conveyance Project which is estimated at 47.2 percent or $160.8 million for calendar year 2021 through 2024.

Metropolitan will continue to add storage and conservation resources to its diverse water supply portfolio as well as focus on water quality improvements. In addition, Metropolitan will work to stabilize its traditional imported water supplies. Commitment of the resources to achieve these goals will enable Metropolitan to meet its member agencies' and the region's water reliability and quality needs in a fiscally responsible manner.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Metropolitan for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2020. This was the twenty-fifth consecutive year that Metropolitan has received this prestigious award. In order to be awarded a Certificate of Achievement, Metropolitan published an easily readable and efficiently organized ACFR. This report satisfies both Generally Accepted Accounting Principles and applicable legal requirements.

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

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Office of the Assistant General Manager/Chief Financial Officer. I would like to express my appreciation to all staff that assisted and contributed to the preparation of this report. Credit must also be given to the General Manager and the Board for their unfailing support for maintaining the highest standards of professionalism in the management of Metropolitan's finances. Any questions regarding the content of this report may be directed to the Controller, Bernadette Robertson at (213) 217-7547.

Respectfully,

Katano Kasaine

Katano Kasaine
Assistant General Manager/Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Metropolitan Water District of Southern California

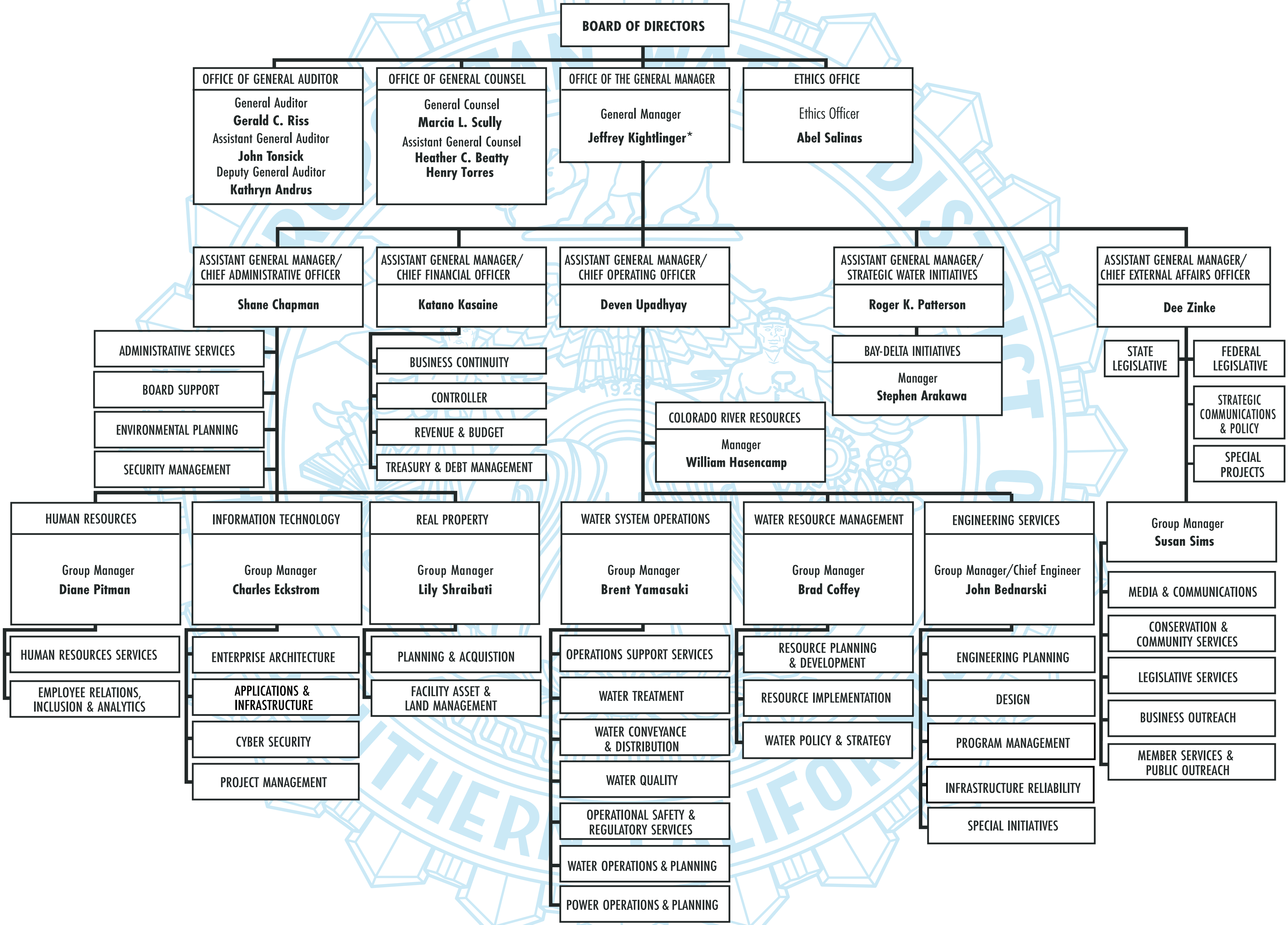
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA



*Adel Hagekhalil replaced Jeffrey Kightlinger as General Manager on July 6, 2021.

Updated as of June 30, 2021

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Financial Section

KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

Independent Auditors' Report

The Board of Directors
Metropolitan Water District of Southern California:

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the Metropolitan Water District of Southern California (Metropolitan), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements for the years then ended as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type and fiduciary activities of Metropolitan, as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3-20 and the pension and other postemployment benefits supplementary information on pages 104-108 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Metropolitan's basic financial statements. The accompanying supplemental information on pages 110-119 and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information and the introductory and statistical sections have 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 October 18, 2021 on our consideration of Metropolitan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Metropolitan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Metropolitan's internal control over financial reporting and compliance.

KPMG LLP

Los Angeles, California
October 18, 2021

The following discussion and analysis of The Metropolitan Water District of Southern California's (Metropolitan) financial performance provides an overview of the financial activities for the fiscal years ended June 30, 2021 and 2020. This discussion and analysis should be read in conjunction with the basic financial statements and accompanying notes, which follow this section.

DESCRIPTION OF BASIC FINANCIAL STATEMENTS

Metropolitan operates as a utility enterprise and maintains its accounting records in accordance with United States generally accepted accounting principles (U.S. GAAP) for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The basic financial statements include statements of net position, statements of revenues, expenses and changes in net position, statements of cash flows, statements of fiduciary net position and statements of changes in fiduciary net position. The statements of net position include all of Metropolitan's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position, some of which is restricted in accordance with bond covenants or other commitments. The statements of revenues, expenses and changes in net position report all of Metropolitan's revenues and expenses during the periods indicated. The statements of cash flows show the amount of cash received and paid out for operating activities, as well as cash received from taxes and investment income, and cash used for construction projects, State Water Project (SWP) costs and principal and interest payments on borrowed money. Certain amounts reported in fiscal year 2020 have been reclassified to conform to the fiscal year 2021 presentation. Such reclassification had no effect on the previously reported change in net position.

During the fiscal year ended June 30, 2021, Metropolitan implemented GASB Statement No. 84 (GASB 84), *Fiduciary Activities*, which resulted in the addition of five fiduciary funds that are reported separately from Metropolitan's proprietary balances in the statements of fiduciary net position and statements of changes in fiduciary net position. Fiscal year 2020 balances for restricted current and non-current cash, interest receivable, accounts payable and accrued expenses, and current and non-current customer deposits and trust funds were adjusted as detailed in Note 1(s) of the basic financial statements. Fiscal year 2019 balances within this Management's Discussion and Analysis were not adjusted for the implementation of this GASB statement.

CONDENSED FINANCIAL INFORMATION

Condensed Schedule of Net Position

(Dollars in millions)	June 30, 2021	2020 As Adjusted Note 1s	2019
Assets and deferred outflows of resources			
Capital assets, net	**$ 10,537.3**	$ 10,508.4	$ 10,393.5
Other assets	**2,309.0**	1,986.5	1,845.0
Total assets	**12,846.3**	12,494.9	12,238.5
Deferred outflows of resources	**167.3**	169.1	182.1
Total assets and deferred outflows of resources	**13,013.6**	12,664.0	12,420.6
Liabilities and deferred inflows of resources			
Long-term liabilities, net of current portion	**5,284.1**	4,366.9	4,865.4
Other liabilities	**492.6**	1,289.0	686.9
Total liabilities	**5,776.7**	5,655.9	5,552.3
Deferred inflows of resources	**42.5**	68.6	32.1
Total liabilities and deferred inflows of resources	**5,819.2**	5,724.5	5,584.4
Net position			
Net investment in capital assets, including State Water Project costs	**6,141.5**	6,121.6	6,131.6
Restricted	**532.7**	509.0	418.6
Unrestricted	**520.2**	308.9	286.0
Total net position	**$ 7,194.4**	$ 6,939.5	$ 6,836.2

Capital Assets, Net

Net capital assets include plant, participation rights, and construction work in progress, net of accumulated depreciation and amortization.

Fiscal Year 2021 Compared to 2020. At June 30, 2021, net capital assets totaled $10.5 billion, or 81.0 percent of total assets and deferred outflows of resources, and were $28.9 million higher than the prior year. The increase included Metropolitan's continued expenditures on the capital investment plan of $277.5 million (including $7.3 million of capitalized interest) and a net increase of $141.8 million in participation rights in SWP, offset by depreciation and amortization of $353.3 million and $37.1 million retirements of capital assets and write-off of construction in progress upon determination that no operating assets would result from the cost incurred. See the capital assets section on pages 15-16 for additional information.

Fiscal Year 2020 Compared to 2019. At June 30, 2020, net capital assets totaled $10.5 billion, or 83.0 percent of total assets and deferred outflows of resources, and were $114.9 million higher than the prior year. The increase included Metropolitan's continued expenditures on the capital investment plan of $339.3 million (including $9.8 million of capitalized interest) and a net increase of $144.4 million in participation rights in SWP, offset by depreciation and amortization of $349.1 million and $19.7 million retirements of capital assets and write-off of construction in progress upon determination that no operating assets would result from the cost incurred. See the capital assets section on pages 15-16 for additional information.

Other Assets

Other assets include accounts receivable, inventories, prepaid costs, and cash and investments.

Fiscal Year 2021 Compared to 2020. At June 30, 2021, other assets totaled $2.3 billion and were $322.5 million higher than the prior year. Cash and investments were $229.9 million higher primarily due to $188.9 million proceeds from the Water Revenue Bonds 2021 Series A. Deposits, prepaid costs, and other was $47.1 million higher than prior year which included $25.0 million funding for the Delta Conveyance Project planning and pre-construction costs and and $16.8 million more costs for the High Desert Bank Program, which was operational for twelve months in fiscal year 2021 compared to three months in fiscal year 2020. Receivables also increased $44.3 million of which, $50.2 million related to higher water revenues receivable as fiscal year 2021 May and June water transactions were 56.9 thousand acre feet (TAF) more than the prior year's comparable months.

Fiscal Year 2020 Compared to 2019. At June 30, 2020, other assets totaled $2.0 billion and were $141.5 million higher than the prior year. Cash and investments were $60.2 million higher due to a $35.6 million draw on the Royal Bank of Canada Short-Term Credit Facility (RBC note) for the purpose of refunding a portion of the outstanding principal on the Subordinate Water Revenue Refunding Bonds 2017 Series B in July 2020 and a $34.0 million refund of the California WaterFix (CWF) advance funding from the California Department of Water Resources (DWR). Receivables also increased $60.1 million of which, $53.1 million related to higher water revenues receivable as fiscal year 2020 May and June water transactions were 50.7 TAF more than the prior year's comparable months. Deposits, prepaid costs, and other was $25.8 million higher than prior year. The increase included $38.4 million more prepaid water costs due to $17.4 million or 151.3 TAF more in various storage programs and $13.3 million for the High Desert Bank Program that started in fiscal year 2020. In addition, prepaid expenses were $13.2 million higher. These were partially offset by the $34.0 million refund from DWR for the CWF advance funding.

Deferred Outflows of Resources

Deferred outflows of resources include deferred outflows related to loss on bond refundings and swap terminations, deferred outflows related to the net pension liability and net OPEB liability, and deferred outflows for effective interest rate swaps.

Fiscal Year 2021 Compared to 2020. At June 30, 2021, deferred outflows totaled $167.3 million and were $1.8 million lower than the prior year. The decrease included $11.7 million lower deferred outflows on effective swaps due to higher interest rates, $6.3 million lower deferred loss on bond refundings and $1.1 million lower deferred loss on swap terminations, both of which were due to amortization. These decreases were offset by $18.0 million higher deferred outflows related to pension, which included $13.1 million higher deferred outflows related to the net difference between projected and actual earnings on pension plan investments, $8.2 million higher deferred outflows related to pension contributions subsequent to the measurement date, and $4.5 million higher difference between actual and expected experience, partially offset by $7.8 million lower deferred outflows due to changes of actuarial assumption.

Fiscal Year 2020 Compared to 2019. At June 30, 2020, deferred outflows totaled $169.1 million and were $13.0 million lower than the prior year. The decrease was primarily due to $21.7 million lower deferred outflows related to pension, which included $39.3 million lower deferred outflows due to changes of actuarial assumption and $3.3 million lower deferred outflows related to the net difference between projected and actual earnings on pension plan investments, offset by $11.3 million higher difference between actual and expected experience and $9.6 million higher deferred outflows related to pension contributions subsequent to the measurement date. In addition, deferred loss on bond refundings was $5.0 million lower due to scheduled amortization. These decreases were offset by $11.7 million higher deferred outflows on effective swaps due to lower interest rates.

Long-term Liabilities, Net of Current Portion

Long-term liabilities, net of current portion includes long-term debt, long-term revolving notes, customer deposits and trust funds, net pension liability, net OPEB liability, accrued compensated absences, workers' compensation and third party claims, fair value of interest rate swaps, and other long-term obligations.

Fiscal Year 2021 Compared to 2020. At June 30, 2021, long-term liabilities, net of current portion totaled $5.3 billion and were $917.2 million higher than the prior year primarily due to an increase of $929.3 million in long-term debt, net of current portion. The increase included $816.4 million lower current portion of long-term debt as compared to prior year, $188.9 million in new revenue bonds and $97.9 million increase in premiums and discounts, offset by $133.8 million principal payments, $35.6 million of principal paid by the short-term RBC note issued in June 2020, and $4.5 million of bond refundings, as the new debt issued was less than the amount of debt refunded. See other liabilities section on page 7 and long-term debt section on page 17 for additional information. In addition, net pension liability was $55.6 million higher due to $175.0 million interest on the total pension liability and $37.2 million in service costs, offset by $90.1 million of pension plan investment earnings and $66.1 million employer contributions to the pension plan. These increases in long-term liabilities, net of current portion were offset by $46.8 million lower long-term revolving notes as the Bank of America, N.A. notes (BANA notes) issued for the CWF advance were repaid and $19.6 million decrease in fair value of interest rate swaps due to higher interest rates as compared to prior year.

Fiscal Year 2020 Compared to 2019. At June 30, 2020, long-term liabilities, net of current portion, totaled $4.4 billion and were $498.5 million lower than the prior year primarily due to a decrease of $487.2 million in long-term debt, net of current portion. The decrease included $571.0 million higher current portion of long-term debt as compared to prior year, $141.5 million principal payments and $41.0 million of bond refundings, as the new debt issued was less than the amount of debt refunded, offset by $207.3 million in new revenue bonds and $59.0 million increase in premiums and discounts. See other liabilities section on page 7 and long-term debt section on page 17 for additional information. In addition, net OPEB liability was $60.3 million lower primarily due to $50.1 million difference between expected and actual experience, $32.1 million of employer contributions to the OPEB plan and $16.2 million of OPEB plan investment earnings, offset by $31.6 million of interest on the total OPEB liability and $10.6 million of service costs. These decreases in long-term liabilities, net of current portion were offset by $35.0 million higher net pension liability primarily due to $168.1 million interest on the total pension liability and $35.7 million in service costs, offset by $114.2 million of pension plan investment earnings and $56.5 million employer contributions to the pension plan. Furthermore, fair value of interest rate swaps increased $12.3 million due to lower interest rates as compared to prior year.

Other Liabilities

Other liabilities represent current liabilities that are due within one year. Current liabilities include accounts payable, accrued liabilities, short-term revolving notes, and the current portion of long-term liabilities.

Fiscal Year 2021 Compared to 2020. At June 30, 2021, other liabilities totaled $492.6 million and were $796.4 million lower than the prior year. Current portion of long-term debt decreased by $816.4 million due to the extension of mandatory tender dates to fiscal year 2024 for the $271.8 million Special Variable Rate Water Revenue Refunding Bonds (SVRWRRB), 2020 Series B, $191.2 million Subordinate Water Revenue Refunding Bonds, 2017 Series D and E and $80.0 million Subordinate Water Revenue Bonds, 2017 Series C. Also contributing to the decrease in current portion of long-term debt was the refunding of $175.0 million Subordinate Water Revenue Bonds, 2016 Series A which had a mandatory tender date of December 2020, and an extension of the Standby Bond Purchase Agreement (SBPA) from June 2021 to June 2024 for $90.1 million SVRWRRB, 2018 Series A-1 and A-2. The decrease in the current portion of long-term debt was offset by $27.4 million higher accounts payable and accrued expenses primarily due to the withdrawal of 116.8 TAF from DWR's Flexible Storage Program in fiscal year 2021.

Fiscal Year 2020 Compared to 2019. At June 30, 2020, other liabilities totaled $1.3 billion, and were $602.1 million higher than the prior year. Current portion of long-term debt increased by $571.0 million due to the addition of $271.8 million SVRWRRB, 2020 Series B with a mandatory tender date of April 2021, $191.2 million Subordinate Water Revenue Refunding Bonds, 2017 Series D and E with a mandatory tender date of June 2021, $175.0 million Subordinate Water Revenue Bonds, 2016 Series A with a mandatory tender date of December 2020, $90.1 million SVRWRRB, 2018 Series A-1 and A-2 with a SBPA expiring in June 2021 and $80.0 million Subordinate Water Revenue Bonds, 2017 Series C with a mandatory tender date of June 2021. The increase in current portion of long-term debt was offset by the classification of $158.9 million back to long-term debt due to the extension of the SBPA that supports the Water Revenue Bonds, 2017 Series A and 2000 Series B-3 to March 2023. In addition, Metropolitan took a $35.6 million draw from the RBC note for the purpose of refunding subordinate lien debt in July 2020. These increases in other liabilities were offset by $22.9 million lower accounts payable and accrued expenses as the SWP variable costs were $24.0 million less due to lower allocation.

Deferred Inflows of Resources

Deferred inflows of resources represent deferred inflows related to the net pension liability, net OPEB liability and deferred inflows for effective interest rate swaps.

Fiscal Year 2021 Compared to 2020. At June 30, 2021, deferred inflows of resources totaled $42.5 million and were $26.1 million lower than the prior year primarily due to $19.7 million lower deferred inflows related to pension, which included $10.8 million lower net difference between projected and actual earnings on pension plan investments, $4.8 million lower changes of assumptions, and $4.1 million lower difference between expected and actual experience. Additionally, deferred inflows related to OPEB decreased $14.3 million, which included $9.8 million lower differences between expected and actual experience and $3.7 million net difference between projected and actual earnings on OPEB plan investments. These decreases in deferred outflows of resources were partially offset by $7.9 million higher deferred inflows on effective swaps due to higher interest rates.

Fiscal Year 2020 Compared to 2019. At June 30, 2020, deferred inflows of resources totaled $68.6 million and were $36.5 million higher than the prior year primarily due to a $40.0 million increase in deferred inflows related to OPEB which included $40.3 million higher differences between expected and actual experience. This increase was partially offset by $2.9 million lower deferred inflows related to pension which included $8.9 million lower difference between expected and actual experience and $4.8 million lower changes of assumptions offset by $10.8 million higher net difference between projected and actual earnings on pension plan investments.

Net Investment in Capital Assets, including State Water Project Costs

Net investment in capital assets, including State Water Project costs, include amounts expended for capital improvements and SWP, offset by accumulated depreciation and outstanding debt issued for these purposes.

Fiscal Year 2021 Compared to 2020. At June 30, 2021, net investment in capital assets, including State Water Project costs totaled $6.1 billion and was $19.9 million higher than the prior year. This increase included $28.9 million net increase in capital assets offset by $9.0 million increase in outstanding debt and related deferred outflows of resources. See discussions of these items in the capital assets and long-term debt sections on pages 15-16 and 17, respectively.

Fiscal Year 2020 Compared to 2019. At June 30, 2020, net investment in capital assets, including State Water Project costs totaled $6.1 billion and was $10.0 million lower than the prior year. This decrease included $124.9 million increase in outstanding debt and related deferred outflows of resources, offset by $114.9 million net increase in capital assets. See discussions of these items in the capital assets and long-term debt sections on pages 15-16 and 17, respectively.

Restricted Net Position

Restricted net position includes amounts restricted for debt service payments and operating expenses, both of which are required by bond covenants.

Fiscal Year 2021 Compared to 2020. At June 30, 2021, restricted net position totaled $532.7 million which was $23.7 million higher than fiscal year 2020 due to $34.9 million increase in restricted for operating expenses primarily due to higher pension and OPEB contribution requirements for fiscal year 2022 partially offset by $10.8 million of lower restricted for debt service due to savings from refunding transactions.

Fiscal Year 2020 Compared to 2019. At June 30, 2020, restricted net position totaled $509.0 million which was $90.4 million higher than fiscal year 2019 primarily due to $51.7 million of higher restricted for debt service resulting from higher principal and interest payment requirements and $38.4 million increase in restricted for operating expenses as the SWP operations, maintenance, power and replacement (OMP&R) costs are estimated to be higher in fiscal year 2021.

Unrestricted Net Position

Unrestricted net position consists of net position items that do not meet the definition of "restricted" or "net investment in capital assets, including State Water Project costs." Certain unrestricted net position items have been designated for purposes authorized Metropolitan's Board of Directors (Board).

Fiscal Year 2021 Compared to 2020. Unrestricted net position of $520.2 million increased $211.3 million from the prior year, which included fiscal year 2021 changes in net position of $254.9 million offset by $23.7 million higher restricted for debt service and operating expenses and $19.9 million higher net investment in capital assets, including State Water Project costs.

Fiscal Year 2020 Compared to 2019. Unrestricted net position of $308.9 million increased $22.9 million from the prior year, which included fiscal year 2020 changes in net position of $103.3 million and $10.0 million of lower net investment in capital assets, including State Water Project costs, offset by $90.4 million higher restricted for debt service and operating expenses.

CHANGES IN NET POSITION

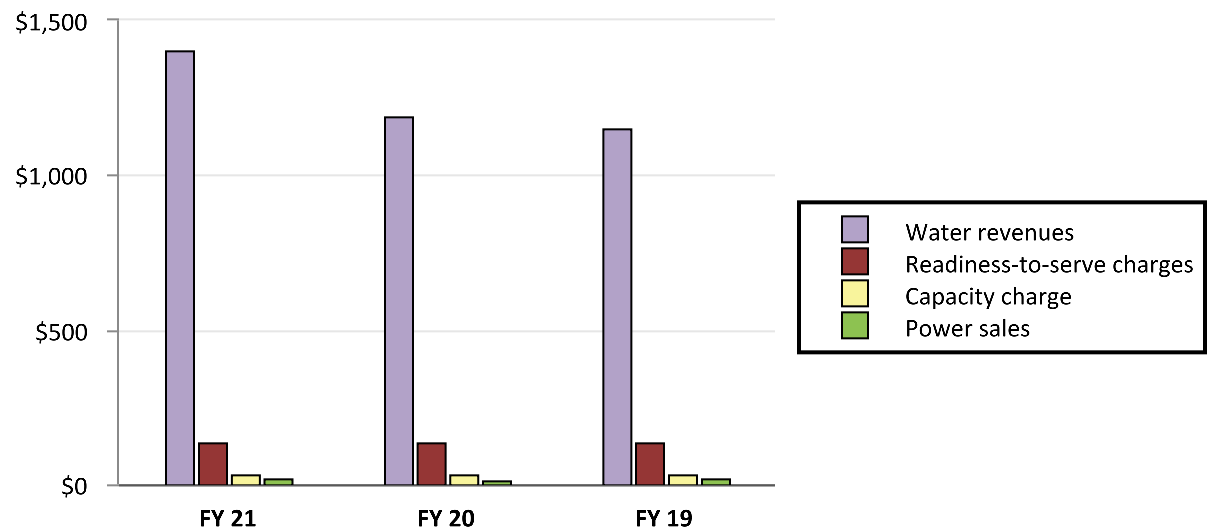
Condensed Schedule of Revenues, Expenses, and Changes in Net Position

(Dollars in millions)	Fiscal Year Ended June 30, 2021	2020	2019
Water revenues	$ **1,404.7**	$ 1,188.0	$ 1,148.7
Readiness-to-serve charges	**133.0**	134.5	136.5
Capacity charge	**31.7**	30.5	33.0
Power sales	**19.0**	15.9	18.3
Operating revenues	**1,588.4**	1,368.9	1,336.5
Taxes, net	**160.6**	146.9	142.7
Investment income, net	**4.1**	28.9	36.0
Other	**10.4**	24.5	10.4
Nonoperating revenues	**175.1**	200.3	189.1
Total revenues	**1,763.5**	1,569.2	1,525.6
Power and water costs	**(480.9)**	(438.7)	(375.8)
Operations and maintenance	**(509.8)**	(557.4)	(493.9)
Litigation payments	**(44.4)**	—	—
Depreciation and amortization	**(362.8)**	(353.0)	(361.1)
Operating expenses	**(1,397.9)**	(1,349.1)	(1,230.8)
Bond interest, net of amount capitalized	**(91.6)**	(100.7)	(126.9)
Loss on disposal of plant assets	**(13.2)**	(10.2)	(13.7)
Other	**(6.2)**	(5.9)	(5.3)
Nonoperating expenses	**(111.0)**	(116.8)	(145.9)
Total expenses	**(1,508.9)**	(1,465.9)	(1,376.7)
Changes in net position before contributions	**254.6**	103.3	148.9
Capital contributions	**0.3**	—	0.8
Changes in net position	**254.9**	103.3	149.7
Net position, beginning of year	**6,939.5**	6,836.2	6,686.5
Net position, end of year	$ **7,194.4**	$ 6,939.5	$ 6,836.2

Operating Revenues

Metropolitan's principal source of revenue is derived from the sale and availability of water, including water rates and other exchange and wheeling transactions, which typically account for approximately 85 percent of operating revenues. Metropolitan's primary sources of water supply are the Colorado River and the SWP.

OPERATING REVENUES
(Dollars in millions)



Analytical Review of Operating Revenues

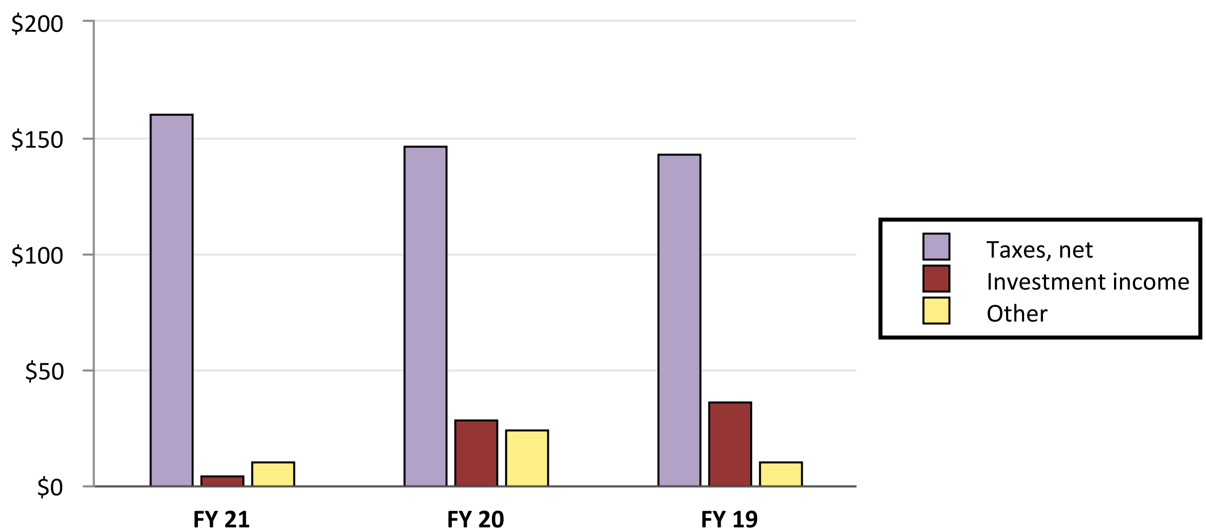
Fiscal Year 2021 Compared to 2020. Fiscal year 2021 operating revenues were $1.6 billion or $219.5 million more than the prior year. The increase was primarily due to $216.7 million of higher water revenues, which included $179.0 million or 206.1 TAF of higher volumes sold and $37.7 million of higher price.

Fiscal Year 2020 Compared to 2019. Fiscal year 2020 operating revenues were $1.4 billion or $32.4 million more than the prior year. The increase was primarily due to $39.3 million of higher water revenues, which included $44.9 million of higher price, offset by $5.6 million or 6.7 TAF of lower volumes sold.

Nonoperating Revenues

The primary source of nonoperating revenues is property taxes.

NONOPERATING REVENUES
(Dollars in millions)



Analytical Review of Nonoperating Revenues

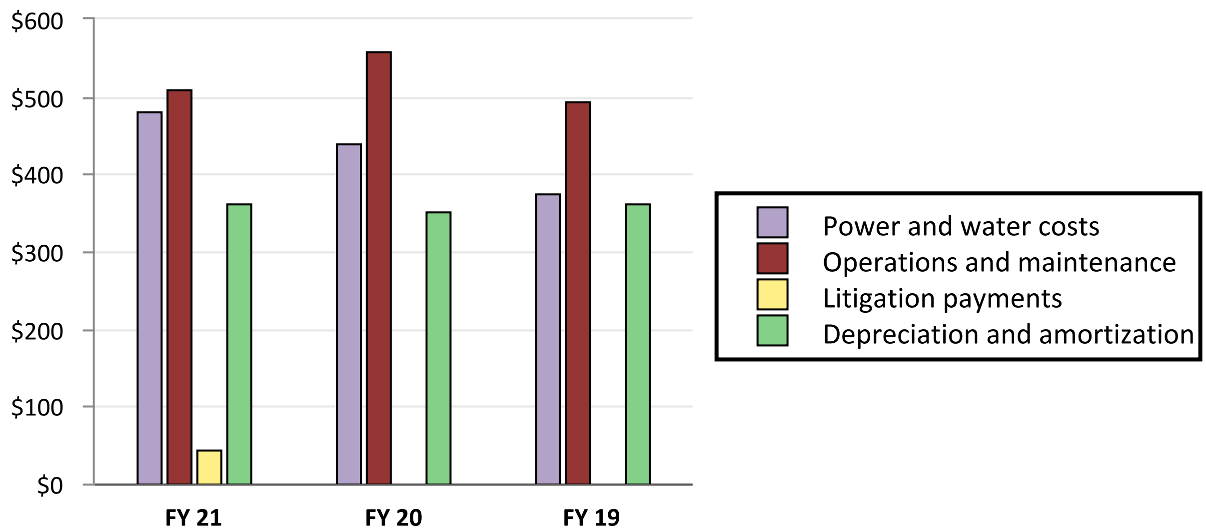
Fiscal Year 2021 Compared to 2020. Nonoperating revenues for fiscal year 2021 totaled $175.1 million and were $25.2 million lower than the prior year. The decrease was primarily due to $24.8 million less of investment income which included $14.5 million unfavorable change in fair value of investments and $10.8 million lower rate of return. In addition, other revenues were $14.1 million lower as there were no adjustment for depreciation overstatement in fiscal year 2021. These decreases were offset by $13.7 million higher property tax revenues due to higher assessed property values and the collection of prior year uncollectible amounts.

Fiscal Year 2020 Compared to 2019. Nonoperating revenues for fiscal year 2020 totaled $200.3 million and were $11.2 million higher than the prior year. The increase was primarily due to $14.1 million higher other revenues which included a $13.4 million adjustment due to an overstatement of depreciation expense in a prior year. In addition, property tax revenue was $4.2 million higher due to lower delinquencies and higher assessed property values. These increases were offset by $7.1 million less of investment income primarily due to $5.1 million lower rate of return.

Operating Expenses

Operating expenses fall into three primary cost areas: power and water, operations and maintenance (O&M), and depreciation and amortization.

OPERATING EXPENSES
(Dollars in millions)



Analytical Review of Operating Expenses

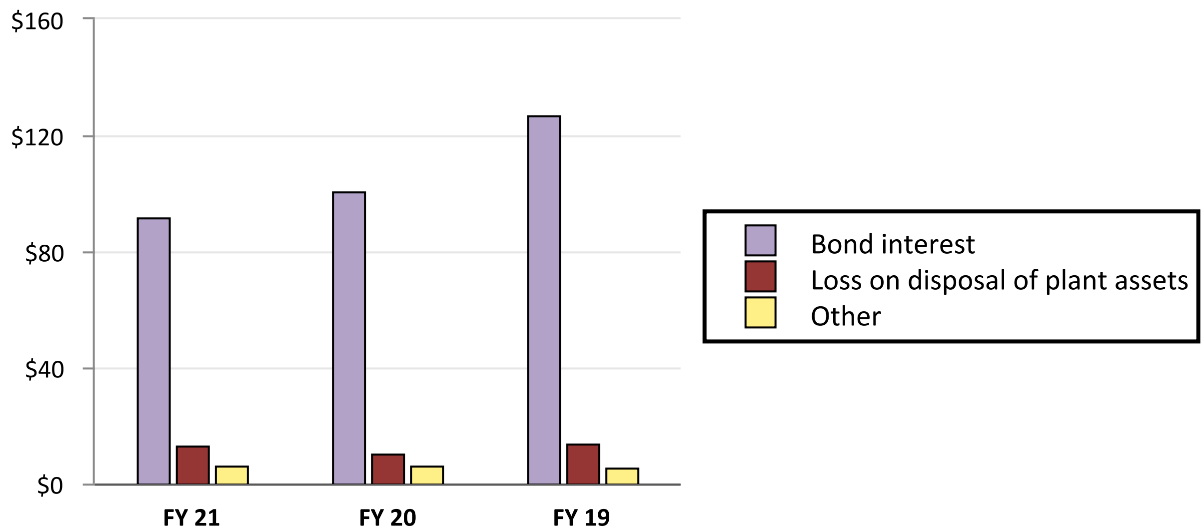
Fiscal Year 2021 Compared to 2020. Fiscal year 2021 operating expenses of $1.4 billion were $48.8 million higher than the prior year. The increase included $44.4 million litigation payment to the San Diego County Water Authority, see Note 9(g) for additional information, and $42.2 million higher power and water expenses primarily due to 206.1 TAF higher water transactions. Additionally, depreciation and amortization expense increased $9.8 million due to a net increase in capital assets of $28.9 million. These increases were offset by $47.6 million lower O&M costs, which included $24.3 million lower pension expense resulting from lower recognized changes of assumptions in fiscal year 2021 and $13.3 million lower demand management costs primarily due to lower conservation credits resulting from the COVID-19 pandemic and Board approved costs containment measures to address COVID-19 financial impacts.

Fiscal Year 2020 Compared to 2019. Fiscal year 2020 operating expenses of $1.3 billion were $118.3 million higher than the prior year. The increase included $63.5 million higher O&M costs primarily due to $32.6 million higher labor and benefit costs resulting from negotiations with bargaining units and $32.5 million higher pension expense primarily due to the differences between projected and actual earnings on pension plan investments were higher than prior year. In addition, power and water costs were $62.9 million higher due to an increase in the unit cost of water from prior year. These increases were offset by $8.1 million of lower depreciation and amortization due to the recalculation of depreciation expense related to capitalized interest.

Nonoperating Expenses

The primary sources of nonoperating expenses are interest expense on bonds, loss on disposal of plant assets and other, net.

NONOPERATING EXPENSES
(Dollars in millions)



Analytical Review of Nonoperating Expenses

Fiscal Year 2021 Compared to 2020. Fiscal year 2021 nonoperating expenses of $111.0 million were $5.8 million lower than the prior year primarily due to $9.1 million lower bond interest, net of amount capitalized, as a result of bond refunding transactions to take advantage of lower interest rates offset by $3.0 million higher loss on disposal of plant assets due to write-off of previously capitalized interest on construction.

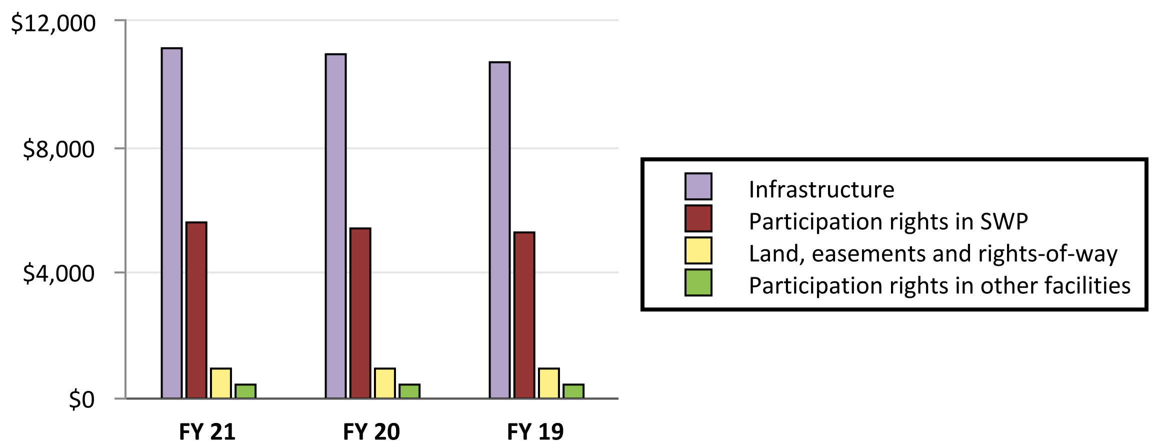
Fiscal Year 2020 Compared to 2019. Fiscal year 2020 nonoperating expenses of $116.8 million were $29.1 million lower than the prior year primarily due to $26.2 million lower bond interest, net of amount capitalized, as a result of bond refunding transactions to take advantage of lower interest rates.

CAPITAL ASSETS

Capital assets include Metropolitan's water infrastructure, land and buildings, as well as participation rights in SWP and various other water programs. More detailed information on capital assets and commitments for construction contracts are presented in Note 2 and Note 9(f) to the basic financial statements, respectively.

Metropolitan's fiscal year 2022 capital investment plan includes $250.0 million principally for the Colorado River Aqueduct reliability programs, systems and information technology improvements, distribution system rehabilitation projects, water treatment plants reliability program, system flexibility and supply reliability projects, and the pre-stressed concrete cylinder pipe reliability (PCCP) rehabilitation program.

GROSS CAPITAL ASSETS
(Dollars in millions)



Schedule of Capital Assets

(Dollars in millions)	June 30, 2021	2020	2019
Land, easements and rights of way	$ **986.7**	$ 984.8	$ 984.8
Construction in progress	**811.9**	636.2	545.8
Parker power plant and dam	**13.0**	13.0	13.0
Power recovery plants	**220.7**	220.2	210.6
Other dams and reservoirs	**1,615.4**	1,613.5	1,568.3
Water transportation facilities	**4,003.1**	3,993.4	3,892.6
Pumping plants and facilities	**360.2**	357.6	303.0
Treatment plants and facilities	**3,139.5**	3,126.3	3,185.8
Buildings	**179.1**	178.5	187.4
Other plant assets	**802.1**	795.8	750.2
Pre-operating expenses of original aqueduct	**44.6**	44.6	44.6
Participation rights in SWP	**5,587.7**	5,445.8	5,301.4
Participation rights in other facilities	**459.0**	459.0	459.0
Gross capital assets	**18,223.0**	17,868.7	17,446.5
Less accumulated depreciation and amortization	**(7,685.7)**	(7,360.3)	(7,053.0)
Total capital assets, net	$ **10,537.3**	$ 10,508.4	$ 10,393.5
Net increase (decrease) from prior year	$ **28.9**	$ 114.9	$ (16.5)
Percent change	**0.3%**	1.1%	(0.2%)

Fiscal Year 2021 Compared to 2020. Net capital assets totaled approximately $10.5 billion and increased $28.9 million over the prior year. The increase included $277.5 million of construction spending and a net increase of $141.8 million in participation rights in SWP, offset by depreciation and amortization of $353.3 million and $37.1 million retirements of capital assets and write-off of construction in progress upon determination that no operating assets would result from the cost incurred.

The major capital asset additions for fiscal year 2021, excluding capitalized interest, included:

- $55.3 million for the improvements in infrastructure reliability at the treatment plants; this program will replace or refurbish facilities and components at Metropolitan's five water treatment plants in order to continue to reliably meet water demands.
- $53.2 million for the distribution system's rehabilitation program; this program will replace or refurbish existing facilities within Metropolitan's distribution system including reservoirs, pressure control structures, hydroelectric power plants, and pipelines in order to reliably meet water demands.
- $46.8 million for the system reliability program, which is designed to improve or modify facilities throughout Metropolitan's service area in order to utilize new processes and/or technologies, and to improve facility safety and overall reliability.
- $45.2 million for the Colorado River Aqueduct (CRA) reliability program; projects under this program will replace or refurbish components on the CRA system to reliably convey water from the Colorado River to Southern California.
- $25.4 million for the PCCP program; this program identifies pipelines whose age, location and condition warrant refurbishment/replacement to ensure long-term reliability of Metropolitan's PCCP lines water delivery.

Fiscal Year 2020 Compared to 2019. Net capital assets totaled approximately $10.5 billion and increased $114.9 million over the prior year. The increase included $339.3 million of construction spending and a net increase of $144.4 million in participation rights in SWP, offset by depreciation and amortization of $349.1 million and $19.7 million retirements of capital assets and write-off of construction in progress upon determination that no operating assets would result from the cost incurred.

The major capital asset additions for fiscal year 2020, excluding capitalized interest, included:

- $85.7 million for the PCCP program.
- $58.7 million for the CRA reliability program.
- $45.2 million for the improvements in infrastructure reliability at the treatment plants.
- $44.1 million for the system reliability program.
- $33.9 million for the distribution system's rehabilitation program.

DEBT ADMINISTRATION – LONG-TERM DEBT

Schedule of Long-term Debt, Including Current Portion

	June 30,		
(Dollars in millions)	**2021**	2020	2019
General obligation bonds[1]	**$ 26.8**	$ 37.3	$ 48.1
Revenue bonds[1]	**3,994.3**	3,968.8	3,933.2
Revolving notes	**—**	46.8	46.8
Other, net[2]	**464.2**	366.3	307.3
	$ 4,485.3	$ 4,419.2	$ 4,335.4
Increase (decrease) from prior year	**$ 66.1**	$ 83.8	$ (171.6)
Percent change	**1.5%**	1.9%	(3.8%)

[1] *Includes refunding bonds.*
[2] *Consists of unamortized bond discounts and premiums.*

Fiscal Year 2021 Compared to 2020. At June 30, 2021, outstanding bonds and other long-term obligations totaled $4.5 billion, a net increase of $66.1 million or 1.5 percent from the prior year. The increase included the issuance of $188.9 million Water Revenue Bonds, 2021 Series A and $97.9 million higher premiums and discounts due to $151.1 million increase related to bond refundings, as the premiums on new debt issued was more than the premiums outstanding on the debt refunded offset by $53.2 million related to scheduled amortization. These increases were offset by $133.8 million of scheduled principal payments, $46.8 million decrease in revolving notes due to repayment of the BANA note, $35.6 million of principal payments funded by the short-term RBC note issued in June 2020 and $4.5 million of bond refundings, as the new debt issued was less than the amount of debt refunded.

Fiscal Year 2020 Compared to 2019. At June 30, 2020, outstanding bonds and other long-term obligations totaled $4.4 billion, a net increase of $83.8 million or 1.9 percent from the prior year. The increase included new revenue bond issuance of $207.3 million and $59.0 million higher premiums and discounts due to $104.6 million increase related to bond refundings, as the premiums on new debt issued was more than the premiums outstanding on the debt refunded offset by $45.6 million related to scheduled amortization. These increases were offset by $141.5 million of scheduled principal payments and $41.0 million of bond refundings, as the new debt issued was less than the amount of debt refunded.

Additional information on Metropolitan's long-term debt can be found in Notes 5 and 6 to the basic financial statements.

CREDIT RATINGS

Metropolitan's credit ratings at June 30, 2021 are shown below.

	Moody's Investors Service	Standard & Poor's Global	Fitch Ratings
General obligation bonds	Aaa	AAA	AA+
Water revenue bonds-fixed rate	Aa1	AAA	AA+
Water revenue bonds-variable rate	VMIG 1	A-1+	F1+
Subordinate water revenue bonds-fixed rate	N/A	AA+	AA+
Subordinate water revenue bonds-variable rate	N/A	A-1+	F1+

COVID-19 PANDEMIC

The late 2019 outbreak of the new highly transmissible strain of coronavirus and the disease it causes (known as COVID-19), has spread across the globe. The World Health Organization (the "WHO") declared the outbreak of COVID-19 to be a pandemic, and states of emergency were declared in the United States (the "U.S."), the State of California, and numerous counties throughout the State, including in the six counties all or portions of which comprise the service area of Metropolitan. Metropolitan's General Manager declared a state of emergency at Metropolitan in March 2020. The COVID-19 pandemic and the governmental actions to respond to and control the outbreak materially altered the behavior of people and disrupted business activity, resulting in a significant contraction of the national, state and local economies. Employment data released since the imposition of governmental restrictions on activities showed a dramatic increase in unemployment rates and, while some recovery of jobs has occurred, unemployment rates remain significantly above pre-pandemic levels. In addition, domestic and international stock markets experienced declines in market value following the onset of the outbreak. Although rebounds in the global financial markets have since occurred, price volatility remains.

With widespread vaccination currently underway worldwide, some of the domestic governmental-imposed "stay at home" orders and restrictions on operations of schools and businesses implemented to respond to and control the outbreak have been eased. The Governor of California has lifted most statewide COVID-19 restrictions on June 15, 2021. Restrictions, however, may be re-imposed in various jurisdictions from time to time as local conditions warrant. It is not known with any level of certainty when a full re-opening of the economy will be achieved and sustained. The negative effects of the COVID-19 pandemic and its aftermath on global, national and local economies is widely expected to continue at least for the foreseeable future.

Metropolitan is monitoring and responding to the COVID-19 pandemic and ongoing developments surrounding it. Metropolitan has taken, and is taking, a number of steps to maintain continuity of its critical and essential business functions and avoid widespread impacts to its workforce from the COVID-19 outbreak. Metropolitan's water system is deemed federally designated critical infrastructure, entitled to exemptions under governmental "stay at home" orders as needed to maintain continuity of operations. Metropolitan personnel necessary to the operation and delivery of water supplies remain on-site, with staffing strategies being utilized to protect the health of its employees and promote "social distancing." Enhanced facility cleaning and disinfection practices have been put in place to promote a safe and healthful workplace for these employees. Telecommuting arrangements or paid administrative leave is being implemented for employees performing other functions, and non-essential business travel has been limited.

COVID-19 is not believed to present a threat to the safety of Metropolitan's treated water supplies. Metropolitan has taken steps to ensure it has the necessary backup equipment, supplies and treatment chemicals in the event of disruptions to the procurement supply chain. To date, Metropolitan's ability to treat and deliver water has not been impaired. Metropolitan has experienced an increase in certain costs, primarily expenses for personal protective equipment, enhanced cleaning procedures, technology costs to accommodate teleworking and other related expenditures. In aggregate, these increased expenses have been modest and are generally offset by reductions in travel and other office expenses. While Metropolitan initially paused certain construction work on non-essential capital projects at the onset of the COVID-19 outbreak, such activity has resumed and Metropolitan continues to advance a variety of infrastructure and system reliability projects.

Metropolitan also proactively responded to the anticipated effects of the ongoing COVID-19 pandemic likely to be experienced by its member agencies. Following the onset of the pandemic and response actions, many water service providers serving residential, commercial and industrial end-use customers (referred to herein as "retail water service providers"), which includes some Metropolitan member agencies and agencies that purchase water from them, implemented measures to assist their customers facing financial hardship as a result of the COVID-19 outbreak. In addition, as a measure to assure access to water service for citizens likely to be adversely impacted financially due to the economic effects of the ongoing COVID–19 pandemic, on April 2, 2020, Governor Newsom issued an executive order which, among other things, ordered the restoration of water service to residential customers in occupied residences whose service was discontinued for nonpayment during the state of emergency, and suspended the authority of retail water service providers to discontinue water service to residential and qualifying small business customers for non-payment for the duration of the state of emergency. These measures were expected to result in more late or non-payment of utility bills than normal and forecasted for retail water service providers generally, with the potential to create financial stress on retail water service providers, including some Metropolitan member agencies.

In recognition of the changed circumstances and the uncertainties created by the ongoing COVID-19 outbreak, in the weeks following the declaration of a pandemic by the WHO in March 2020, Metropolitan reviewed its preliminary biennial budget initially presented to the Board in February 2020, and modified certain assumptions previously made in the proposed budget. The biennial budget for fiscal years 2020-21 and 2021-22, and water rates and charges for calendar years 2021 and 2022 adopted by the Board on April 14, 2020, reflected these adjustments, which included (i) a reduction in the overall rate increases for calendar years 2021 and 2022 from those previously proposed; (ii) a reduction in capital expenditures for fiscal year 2020-21 in recognition of likely delays in scheduling of construction work as a result of COVID-19; (iii) a reduction in the internal funding objective for the funding of capital program expenditures from current revenues for fiscal year 2020-21; and (iv) to review the adopted budget and rates no later than September 2020 to consider further impacts resulting from the COVID-19 crisis.

As contemplated by the Board's April 14, 2020 action, Metropolitan reviewed the impacts of the COVID-19 pandemic on Metropolitan's biennial budget for fiscal years 2020-21 and 2021-22, and water rates and charges for calendar years 2021 and 2022 at its September 15, 2020 Board meeting. The Board determined to maintain the previously adopted rates and charges for calendar years 2021 and 2022 and approved certain cost containment measures, estimated to reduce Metropolitan expenditures by approximately $10.7 million in fiscal year 2020-21, and by approximately $1.0 million in fiscal year 2021-22. The Board also directed staff to develop a payment deferral program for member agencies that record and report significant customer payment delinquencies and likewise grant deferrals to their customers; evaluate potential new revenue-generating programs; and place a moratorium on non-emergency unbudgeted spending.

At its December 8, 2020 meeting, Metropolitan's Board adopted the COVID-19 Member Agency Payment Deferment Program. Under the approved program, Metropolitan will provide up to a six-month deferral of a portion of a requesting member agency's payment obligations owed to Metropolitan for water transactions equal to the percentage of the member agency's own customers' delinquency rates, but not to exceed 10 percent of each monthly obligation. Additionally, under the program, late payments, penalties, and interest will be waived to the deferred amount over a period of up to 12 months. The program is available to all member agencies that meet Board approved eligibility criteria and will apply to invoices for water transactions occurring only from January 1, 2021 to

June 30, 2021. All amounts deferred under the program will be due and payable no later than December 29, 2021. To the extent that member agencies participate in the program, the COVID-19 Member Agency Payment Deferment Program is expected to result in a shift of some revenue collections from fiscal year 2020-21 to fiscal year 2021-22. As of June 30, 2021, no member agencies have applied for the COVID-19 Member Agency Payment Deferment Program.

On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021 (the "ARP Act"), a $1.9 trillion economic stimulus package designed to help the United States' economy recover from the adverse impacts of the COVID-19 pandemic. The ARP Act includes approximately $350.0 billion in aid to state and local governments, consisting of both direct funding from the United States Department of Treasury and program moneys that will flow from other federal agencies. Half of the aid to state and local governments will be distributed in spring 2021, with the other half following in 2022. Although Metropolitan may seek ARP Act funds from the State, it is unclear at this time how the State will allocate such funds. Metropolitan has applied for a refund of employee tax credits for paid sick and family medical leaves provided due to the COVID-19 pandemic in the second quarter of calendar year 2021.

The COVID-19 outbreak is ongoing and developments will continue. The ultimate degree of impact to Metropolitan's finances and operations is difficult to predict due to the evolving nature of the COVID-19 pandemic, including uncertainties relating thereto. The extent of the fiscal impacts on Metropolitan will depend on, among other things, (i) the duration of the stay-at-home orders and the extent to which the disruption to or decline in the local and global economies and financial markets persists; (ii) the effectiveness of and ability to reach wide spread distribution of vaccines and the period of time therefor; (iii) the degree to which business closures, continued increased unemployment, housing foreclosures and/or other economic consequences occur that could reduce water demands in the region and, in turn, Metropolitan's water transactions, or that could negatively affect future property values in Metropolitan's service area and/or Metropolitan's property tax levy receipts which singularly or collectively could reduce Metropolitan's projected revenues; (iv) the ramifications of future actions that may be taken or required by governmental authorities to respond to the effects of the pandemic, including additional stimulus efforts by the federal government; (v) the pace at which the economy can re-open; and (vi) the speed of the ensuing economic recovery. If the COVID-19 pandemic and/or the economic recovery is prolonged, the likelihood or magnitude of potential adverse impacts to Metropolitan's finances or operations from the factors discussed herein or from other factors, could be increased. To date, Metropolitan does not believe the impacts of the COVID-19 pandemic will have a material adverse impact on its ability to pay debt service on its bonds or other debt obligations.

This page intentionally left blank.

STATEMENTS OF NET POSITION

(Dollars in thousands)	June 30, 2021	June 30, 2020 As Adjusted Note 1s
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and investments, at fair value (Notes 1d and 3):		
Unrestricted (cost: $412,422 and $430,819 for 2021 and 2020, respectively)	**$ 413,073**	$ 434,297
Restricted (cost: $644,895 and $512,296 for 2021 and 2020, respectively)	**645,913**	517,440
Total cash and investments	**1,058,986**	951,737
Receivables:		
Water revenues	**273,417**	223,221
Interest on investments	**2,106**	3,546
Other, net (Note 1f)	**33,422**	37,914
Total receivables	**308,945**	264,681
Inventories (Note 1g)	**119,664**	118,465
Deposits, prepaid costs, and other (Note 11)	**49,550**	2,782
Total current assets	**1,537,145**	1,337,665
Noncurrent Assets:		
Cash and investments, at fair value (Notes 1d and 3):		
Unrestricted (cost: $371,140 and $249,902 for 2021 and 2020, respectively)	**371,727**	251,920
Restricted (cost: $45,267 and $42,096 for 2021 and 2020, respectively)	**45,483**	42,611
Total cash and investments	**417,210**	294,531
Capital assets (Note 2):		
Plant and equipment - non depreciable (Notes 1h and 9f)	**1,798,582**	1,620,950
Plant and equipment - depreciable (Notes 1h and 9f)	**10,377,748**	10,342,849
Participation rights in State Water Project (Notes 1i and 10)	**5,587,676**	5,445,832
Participation rights in other facilities (Notes 1i and 4)	**459,049**	459,049
Total capital assets	**18,223,055**	17,868,680
Less accumulated depreciation and amortization	**(7,685,720)**	(7,360,295)
Total capital assets, net	**10,537,335**	10,508,385
Other assets, net of current portion:		
Deposits, prepaid costs, and other (Note 11)	**354,619**	354,328
Total other assets	**354,619**	354,328
Total noncurrent assets	**11,309,164**	11,157,244
Total assets	**12,846,309**	12,494,909
Deferred Outflows of Resources (Note 1n):		
Loss on bond refundings	**13,306**	19,632
Loss on swap terminations	**17,904**	18,987
Pension related (Notes 1l and 7d)	**103,220**	85,243
OPEB related (Notes 1m and 8k)	**32,897**	33,506
Effective swaps	**—**	11,711
Total deferred outflows of resources	**167,327**	169,079
Total Assets and Deferred Outflows of Resources	**$ 13,013,636**	$ 12,663,988

See accompanying notes to basic financial statements.

STATEMENTS OF NET POSITION

(Dollars in thousands)	June 30, 2021	June 30, 2020 As Adjusted Note 1s
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities:		
Accounts payable and accrued expenses (Note 1j)	**$ 136,472**	$ 109,078
Short-term revolving notes (Note 5a)	**35,645**	35,645
Current portion of long-term debt (Notes 5 and 6)	**222,692**	1,039,054
Current portion of accrued compensated absences (Notes 1k and 6)	**25,800**	24,700
Current portion of customer deposits and trust funds (Note 6)	**3,062**	9,036
Current portion of workers' compensation and third party claims (Notes 6 and 14)	**4,792**	4,122
Current portion of other long-term liabilities (Note 6)	**5**	5
Accrued bond interest	**62,432**	65,581
Matured bonds and coupons not presented for payment	**1,665**	1,725
Total current liabilities	**492,565**	1,288,946
Noncurrent Liabilities:		
Long-term debt, net of current portion (Notes 5 and 6)	**4,262,587**	3,333,372
Long-term revolving notes (Notes 5a and 6)	**—**	46,800
Accrued compensated absences, net of current portion (Notes 1k and 6)	**32,117**	27,581
Customer deposits and trust funds, net of current portion (Note 6)	**43,422**	41,873
Net pension liability (Note 7c)	**724,587**	668,995
Net OPEB liability (Note 8f)	**164,731**	167,986
Workers' compensation and third party claims, net of current portion (Notes 6 and 14)	**5,497**	9,480
Fair value of interest rate swaps (Notes 5e and 6)	**48,986**	68,611
Other long-term liabilities, net of current portion (Note 6)	**2,181**	2,204
Total noncurrent liabilities	**5,284,108**	4,366,902
Total liabilities	**5,776,673**	5,655,848
Commitments and Contingencies (Note 9)	**—**	—
Deferred Inflows of Resources (Note 1n)**:**		
Effective swaps	**7,914**	—
Pension related (Notes 1l and 7d)	**1,589**	21,298
OPEB related (Notes 1m and 8k)	**33,025**	47,337
Total deferred inflows of resources	**42,528**	68,635
Total Liabilities and Deferred Inflows of Resources	**5,819,201**	5,724,483
Net Position (Note 13):		
Net investment in capital assets, including State Water Project costs	**6,141,485**	6,121,599
Restricted for:		
Debt service	**221,588**	232,411
Other	**311,166**	276,638
Unrestricted	**520,196**	308,857
Total net position	**7,194,435**	6,939,505
Total Liabilities, Deferred Inflows of Resources, and Net Position	**$ 13,013,636**	$ 12,663,988

This page intentionally left blank.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

(Dollars in thousands)	Fiscal Year Ended June 30, **2021**	2020 As Adjusted Note 1s
Operating Revenues (Note 1c):		
Water revenues	**$ 1,404,735**	$ 1,187,998
Readiness-to-serve charges	**133,000**	134,500
Capacity charge	**31,653**	30,490
Power sales	**18,967**	15,922
Total operating revenues	**1,588,355**	1,368,910
Operating Expenses:		
Power and water costs	**480,913**	438,683
Operations and maintenance	**509,755**	557,341
Litigation payments (Note 9g)	**44,374**	—
Total operating expenses	**1,035,042**	996,024
Operating income before depreciation and amortization	**553,313**	372,886
Less depreciation and amortization (Note 2)	**(362,844)**	(353,031)
Operating income	**190,469**	19,855
Nonoperating Revenues (Expenses) (Note 1p):		
Taxes, net (Note 1e)	**160,574**	146,902
Bond interest, net of $7,300 and $9,800 of interest capitalized in fiscal years 2021 and 2020, respectively (Note 1h)	**(91,593)**	(100,726)
Investment income, net	**4,119**	28,868
Loss on disposal of plant assets	**(13,175)**	(10,166)
Other, net	**4,253**	18,573
Total nonoperating revenues, net	**64,178**	83,451
Changes in Net Position Before Contributions	**254,647**	103,306
Capital contributions (Note 1o)	**283**	—
Changes in net position	**254,930**	103,306
Net position, beginning of year	**6,939,505**	6,836,199
Net position, End of Year	**$ 7,194,435**	$ 6,939,505

See accompanying notes to basic financial statements.

STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Fiscal Year Ended June 30, 2021	2020
Cash Flows from Operating Activities:		
Cash received from water sales	**$ 1,180,207**	$ 1,001,256
Cash received from readiness-to-serve charges	**133,361**	134,236
Cash received from capacity charge	**31,785**	30,347
Cash received from power sales	**18,959**	16,745
Cash received from other exchange transactions	**174,201**	133,793
Cash paid for operations and maintenance expenses	**(240,610)**	(267,120)
Cash paid to employees for services	**(262,228)**	(247,652)
Cash paid for power and water costs	**(457,390)**	(495,479)
Cash paid for litigation	**(44,374)**	—
Other cash flows for operating activities	**1,852**	1,575
Net cash provided by operating activities	**535,763**	307,701
Cash Flows from Noncapital Financing Activities:		
Proceeds from other collections	**6,949**	7,487
Net cash provided by noncapital financing activities	**6,949**	7,487
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	**(277,741)**	(335,526)
Payments for State Water Project costs	**(141,844)**	(144,399)
Refunds for California WaterFix Project costs	**—**	34,007
Advance payments for Delta Conveyance Project costs	**(25,000)**	—
Proceeds from short and long-term debt	**255,000**	305,645
Payments for bond issuance costs	**(2,196)**	(4,102)
Principal paid on debt	**(133,825)**	(141,500)
Interest paid on debt	**(148,970)**	(140,483)
Proceeds from tax levy	**161,107**	147,102
Transfer from escrow trust accounts	**(3,791)**	1,510
Net cash used by capital and related financing activities	**(317,260)**	(277,746)
Cash Flows from Investing Activities:		
Purchase of investment securities	**(3,432,688)**	(2,992,894)
Proceeds from sales and maturities of investment securities	**3,199,385**	2,937,477
Investment income	**12,699**	18,114
Net cash used by investing activities	**(220,604)**	(37,303)
Net change in cash	**4,848**	139
Cash at July 1, 2020 and 2019	**161**	22
Cash at June 30, 2021 and 2020 (Notes 1b and 3)	**$ 5,009**	$ 161

See accompanying notes to basic financial statements.

STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Fiscal Year Ended June 30, 2021	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	**$ 190,469**	$ 19,855
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and amortization expense	**362,844**	353,031
Increase in accounts receivable	**(44,201)**	(56,702)
Decrease in inventories	**29,279**	4,538
Increase in deposits, prepaid costs, and other	**(21,947)**	(55,991)
Decrease in accounts payable, and accrued expenses	**(2,701)**	(20,571)
Increase in pension liabilities	**48,921**	30,763
Decrease in OPEB liabilities	**(2,864)**	(53,106)
(Increase) decrease in deferred outflows related to pension	**(15,819)**	19,089
Decrease in deferred inflows related to pension	**(17,344)**	(2,559)
Increase (decrease) in deferred outflows related to OPEB	**536**	(1,266)
(Decrease) increase in deferred inflows related to OPEB	**(12,595)**	35,243
Increase in other items	**21,185**	35,377
Total Adjustments	**345,294**	287,846
Net cash provided by operating activities	**$ 535,763**	$ 307,701
Significant Noncash Investing, Capital and Financing Activities		
Refunding bonds proceeds received in escrow trust fund	**$ 592,577**	$ 465,703
Debt defeased through escrow trust fund with refunding debt	**$ (508,290)**	$ (465,275)
Capital contributions	**$ 283**	$ —
RECONCILIATION OF CASH AND INVESTMENTS TO CASH		
Unrestricted cash and investments (at June 30, 2021 and 2020 includes $5,009 and $161 of cash, respectively)	**$ 784,800**	$ 686,217
Restricted cash and investments	**691,396**	560,051
Total cash and investments, at fair value (Note 3)	**1,476,196**	1,246,268
Less: carrying value of investments	**(1,471,187)**	(1,246,107)
Total Cash (Notes 1b and 3)	**$ 5,009**	$ 161

STATEMENTS OF FIDUCIARY NET POSITION

	Private Purpose Trust Funds		Custodial Funds	
	June 30,			
(Dollars in thousands)	**2021**	2020	**2021**	2020
Assets				
Restricted pooled cash and investments, at fair value (Notes 1d and 3):	**$ 3,177**	$ 3,301	**$ 2,535**	$ 2,551
Interest receivable	**—**	1	**1**	4
Total assets	**$ 3,177**	$ 3,302	**$ 2,536**	$ 2,555
Liabilities				
Accounts payable and accrued expenses	**$ 72**	$ 37	**$ 55**	$ 120
Due to other governments	**—**	—	**27**	32
Total liabilities	**72**	37	**82**	152
Net Position				
Restricted for organizations and other governments	**3,105**	3,265	**2,454**	2,403
Total Liabilities and Net Position	**$ 3,177**	$ 3,302	**$ 2,536**	$ 2,555

See accompanying notes to basic financial statements.

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

	Private Purpose Trust Funds		Custodial Funds	
	Fiscal Year Ended June 30,			
(Dollars in thousands)	**2021**	2020	**2021**	2020
Additions				
Contributions from participating agencies	**$ 2,307**	$ 2,731	**$ 277**	$ 493
Return of unspent funds	**189**	376	**—**	—
Interest	**7**	12	**29**	52
Total additions	**2,503**	3,119	**306**	545
Deductions				
Support payments to the Colorado River Board	**2,200**	2,150	**—**	—
Expensed equipment	**8**	—	**—**	—
Computer systems and software	**12**	—	**—**	—
Administrative expenses	**2**	1	**—**	—
Travel, training and conferences	—	—	**—**	23
Support payments for Colorado River system augmentation and conservation	**309**	453	**—**	—
Payments to other governments for conservation	**—**	—	**94**	77
Professional services	**132**	234	**161**	314
Total deductions	**2,663**	2,838	**255**	414
Net Increase (Decrease) in Fiduciary Net Position	**(160)**	281	**51**	131
Net position, Beginning of Year	**3,265**	2,984	**2,403**	2,272
Net position, End of Year	**$ 3,105**	$ 3,265	**$ 2,454**	$ 2,403

See accompanying notes to basic financial statements.

This page intentionally left blank.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Metropolitan Water District of Southern California (Metropolitan), a special district of the State of California, was organized in 1928 by vote of the electorates of several Southern California cities following adoption of the Metropolitan Water District Act (Act) by the California Legislature. Metropolitan's primary purposes under the Act are to develop, store, and distribute water, at wholesale, to its member public agencies for domestic and municipal purposes. Surplus water is sold for other beneficial uses, including agricultural use. Metropolitan's service area comprises approximately 5,200 square miles and includes portions of the six counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura. There are 26 independent member agencies of Metropolitan, consisting of 14 cities, 11 municipal water districts, and one county water authority. Metropolitan has no financial accountability for its member agencies. Metropolitan is governed by a 38-member Board of Directors (Board) comprised of representatives of the member agencies. Representation and voting rights are based on assessed valuations of property pursuant to Sections 52 and 55 of the Act. Each member agency is entitled to have at least one representative on the Board plus an additional representative for each full five percent of the assessed valuation of real property within the jurisdictional boundary of each member agency. Changes in relative assessed valuation do not terminate any director's term. Accordingly, the Board may, from time to time, have more or fewer than 38 directors. However, effective January 1, 2020, no member agency shall have fewer than the number of representatives the agency had as of January 1, 2019. No single member agency has a voting majority.

The Metropolitan Water District Asset Financing Corporation (MWDAFC) was incorporated on June 19, 1996. The MWDAFC is a California nonprofit public benefit corporation formed to assist Metropolitan by acquiring, constructing, operating and maintaining facilities, equipment, or other property needed by Metropolitan and leasing or selling such property to Metropolitan. The MWDAFC is governed by a board of five directors, each of whom must be a member of Metropolitan's Board. MWDAFC had no financial operations during fiscal years 2021 or 2020. MWDAFC is a component unit of Metropolitan and its activities will be blended with those of Metropolitan for financial reporting purposes should it commence operations.

Fiduciary funds are displayed by fund type in the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position, but are not included in Metropolitan's proprietary financial statements because the assets of these funds are not available to Metropolitan. Metropolitan reports the following fiduciary funds:

- Private-purpose trust funds: These funds are used to account for trust arrangements where the benefits are held for other governments.
- Custodial funds: These funds account for resources held by Metropolitan in a custodial capacity on behalf of other governmental organizations.

(b) Principles of Presentation

Metropolitan operates as an enterprise fund and applies all applicable GASB pronouncements in its accounting and reporting. The accompanying basic financial statements reflect the flow of economic resources measurement focus and the full accrual basis of accounting. Under full accrual accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred regardless of the timing of related cash flows.

For purposes of the statements of cash flows, Metropolitan defines cash as demand account balances and cash on hand.

Fiduciary funds are used to account for assets held in a trustee or custodial capacity and cannot be used to support Metropolitan's own purpose. Fiduciary funds are accounted for using the economic resources measurement focus and accrual basis of accounting.

(c) Revenue Policies

Water revenues, which include funds received from charges for the sale and availability of water, including water rates and other exchange and wheeling transactions, is the principal source of Metropolitan's revenues. Other sources of operating revenue include readiness-to-serve charges, capacity charge, and hydroelectric power sales. Other revenues include ad valorem property taxes and investment income.

Water rates are established by the Board on a biennial basis. Water rates are supported by cost of service studies. Water rates are not subject to regulation by the California Public Utilities Commission or by any other local, state, or federal agency. Water is delivered to the member agencies on demand and revenue is recognized at the time of sale.

Metropolitan's rate structure consists of unbundled rate elements (supply, treatment, conveyance and distribution, power, and demand management) designed to provide transparency regarding the cost of specific functions to member agencies. It is designed to improve regional water resources management and accommodate a water transfer market. The rate structure also includes tiered pricing for supply, a capacity charge, and a readiness-to-serve charge.

(d) Fair Value Measurements

Metropolitan categorizes the fair value measurements for assets and liabilities within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs of assets and liabilities as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date; Level 2 inputs are inputs—other than quoted prices—that are observable for identical assets or liabilities, either directly or indirectly; and Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security. Metropolitan reports its investments and liabilities using valuation techniques consistent with market and cost approaches to determine the fair value.

(e) Taxing Authority

Metropolitan is expressly empowered under the Act to levy and collect taxes on all taxable property within its boundaries for the purpose of carrying on its operations and paying its obligations, subject to certain limitations in the Act, the California Revenue and Taxation Code, and the California Constitution. Property taxes are levied annually by the Board effective as of July 1, using a lien date of January 1, and are payable by property owners in two equal installments that are due on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Property taxes levied by Metropolitan are billed and collected by the counties in its service area and are remitted to Metropolitan periodically throughout the year.

Property tax revenue is used to pay Metropolitan's general obligation bond debt service and a portion of its obligations under its contract with the state for a water supply and participation in the SWP (the State Water Contract). In setting the annual levy, Metropolitan takes into account potential delinquencies, tax allocations to the successor agencies of former redevelopment agencies, and supplemental tax collections. Metropolitan recognizes property taxes receivable on July 1 of each fiscal year and recognizes revenue over the following 12-month period beginning July 1 through June 30 (the period for which the tax is levied).

As a result of legislation enacted in 1984, commencing with the fiscal year ended June 30, 1991, tax levies, other than annexation taxes, are limited to the amount needed to pay debt service on Metropolitan's general obligation bonds and Metropolitan's proportionate share of general obligation bond debt service of the state under the State Water Contract. However, under the terms of the 1984 legislation, the Board may suspend this particular restriction upon a finding that doing so is essential to Metropolitan's fiscal integrity. The Board made such a finding for fiscal years ended June 30, 2014 through 2021, and maintained the tax rate for those fiscal years at the rate levied during fiscal year ended June 30, 2013 to pay a portion of State Water Contract costs other than general obligation debt service.

(f) Other Receivables

Other receivables include amounts for taxes, hydroelectric power sales, readiness-to-serve charges, and other billings.

(g) Inventories

Metropolitan's inventories are valued based on a moving-average cost. Expenses are recorded when inventories are used. Components of inventories at June 30, 2021 and 2020 were as follows:

	June 30,			
(Dollars in thousands)		**2021**		2020
Water in storage	**$**	**102,935**	$	103,922
Operating supplies		**16,729**		14,543
Total inventories	**$**	**119,664**	$	118,465

(h) Capital Assets

Metropolitan's capital assets include plant and equipment, which are recorded at cost. Construction costs are capitalized if they exceed $50,000 and the asset has a useful life of at least five years. The cost of constructed assets may include labor, materials, certain general and administrative expenses, and interest incurred during construction periods. Depreciation is calculated using the straight-line method based on the estimated average useful lives of the assets, which are 10 to 80 years for buildings, storage, distribution facilities, and miscellaneous assets and 10 to 50 years for treatment plants and hydroelectric power recovery facilities. Improvements or refurbishments with aggregated costs that meet capitalization thresholds and that extend the useful life of an existing asset by at least five years are capitalized.

Major computer systems software, whether purchased or internally developed, is capitalized if the cost exceeds $250,000 and the useful life is at least three years. Vehicles and operating equipment are capitalized if the cost equals or exceeds $5,000 and the useful life is at least four years. Depreciation is calculated using the straight-line method based on the estimated useful lives and ranges from 3 to 10 years for major computer systems software and 4 to 10 years for vehicles and operating equipment.

(i) Participation Rights

Metropolitan participates in various storage and water management programs entitling it to certain water rights. Projects include the SWP and various storage and water management programs. Metropolitan's participation in these projects is through cash payments. The value of participation rights is equal to the amounts spent for the construction of capital assets, such as pipelines, pumping facilities, and storage facilities, and amortized over the life of the agreements. These assets are not owned by Metropolitan. Certain projects also require payments for ongoing maintenance; those payments are charged to expense as incurred. (See Notes 2, 4, and 10.)

(j) Disaggregation of Payable Balances

Accounts payable and accrued expenses at June 30, 2021 and 2020 were as follows:

(Dollars in thousands)	June 30, 2021	June 30, 2020
Department of Water Resources (SWP):		
Capital, operating, maintenance, power, replacement, and variable power	**$ 64,320**	$ 48,943
Vendors	**46,857**	35,479
Accrued power costs	**1,797**	4,860
Accrued salaries	**12,412**	10,946
Readiness-to-serve overcollection	**1,396**	1,436
Conservation credits	**9,690**	7,414
Total accounts payable and accrued expenses	**$ 136,472**	$ 109,078

(k) Compensated Absences

Metropolitan's employees earn vacation, sick, and compensatory leave in varying amounts depending primarily on length of service. Upon termination from Metropolitan service, employees are entitled to full payment for accrued vacation and compensatory leave at their final pay rates, and are entitled to payment for approximately one-half of their accrued sick leave at such rates. Metropolitan records its obligations for vacation, sick, and compensatory leave earned by eligible employees based on current pay rates. The allocations to the current and long-term portions of these vested obligations were based on experience and projections of turnover.

(l) Pension Accounting

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement System (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.

GASB requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:
Valuation Date (VD): June 30, 2019
Measurement Date (MD): June 30, 2020
Measurement Period: July 1, 2019 to June 30, 2020

(m) OPEB Accounting

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of Metropolitan's plan (OPEB Plan), the assets of which are held by the California Employer's Retiree Benefit Trust (CERBT), and additions to/ deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:
Valuation Date (VD): June 30, 2019
Measurement Date (MD): June 30, 2020
Measurement Period: July 1, 2019 to June 30, 2020

(n) Deferred Outflows/Inflows of Resources

The net investment in capital assets, including State Water Project costs of $6.1 billion at June 30, 2021 and 2020 includes the effect of deferring the recognition of losses from bond refundings. The deferred outflows from losses on bond refundings at June 30, 2021 and 2020 were $13.3 million and $19.6 million, respectively. This is amortized and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old or the new debt, whichever is shorter.

The unrestricted net position amount of $520.2 million and $308.9 million at June 30, 2021 and 2020, respectively, includes the effect of deferring the recognition of losses from swap terminations resulting in defeasance of debt, the increase or decrease in fair value of Metropolitan's effective interest rate swaps, and deferred amounts related to pension and OPEB.

The deferred outflows from losses on swap terminations resulting in debt defeasance at June 30, 2021 and 2020, respectively, were $17.9 million and $19.0 million. These deferred outflows of resources are amortized and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

The deferred outflows related to pension at June 30, 2021 and 2020 were $103.2 million and $85.2 million, respectively. The deferred inflows related to pension at June 30, 2021 and 2020 were $1.6 million and $21.3 million, respectively. See note 7(d) for additional information.

The deferred outflows related to OPEB at June 30, 2021 and 2020 were $32.9 million and $33.5 million, respectively. The deferred inflows related to OPEB at June 30, 2021 and 2020 were $33.0 million and $47.3 million, respectively. See notes 8(j) and (k) for additional information.

The deferred inflow from the increase in fair value of interest rate swaps of $7.9 million at June 30, 2021 and the deferred outflow from the decrease in fair value of interest rate swaps of $11.7 million at June 30, 2020 would be recognized as an investment gain or loss, respectively, upon the early termination of the swaps. Metropolitan will only terminate its interest rate swap agreements in advance of the contractual termination dates if market conditions permit. The deferred inflow and deferred outflow also would be recognized as an investment gain or loss, respectively, if the swaps were determined no longer to be effective hedges. Finally, if the bond associated with a swap is refunded, the deferred inflow and deferred outflow would be reduced and the deferred gain or loss on refunding, respectively, would be increased by the same amount. The deferred gain or loss would be amortized as a component of interest expense over the life of the old debt or the new debt, whichever is shorter.

(o) Capital Contributions

Capital contributions are comprised of federal, state, and private grants. These grants are typically of a reimbursable nature: Metropolitan first pays for the project and then the granting agency reimburses Metropolitan for its eligible expenses. The portion of the grants restricted for capital purposes are reflected as capital contributions in the statements of revenues, expenses and changes in net position when they are earned, irrespective of the timing of the receipts. Examples of capital projects where grants are received include water treatment plant improvements, such as fluoridation and water storage programs.

(p) Operating and Nonoperating Revenues and Expenses

Metropolitan's primary purpose is to provide a supplemental supply of water for domestic and municipal uses. Accordingly, Metropolitan defines operating revenues as revenues derived from the sale and availability of water, including water rates and other exchange and wheeling transactions. It also includes readiness-to-serve charges, capacity charge, and hydroelectric power sales. Operating expenses include the cost of sales and services, administrative expenses, and depreciation and amortization of capital assets.

Revenues from property taxes and investment income, as well as interest expense on outstanding debt, are related to capital and financing activities and are defined as nonoperating revenues and expenses.

(q) Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is Metropolitan's practice to use restricted resources first, then unrestricted resources as they are needed.

(r) Use of Estimates

The preparation of basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(s) New Accounting Pronouncements

Metropolitan implemented the following GASB Statements in fiscal year 2021:

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities (GASB 84).* This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity that meets the fiduciary criteria of this statement should be reported in a fiduciary fund in the basic financial statements presented in a statement of fiduciary net position and a statement of changes in fiduciary net position. The requirements of this statement are effective for fiscal year 2021 and must be applied retroactively to the earliest year presented. There was no impact to beginning net position for fiscal year 2020. Balances for Metropolitan were adjusted as follows for fiscal year 2020:

(Dollars in thousands)	2020 previously reported	GASB 84 adjustment	2020 adjusted
Current Assets:			
Restricted cash and investments	$ 519,926	$ (2,486)	$ 517,440
Receivable - Interest on investments	3,551	(5)	3,546
Noncurrent Assets:			
Restricted cash and investments	45,977	(3,366)	42,611
Total change in assets		$ (5,857)	
Current Liabilities:			
Accounts payable and accrued expenses	$ 109,083	$ (5)	$ 109,078
Customer deposits and trust funds	11,924	(2,888)	9,036
Noncurrent Liabilities:			
Customer deposits and trust funds	44,837	(2,964)	41,873
Total change in liabilities		$ (5,857)	

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*. This statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization and for reporting component units if a government acquires a 100 percent equity interest in that component unit. The requirements of this statement are effective for fiscal year 2021 but since Metropolitan's only component unit, MWDAFC, had no financial activity, there was no impact on previously reported balances in the Statements of Net Position or the Statements of Revenues, Expenses and Changes in Net Position and there was no impact on note disclosures for the current year.

Metropolitan is currently evaluating its accounting practices to determine the potential impact on the financial statements for the following GASB Statements that will be implemented in a future fiscal year:

- GASB Statement No. 87, *Leases* (effective for fiscal year 2022).
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (effective for fiscal year 2022).
- GASB Statement No. 92, *Omnibus 2020* (effective for fiscal year 2022).
- GASB Statement No. 93, *Replacement of Interbank Offered Rates* (effective for fiscal year 2022).
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (effective for fiscal year 2023).
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (effective for fiscal year 2023).
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* (effective for fiscal year 2022).

The following pronouncement was issued by GASB but was determined to not be applicable to Metropolitan's financial statements:

- GASB Statement No. 91, *Conduit Debt Obligations.*

2. CAPITAL ASSETS

Capital asset activity for the fiscal years ended June 30, 2021 and 2020 was as follows:

(Dollars in thousands)	June 30, 2019	Additions
Capital assets not being depreciated:		
Land, easements and rights of way	$ 984,825	$ 902
Construction in progress	545,803	326,418
Total capital assets not being depreciated	1,530,628	327,320
Other capital assets:		
Parker power plant and dam	13,009	—
Power recovery plants	210,577	10,422
Other dams and reservoirs	1,568,330	47,935
Water transportation facilities	3,892,568	119,404
Pumping plants and facilities	303,032	55,464
Treatment plants and facilities	3,185,781	22,995
Power lines and communication facilities	32,678	7,544
Computer systems software	114,810	6,935
Buildings	187,405	15,399
Miscellaneous	497,813	33,361
Major equipment	104,819	6,400
Pre-operating expenses of original aqueduct	44,595	—
Participation rights in State Water Project (Note 10)	5,301,433	181,880
Participation rights in other facilities (Note 4)	459,049	—
Total other capital assets at historical cost	15,915,899	507,739
Accumulated depreciation and amortization:		
Parker power plant and dam	(12,463)	(163)
Power recovery plants	(102,518)	(3,454)
Other dams and reservoirs	(422,696)	(10,198)
Water transportation facilities	(1,060,509)	(62,180)
Pumping plants and facilities	(109,195)	(8,026)
Treatment plants and facilities	(826,432)	(76,227)
Power lines and communication facilities	(11,495)	(462)
Computer systems software	(111,352)	(2,167)
Buildings	(37,931)	(4,089)
Miscellaneous	(149,591)	(18,829)
Major equipment	(87,544)	(5,747)
Pre-operating expenses of original aqueduct	(42,524)	(1,035)
Participation rights in State Water Project (Note 10)	(3,860,925)	(142,696)
Participation rights in other facilities (Note 4)	(217,873)	(13,780)
Total accumulated depreciation and amortization	(7,053,048)	(349,053)
Other capital assets, net	8,862,851	158,686
Total capital assets, net	$ 10,393,479	$ 486,006
Depreciation and amortization was charged as follows:		
Depreciation of water related assets		
Amortization of State Water Project participation rights (Note 10)		
Amortization of other participation rights (Note 4)		
Depreciation and amortization expense related to capital assets		
Plus: Net retirements adjusted to expense		
Total depreciation and amortization expense		

Reductions	June 30, 2020	**Additions**	**Reductions**	**June 30, 2021**
$ (931)	$ 984,796	**$ 2,691**	**$ (813)**	**$ 986,674**
(236,067)	636,154	**268,970**	**(93,216)**	**811,908**
(236,998)	1,620,950	**271,661**	**(94,029)**	**1,798,582**
—	13,009	**—**	**—**	**13,009**
(764)	220,235	**457**	**—**	**220,692**
(2,753)	1,613,512	**1,914**	**(49)**	**1,615,377**
(18,539)	3,993,433	**37,156**	**(27,528)**	**4,003,061**
(909)	357,587	**2,813**	**(178)**	**360,222**
(82,456)	3,126,320	**20,812**	**(7,596)**	**3,139,536**
(161)	40,061	**—**	**—**	**40,061**
(3,315)	118,430	**8,262**	**(3,052)**	**123,640**
(24,298)	178,506	**757**	**(179)**	**179,084**
(2,110)	529,064	**3,881**	**(5,760)**	**527,185**
(3,122)	108,097	**5,515**	**(2,326)**	**111,286**
—	44,595	**—**	**—**	**44,595**
(37,481)	5,445,832	**180,446**	**(38,602)**	**5,587,676**
—	459,049	**—**	**—**	**459,049**
(175,908)	16,247,730	**262,013**	**(85,270)**	**16,424,473**
—	(12,626)	**(163)**	**—**	**(12,789)**
764	(105,208)	**(4,906)**	**—**	**(110,114)**
2,645	(430,249)	**(22,545)**	**46**	**(452,748)**
10,550	(1,112,139)	**(57,419)**	**14,660**	**(1,154,898)**
758	(116,463)	**(6,939)**	**178**	**(123,224)**
17,488	(885,171)	**(74,543)**	**4,794**	**(954,920)**
161	(11,796)	**(493)**	**—**	**(12,289)**
1,911	(111,608)	**(2,410)**	**3,052**	**(110,966)**
4,086	(37,934)	**(3,446)**	**169**	**(41,211)**
321	(168,099)	**(11,873)**	**2,650**	**(177,322)**
3,122	(90,169)	**(5,775)**	**2,317**	**(93,627)**
—	(43,559)	**(1,035)**	**—**	**(44,594)**
—	(4,003,621)	**(147,964)**	**—**	**(4,151,585)**
—	(231,653)	**(13,780)**	**—**	**(245,433)**
41,806	(7,360,295)	**(353,291)**	**27,866**	**(7,685,720)**
(134,102)	8,887,435	**(91,278)**	**(57,404)**	**8,738,753**
$ (371,100)	$ 10,508,385	**$ 180,383**	**$ (151,433)**	**$ 10,537,335**
	$ 192,577			**$ 191,547**
	142,696			**147,964**
	13,780			**13,780**
	349,053			**353,291**
	3,978			**9,553**
	$ 353,031			**$ 362,844**

3. CASH AND INVESTMENTS

As a public agency, Metropolitan's investment practices are prescribed by various provisions of the California Government Code and the Act, as well as by administrative policies. Metropolitan's statement of investment policy is approved annually by the Board and describes the Treasurer's investment authority, practices, and limitations. The basic investment policy objectives, in order of importance, are safety of principal, liquidity, and return on investment.

Cash and investments may or may not be restricted as to use, depending on the specific purposes for which such assets are held (see Notes 3d and 13).

Metropolitan's total deposits and investments are reported at fair value in the following funds:

	June 30,	
(Dollars in thousands)	**2021**	2020
Proprietary Funds	**$ 1,476,196**	$ 1,246,268
Fiduciary Funds	**5,712**	5,852
Total deposits and investments	**$ 1,481,908**	$ 1,252,120
Deposits	**$ 5,009**	$ 161
Investments	**1,476,899**	1,251,959
Total deposits and investments	**$ 1,481,908**	$ 1,252,120

A summary of Metropolitan's deposit and investment policies, information on interest and credit risks, and restricted cash and investments is provided below.

(a) Deposits

The California Government Code requires California banks and savings and loan associations to secure a local government agency's deposits by pledging government securities as collateral.

As of June 30, 2021 and 2020, Metropolitan's cash balances with financial institutions were $5,004,000 and $156,000 respectively, and cash on hand was $5,000 at each fiscal year-end.

(b) Investments

Metropolitan is permitted by State law and Board policy to invest in a variety of instruments including U.S. Treasury securities, federal agencies, Supranationals, asset-backed, repurchase agreements, negotiable certificates of deposit, bankers' acceptances, prime commercial paper, Government-sponsored enterprise (GSE), California local agency securities, including securities issued by Metropolitan, medium-term corporate notes, time deposits, investment contracts, money market funds, California Asset Management Program (CAMP), and Local Agency Investment Fund (LAIF).

As of June 30, 2021 and 2020, Metropolitan had the following investments at fair value:

	June 30,	
(Dollars in thousands)	**2021**	2020
Asset-backed securities	**$ 50,465**	$ 42,419
CAMP	**372,184**	210,343
Federal agency securities	**34,707**	41,306
GSE	**32,373**	58,856
LAIF	**75,000**	75,000
Medium-term corporate notes	**180,932**	230,027
Money market funds	**5,139**	167,532
Municipal bonds	**7,317**	3,524
Negotiable certificates of deposit	**266,953**	136,265
Prime commercial paper	**204,626**	74,988
Supranationals	**86,842**	38,535
U.S. Treasury securities	**160,361**	173,164
Total investments	**$ 1,476,899**	$ 1,251,959

Metropolitan categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is the summary of the fair value hierarchy of the fair value of investments of Metropolitan as of June 30, 2021 and 2020:

	Fair Value Measurement Using					
(Dollars in thousands)	**6/30/2021**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	6/30/2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level:						
Asset-backed securities	**$ 50,465**	**$ 50,465**	**$ —**	$ 42,419	$ 42,419	$ —
Federal agency securities	**34,707**	**34,707**	**—**	41,306	41,306	—
GSE	**32,373**	**32,373**	**—**	58,856	58,856	—
Medium-term corporate notes	**180,932**	**180,932**	**—**	230,027	230,027	—
Municipal bonds	**7,317**	**7,317**	**—**	3,524	3,524	—
Negotiable certificates of deposit	**266,953**	**266,953**	**—**	136,265	126,262	10,003
Prime commercial paper	**204,626**	**39,979**	**164,647**	74,988	—	74,988
Supranationals	**86,842**	**86,842**	**—**	38,535	38,535	—
U.S. Treasury securities	**160,361**	**160,361**	**—**	173,164	173,164	—
Total investments by fair value level	**$ 1,024,576**	**$ 859,929**	**$ 164,647**	$ 799,084	$ 714,093	$ 84,991
Investments not subject to fair value level:						
CAMP	**372,184**			210,343		
LAIF	**75,000**			75,000		
Money market funds [1]	**5,139**			167,532		
Total investments	**$ 1,476,899**			$ 1,251,959		

[1] As of June 30, 2021 and 2020, the balance was invested in Dreyfus Gov't Cash Management and Dreyfus AMT-Free Tax Exempt (DGCXX & DEIXX) and BlackRock Treasury Trust (TTTXX).

Investments classified in Level 1 of the fair value hierarchy, valued at $859.9 million and $714.1 million as of June 30, 2021 and 2020, respectively, are valued using quoted prices in active markets.

Prime commercial paper totaling $164.6 million and $75.0 million as of June 30, 2021 and 2020, respectively, and negotiable certificates of deposit totaling $10.0 million as of June 30, 2020, are classified in Level 2 of the fair value hierarchy were valued using matrix pricing.

Metropolitan owns investments utilizing a stable one dollar per share value. These investment assets are exempt from reporting under the fair value measurement levels. There are no redemption restrictions for the investments reported at a value of one dollar per share.

CAMP and LAIF are carried at fair value, or the value of each participating dollar as provided by CAMP and LAIF, respectively. The fair value of Metropolitan's position in CAMP and LAIF is the same as the value of the pool shares. The pooled funds are not subject to level 1, 2 or 3 of the fair value hierarchy.

Interest rate risk. In accordance with Metropolitan's investment policy, interest rate risk was managed by limiting the duration of the various portfolio segments. Each segment has limitations on the amount of duration exposure (see the following for specific durations).

Liquidity Segment

This segment of the portfolio was managed against the Intercontinental Exchange Bank of America Merrill Lynch (ICE BoAML) 3-Month Treasury Bill Index, approved by the Finance and Insurance Committee. The benchmark duration as of June 30, 2021 and 2020 was 0.23 and the portfolio duration was permitted to vary from the duration by plus or minus 0.50. As of June 30, 2021 and 2020, Metropolitan's investments and portfolio durations for this segment were as follows:

	June 30,			
	2021		2020	
(Dollars in thousands)	**Fair value**	**Duration**	Fair value	Duration
Asset-backed securities	**$ 47,870**	**0.64**	$ 42,419	2.17
CAMP	**372,184**	**—**	210,343	—
Federal agency securities	**32,051**	**1.60**	39,983	1.16
LAIF	**75,000**	**—**	75,000	—
Medium-term corporate notes	**132,226**	**0.76**	146,084	0.60
Money market funds	**1**	**—**	165,428	—
Municipal bonds	**6,091**	**0.42**	2,135	2.17
Negotiable certificates of deposit	**266,953**	**0.56**	136,265	0.36
Prime commercial paper	**204,626**	**0.23**	74,988	0.09
Supranationals	**78,068**	**1.07**	38,535	0.43
U.S. Treasury securities	**60,145**	**1.32**	120,138	0.41
Total portfolio segment	**$ 1,275,215**		$ 1,051,318	
Portfolio duration		**0.43**		0.33

Core Segment

This segment of the portfolio was managed against the ICE BoAML, U.S. Corporate and Government, one to five years, A-Rated and above index approved by the Finance and Insurance Committee. For fiscal years 2021 and 2020, the benchmark durations were 2.69 and 2.66, respectively, and the portfolio duration was permitted to vary from the duration by plus or minus 1.50. As of June 30, 2021 and 2020, Metropolitan's investments and portfolio durations for this segment were as follows:

	June 30,					
	2021			2020		
(Dollars in thousands)		**Fair value**	**Duration**		Fair value	Duration
Asset-backed securities	**$**	**2,595**	**1.88**	$	—	—
GSE		**32,373**	**1.63**		58,856	1.56
Money market funds		**4,662**	**—**		1,756	—
Medium-term corporate notes		**48,706**	**2.72**		83,943	2.10
Supranationals		**8,774**	**2.70**		—	—
U.S. Treasury securities		**99,117**	**2.73**		50,512	3.65
Total portfolio segment	**$**	**196,227**		$	195,067	
Portfolio duration			2.47			2.32

Bond Reserves and Lake Mathews Segment

Investments in the bond reserves were managed based on the requirements of each of the bond issues. The Lake Mathews trust funds were managed in a manner that preserved the principal and provided the necessary liquidity to pay its operating expenses. Per Board authorization, the Treasurer was authorized to invest these monies in excess of five years.

As of June 30, 2021 and 2020, Metropolitan's investments and portfolio durations for this segment were as follows:

	June 30,					
	2021			2020		
(Dollars in thousands)		**Fair value**	**Duration**		Fair value	Duration
Federal agency securities	**$**	**2,656**	**1.28**	$	1,323	1.58
Money market funds		**476**	**—**		348	—
Municipal bonds		**1,226**	**2.68**		1,389	3.22
U.S. Treasury securities		**1,099**	**1.46**		2,514	0.97
Total portfolio segment	**$**	**5,457**		$	5,574	
Weighted average duration			**1.52**			1.61

Credit risk. Credit risk was managed by purchasing investments with the nationally recognized credit ratings specified in Metropolitan's investment policy. Additionally, the policy required monitoring the credit ratings of securities held in the portfolio, and if the securities' credit ratings were downgraded, evaluating for potential sale. For certain securities, additional requirements included consideration of net worth, length of time in business, and specified fair values.

Presented in the following table is the minimum rating required, if applicable, by investment type pursuant to Metropolitan's investment policy and State law:

Investment Type	Minimum Rating
U.S. Treasury Federal Agency Obligations GSE	Not applicable.
Bankers' acceptances	A-1 or its equivalent or better by a nationally recognized rating agency (NRSRO).
Prime commercial paper	Highest ranking or highest letter and number rating as provided by a NRSRO.
Negotiable certificates of deposit	A (long-term) or A-1 (short-term) or their equivalent or better by a NRSRO.
Bank deposits	All deposits must be collateralized as required by California Government Code Sections 53630 et seq. The Treasurer may waive collateral for the portion of any deposits that is insured pursuant to federal law.
Asset-backed securities	Rating category of at least 'AA' or equivalent or better by a NRSRO.
Supranationals	Rating category of at least 'AA' or equivalent or better by a NRSRO.
CAMP	Rating category of 'AAAm' or its equivalent or better by a NRSRO.
Repurchase agreements	Limited to primary dealers or financial institutions in a rating category of 'A' or its equivalent or better by a NRSRO.
Medium-term corporate notes	Rating category of 'A' or its equivalent or better by a NRSRO.
LAIF	Not applicable.
Money market funds	Highest ranking by not less than two NRSROs or must retain an investment advisor that meets specified requirements.
Municipal bonds	A (long-term) or A-1 (short-term) or their equivalent or better by a NRSRO.

At June 30, 2021 and 2020, Metropolitan's portfolio was invested in the following securities by rating:

		June 30,			
			2021		2020
(Dollars in thousands)	Rating		**Fair value**		Fair value
Asset-backed securities	AA or higher	**$**	**50,465**	$	42,419
CAMP	AAAm		**372,184**		210,343
Federal agency securities	N/A[(1)]		**34,707**		41,306
GSE	N/A[(1)]		**32,373**		58,856
LAIF	N/A[(2)]		**75,000**		75,000
Medium-term corporate notes	A[(3)]		**180,932**		230,027
Money market funds	AAA		**5,139**		167,532
Municipal bonds	A[(3)]		**7,317**		3,524
Negotiable certificates of deposit	F1[(3)]		**266,953**		136,265
Prime commercial paper	A1/P1[(3)]		**204,626**		74,988
Supranationals	AA or higher		**86,842**		38,535
U.S. Treasury securities	N/A[(1)]		**160,361**		173,164
Total portfolio		**$**	**1,476,899**	$	1,251,959

[(1)]*Credit ratings are not applicable to obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government.*
[(2)]*LAIF is not rated.*
[(3)]*A (long-term) or A-1 (short-term) or better e.g. F1+, A1+, AA, or AAA.*

Concentration of credit risk. In accordance with Metropolitan's investment policy, the minimum requirements for limiting concentration of credit risk defined the maximum percent allowable for investment in each security type as well as the percent allowable for investment by issuer per type. Generally, the maximum allowable for investment by security type varied from 20 percent for asset-backed securities and money market funds, to 100 percent for federal agency securities, GSE, and U.S. Treasury securities. The percentages of investments that can be purchased by a single issuer is limited to 5 percent for asset-backed securities, banker's acceptances, medium-term corporate notes, municipal bonds, negotiable certificates of deposit, and prime commercial paper.

The following table identifies Metropolitan's limits and the percent invested by security type based on fair value, as of June 30, 2021 and 2020.

	Investment Policy Limits	Percent of Portfolio 2021	2020
Asset-backed securities	20%	**4 %**	4 %
CAMP	30%	**25 %**	17 %
Federal agency securities	100%	**2 %**	3 %
GSE	100%	**2 %**	5 %
LAIF	N/A	**5 %**	6 %
Medium-term corporate notes	30%	**12 %**	18 %
Money market funds	20%	**<1 %**	13 %
Municipal bonds	30%	**1 %**	<1 %
Negotiable certificates of deposit	30%	**18 %**	11 %
Prime commercial paper	25%	**14 %**	6 %
Supranationals	30%	**6 %**	3 %
U.S. Treasury securities	100%	**11 %**	14 %
Total portfolio		**100 %**	100 %

At June 30, 2021 and 2020, Metropolitan had the following investments (obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government not listed) representing five percent or more of its investments:

(Dollars in thousands)		2021	
CAMP	**$**	**372,184**	**25.20 %**
LAIF	**$**	**75,000**	**5.08 %**

(Dollars in thousands)		2020	
CAMP	$	210,343	16.80 %
Dreyfus Gov't Cash Management[(1)]	$	165,511	13.22 %
LAIF	$	75,000	5.99 %

[(1)] *Invested in Money market funds*

Custodial credit risk. At June 30, 2021 and 2020, Metropolitan's investments were insured, registered or held, in Metropolitan's name, in safekeeping at Metropolitan's bank, which was not a counterparty to the investment transactions. The exceptions were $372.2 million and $210.3 million in the CAMP as of June 30, 2021 and 2020, respectively, and $75.0 million in deposits in LAIF as of June 30, 2021 and 2020.

CAMP is a program created through a joint powers agency as a pooled short-term portfolio and cash management vehicle for California public agencies under California Government Code Section 53601(p). CAMP is governed by a seven member Board of Trustees comprised of finance directors and treasurers of California public agencies. The total amount invested by all public agencies in CAMP was $6.5 billion as of June 30, 2021 and 2020. Of the amount invested in CAMP, 33.7 percent and 31.3 percent was invested in medium-term and short-term notes and asset-backed securities at June 30, 2021 and 2020, respectively. The average maturity of CAMP investments was 52 days and 53 days as of such dates.

The LAIF, created by California statute, is part of a pooled money investment account (PMIA). The LAIF has oversight by the Local Investment Advisory Board, which consists of five members designated by statute. The Chairwoman is the State Treasurer, or her designated representative.

The total amount invested by all public agencies in LAIF as of June 30, 2021 and 2020 was $37.1 billion and $32.1 billion, respectively. At June 30, 2021 and 2020, the PMIA had a balance of $193.3 billion and $101.0 billion, respectively, of which, 2.31 percent and 3.37 percent were invested in medium-term and short-term notes and asset-backed securities, respectively. The average maturity of the LAIF investments as of June 30, 2021 and 2020, was 291 days and 191 days, respectively.

(c) Reverse Repurchase Agreements

Metropolitan is permitted, subject to conditions imposed by State law, to sell securities owned under written agreements and to buy back the securities on or before a specified date for a specified amount. No such reverse repurchase agreements were entered into during the fiscal years ended June 30, 2021 and 2020.

(d) Restricted Cash and Investments

Metropolitan has established a number of separate accounts, also referred to as funds, to provide for specific activities in accordance with special regulations, bond covenants, and trust arrangements. The accounts are classified as "restricted." Most restricted accounts have the minimum cash and investment balance requirements and all are nondiscretionary in terms of the use of assets. Among other things, the restricted amounts provide for payments of debt service on Metropolitan's bonds; reserves for principal and interest on outstanding bonds; payments for arbitrage tax rebate; construction of capital assets; payment of Metropolitan's operations and maintenance expenses; and payment of the costs related to the closure and postclosure maintenance of Metropolitan's solid waste landfill facility.

This page intentionally left blank.

4. PARTICIPATION RIGHTS

Participation rights activity, excluding participation rights in State Water Project, for the fiscal years ended June 30, 2021 and 2020 was as follows:

(Dollars in thousands)	June 30, 2019	Additions
Participation rights:		
Imperial Irrigation District	$ 112,313	$ —
Palo Verde Irrigation District	82,804	—
Kern Delta Water District	39,007	—
South County Pipeline	72,371	—
Semitropic Water Storage District	34,259	—
Arvin-Edison Water Storage District	47,187	—
Chino Basin	27,500	—
Orange County	23,000	—
Conjunctive Use Programs	20,608	—
Total	459,049	—
Accumulated amortization:		
Imperial Irrigation District	(61,232)	(2,271)
Palo Verde Irrigation District	(33,417)	(2,341)
Kern Delta Water District	(19,459)	(2,172)
South County Pipeline	(24,019)	(913)
Semitropic Water Storage District	(18,869)	(943)
Arvin-Edison Water Storage District	(23,221)	(1,468)
Chino Basin	(14,902)	(1,453)
Orange County	(12,248)	(1,194)
Conjunctive Use Programs	(10,506)	(1,025)
Total	(217,873)	(13,780)
Participations rights, net	$ 241,176	$ (13,780)

Reductions	June 30, 2020	**Additions**	**Reductions**	**June 30, 2021**
$ —	$ 112,313	**$ —**	**$ —**	**$ 112,313**
—	82,804	**—**	**—**	**82,804**
—	39,007	**—**	**—**	**39,007**
—	72,371	**—**	**—**	**72,371**
—	34,259	**—**	**—**	**34,259**
—	47,187	**—**	**—**	**47,187**
—	27,500	**—**	**—**	**27,500**
—	23,000	**—**	**—**	**23,000**
—	20,608	**—**	**—**	**20,608**
—	459,049	**—**	**—**	**459,049**
—	(63,503)	**(2,270)**	**—**	**(65,773)**
—	(35,758)	**(2,343)**	**—**	**(38,101)**
—	(21,631)	**(2,172)**	**—**	**(23,803)**
—	(24,932)	**(913)**	**—**	**(25,845)**
—	(19,812)	**(942)**	**—**	**(20,754)**
—	(24,689)	**(1,468)**	**—**	**(26,157)**
—	(16,355)	**(1,453)**	**—**	**(17,808)**
—	(13,442)	**(1,194)**	**—**	**(14,636)**
—	(11,531)	**(1,025)**	**—**	**(12,556)**
—	(231,653)	**(13,780)**	**—**	**(245,433)**
$ —	$ 227,396	**$ (13,780)**	**$ —**	**$ 213,616**

(a) Imperial Irrigation District

In December 1988, Metropolitan and the Imperial Irrigation District (IID) entered into a water conservation agreement that became effective in December 1989. Under the terms of the conservation agreement, Metropolitan paid for capital costs and continues to pay annual costs for specific conservation projects within IID. From 1998 to 2003, Metropolitan diverted from the Colorado River a quantity of water equal to the amount of water conserved by the conservation projects, which totaled between 104.9 TAF and 109.5 TAF annually. Under the October 2003 amendment to an agreement and at the request of the Coachella Valley Water District (CVWD), up to 20.0 TAF of the total conserved volume was made available to CVWD. Under the May 2007 amendment to the agreement and a December 2014 letter agreement, at least 85.0 TAF and 105.0 TAF will be/was available in calendar years 2021 and 2020, respectively (see Note 9c). The water must be used in the calendar year the water is conserved, unless stored in a Colorado River reservoir pursuant to a separate agreement.

As capital projects were completed, the costs contributed by Metropolitan were capitalized as participation rights in Metropolitan's accounting records. The construction phase of this program was completed as of September 30, 1998, and the operation and maintenance phase commenced on October 1, 1998. The October 2003 amendment to the agreement extended the term through December 31, 2041 or 270 days beyond the termination of the Quantification Settlement Agreement plus any extension applicable over the agreement (see Note 9e).

Participation rights for this project totaled $112.3 million as of June 30, 2021 and 2020, and are amortized using the straight-line method over the remaining life of the agreement. Amortization expense totaled $2.3 million in fiscal years 2021 and 2020.

(b) Palo Verde Irrigation District

In August 2004, Metropolitan entered into an agreement with PVID to implement a 35-year land management and crop rotation program. This fallowing program commenced in January 2005 and will extend through July 2040 and will make available up to 130.0 TAF of water in certain years for transfer to Metropolitan from PVID.

Under the terms of the agreement, Metropolitan paid for all program start-up costs that have been capitalized as participation rights. These costs included sign-up payments to individual landowners, funding for a community improvement program and program setup costs.

Participation rights for this program totaled $82.8 million as of June 30, 2021 and 2020, and are being amortized using the straight-line method over 35 years. Amortization expense totaled $2.3 million in fiscal years 2021 and 2020.

(c) Kern Delta Water District

Metropolitan entered into an agreement with the Kern Delta Water District for the development of a water management program. The agreement includes a Regulation Program and a Transportation Program. Under the terms of the Regulation Program, Kern Delta will regulate the storage and delivery for Metropolitan of up to 250.0 TAF of water and has 166.9 TAF in the program as of June 30, 2021. The program is intended to provide a minimum recharge and return capability of 50.0 TAF annually. Construction of infrastructure is required in order to meet the program's dry year minimum return. The transportation program provides Metropolitan with priority rights to convey water acquired by Metropolitan from third parties through the Kern-Delta facilities to the

California Aqueduct for ultimate delivery to Metropolitan. This program terminates on December 31, 2029. The facilities became operational in June 2010.

Participation rights for the Kern Delta totaled $39.0 million as of June 30, 2021 and 2020, and are being amortized using the straight-line method over the remaining life of the agreement. Amortization expense totaled $2.2 million in fiscal years 2021 and 2020.

(d) South County Pipeline

In 1989, Metropolitan entered into an agreement with two member agencies and one of their subagencies to participate in the construction of an upsized version of a 26-mile long pipeline serving the south Orange County portion of its service area. Participation in this project provides Metropolitan capacity to transport its water in the central part of its service area.

Participation rights for this project totaled $72.4 million as of June 30, 2021 and 2020. These participation rights are amortized using the straight-line method over 80 years, which is the life of the agreement. Amortization expense totaled $0.9 million in fiscal years 2021 and 2020.

(e) Semitropic Water Storage District

In December 1994, Metropolitan entered into a water banking and exchange program with Semitropic Water Storage District and its improvement districts that entitles it to storage, withdrawal, and exchange rights for its SWP supplies. The agreement terminates in November 2035.

In 1999, Metropolitan became fully vested for 35 percent of the one million acre-foot banking project. Metropolitan has a storage allocation of 350.0 TAF and currently has 260.6 TAF in the program as of June 30, 2021. Metropolitan is entitled to a minimum of 31.5 TAF per year of pump back capacity. In addition, assuming a 100 percent SWP allocation, Metropolitan is entitled to a minimum of 46.6 TAF per year of entitlement exchange rights. Finally, Metropolitan has the ability to use other banking partners' rights when they are not being used. As a result, the potential maximum return capability for Metropolitan is estimated at 248.4 TAF per year assuming a 100 percent SWP allocation and usage of the other banking partners' rights. In fiscal year 2015, Metropolitan spent $5.8 million to increase the return capacity by 13.2 TAF per year. Since then, the additional return capacity has been reduced to 6.7 TAF per year after Metropolitan received reimbursement of $2.9 million.

Participation rights for this program totaled $34.3 million as of June 30, 2021 and 2020. These participation rights are amortized using the straight-line method over the remaining life of the agreement. Amortization expense totaled $0.9 million in fiscal years 2021 and 2020.

(f) Arvin-Edison Water Storage District

In December 1997, Metropolitan entered into an agreement for a water management program with Arvin-Edison Water Storage District (Arvin-Edison). The agreement includes a regulation program, a transportation program, and a water quality exchange program. Under the terms of the regulation program, Arvin-Edison will regulate the storage and delivery for Metropolitan of up to 350.0 TAF of water and currently has 142.3 TAF in the program at June 30, 2021. The minimum estimated return capability for the Arvin-Edison program varies from 40.0 TAF per year to 75.0 TAF per year depending on hydrologic/groundwater conditions. Return water will be delivered to Metropolitan upon request through a new intertie pipeline to the California Aqueduct and by exchange of existing Arvin-Edison supplies in the California Aqueduct. In 2008, Metropolitan amended the agreement to construct the south canal improvement project that will improve the operational flexibility of the program as well as increase the ability to return high quality water to the California Aqueduct. The project was completed in early 2009. The agreement terminates on November 4, 2035 with provisions for automatic extension if all stored water has not been returned.

The agreement also provides a transportation program whereby Metropolitan is provided priority rights to convey water acquired by Metropolitan from third parties through the Arvin-Edison facilities to the California Aqueduct for ultimate delivery to Metropolitan.

Participation rights for the Arvin-Edison program totaled $47.2 million as of June 30, 2021 and 2020. These participation rights are amortized using the straight-line method over the remaining life of the agreement. Amortization expense totaled $1.5 million in fiscal years 2021 and 2020.

(g) Chino Basin

In June 2003, Metropolitan entered into a groundwater storage agreement with Inland Empire Utilities Agency, Three Valleys Municipal Water District, and the Chino Basin Watermaster. Under the terms of the agreement, Metropolitan may store up to 25.0 TAF per year to a maximum of 100.0 TAF and may withdraw up to 33.0 TAF per year for overlying demand during dry, drought, or emergency conditions. The facilities became operational during fiscal year 2009. As of June 30, 2021, Metropolitan had 22.9 TAF water in storage. The agreement terminates on March 1, 2028, unless the parties agree to extend for an additional maximum period of 25 years.

Participation rights in the Chino basin groundwater storage program totaled $27.5 million as of June 30, 2021 and 2020. These participation rights are amortized using the straight-line method over the remaining life of the agreement. Amortization expense totaled $1.5 million in fiscal years 2021 and 2020.

(h) Orange County

In 2003, Metropolitan entered into a groundwater storage agreement with the Orange County Water District and the Municipal Water District of Orange County to allow Metropolitan to store 66.0 TAF in the Orange County Basin. Metropolitan may store up to 16.5 TAF per year and withdraw up to 22.0 TAF for overlying demand during dry, drought, or emergency conditions. The facilities became operational during fiscal year 2009. At June 30, 2021, Metropolitan had no water in storage. The program included the construction of wells and barrier improvements for protection of groundwater supplies from seawater intrusion. The agreement terminates in June 2028, unless the parties agree to extend for an additional maximum period of 25 years.

Participation rights in the Orange County groundwater storage program totaled $23.0 million as of June 30, 2021 and 2020. These participation rights are amortized using the straight-line method over the remaining life of the agreement. Amortization expense totaled $1.2 million in fiscal years 2021 and 2020.

(i) Conjunctive Use Programs

Conjunctive use is the operation of a groundwater basin in coordination with a surface water system to increase total water supply availability, thus improving the overall reliability of supplies. Metropolitan has entered into seven agreements with its member agencies for conjunctive use programs whereby Metropolitan provides funding for construction of water storage and related facilities in exchange for water storage and withdrawal rights. The conjunctive use programs were funded with State Proposition 13 grant dollars. The seven projects are with Long Beach, Long Beach-Lakewood, Compton, Three Valleys, Three Valleys MWD-La Verne, Foothill MWD, and Western MWD-Elsinore Valley MWD. Collectively, these seven projects allow Metropolitan to store up to 45.9 TAF with storage of 11.5 TAF per year and withdrawal of 15.3 TAF per year for overlying demand during dry, drought, or emergency conditions. As of June 2021, Metropolitan had a total of 11.6 TAF in storage in these seven accounts. The term of each agreement is 25 years, unless the parties agree to extend for an additional maximum period of 25 years. Termination dates range from July 2027 to December 2031. The programs became operational during fiscal year 2009.

Participation rights in these projects totaled $20.6 million at June 30, 2021 and 2020. These participation rights are amortized using the straight-line method over the remaining lives of the agreements. Amortization expense totaled $1.0 million in fiscal years 2021 and 2020.

5. SHORT-TERM AND LONG-TERM DEBT

Metropolitan's enabling Act specifies that its indebtedness shall be limited to 15 percent of the assessed value of all taxable property within Metropolitan's service area. Existing outstanding debt of $4.521 billion and $4.455 billion at June 30, 2021 and 2020, respectively, represents less than one percent of the June 30, 2021 and 2020 total taxable assessed valuation of $3,263 billion and $3,092 billion, respectively.

Metropolitan's long-term debt consists of general obligation and revenue bond issues as well as other obligations. The general obligation bonds are secured by Metropolitan's authority to levy ad valorem property taxes. The revenue bond obligations are special limited obligations of Metropolitan and are secured by a pledge of Metropolitan's net operating revenues. Such obligations contain certain restrictive covenants, with which Metropolitan has complied. Substantially all of the bond issues contain call provisions. Substantially all of the debt proceeds have been, and are expected to continue to be, utilized to fund new facilities, improvements and betterments, and to refund outstanding bonds.

(a) Commercial Paper and Revolving Notes

Metropolitan may issue up to $200.0 million in commercial paper to fund a portion of its capital investment plan, as approved by Metropolitan's Board. There was no commercial paper issued in fiscal years 2021 and 2020 and no commercial paper was outstanding at June 30, 2021 and 2020. Metropolitan may also issue other forms of short-term debt such as variable rate water revenue bonds and revolving notes.

Short-term note issued during the fiscal year ended June 30, 2021 was as a follows:

- On June 30, 2021, Metropolitan issued certain notes evidencing a draw of $35.6 million from the Royal Bank of Canada (RBC) Short Term Credit Facility for the purpose of refunding a portion of Metropolitan's then outstanding subordinate lien bonds. The notes have maturity date of June 29, 2022. See Note 16 for additional information.

.

Short-term note issued during the fiscal year ended June 30, 2020 and repaid during the fiscal year ended June 30, 2021 was as follows:

- On June 30, 2020, Metropolitan issued certain notes evidencing a draw of $35.6 million from the RBC Short Term Credit Facility for the purpose of refunding a portion of Metropolitan's then outstanding subordinate lien bonds. On July 1, 2020, the draw was refunded with proceeds of the Water Revenue Refunding Bonds, 2020 Series C. See note 5(d).

A total of $35.6 million short-term revolving notes were outstanding at June 30, 2021 and 2020.

There were no long-term notes issued during the fiscal year ended June 30, 2021. Long-term note repaid during the year then ended was as follows:

- On June 16, 2021 Metropolitan prepaid it's $46.8 million, Short-Term Revenue Refunding Certificates, Series 2019 A from the proceeds of Metropolitan's Variable Rate Water Revenue Refunding Bonds, 2021 A (Federally Taxable), described further in Note 5(d).

Long-term note issued and repaid during the fiscal year ended June 30, 2020 was as follows:

- On October 1, 2019, Metropolitan issued a $100.0 million note under the RBC Short-Term Revolving Credit Facility (2019 RBC Note), at a rate equal to the SIFMA Index plus 33 basis points. On February 11, 2020, the 2019 RBC Note was repaid with proceeds from the issuance of the Water Revenue Refunding Bonds, Series 2020 A.

There were no long-term revolving notes outstanding at June 30, 2021. A total of $46.8 million of long-term revolving notes were outstanding at June 30, 2020.

(b) General Obligation Bonds

In 1966, voters authorized Metropolitan to incur up to $850.0 million of general obligation bond indebtedness to finance a portion of Metropolitan's capital investment plan. The original amounts, issued as Series A through H under the 1966 authorization, totaled $850.0 million. Metropolitan has refunded a portion of these general obligation bond issues through the issuance of refunding bonds. A total of $26.8 million and $37.3 million in general obligation refunding bonds were outstanding at June 30, 2021 and 2020, respectively.

The general obligation refunding bond issues include both serial and term bonds that mature in varying amounts through March 2037 at interest rates ranging from 3.5 percent to 5.0 percent. The term bonds are subject to mandatory redemption prior to maturity. All general obligation bonds maturing on or after the earliest applicable call date are subject to optional redemption prior to maturity, callable on interest payment dates, and subject to early redemption.

General obligation bond issued during the fiscal year ended June 30, 2021 was as follows:

- On September 1, 2020, Metropolitan issued $13.7 million, Waterworks General Obligation Refunding Bonds, 2020 Series A, which refunded $18.7 million of Waterworks General Obligation Refunding Bonds, 2010 Series A and the cost of issuance. This refunding resulted in projected present value savings of $7.6 million. The true interest cost is 1.64% with a final maturity of March 1, 2037. The bonds are subject to optional redemption provisions.

No general obligation bonds were issued during the fiscal year ended June 30, 2020.

(c) Revenue Bonds

Pursuant to a 1974 voter authorization, additional funds, primarily for funding the capital investment plan, are obtained through the sale of water revenue bonds. Revenue bonds may be issued subject to certain conditions, including a requirement that the total of revenue bonds outstanding does not exceed the equity (net position) of Metropolitan as of the fiscal year end prior to such issuance. Metropolitan has refunded some of these revenue bonds through the issuance of refunding bonds. A total of $3.994 billion and $3.969 billion of revenue bonds and revenue refunding bonds were outstanding at June 30, 2021 and 2020, respectively.

Each fixed rate revenue and revenue refunding bond issue consists of either serial or term bonds or both that mature in varying amounts through July 2051 at interest rates ranging from .46 percent to 6.95 percent. The term bonds are subject to mandatory redemption prior to maturity. Substantially all revenue bonds maturing on or after the earliest applicable call date are subject to optional redemption prior to maturity, callable on any interest payment dates, and subject to early redemption.

Revenue bond issued during the fiscal year ended June 30, 2021 was as follows:

- On February 4, 2021, Metropolitan issued $188.9 million of Water Revenue Bonds, Series 2021 A, at a true interest cost of 2.77 percent, to fund a portion of Metropolitan's Capital Investment Plan and costs of issuance. The maturities extend to October 1, 2051 and are subject to mandatory and optional redemption provisions.

Revenue bond issued during the fiscal year ended June 30, 2020 was as follows:

- On February 11, 2020, Metropolitan issued $207.3 million of Water Revenue Bonds, 2020 Series A, at a true interest cost of 3.05 percent, to prepay a $100.0 million note drawn under the RBC Short-Term Credit Facility, and to fund a portion of the capital investment plan and costs of issuance. The maturities extend to October 1, 2049 and are subject to mandatory and optional provisions.

(d) Bond Refundings and Defeasances

Metropolitan has issued Waterworks General Obligation Refunding Bonds, Water Revenue Refunding Bonds, Special Variable Rate Water Revenue Refunding Bonds, and short-term notes to refund various issues of Waterworks General Obligation Bonds, Waterworks General Obligation Refunding Bonds, Water Revenue Bonds, Water Revenue Refunding Bonds, Special Variable Rate Water Revenue Refunding Bonds, and revolving notes previously issued. The net proceeds from these sales were used to redeem the refunded bonds and fund certain swap termination payments or to purchase U.S. Treasury securities that were deposited in irrevocable escrow trust accounts with a bank acting as an independent fiscal agent to provide for all future debt service on the bonds being refunded. As a result, those bonds are considered defeased and the related liabilities have been excluded from Metropolitan's basic financial statements.

Refunding and defeasance transactions during fiscal year 2021 were as follows:

- On July 1, 2020, Metropolitan issued $268.0 million of Water Revenue Refunding Bonds, Series 2020 C, which refunded $250.0 million, Water Revenue Bonds, 2010 Authorization, Series A; $44.3 million, Water Revenue Bonds, 2010 Series B; $14.0 million, Water Revenue Refunding Bonds, 2014 Series C-2; and, $6.2 million, Water Revenue Refunding Bonds, 2014 Series G-5. In addition, a $36.5 million draw on the RBC Short-Term Credit Facility was prepaid from the proceeds. This refunding resulted in projected present value savings of $80.2 million. The true interest cost was 2.70%. The final maturity is July 1, 2040. The bonds are subject to optional redemption provisions.

- On April 2, 2021, Metropolitan extended the terms of the $271.8 million Special Variable Rate Water Revenue Refunding Bonds, 2020 Series B (SVRWRRB 2020 Series B). The SVRWRRB 2020 Series B remain in the Long Mode under the 2020B Paying Agent Agreement and bear interest at a Long Rate equal to .46 percent per annum for the Long Period ending on April 2, 2024. The 2020B Senior Revenue Bonds are subject to mandatory tender for purchase on April 2, 2024 the last day of the Long Period. The SVRWRRB 2020 Series B were designated as Self-Liquidity Bonds pursuant to the 2020B Paying Agent Agreement and no standby bond purchase agreement or other liquidity facility is in effect for the purchase of such bonds.

- On June 16, 2021, Metropolitan issued $222.2 million of Variable Rate Subordinate Water Revenue Refunding Bonds, 2021 Series A (Federally Taxable), which prepaid $46.8 million, Short-Term Revenue Refunding Certificates, Series 2019 A, and refunded $175.0 million, Subordinate Water Revenue Bonds, 2016 Authorization Series A. The 2021 Series A bonds mature on July 1, 2042, and are subject to optional and mandatory redemption provisions.

Refunding and defeasance transactions during fiscal year 2020 were as follows:

- On April 1, 2020, Metropolitan issued $152.5 million of Subordinate Water Revenue Refunding Bonds, 2020 Series A. Proceeds were used to refund $9.9 million of Water Revenue Bonds, 2000 Authorization, Series B-3; $10.0 million of Special Variable Rate Water Revenue Refunding Bonds, 2013 Series D; $17.3 million of Special Variable Rate Water Revenue Refunding Bonds, 2014 Series D; $7.9 million of Special Variable Rate Water Revenue Refunding Bonds, 2015 Series A-1; $7.9 million of Special Variable Rate Water Revenue Refunding Bonds, 2015 Series A-2; $10.4 million of Special Variable Rate Water Revenue Refunding Bonds, 2016 Series B-1; $10.4 million of Special Variable Rate Water Revenue Refunding Bonds, 2016 Series B-2; $59.9 million of Special Variable Rate Water Revenue Refunding Bonds, 2018 Series A-1; $59.9 million of Special Variable Rate Water Revenue Refunding Bonds, 2018 Series A-2; and, to fund issuance costs. The Subordinate Water Revenue Refunding Bonds, 2020 Series A have a true interest cost of 0.8 percent, mature on July 1, 2029, and are not subject to optional or mandatory redemption provisions.

- On April 3, 2020, Metropolitan entered into a Bond Purchase Agreement, dated as of April 1, 2020, with Wells Fargo Municipal Capital Strategies, LLC, for the purchase of Metropolitan's $271.8 million Special Variable Rate Water Revenue Refunding Bonds, 2020 Series B (SVRWRRB 2020 Series B). Proceeds were used to refund $77.5 million of Special Variable Rate Water Revenue Refunding Bonds, 2013 Series D; $21.2 million of Special

Variable Rate Water Revenue Refunding Bonds, 2014 Series D; $86.6 million of Special Variable Rate Water Revenue Refunding Bonds, 2015 Series A-1; and, $86.6 million of Special Variable Rate Water Revenue Refunding Bonds, 2015 Series A-2. The SVRWRRB 2020 Series B were issued in a Long Mode under the 2020B Paying Agent Agreement and bear interest at a Long Rate equal to 1.04 percent per annum for the initial Long Period ending on April 2, 2021. The 2020B Senior Revenue Bonds are subject to mandatory tender for purchase on April 2, 2021 the last day of the Long Period. The SVRWRRB 2020 Series B were designated as Self-Liquidity Bonds pursuant to the 2020B Paying Agent Agreement and no standby bond purchase agreement or other liquidity facility is in effect for the purchase of such bonds.

These refundings and defeasances were accomplished to take advantage of lower interest rates, to realize economic savings or to eliminate or mitigate certain risks associated with managing its variable rate debt. The transactions resulted in cash flow savings of $100.7 million and $9.2 million and economic gains (difference between the present values of the debt service payments on the old debt and new debt) of $87.8 million and $8.6 million for fiscal years 2021 and 2020, respectively. The net carrying amount of the old debt was equal to the reacquisition price in fiscal year 2021 and 2020. Deferred outflows of loss on bond refundings at June 30, 2021 and 2020 were $13.3 million and $19.6 million, respectively, and the deferred outflows on swap terminations for the same periods were $17.9 million and $19.0 million, respectively.

(e) Interest Rate Swaps

Metropolitan has eight outstanding interest rate swap agreements as of June 30, 2021. These agreements require that Metropolitan pay fixed interest rates and receive interest at variable interest rates which are Metropolitan's hedging derivative instruments.

Metropolitan's interest rate swap portfolio as of June 30, 2021, 2020, and 2019 are summarized on the following table.

(Dollars in thousands)

Associated Bond Issue [1]		Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Counterparty Credit Rating[2]
2002 A Payor	$	48,282	09/12/02	3.300 %	57.74% of 1MoLIBOR[4]	Aa3/A+/NR
2002 B Payor		18,063	09/12/02	3.300 %	57.74% of 1MoLIBOR	Aa2/A+/AA
2003 Payor C-1 C-3		150,047	12/18/03	3.257 %	61.20% of 1MoLIBOR	Aa2/A+/AA-
2003 Payor C-1 C-3		150,047	12/18/03	3.257 %	61.20% of 1MoLIBOR	Aa2/A+/AA
2004 C Payor		7,760	11/16/04	2.980 %	61.55% of 1MoLIBOR	Aa3/BBB+/A
2004 C Payor		6,350	11/16/04	2.980 %	61.55% of 1MoLIBOR	A3/BBB+/A
2005 Payor		29,058	07/06/05	3.360 %	70.00% of 1MoLIBOR	Aa2/A+/AA
2005 Payor		29,058	07/06/05	3.360 %	70.00% of 1MoLIBOR	A3/BBB+/A
Total swaps	$	438,665				

[1]*These swaps lock in a fixed rate for an equivalent amount of variable rate debt.*

[2]*Credit Ratings - Moody's Investors Service, Standard & Poor's Global, Fitch Ratings, respectively.*

[3]*Excludes accrued interest.*

[4]*London Interbank Offered Rate.*

	Fair Value as of 6/30[3]			Change in Fair Value in FY	
Swap Termination	**2021**	2020	2019	**2021**	2020
07/01/25	**$ (3,431)**	$ (5,158)	$ (5,317)	**$ 1,727**	$ 159
07/01/25	**(1,284)**	(1,929)	(1,989)	**645**	60
07/01/30	**(17,238)**	(23,890)	(19,448)	**6,652**	(4,442)
07/01/30	**(17,238)**	(23,890)	(19,449)	**6,652**	(4,441)
10/01/29	**(821)**	(1,189)	(897)	**368**	(292)
10/01/29	**(672)**	(973)	(734)	**301**	(239)
07/01/30	**(4,151)**	(5,791)	(4,220)	**1,640**	(1,571)
07/01/30	**(4,151)**	(5,791)	(4,220)	**1,640**	(1,571)
	$ (48,986)	$ (68,611)	$ (56,274)	**$ 19,625**	$ (12,337)

As with its investments, Metropolitan categorizes its liabilities using fair value measurements within the fair value hierarchy established by U.S. GAAP and are discussed in Note 3.

Metropolitan has the following recurring fair value measurements as of June 30, 2021 and 2020:

(Dollars in thousands)

		Fair Value Measurements Using		
Associated Bond Issue	**6/30/2021**	**Significant Other Observable Inputs (Level 2)**	6/30/2020	Significant Other Observable Inputs (Level 2)
2002 A Payor	**$ (3,431)**	**$ (3,431)**	$ (5,158)	$ (5,158)
2002 B Payor	**(1,284)**	**(1,284)**	(1,929)	(1,929)
2003 Payor C-1 C-3	**(17,238)**	**(17,238)**	(23,890)	(23,890)
2003 Payor C-1 C-3	**(17,238)**	**(17,238)**	(23,890)	(23,890)
2004 C Payor	**(821)**	**(821)**	(1,189)	(1,189)
2004 C Payor	**(672)**	**(672)**	(973)	(973)
2005 Payor	**(4,151)**	**(4,151)**	(5,791)	(5,791)
2005 Payor	**(4,151)**	**(4,151)**	(5,791)	(5,791)
Total swaps	**$ (48,986)**	**$ (48,986)**	$ (68,611)	$ (68,611)

Derivative instruments classified in Level 2 of the fair value hierarchy are valued using an income approach that considers benchmark interest rates, yield curves, and credit spreads.

Pay-Fixed, Receive-Variable

Objective of the Swaps: In order to take advantage of low interest rates in the marketplace, Metropolitan entered into separate pay-fixed, receive-variable interest rate swaps at costs that were less than what Metropolitan otherwise would have paid to issue fixed rate debt in the tax-exempt municipal bond market. Currently, there are eight pay-fixed, receive-variable interest rate swaps outstanding.

Terms: The notional amounts of the swaps match the principal amounts of the associated debt in total. Metropolitan's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated long-term debt.

Fair Values: At June 30, 2021, all pay-fixed, receive-variable swaps had a negative fair value. Because the coupons on Metropolitan's variable rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value changes. The fair values of the swaps were estimated using the zero-coupon method and exclude accrued interest. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Credit Risks: As of June 30, 2021, Metropolitan was not exposed to credit risk on the outstanding pay-fixed, receive-variable swaps that had negative fair values. However, should interest rates change and the fair values of the swaps become positive, Metropolitan would be exposed to credit risk to each swap counterparty in the amount of the derivatives' fair value. Should the counterparties to the transactions fail to perform according to the terms of the swap contract, Metropolitan would face a maximum possible loss equal to the fair value of these swaps.

All swap agreements contain specific collateral requirements that are in effect for Metropolitan and the counterparties. The swaps require different collateral levels based on credit ratings and the fair value of the swap. Generally, the fair value threshold levels are also reduced as the credit ratings are reduced. Collateral on all swaps is to be in the form of U.S. government securities that may be held by the party posting the collateral. Metropolitan had no posted collateral as of June 30, 2021.

Each swap contains cross-default provisions that allow the nondefaulting party to accelerate and terminate all outstanding transactions and to net the transactions' fair values into a single sum to be owed by, or owed to, the nondefaulting party.

As of June 30, 2021, Metropolitan has pay-fixed, receive-variable swap transactions with one counterparty in the amount of $197.2 million or 44.9 percent of the notional amount of Metropolitan's outstanding pay-fixed, receive-variable swap transactions. This counterparty is rated Aa2/A+/AA by Moody's, Standard & Poor's Global, and Fitch Ratings, respectively.

Basis Risk: The interest rates on Metropolitan's variable rate bonds are expected to be equivalent, but not necessarily equal to the variable rate payments received from counterparties on pay-fixed, receive-variable interest rate swaps. To the extent these variable payments differ, Metropolitan is exposed to basis risk. When the rates received from the counterparties are less than the rates on variable rate bonds associated with the respective swap transactions there is a basis loss. When the rates received from the counterparties are greater than the rates on variable rate bonds associated with the respective swap transactions there is a basis gain. As of June 30, 2021, the interest rates of the variable rate debt associated with these swap transactions range from .01 percent to .17 percent. Metropolitan's variable rate payments received from the counterparties of these swaps ranged from .06 percent to .10 percent.

Termination Risk: Metropolitan may terminate any of the swaps if the other party fails to perform under the terms of the swap agreements. If any of the swaps are terminated, the associated variable rate bonds would no longer carry a synthetic fixed interest rate. Also, if at the time of termination the swap has a negative fair value, Metropolitan would be liable to the counterparty for a payment equal to the swap's fair value.

Tax Risk: As with other forms of variable rate exposure and the relationship between the taxable and tax-exempt markets, Metropolitan is exposed to tax risk should tax-exempt interest rates on variable rate debt issued in conjunction with the swaps rise faster than taxable interest rates received by the swap counterparties, due particularly to reduced federal or state income tax rates, over the term of the swap agreement.

(f) Swap Payments and Associated Debt

Using rates as of June 30, 2021, debt service requirements on Metropolitan's swap-related variable rate debt and net swap payments are as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

	Variable Rate Bonds							
(Dollars in thousands)		Principal		Interest		Interest Rate Swaps, Net		Total
Year ending June 30:								
2022	$	32,715	$	346	$	13,199	$	46,260
2023		33,260		321		12,224		45,805
2024		34,630		292		11,122		46,044
2025		65,190		240		9,122		74,552
2026		75,770		177		6,733		82,680
2027-2031		197,100		262		9,960		207,322
Total	$	438,665	$	1,638	$	62,360	$	502,663

(g) Variable Rate Bonds

The variable rate bonds bear interest at daily and weekly rates ranging from .01 percent to .17 percent as of June 30, 2021 and .07 percent to .48 percent as of June 30, 2020. Metropolitan can elect to change the interest rate period of the bonds with certain limitations.

Metropolitan has entered into standby bond purchase agreements (SBPA) with commercial banks to provide liquidity for seven separate variable rate bond issues listed in the table below. Bondholders have the right to tender such variable rate bonds to the paying agent on any business day with same day notice. In the event that tendered bonds are not remarketed, the paying agent will draw on the SBPA to pay such bondholders. The draw on the SBPA creates a new debt obligation between Metropolitan and the Bank, called a Bank Bond.

The Bank Bonds that would be issued under the SBPA would initially bear interest at a per annum interest rate equal to, depending on the applicable SBPA, a Base Rate of either: (a) the highest of the (i) Prime Rate plus one percent, (ii) Federal Funds Rate plus two percent, and (iii) seven percent; or (b) the highest of the (i) Prime Rate, (ii) Federal Funds Rate plus one half of one percent, and (iii) seven and one half percent (with the Base Rate increasing in the case of each of (i), (ii) and (iii) of this clause (b) after 90 days, by one percent). To the extent such bank bonds have not been remarketed or otherwise retired as of the earlier of the 90th day following the draw on the SBPA or the stated expiration date of the related SBPA, Metropolitan's obligation to repay the principal of the Bank Bonds would be payable in semi-annual installments over a period of approximately three or five years, depending on the applicable SBPA. Metropolitan has secured its obligation to repay principal and interest under the SBPAs as a senior lien obligation.

In addition, such bonds are subject to mandatory tender for purchase under certain circumstances, including upon the expiration of the SBPA. Metropolitan intends to either renew the facility or exercise its right to remarket the debt as a long-term financing. The portion that would be due in the next fiscal year in the event that the outstanding variable rate bonds were tendered and purchased by the commercial banks under the standby agreements was $72.0 million and $34.8 million at June 30, 2021 and 2020, respectively.

Metropolitan has the following seven variable rate bonds that are supported by a SBPA as of June 30, 2021 and 2020:

(Dollars in thousands)

Bond Issue	Amount 6/30/21	Amount 6/30/20	Expiration Date	Interest Rate	Current Amount 2021	Current Amount 2020
Water Revenue Bonds						
2000 Series B-3	**$ 78,900**	$ 78,900	3/20/23	Reset Daily	**$ —**	$ —
2017 Series A	**80,000**	80,000	3/20/23	Reset Daily	**—**	—
Water Revenue Refunding Bonds						
2018 Series A-1, A-2	**90,070**	90,070	6/04/24 [1]	Reset Daily	**—**	90,070
2016 Series B-1, B-2	**82,905**	82,905	6/04/24	Reset Daily	**—**	—
Subordinate Water Revenue Refunding Bonds						
2021 Series A	**222,160**	—	6/13/25	Reset Daily	**—**	—
Total	**$ 554,035**	$ 331,875			**$ —**	$ 90,070

[1] At 6/30/20, the SBPA associated 2018 Series A-1 and A-2 Water Revenue Refunding Bonds expired 6/25/21.

Metropolitan has the following three and four variable rate bonds that are not supported by a SBPA as of June 30, 2021 and 2020, respectively:

(Dollars in thousands)

Bond Issue	6/30/21	6/30/20	Interest Rate
Subordinate Water Revenue Bonds			
2016 Series A	**$ —**	$ 175,000	1M LIBOR plus % spread
2017 Series C	**80,000**	80,000	SIFMA Index plus % spread
Subordinate Water Revenue Refunding Bonds			
2017 Series D	**95,630**	95,630	SIFMA Index plus % spread
2017 Series E	**95,625**	95,625	SIFMA Index plus % spread
Total	**$ 271,255**	$ 446,255	

The current terms of the Subordinate Water Revenue Refunding Bonds, 2017 Series D and Series E (SIFMA Index Mode), and the Subordinate Water Revenue Bonds, 2017 Series C (SIFMA Index Mode), require bondholders to tender their bonds for purchase on the scheduled mandatory tender date of May 21, 2024. A failure by Metropolitan to pay the purchase price from the proceeds of remarketing or other funds, for a period of five business days following written notice by any owner of such bonds, will constitute an event of default under Metropolitan's Subordinate Debt Resolutions. Upon the occurrence and continuance of such events of default, the owners of 25 percent in aggregate principal amount of the Subordinate Revenue Bonds then outstanding may elect a bondholders' committee to exercise rights and powers of such owners under the Subordinate Debt Resolutions, including the right to declare the entire unpaid principal of the Subordinate Revenue Bonds then outstanding to be immediately due and payable.

(h) Long-term Debt Obligation Summary, Net of Long-term Revolving Notes

Interest rates at June 30, 2021 on all outstanding fixed-rate obligations range from .46 percent to 6.95 percent. Interest on the variable rate debt is reset either daily or weekly based upon market conditions. Future principal and interest payments in accordance with the debt agreements as of June 30, 2021 are as follows:

(Dollars in thousands)	Principal	Interest	Total
Year ending June 30:			
2022	$ 171,935	$ 134,909	$ 306,844
2023	175,865	125,474	301,339
2024	457,630	116,875	574,505
2025	185,860	107,792	293,652
2026	158,560	100,410	258,970
2027-2031	830,755	386,056	1,216,811
2032-2036	660,855	242,848	903,703
2037-2041	892,380	135,875	1,028,255
2042-2046	273,195	48,784	321,979
2047-2051	200,875	16,878	217,753
2052	13,185	330	13,515
	$ 4,021,095	$ 1,416,231	$ 5,437,326

Unamortized bond discount and premium, net	464,184
Total debt	4,485,279
Less current portion	(222,692)
Long-term portion of debt	$ 4,262,587

6. LONG-TERM LIABILITIES

Long-term liability activity for the fiscal years ended June 30, 2021 and 2020 is shown on the following table. Payments on the bonds are made from the restricted debt service funds; other long-term debt and the compensated absences liability will be liquidated primarily with water revenues.

This page intentionally left blank.

(Dollars in thousands)	Maturity Dates	Range of Interest Rates	June 30, 2019	Additions
Waterworks general obligation refunding bonds (Note 5b):				
2010 Series A	3/1/29-3/1/37	3.50%-5.00%	$ 18,735	$ —
2014 Series A	3/1/20-3/1/21	5.00 %	12,560	—
2019 Series A	3/1/20-3/1/28	5.00 %	16,755	—
2020 Series A	3/1/29-3/1/37	5.00 %	—	—
Total general obligation and general obligation refunding bonds			48,050	—
Water revenue bonds (Note 5c):				
2000 Series B-3	7/1/29-7/1/35	Variable	88,800	—
2010 Series A	7/1/38-7/1/40	6.95 %	250,000	—
2015 Series A	7/1/18-7/1/45	5.00 %	206,265	—
2016 Subordinate Series A	12/21/2020	Variable	175,000	—
2017 Series A	7/1/41-7/1/47	Variable	80,000	—
2017 Subordinate Series C	5/21/2024	Variable	80,000	—
2018 Subordinate Series B	9/1/23-9/1/28	5.00 %	64,345	—
2020 Series A	10/1/30-10/1/49	5.00 %	—	207,355
2021 Series A	10/1/28-10/1/51	5.00 %	—	—
Water revenue refunding bonds (Note 5d):				
1993 Series A	7/1/19-7/1/21	5.75 %	21,840	—
2010 Series B	7/1/19-7/1/28	2.60%-5.00%	63,800	—
2011 Series B	7/1/19-7/1/20	4.00 %	2,640	—
2011 Series C	10/1/19-10/1/36	2.25%-5.00%	128,750	—
2012 Series A	10/1/23-10/1/36	3.25%-5.00%	181,180	—
2012 Series C	7/1/19-7/1/21	3.00%-5.00%	54,795	—
2012 Series F	7/1/19-7/1/28	3.00%-5.00%	59,335	—
2012 Series G	7/1/20-7/1/31	3.00%-5.00%	111,890	—
2013 Series D	7/1/29-7/1/35	Variable	87,445	—
2014 Series A	7/1/19-7/1/21	4.00%-5.00%	83,865	—
2014 Series C-2-C-3	10/1/20-10/1/21	3.00 %	16,830	—
2014 Series D	7/1/21-7/1/32	Variable	38,465	—
2014 Series E	7/1/21-7/1/24	3.50%-5.00%	86,060	—
2014 Series G-5	7/1/37	3.00%	6,205	—
2015 Series A-1, A-2	7/1/35	Variable	188,900	—
2016 Series A	7/1/28-7/1/37	2.00%-5.00%	239,455	—
2016 Series B-1, B-2	7/1/25-7/1/37	Variable	103,670	—
2017 Subordinate Series A	7/1/20-7/1/27	2.00%-2.50%	238,015	—
2017 Subordinate Series B	8/1/20-8/1/24	3.00%-5.00%	178,220	—
2017 Subordinate Series D	5/21/2024	Variable	95,630	—
2017 Subordinate Series E	5/21/2024	Variable	95,625	—
2018 Series A1, A-2	7/1/19-7/1/37	Variable	210,040	—
2018 Subordinate Series A	7/1/19-7/1/23	5.00 %	99,075	—
2018 Series B	7/1/20-1/1/39	5.00 %	137,485	—
2019 Series A	7/1/30-7/1/39	5.00 %	218,090	—
2019 Subordinate Series A	7/1/20-7/1/29	5.00 %	241,530	—
2020 Subordinate Series A	7/1/23-7/1/29	3.00%-5.00%	—	152,455
2020 Series B	4/2/2024	.46%-1.04 %	—	271,815
2020 Series C	7/1/21-7/1/10	5.00 %	—	—
2021 Subordinate Series A	7/1/37-7/1/42	Variable	—	—
Total water revenue and water revenue refunding bonds			3,933,245	631,625
Other long-term debt (Notes 5a and 5h):				
Revolving notes			46,800	100,000
Unamortized bond discount and premiums, net			307,310	104,554
Total long-term debt			4,335,405	836,179
Other long-term liabilities (see table next page)			169,235	62,634
Total long-term liabilities			$ 4,504,640	$ 898,813

Reductions	June 30, 2020	**Additions**	**Reductions**	**June 30, 2021**	**Amounts Due Within One Year**
$ —	$ 18,735	$ —	$ (18,735)	$ —	$ —
(8,020)	4,540	—	(4,540)	—	—
(2,730)	14,025	—	(860)	13,165	6,655
—	—	13,665	—	13,665	—
(10,750)	37,300	13,665	(24,135)	26,830	6,655
(9,900)	78,900	—	—	78,900	—
—	250,000	—	(250,000)	—	—
(2,145)	204,120	—	(2,585)	201,535	2,535
—	175,000	—	(175,000)	—	—
—	80,000	—	—	80,000	—
—	80,000	—	—	80,000	—
—	64,345	—	—	64,345	—
—	207,355	—	—	207,355	—
—	—	188,890	—	188,890	—
(9,615)	12,225	—	(10,185)	2,040	2,040
(7,795)	56,005	—	(56,005)	—	—
(1,295)	1,345	—	(1,345)	—	—
(9,950)	118,800	—	(100)	118,700	10,415
—	181,180	—	—	181,180	—
(34,960)	19,835	—	(14,200)	5,635	5,635
(10,450)	48,885	—	(11,150)	37,735	11,195
—	111,890	—	(22,070)	89,820	1,590
(87,445)	—	—	—	—	—
(45,995)	37,870	—	(33,000)	4,870	4,870
—	16,830	—	(14,020)	2,810	2,810
(38,465)	—	—	—	—	—
—	86,060	—	—	86,060	23,225
—	6,205	—	(6,205)	—	—
(188,900)	—	—	—	—	—
—	239,455	—	—	239,455	—
(20,765)	82,905	—	—	82,905	—
—	238,015	—	(5,300)	232,715	13,500
—	178,220	—	(35,645)	142,575	35,645
—	95,630	—	—	95,630	—
—	95,625	—	—	95,625	—
(119,970)	90,070	—	—	90,070	—
(4,400)	94,675	—	(4,560)	90,115	40,125
(3,975)	133,510	—	(4,385)	129,125	4,600
—	218,090	—	—	218,090	—
—	241,530	—	(7,870)	233,660	4,780
—	152,455	—	—	152,455	—
—	271,815	—	—	271,815	—
—	—	267,995	—	267,995	2,315
—	—	222,160	—	222,160	—
(596,025)	3,968,845	679,045	(653,625)	3,994,265	165,280
(100,000)	46,800	—	(46,800)	—	—
(45,583)	366,281	151,112	(53,209)	464,184	50,757
(752,358)	4,419,226	843,822	(777,769)	4,485,279	222,692
(44,257)	187,612	45,028	(66,778)	165,862	33,659
$ (796,615)	$ 4,606,838	$ 888,850	$ (844,547)	$ 4,651,141	$ 256,351

(Dollars in thousands)	June 30, 2019	Additions	Reductions	GASB 84 Adjustment Note 1s	June 30, 2020 As Adjusted Note 1s	**Additions**	**Reductions**	**June 30, 2021**	**Amounts Due Within One Year**
Accrued compensated absences	$ 48,397	$ 27,895	$ (24,011)	$ —	$ 52,281	**$ 30,756**	**$ (25,120)**	**$ 57,917**	**$ 25,800**
Customer deposits and trust funds	49,397	16,857	(9,493)	(5,852)	50,909	**7,166**	**(11,591)**	**46,484**	**3,062**
Workers' Compensation and third party claims (Note 14)	12,958	5,545	(4,901)	—	13,602	**7,106**	**(10,419)**	**10,289**	**4,792**
Fair value of interest rate swaps (Note 5e)	56,274	12,337	—	—	68,611	**—**	**(19,625)**	**48,986**	**—**
Other long-term liabilities	2,209	—	—	—	2,209	**—**	**(23)**	**2,186**	**5**
Total other long-term liabilities	$ 169,235	$ 62,634	$ (38,405)	$ (5,852)	$ 187,612	**$ 45,028**	**$ (66,778)**	**$ 165,862**	**$ 33,659**

7. PENSION PLAN

(a) General Information about the Pension Plan

Plan Description

All full-time Metropolitan employees are required to participate in Metropolitan's Miscellaneous Plan with CalPERS, an agent multiple-employer public employee defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employee's Retirement Law. Metropolitan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board approval. CalPERS issues a separate comprehensive annual report. Copies of CalPERS' annual financial report may be obtained from its Executive Office, 400 Q Street, Sacramento, CA 95811.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Employees hired prior to January 1, 2013 (Classic members) with five years of total service are eligible to retire at age 50 with statutorily reduced benefits; employees hired after January 1, 2013 (PEPRA members) with at least five years of credited service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for improved non-industrial disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit.

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 through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Metropolitan is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Metropolitan's total employer contributions were $74.3 million and $66.1 million for the fiscal years ended June 30, 2021 and 2020, respectively. The employee contribution rate was 7.25 percent and 6.0 percent of annual pay for PEPRA members for the fiscal years ended June 30, 2021 and 2020, respectively, and 7.0 percent of annual pay for Classic members in both years. Metropolitan contributes the full 7.0 percent for Classic members while PEPRA members contribute the full 7.25 percent and 6.0 percent for the respective years. At June 30, 2021 and 2020, Metropolitan's pickup of the employee's 7.0 percent share were $11.4 million and $11.5 million, respectively. Payments made by Metropolitan to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

The Plans' provisions and benefits in effect at June 30, 2021 and 2020 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% @ 62
Benefit vesting schedule	5 years	5 years
Benefit payments	Monthly for life	Monthly for life
Final average compensation period	12 months	36 months
Sick leave credit	Yes	Yes
Retirement age	50-67	52-67
Monthly benefits as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Cost of living adjustment	2.0 %	2.0 %
Required employee contribution rates		
2021	7.0 %	7.25 %
2020	7.0 %	6.0 %
Required employer contribution rates		
2021	32.426 %	32.426 %
2020	29.972 %	29.972 %

At June 30, 2019 and 2018, the valuation dates for fiscal years 2021 and 2020, respectively, the following current and former employees were covered by the benefit terms:

	2021	2020
Valuation date	**6/30/2019**	6/30/2018
Inactive employees (or their beneficiaries) currently receiving benefits	**2,268**	2,203
Inactive employees entitled to but not yet receiving benefits	**905**	925
Active members	**1,818**	1,766
Total	**4,991**	4,894

(b) Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Metropolitan's net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability at June 30, 2021 and 2020 was measured as of June 30, 2020 and 2019, respectively, using an annual actuarial valuation as of June 30, 2019 and 2018, respectively. The actuarial valuations as of June 30, 2019 and 2018 were rolled forward to June 30, 2020 and 2019, respectively, using standard update procedures.

The total pension liabilities for the measurement dates of June 30, 2020 and 2019 were based on the following actuarial methods and assumptions:

Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial assumptions	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Mortality rate table[(1)]	Derived using CalPERS' Membership Data for all Funds
Post-retirement benefit increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

[(1)] *The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.*

All other actuarial assumptions used in the June 30, 2019 and 2018 valuations were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments of 7.15 percent was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations 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+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects long-term expected real rates of return by asset class for the measurement dates of June 30, 2020 and 2019.

Asset Class[(1)]	Assumed Asset Allocation	Real Return Years 1-10[(2)]	Real Return Years 11+[(3)]
Global Equity	**50.00 %**	**4.80 %**	**5.98 %**
Fixed Income	**28.00**	**1.00**	**2.62**
Inflation Assets	**—**	**0.77**	**1.81**
Private Equity	**8.00**	**6.30**	**7.23**
Real Estate	**13.00**	**3.75**	**4.93**
Liquidity	**1.00**	**—**	**(0.92)**
Total	**100.00 %**		

(1) In the CalPERS Comprehensive Annual 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.
(2) An expected inflation of 2.00 percent used for this period
(3) An expected inflation of 2.92 percent used for this period

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2020 and 2019 measurement dates was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at a statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.15 percent was applied to all periods of projected benefit payments to determine the total pension liability.

(c) Changes in the Net Pension Liability

The following tables show the changes in net pension liability recognized over the measurement periods of June 30, 2020 and 2019:

(Dollars in thousands)	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2019 (VD)	**$ 2,479,307**	**$ 1,810,312**	**$ 668,995**
Changes recognized for the measurement period:			
Service cost	37,178	—	37,178
Interest on total pension liability	174,996	—	174,996
Differences between expected and actual experience	13,319	—	13,319
Contribution - Employer	—	66,091	(66,091)
Contribution - Employee	—	16,230	(16,230)
Net investment income	—	90,131	(90,131)
Benefit payments, including refunds of employee contributions	(125,982)	(125,982)	—
Administrative expenses	—	(2,551)	2,551
Net Changes	**$ 99,511**	**$ 43,919**	**$ 55,592**
Balance at June 30, 2020 (MD)	**$ 2,578,818**	**$ 1,854,231**	**$ 724,587**

(Dollars in thousands)	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2018 (VD)	**$ 2,376,778**	**$ 1,742,741**	**$ 634,037**
Changes recognized for the measurement period:			
Service cost	35,739	—	35,739
Interest on total pension liability	168,122	—	168,122
Differences between expected and actual experience	16,205	—	16,205
Contribution - Employer	—	56,497	(56,497)
Contribution - Employee	—	15,631	(15,631)
Net investment income	—	114,220	(114,220)
Benefit payments, including refunds of employee contributions	(117,537)	(117,537)	—
Administrative expenses	—	(1,244)	1,244
Other miscellaneous income	—	4	(4)
Net Changes	**$ 102,529**	**$ 67,571**	**$ 34,958**
Balance at June 30, 2019 (MD)	**$ 2,479,307**	**$ 1,810,312**	**$ 668,995**

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

The following presents the net pension liability of the Plan as of the June 30, 2020 and 2019 measurement dates, calculated using the discount rate of 7.15 percent for both years. The table also shows what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

(Dollars in thousands)	**2021**	2020
Discount Rate -1%	**6.15 %**	6.15 %
Net Pension Liability	**$ 1,039,946**	$ 975,970
Current Discount Rate	**7.15 %**	7.15 %
Net Pension Liability	**$ 724,587**	$ 668,995
Discount Rate +1%	**8.15 %**	8.15 %
Net Pension Liability	**$ 460,599**	$ 412,124

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS GASB 68 Accounting Report for Metropolitan.

Subsequent Events

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

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

The EARSL for the Plan for the period ending June 30, 2020 measurement date is 3.4 years, which was obtained by dividing the total service years of 16,995 (the sum of remaining service lifetimes of the active employees) by 4,991 (the total number of participants: active, inactive, and retired). The EARSL for the Plan for the June 30, 2019 measurement date is 3.3 years, which was calculated by dividing the total service years of 16,107 by the total number of participants of 4,894. Inactive employees and retirees have remaining service lifetimes equal to zero and total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

(d) Pension Expense, Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the years ended June 30, 2021 and 2020, Metropolitan recognized pension expense of $92.2 million and $119.8 million, respectively. At June 30, 2021 and 2020, Metropolitan has deferred outflows and inflows of resources related to pensions as follows:

	Deferred Outflows of Resources Outflows		Deferred Inflows of Resources Inflows	
(Dollars in thousands)	**2021**	2020	**2021**	2020
Pension contributions subsequent to measurement date	**$ 74,339**	$ 66,091	**$ —**	$ —
Differences between expected and actual experience	**15,785**	11,294	**(627)**	(4,752)
Changes of assumptions	**—**	7,858	**(962)**	(5,772)
Net difference between projected and actual earnings on pension plan investments	**13,096**	—	**—**	(10,774)
Total	**$ 103,220**	$ 85,243	**$ (1,589)**	$ (21,298)

The amounts above are net of outflows and inflows recognized in the pension expense for the fiscal years ended June 30, 2021 and 2020. At June 30, 2021 and 2020, the deferred outflows of resources related to contributions subsequent to the measurement date of $74.3 million and $66.1 million, respectively, will be/was recognized as a reduction of the net pension liability in the fiscal years ending/ended June 30, 2022 and 2021, respectively.

The net difference between projected and actual earnings on pension plan investments, differences between expected and actual experience, and changes of assumptions will be recognized in future pension expense as follows:

(Dollars in thousands)	**Deferred Outflows /(Inflows) of Resources**
Fiscal year ending June 30,	
2022	$ (982)
2023	10,023
2024	10,759
2025	7,492
Total	$ 27,292

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

(a) Plan Description and Benefits Provided

Through CalPERS, Metropolitan offers medical insurance to active and retired employees, as well as their qualified dependents under the Public Employees' Medical and Hospital Care Act (PEMHCA). Under PEMHCA, health coverage for the employee continues into retirement. Current plans offered are three PPO plans: PERS Care, PERS Choice, and PERS Select; and nine HMO plans through Anthem Blue Cross, Blue Shield, Health Net, Kaiser, Sharp, SmartCare, United Healthcare and Western Health. Metropolitan participates in the CERBT Fund, which is an agent multiple-employer plan available to employers to pre-fund OPEB benefits. Benefit provisions are established through negotiations between Metropolitan and its various bargaining units, which also apply to retirees. For employees hired on or after January 1, 2012, retirees must have a minimum of 10 years of PERS service and no less than five years of Metropolitan service in order to receive post-employment health benefits in accordance with PERS as per Government Code Section 22893. For employees hired prior to January 1, 2012, retirees are not required to meet the eligibility criteria. This benefit was provided to 1,954 and 1,946 retired Metropolitan employees at June 30, 2021 and 2020, respectively. CalPERS issues a separate comprehensive annual report that includes financial statements for its CERBT Fund. Copies of CalPERS' annual financial report may be obtained from its Executive Office, 400 Q Street, Sacramento, CA 95811.

(b) Funding Policy and Contributions

Contribution requirements are established by Memorandum of Understandings negotiated between Metropolitan and its various bargaining units. During fiscal years 2021 and 2020, Metropolitan contributed up to 100 percent of Anthem HMO Traditional Region 2 basic plan rate for all employees and retirees. During fiscal years 2021 and 2020, Metropolitan contributed the full actuarially determined contribution rate of 10.3 percent or $23.2 million and 13.8 percent or $28.1 million, respectively. Employees are not required to contribute to the plan.

(c) Employees Covered

At June 30, 2020 and 2019, the measurement dates for fiscal years 2021 and 2020, respectively, the following current and former employees were covered by the benefit terms:

	2021	2020
Measurement Date	**6/30/2020**	6/30/2019
Inactives employees (or their beneficiaries) currently receiving benefits	**1,803**	1,759
Inactive employees entitled to but not yet receiving benefits	**143**	139
Active members	**1,867**	1,820
Total	**3,813**	3,718

(d) Actuarial Assumptions Used to Determine Total OPEB Liability

The total OPEB liability used to calculate the net OPEB liability as of June 30, 2021 and 2020 was measured as of June 30, 2020 and 2019, respectively using an actuarial valuation as of June 30, 2019. The actuarial valuation as of June 30, 2019 was rolled forward to the June 30, 2020 measurement date, using standard updated procedures. The June 30, 2019 actuarial valuation was based on the following actuarial methods and assumptions:

Actuarial cost method	Entry age normal cost
Actuarial assumptions	
Funding policy	Metropolitan pre-funds full ADC
Discount rate	6.75%
Long-term expected rate of return on assets	6.75%
General inflation	2.75% per annum
Crossover test assumptions	Employer contributes full ADC
	Administrative expenses = .05% of assets
Salary increases	3.0% per annum
Mortality, disability, termination, retirement[(1)]	Derived using CalPERS Membership Data
Mortality improvement	Mortality projected fully generational with Society of Actuaries mortality improvement Scale MP2019
Healthcare cost trend rate	Pre-Medicare: 7.25% for 2021, decreasing to 4.0% for 2076 and later
	Medicare: 6.3% for 2021, decreasing to 4.0% for 2076 and later
Healthcare participation for future retirees	Currently covered: 100%; Currently waived: 90%

[(1)]*Derived from data collected during 1997 to 2015 CalPERS Experience Study dated December 2015 for the June 30, 2019 actuarial valuation.*

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 and 2020 are summarized in the following table:

Asset class	**Target Allocation**	**Long-term expected real rate of return**
Global equity	**59.0 %**	**4.8 %**
Fixed income	**25.0**	**1.5**
TIPS	**5.0**	**1.3**
Commodities	**3.0**	**0.8**
REITs	**8.0**	**3.8**
Total	**100.0 %**	

(e) Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2020 and 2019 measurement dates was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that Metropolitan contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

(f) Changes in the OPEB Liability

The following tables shows the changes in the net OPEB liability recognized over the measurement periods of June 30, 2020 and 2019:

	Increase (Decrease)		
(Dollars in thousands)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2019 (MD)	**$ 434,759**	**$ 266,773**	**$ 167,986**
Changes recognized for the measurement period:			
Service cost	11,061	—	11,061
Interest	29,322	—	29,322
Contribution - employer	—	33,506	(33,506)
Net investment income	—	10,276	(10,276)
Benefit payments	(22,849)	(22,849)	—
Administrative expense	—	(144)	144
Net changes	**$ 17,534**	**$ 20,789**	**$ (3,255)**
Balance at June 30, 2020 (MD)	**$ 452,293**	**$ 287,562**	**$ 164,731**

(Dollars in thousands)	Increase (Decrease) Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2018 (MD)	**$ 468,185**	**$ 239,851**	**$ 228,334**
Changes recognized for the measurement period:			
Service cost	10,635	—	10,635
Interest	31,600	—	31,600
Difference between expected and actual experience	(50,116)	—	(50,116)
Changes of assumptions	(4,217)	—	(4,217)
Contribution - employer	—	32,067	(32,067)
Net investment income	—	16,240	(16,240)
Benefit payments	(21,328)	(21,328)	—
Administrative expense	—	(57)	57
Net changes	**$ (33,426)**	**$ 26,922**	**$ (60,348)**
Balance at June 30, 2019 (MD)	**$ 434,759**	**$ 266,773**	**$ 167,986**

(g) Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the OPEB Plan as of the June 30, 2020 and 2019 measurement dates if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

(Dollars in thousands)	**2021**	2020
Discount Rate -1%	**5.75 %**	5.75 %
Net OPEB Liability	**$ 222,863**	$ 224,217
Current Discount Rate	**6.75 %**	6.75 %
Net OPEB Liability	**$ 164,731**	$ 167,986
Discount Rate +1%	**7.75 %**	7.75 %
Net OPEB Liability	**$ 116,650**	$ 121,510

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

The following presents the net OPEB liability of the OPEB Plan if it were calculated using a healthcare trend rate that is one percentage point lower or one percentage point higher than the current rate, for measurement periods ended June 30, 2020 and 2019:

(Dollars in thousands)		**2021**		2020
Healthcare Trend Rate -1%		**6.25%/5.3 % decreasing to 3.0 %**		6.5%/5.5 % decreasing to 3.0 %
Net OPEB Liability	**$**	**108,441**	$	117,114
Current Healthcare Trend Rate		**7.25%/6.3 % decreasing to 4.0 %**		7.5%/6.5 % decreasing to 4.0 %
Net OPEB Liability	**$**	**164,731**	$	167,986
Healthcare Trend Rate +1%		**8.25%/7.3 % decreasing to 5.0 %**		8.5%/7.5 % decreasing to 5.0 %
Net OPEB Liability	**$**	**233,820**	$	230,239

(i) OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERBT Fund financial reports.

(j) Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

(k) OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the years ended June 30, 2021 and 2020, Metropolitan recognized OPEB expense of $10.1 million and $11.8 million, respectively. At June 30, 2021 and 2020, Metropolitan has deferred outflows and inflows of resources related to OPEB as follows:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
(Dollars in thousands)	**2021**	2020	**2021**	2020
OPEB contributions subsequent to measurement date	**$ 27,025**	$ 33,506	**$ —**	$ —
Differences between expected and actual experience	**—**	—	**(30,462)**	(40,289)
Changes of assumptions	**—**	—	**(2,563)**	(3,390)
Net difference between projected and actual earnings on OPEB plan investments	**5,872**	—	**—**	(3,658)
Total	**$ 32,897**	$ 33,506	**$ (33,025)**	$ (47,337)

The $27.0 million and $33.5 million reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 and 2019 measurement dates, respectively, will be/was recognized as a reduction of the net OPEB liability during the fiscal years ending/ended June 30, 2022 and 2021, respectively.

The net difference between projected and actual earnings on OPEB plan investments, differences between expected and actual experience, and changes of assumptions will be recognized in future expense as follows:

(Dollars in thousands)	**Deferred Inflows of Resources**
Fiscal year ending June 30,	
2022	$ (10,660)
2023	(8,928)
2024	(8,406)
2025	841
Total	$ (27,153)

9. COMMITMENTS AND CONTINGENCIES

(a) State Water Contract (see Note 10)

Estimates of Metropolitan's share of the projected fixed costs of the SWP are provided annually by the State. The estimates are subject to future increases or decreases resulting from changes in planned facilities, refinements in cost estimates, and inflation. During the next five years, payments under the State Water Contract, exclusive of variable power costs, are currently estimated by the State to be as follows:

(Dollars in thousands)		State Water Contract Payments
Year ending June 30:		
2022	$	495,194
2023		531,966
2024		522,470
2025		527,034
2026		518,193

According to the State's latest estimates, Metropolitan's long-term commitments under the contract, for capital and minimum operations and maintenance costs, including interest to the year 2035, are as follows:

(Dollars in thousands)		State Water Long Term Commitments
Transportation facilities	$	3,517,260
Conservation facilities		2,716,323
Off-aqueduct power facilities(1)		14,345
East Branch enlargement		284,646
Revenue bond surcharge		571,010
Total long-term SWP contract commitments	$	7,103,584

(1)These commitments represent operations and maintenance costs. Metropolitan was relieved of its obligation for capital costs in 2018.

Metropolitan intends to exercise its option to extend its agreement with the State through 2085, which will result in annual minimum operations and maintenance costs through 2085. In addition, the amounts shown above do not contain any escalation for inflation, are subject to significant variation over time because the amounts are based on a number of assumptions, and are contingent on future events. None of the estimated long-term commitments are recorded as liabilities in the accompanying basic financial statements.

(b) Bay/Delta Regulatory and Planning Activities

The State Water Resources Control Board (State Board) is the agency responsible for setting water quality standards and administering water rights throughout California. Decisions of the State Board can affect the availability of water to Metropolitan and other water users throughout California. The State Board exercises its regulatory authority over Bay/Delta watershed supplies by means of public proceedings leading to regulations and permit decisions.

The Delta Stewardship Council (Council) is the California State agency tasked with creating and implementing a comprehensive management plan for the Delta. The Council, created by the 2009 Sacramento-San Joaquin Delta Reform Act, serves as an independent voice for science and policy in the Delta to achieve the state mandated coequal goals for the Delta of ecosystem restoration and water supply reliability. To accomplish its mission, the Council adopted and implements the Delta Plan, which is the state's long-term management plan for the Delta to further the coequal goals, including facilitating, coordinating, and integrating the activities of hundreds of local, state, and federal agencies that have responsibilities directly related to water, ecosystems, land use, recreation, flood control and other functions in the legally defined Delta. The Council is conducting updates to its Delta Plan, including a strategic levee investment policy, updates to the Ecosystem chapter and associated policies and recommendations, and a draft climate change adaptation plan for the Delta and Suisun Marsh as part of their Delta Adapts: Creating a Climate Resilient Future initiative. The Delta Adapts plan is intended to help inform and assess specific climate risks and vulnerabilities in the Delta and, in coordination with stakeholders, develop adaptation strategies to address those vulnerabilities.

To avoid endangering State or federally listed species or adversely modifying their critical habitat, the Department of Water Resources (DWR) consults with the California Department of Fish and Wildlife (CDFW) and its federal agency counterparts under the California Endangered Species Act (ESA) and federal ESA regarding the operation of the SWP. If a project may adversely affect a listed species, a formal consultation is held with the state and federal regulatory agencies. The regulatory agency(ies) then issue operating permits under the ESA jurisdiction, a federal biological opinion and a State Incidental Take Permit (ITP). Updated federal biological opinions were approved in February 2020 and CDFW issued a State ITP in March 2020. Both the federal and state permits have been challenged in court by multiple parties including water agencies and non-governmental organization groups. Metropolitan is involved in the federal permit litigation as part of the State Water Contractors, and in the State ITP litigation as Metropolitan, in order to protect its interests that the permits be based on the best available science. The litigation on all eight cases has been ordered to be coordinated in Sacramento County Superior Court.

The Bay Delta Conservation Plan (BDCP) planning process, which began in 2007, was a voluntary collaboration of state, federal, and local water agencies, state and federal fish agencies, environmental organizations, and other interested parties to provide a comprehensive habitat conservation and restoration program for the Delta, including new Delta conveyance infrastructure as one of the conservation measures consisting of multiple new intakes on the Sacramento River connected to existing SWP and Central Valley Project water facilities in the south Delta by two main tunnels. In addition, the BDCP would have provided the basis for long-term permits under federal and state endangered species laws for activities covered by the plan based on the best available science, identified sources of funding, and an adaptive management and monitoring program, and it would have been incorporated into the Delta Plan if it met the requirements of the federal and state ESAs for a Habitat Conservation Plan/Natural Communities Conservation Plan (HCP/NCCP).

On April 30, 2015, the State announced its intent to study three new conveyance-only alternatives that would not be part of an HCP/NCCP, separating the conveyance facilities and habitat restoration measures into two separate efforts namely: California WaterFix (CWF) and California EcoRestore. Under the CWF, the new water conveyance facilities with proposed design changes would be constructed and operated, with federal ESA compliance achieved through section 7 consultation. State and Federal ESA permits were issued in June and July 2017, and the DWR approved CWF on July 21, 2017. Metropolitan and other State Water Contractors approved their respective participation in CWF in 2017 and 2018. On February 12, 2019, Governor Newsom announced that he did not support a two-tunnel Delta Conveyance Project, but supports a single-tunnel project. On April 29, 2019, Governor Newsom issued Executive Order N-10-19, directing several agencies to, among other things, "inventory and assess current planning to modernize conveyance through the Bay Delta with a new single tunnel project." On May 2, 2019, the DWR rescinded its approval of CWF and decertified the Environmental Impact Report (EIR). On January 15, 2020, the DWR issued a Notice of Preparation of an EIR for a single-tunnel project now referred to as the Delta Conveyance Project.

Eighteen SWP contractors have taken 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 the DWR for such purpose. At its December 8, 2020, Board meeting, Metropolitan's Board authorized the General Manager to execute a funding agreement and committed funding for a Metropolitan participation level of 47.2 percent of the costs of preliminary design, environmental planning and other pre-construction activities to assist in the environmental process for the proposed Delta Conveyance Project. At a 47.2 percent participation level for Metropolitan, its forecasted funding agreement costs will be $160.8 million for calendar years 2021 through 2024. The DWR is continuing to develop an EIR under the California Environmental Quality Act. A range of reasonable alternatives to consider and analyze in the EIR has been identified and current efforts are focused on analyzing the alternatives' potential impacts on environmental resources. DWR also conducted interviews with stakeholders in February and early March of 2021 on the concept of incorporating a Community Benefits Program as part of the Delta Conveyance Project to help protect and enhance the cultural, recreational, natural resource and agricultural values of the Delta. The DWR is also conducting a tribal consultation process as part of its environmental planning, consistent with State statutes and policies.

(c) Imperial Irrigation District

As of June 30, 2021, Metropolitan had advanced a total of $358.8 million to IID for construction costs, operations and maintenance costs, and indirect costs of the conservation projects. Metropolitan remains obligated to pay IID for actual operation and maintenance costs for the remainder of this agreement through at least 2041. In return, Metropolitan will receive between 85.0 TAF to 105.0 TAF in 2021 and annually thereafter depending upon the amount used by the CVWD. A total of at least 85.0 TAF and up to 105.0 TAF will be/was available in calendar years 2021 and 2020, respectively, for diversion by Metropolitan (see Note 4a).

(d) Sale of Water by the Imperial Irrigation District to San Diego County Water Authority

In April 1998, the San Diego County Water Authority (SDCWA) and IID executed an agreement (Transfer Agreement) for SDCWA's purchase from IID of Colorado River water that is conserved within IID. SDCWA is a Metropolitan member agency and one of the largest water purchasers from Metropolitan. In October 2003 the Transfer Agreement was revised as part of the Quantification Settlement Agreement (see Note 9e). The amended Transfer Agreement sets the maximum transfer amount at 205.0 TAF in 2021, with the transfer gradually ramping up to that amount over an approximately twenty-year period, stabilizing at 200.0 TAF per year beginning in 2023.

No facilities exist to provide for delivery of water from IID to SDCWA. In 1998, Metropolitan and SDCWA entered into an agreement for the exchange of the IID water to be acquired by SDCWA under the Transfer Agreement, with water to be delivered by Metropolitan. In 2003, the boards of directors of Metropolitan and SDCWA agreed to an increase in the price that SDCWA would pay to Metropolitan for this exchange of water, in return for Metropolitan's assignment to SDCWA of Metropolitan's rights to water conserved as a result of the lining of the All-American and Coachella Canals and $235.0 million, as set forth in an amended exchange agreement (Exchange Agreement) and an Allocation Agreement. Under the Exchange Agreement, SDCWA makes available to Metropolitan at its intake at Lake Havasu on the Colorado River the conserved Colorado River water acquired by SDCWA from IID and the conserved canal lining water allocated to SDCWA. In exchange, Metropolitan delivers an equal volume of water from its own sources of supply through its delivery system to SDCWA. The deliveries to both Metropolitan and SDCWA are deemed to be made in equal monthly increments. SDCWA pays Metropolitan a volumetric price for each delivery by Metropolitan. The price payable by SDCWA is calculated using the charges set by Metropolitan's Board from time to time to be paid by its member agencies for the conveyance of water through Metropolitan's facilities (see Note 1c). SDCWA has challenged the validity of Metropolitan's charges for conveyance of water that became effective January 1, 2011 and January 1, 2012, in San Diego County Water Authority v. Metropolitan Water District of Southern California; et al. On June 8, 2012, SDCWA filed a separate lawsuit challenging the rates adopted by Metropolitan's Board on April 10, 2012 and effective on January 1, 2013 and January 1, 2014. On May 30, 2014, SDCWA filed a separate lawsuit challenging the rates adopted by Metropolitan's Board on April 8, 2014 and effective on January 1, 2015 and January 1, 2016. On April 13, 2016, SDCWA filed a separate lawsuit challenging the rates and charges adopted by Metropolitan's Board on April 12, 2016 and effective on January 1, 2017 and January 1, 2018. On June 8, 2018, SDCWA filed a separate lawsuit challenging the rates and charges adopted by Metropolitan's Board on April 10, 2018 and effective on January 1, 2019 and January 1, 2020. The Exchange Agreement requires Metropolitan to pay the disputed portion of the amount paid by SDCWA under the Exchange Agreement and interest thereon to SDCWA, if SDCWA prevails in a dispute over the price payable by SDCWA under the Exchange Agreement. See Claims and Litigation, Note 9g.

(e) Quantification Settlement Agreement

The Quantification Settlement Agreement (QSA) is part of the California Plan, which is a plan to reduce California's use of Colorado River water to its basic apportionment of 4.4 million acre-feet per year when necessary through water conservation, transfers from higher priority agricultural users to Metropolitan's service area, and storage programs. The QSA was executed in October 2003 and establishes Colorado River water use limits for IID and the CVWD. It also provides for specific acquisitions of conserved water and water supply arrangements and restores the opportunity for Metropolitan to receive any special surplus water.

(f) Construction Programs and Contracts

The estimated cost, excluding contingencies, of Metropolitan's capital program for fiscal years 2021 through 2025 totals approximately $1.4 billion. However, due to various uncertainties such as lower than anticipated construction bids, permitting delays, and facility shutdowns constraints, capital spending was planned at $250.0 million each for fiscal years 2021 and 2022, and $300.0 million per year for fiscal years 2023 through 2025.

Over the next three years, Capital Investment Plan budget totals approximately $855.0 million with over $155.2 million for refurbishment and replacement (R&R) work at Metropolitan's water treatment plants; $146.3 million targeted for R&R projects for the Colorado River Aqueduct; $139.7 million on R&R work at pressure control facilities and pipelines throughout the distribution system; $114.9 million to continue relining of the Prestressed Concrete Cylinder Pipe portions of the Second Lower and Sepulveda feeders; and $92.1 million on a variety of information technology projects such as the Supervisory Control and Data Acquisition system, plus several headquarters building improvements including the ongoing fire alarm and smoke controls and physical security.

Metropolitan had commitments under construction contracts in force as follows:

(Dollars in thousands)	June 30, 2021	June 30, 2020
Colorado River Aqueduct pumping plants sump rehabilitation	**$ 21,533**	$ 25,766
Furnishing large-diameter conical plug valves	**19,221**	20,637
Colorado River Aqueduct pumping plants overhead cranes replacement	**13,072**	—
MWD headquarters building fire alarm and smoke control improvements	**11,980**	—
Furnishing butterfly valves for the F.E. Weymouth water treatment plant - schedule 1	**4,815**	4,866
Furnishing equipment for the Jensen ozone PSU upgrades	**3,746**	4,100
MWD headquarters building physical security upgrades and improvements	**3,566**	—
Gene wash reservoir discharge valve replacement	**3,016**	5,094
Jensen water treatment plant electrical upgrade - stage 2	**2,604**	12,467
Garvey reservoir sodium hypochlorite feed system	**2,357**	—
Refurbish filter valve actuators for Diemer water treatment plant	**2,086**	2,536
Colorado River Aqueduct mile 12 flow monitoring station upgrades	**2,022**	—
Furnishing membrane filtration systems for the CRA domestic water treatment system	**1,206**	1,206
Furnishing steel pipe for Casa Loma siphon barrel no. 1	**768**	6,134
F.E. Weymouth chlorination system upgrades	**546**	2,002
Garvey reservoir drainage and erosion improvements - areas 6, 7, 8, 10 and 11	**520**	—
Furnishing horizontal axially split centrifugal pumps for the Greg Avenue pump station	**237**	1,013
Furnishing earthquake-resistant ductile iron pipe for the Casa Loma siphon barrel no. 1	**216**	9,238
MWD headquarters building improvements	**207**	15,557
Greg Avenue pressure control structure - pump modifications and new control building	**141**	7,639
F.E. Weymouth water treatment plant water quality instrumentation improvements	**100**	1,845
Diemer west basin and filter building rehabilitation	**60**	10,294
Colorado River Aqueduct - installation of radial gates at seven facilities	**45**	5,647
Furnishing butterfly valves for F.E. Weymouth water treatment plant	**12**	772
Colorado River Aqueduct - discharge line isolation couplings and bulkheads installation	**—**	14,697
Second Lower Feeder PCCP rehabilitation - reach 2	**—**	7,414
Jensen water treatment plant - modules 2 and 3 flocculator rehabilitation	**—**	5,583
Colorado River Aqueduct pumping plants 6.9kV power cables replacement	**—**	5,437
West Valley Feeder No. 1 De Soto Avenue valve structure upgrades	**—**	575
Other	**1,167**	2,455
Total	**$ 95,243**	$ 172,974

These commitments are being financed with operating revenues and debt financing.

(g) Claims and Litigation

SDCWA filed San Diego County Water Authority v. Metropolitan Water District of Southern California, et al. on June 11, 2010. The complaint alleged that the rates adopted by the Board on April 13, 2010, which became effective January 1, 2011 and January 1, 2012, misallocate certain State Water Project (SWP) costs to the System Access Rate and the System Power Rate, and thus affect charges for transportation of water, resulting in an overcharge to SDCWA by at least $24.5 million per year. The complaint alleged that all SWP costs should be allocated instead to Metropolitan's supply rate, even though under the State Water Contract Metropolitan is billed separately for transportation, power and supply costs. It stated additionally that Metropolitan will overcharge SDCWA by another $5.4 million per year by including the Water Stewardship Rate in transportation charges.

The complaint requested a court order invalidating the rates adopted on April 13, 2010, and that Metropolitan be mandated to allocate SWP costs and the Water Stewardship Rate to water supply rates and not to transportation rates. SDCWA filed its First Amended Petition for Writ of Mandate and Complaint on October 27, 2011, adding five new claims to this litigation, two of which were eliminated from the case on January 4, 2012. The three remaining new claims were for breach of the water Exchange Agreement between Metropolitan and SDCWA due to a price based on allegedly illegal rates; improper exclusion of SDCWA's payments under such Exchange Agreement from calculation of SDCWA's preferential rights to purchase Metropolitan supplies; and illegality of the rate structure integrity provision in conservation and local resources incentive agreements between Metropolitan and SDCWA. The rate structure integrity provision permitted the Board to terminate incentives payable under conservation and local resources incentive agreements between Metropolitan and a member agency due to certain actions by the member agency to challenge the rates that are the source of incentive payments. SDCWA filed a Second Amended Petition for Writ of Mandate and Complaint on April 17, 2012, which contained additional allegations but no new causes of action.

On June 8, 2012, SDCWA filed a new lawsuit challenging the rates adopted by Metropolitan on April 10, 2012 and effective on January 1, 2013 and January 1, 2014. The complaint contained allegations similar to those in the Second Amended Petition for Writ of Mandate and Complaint and new allegations asserting that Metropolitan's rates, adopted in April 2012, violate Proposition 26. SDCWA filed a Third Amended Petition for Writ of Mandate and Complaint on January 23, 2013, to add new allegations that Metropolitan's rates adopted in April 2010 did not meet the requirements of Proposition 26. The court granted Metropolitan's motion to strike allegations relating to Proposition 26 on March 29, 2013, expressly ruling that SDCWA may not allege a violation of Proposition 26 in its challenge to the rates adopted in April 2010. This ruling did not affect SDCWA's separate challenge to Metropolitan's rates adopted in April 2012, which also includes Proposition 26 allegations.

Nine member agencies are real party in interest defendants in the 2010 and 2012 cases, in support of Metropolitan. Following trial of both lawsuits in two phases in the San Francisco Superior Court, concluding on January 23, 2014 and April 30, 2015, respectively, the court issued its final judgment and a peremptory writ of mandate in the cases. Metropolitan appealed the Superior Court's decision in each case, and SDCWA filed a cross-appeal of the court's ruling on the rate structure integrity claim and an attorneys' fees order.

On June 21, 2017, the California Court of Appeal issued its decision in the appeals and cross-appeal filed by Metropolitan and SDCWA, respectively. The Court of Appeal ruled that Metropolitan may lawfully include its SWP transportation costs in the System Access Rate and System Power Rate that are part of the Exchange Agreement's price term, and that Metropolitan may also lawfully include the System Access Rate in its wheeling rate, reversing the trial court decision on this issue. The court held Metropolitan's allocation of the SWP transportation costs as its own transportation costs is proper and does not violate the wheeling statutes (Water Code, § 1810, et seq.), Proposition 26 (Cal. Const., Article XIIIC, §1, subd.(e)), whether or not that Proposition applies to Metropolitan's rates, California Government Code section 54999.7, the common law, or the terms of the parties' Exchange Agreement.

The Court of Appeal also ruled that the administrative record before it for the rates in calendar years 2011 through 2014 did not support Metropolitan's inclusion of its Water Stewardship Rate as a transportation cost in the Exchange Agreement price or the wheeling rate, under the common law and wheeling statutes. Having made that determination, the Court of Appeal stated it need not evaluate the issue under any other law. The court did not address the allocation of the Water Stewardship Rate in subsequent years based on a different record. The court noted, and in a subsequent modification confirmed, that its holding does not preclude Metropolitan from including the Water Stewardship Rate in Metropolitan's full service rate.

The Court of Appeal held that because the Water Stewardship Rate was included in the Exchange Agreement price, there was a breach by Metropolitan of the Exchange Agreement in 2011 through 2014. The court remanded the case to the trial court for a redetermination of damages in light of its ruling concerning the Water Stewardship Rate. The Court of Appeal agreed with the trial court that statutory prejudgment interest applies with respect to any damages award, not a lesser contractual interest. The Court of Appeal reversed the trial court by finding that the Exchange Agreement may entitle the prevailing party to attorneys' fees for the second phase of the case concerning breach of contract; but directed the trial court on remand to make a new determination of the prevailing party, if any. The cases were therefore remanded to the trial court for a review of both damages and attorneys' fees, if any.

With respect to other issues considered on appeal, the Court of Appeal upheld the trial court's ruling that Metropolitan improperly excludes SDCWA's payments under the Exchange Agreement in Metropolitan's calculation of SDCWA's preferential rights. The court also ruled that SDCWA had the constitutional right to challenge the rate structure integrity provision in Metropolitan's conservation and local resources incentive agreements and found that the rate structure integrity provision was invalid and unenforceable as an unconstitutional condition on the provision of a public benefit.

On September 27, 2017, the California Supreme Court denied SDCWA's petition for review, declining to consider the Court of Appeal's decision. The Court of Appeal's decision is therefore final.

On July 25, 2018, the Superior Court issued an order regarding the scope of the matters to be reconsidered by the Superior Court on remand pursuant to the Court of Appeal decision. With respect to the court's re-determination of damages in light of the Court of Appeal's ruling that the administrative record for calendar years 2011 through 2014 did not support Metropolitan's inclusion of its demand management costs in the Exchange Agreement price, the court ruled that it will award SDCWA $28,678,190.90 in contract damages for breach of the Exchange Agreement, plus prejudgment interest at 10 percent per annum. The court determined that Metropolitan was not entitled in the remand proceedings to show what it could have lawfully charged SDCWA for demand management costs and to deduct that from SDCWA's damages.

The Superior Court further ruled that SDCWA was not entitled in the remand proceedings to litigate the issue of "offsetting benefits" (described below) under the wheeling statutes for the parties' Exchange Agreement. The court found that such claim was both outside the scope of remand and waived.

The court also ruled that SDCWA was entitled to judgment on its declaratory relief cause of action declaring the rate structure integrity provision in Metropolitan's conservation and local resources incentive agreements invalid and unenforceable, and that SDCWA was entitled to further proceedings to litigate the issue of an entitlement to monetary restitution for 2011 through 2014 and the issue of what prospective relief SDCWA may be entitled to in connection with this cause of action.

Finally, the court confirmed, as the parties agreed, that it would conduct further proceedings for a redetermination of the prevailing party and attorneys' fees in this matter.

On September 14, 2018, Metropolitan filed a Petition for Writ of Mandate with the California Court of Appeal, requesting the court to require the Superior Court to recalculate contract damages for breach of the Exchange Agreement from years 2011 through 2014, to include a set-off for the additional sums SDCWA would have paid had Metropolitan collected the Water Stewardship Rate through its full service sales as SDCWA argued was correct. On November 1, 2018, the Court of Appeal determined that it would not review the issue at that stage of the cases.

On February 14, 2019, Metropolitan tendered to SDCWA payment of $44.4 million for the Superior Court's contract damages award for Water Stewardship Rate payments from 2011 through 2014, plus statutory interest through February 15, 2019, with a reservation of appeal rights, in the 2010 and 2012 cases. This tender was made under compulsion to cease accrual of statutory interest in excess of market rates, but did not affect Metropolitan's rights to appeal. On March 7, 2019, SDCWA rejected the tendered payment and returned the uncashed check for the tendered payment. In the post-remand judgment (discussed below), the Superior Court confirmed that Metropolitan's tender was effective and stopped the accrual of interest in February 2019.

As a result of reorganization of assignments at the San Francisco Superior Court and a motion for peremptory disqualification filed by SDCWA, the 2010 and 2012 cases, as well as the 2016 and 2017 cases described below, were reassigned on September 27, 2019 to Department 304, a different complex department in which the 2014 case was already pending. All cases are now pending before the Honorable Anne-Christine Massullo.

On November 15, 2019, Metropolitan provided a statutory Offer to Compromise to SDCWA to resolve all pending litigation filed by SDCWA. The offer, which was not confidential, was made under California Code of Civil Procedure Section 998 and was deemed withdrawn if not accepted by December 30, 2019. By letter dated December 19, 2019, SDCWA notified Metropolitan that it had determined not to act upon Metropolitan's Section 998 Offer to Compromise. Metropolitan's statutory Offer to Compromise was deemed withdrawn. SDCWA made its own settlement offer, which is public but non-statutory. SDCWA's settlement offer was made subject to acceptance by Metropolitan no later than the close of business on January 31, 2020. The Metropolitan Board reviewed SDCWA's proposal at its January 14, 2020 Board meeting and took no action.

The Superior Court had scheduled an evidentiary hearing for June 16 to June 18, 2020 on SDCWA's requested relief based on its rate structure integrity provision claim. Following action of the SDCWA Board of Directors on

February 27, 2020 (discussed below), SDCWA informed Metropolitan and the court that it was no longer seeking this relief. Accordingly, the evidentiary hearing was canceled.

On August 13, 2020, the Superior Court entered a final judgment in the 2010 and 2012 cases. On August 14, 2020, SDCWA served notice of entry of judgment and notice of the court's peremptory writ of mandate in the cases.

The court entered judgment: (1) on the first three causes of action – for writ of mandate, declaratory relief, and invalidation (the rate challenges) – in SDCWA's favor, because the Court of Appeal found Metropolitan's inclusion of the Water Stewardship Rate as a component of the transportation rates charged under the Exchange Agreement and wheeling rate was unlawful, and ordered issuance of a writ of mandate as described below; (2) on the fourth cause of action – breach of contract – in favor of SDCWA but only with respect to its challenge to Metropolitan's inclusion of the Water Stewardship Rate in the Exchange Agreement price for deliveries in 2011-2014, the court awarded San Diego a total of $44,373,872.29, comprised of: (A) $28,678,190.90 in damages; (B) prejudgment interest at the rate of 10 percent per annum through November 18, 2015 in the amount of $7,484,315.54; and (C) post-judgment interest at the rate of 7 percent per annum from November 19, 2015 until February 15, 2019 (the date of Metropolitan's tender of $44,373,872.29 to SDCWA), in the amount of $8,211,365.85; (3) on the fifth cause of action – declaratory relief regarding the rate structure integrity (RSI) provision – in favor of SDCWA as the RSI provision is invalid and unenforceable; (4) on the sixth cause of action – declaratory relief regarding preferential rights calculation – in favor of SDCWA that Metropolitan's previous methodology for calculating preferential rights violates § 135 of the Metropolitan Water District Act; (5) on the previously-dismissed cause of action for breach of fiduciary duty – in favor of Metropolitan; and (6) on the previously dismissed cause of action for breach of the covenant of good faith and fair dealing – in favor of Metropolitan.

The peremptory writ of mandate commands Metropolitan to "enact only legal wheeling and transportation rates in the future and, specifically, not to do the things that [the Court of Appeal] held were unlawful," and incorporates by reference the Court of Appeal decision; and to "exclude the costs of conservation programs and other demand management programs, enacted in [the 2010 and 2012] cases as the Water Stewardship Rate, from Metropolitan's wheeling rate published in Section 4405 of Metropolitan's Administrative Code and from the transportation rates charged under the [Exchange Agreement]."

Metropolitan filed a notice of appeal of the judgment and the writ on September 11, 2020. Metropolitan's appeal concerns the form of the judgment and the issuance of the writ. The parties have concluded briefing, and oral argument before the California Court of Appeal took place on September 15, 2021. See Note 16, Subsequent events for updates.

After determining it had jurisdiction to determine the prevailing party, if any, after the appeal was filed, on December 16, 2020, the Superior Court heard the parties' cross-motions on the determination of a prevailing party, if any, under the Exchange Agreement's attorneys' fees and costs provision. On January 12, 2021, the court heard the parties' motions to strike or tax each's memorandum of statutory costs, which involves a determination of prevailing party, as to all claims. For both sets of motions, Metropolitan contended that it is the prevailing party entitled to attorneys' fees and costs, or else there is not a prevailing party in these mixed-result cases.

On January 13, 2021, the court issued an order finding SDCWA is the prevailing party on the contract in the 2010 and 2012 cases, entitled to its attorneys' fees and costs under the contract. On February 10, 2021, the court issued an order awarding SDCWA statutory costs, on the basis it is the prevailing party. On February 25, 2021, Metropolitan filed a notice of appeal of the January 13 and February 10 orders regarding prevailing party and costs. On August 5, 2021, Metropolitan filed its opening appellate brief.

On February 11, 2021, Metropolitan received a demand for payment of the final judgment in the 2010 and 2012 cases. Metropolitan tendered payment to SDCWA on February 16, 2021 in the amount of $44,373,872.29, which included the award for damages, prejudgment interest through November 19, 2015, and post-judgment interest through February 15, 2019. The payment included $31.6 million of amounts withdrawn from the Exchange Agreement Set-Aside Fund (the Water Stewardship Rate payments under the Exchange Agreement from 2011 through 2014, and a portion of the statutory interest), and $12.8 million withdrawn from reserves (the remainder of the statutory interest).

On March 31, 2021, the parties stipulated to the amount of SDCWA's attorneys' fees that may be awarded under the Exchange Agreement, without waiver of Metropolitan's pending appeals. On April 6, 2021, the court entered the stipulated order awarding SDCWA $13,397,575.66 in attorneys' fees under the Exchange Agreement.

In May 2014, SDCWA filed a new lawsuit asserting essentially the same rate claims and breach of contract claim in connection with the Board's April 2014 rate adoption. Metropolitan filed its answer on June 30, 2014. On February 9, 2015, pursuant to stipulation by the parties, the San Francisco Superior Court ordered that the case be stayed.

On April 13, 2016, SDCWA filed a new lawsuit that alleged all rates and charges for 2017 and 2018 adopted by Metropolitan's Board on April 12, 2016 violate the California Constitution, statutes, and common law. The Petition for Writ of Mandate and Complaint asserted misallocation of costs as alleged in the previous cases listed above and additional claims of over-collection and misallocation of costs and procedural violations. Following a stipulated order issued by the court on November 10, 2016, SDCWA filed a First Amended Petition for Writ of Mandate and Complaint and the court ordered the case stayed pending final resolution of the 2010 and 2012 cases' appeals. The amended petition/complaint added allegations of the same Exchange Agreement breach as in the previous cases listed above and breach of a provision that requires Metropolitan to set aside disputed amounts, relating to the manner in which Metropolitan has set aside the amounts; requested a judicial declaration that, if a judgment is owed to SDCWA under the Exchange Agreement, SDCWA will not be required to pay any portion of that judgment; and requests a refund to SDCWA of any amount Metropolitan has collected in excess of the reasonable costs of the services provided or, alternatively, a reduction in SDCWA's future fees.

On February 27, 2020, the SDCWA Board of Directors authorized its attorneys to dismiss, without prejudice, claims related to payments of the Water Stewardship Rate on supply purchases only and the unquantified claims in the stayed cases relating to cost-of-service grounds and the rate model.

On August 27, 2020, the court granted SDCWA's motion to lift the stays in the 2014 and 2016 cases and to file a further amended petition/complaint. On August 28, 2020, SDCWA filed the amended petitions/complaints in the 2014 and 2016 cases. The amended petitions/complaints added, removed, and retained certain claims. Retained claims include SDCWA's challenge to Metropolitan's Water Stewardship Rate for calendar years 2015 through 2018 based on its allocation to transportation, with a request for the court to invalidate the transportation rates and the wheeling rate and award damages for breach of the parties' Exchange Agreement as a result. Added claims include a challenge to the wheeling rate and alleged breach of the Exchange Agreement for failure to provide offsetting benefits (only the 2018 case, discussed below, had included an offsetting benefits claim). In its offsetting benefits claim under the Exchange Agreement, SDCWA seeks to reduce the contract price.

On September 28, 2020, Metropolitan filed demurrers to, or in the alternative motions to strike, portions of the amended petitions/complaints in the 2014 and 2016 cases which the court heard on February 10, 2021. The motions sought to remove offsetting benefits claims in both cases as to alleged breach of contract and Metropolitan's wheeling rate, and the declaratory relief claim in the 2016 case as to how Metropolitan may satisfy a judgment. On February 16, 2021, the court denied the demurrers and motions to strike, allowing SDCWA to retain the contested allegations in its petitions/complaints.

On March 22, 2021, Metropolitan filed answers to the amended petitions/complaints in the 2014 and 2016 cases, along with cross-complaints asserting causes of action for declaratory relief with respect to, among other things, that the inclusion of the Water Stewardship Rate in transportation rates is lawful, that the transportation rates as charged under the Exchange Agreement are lawful as to offsetting benefits, and the inapplicability of Proposition 26 to Metropolitan's rates; judicial estoppel with respect to SDCWA's past statements regarding the Exchange Agreement; and for reformation of the Exchange Agreement price in the event the court were to find that the Exchange Agreement is subject to, based on, or incorporates the "offsetting benefits" provisions of the wheeling statutes. On April 23, 2021, SDCWA filed answers to the cross-complaints in the 2014 and 2016 cases.

On June 9, 2017, SDCWA filed a new Petition for Writ of Mandate and Complaint challenging the Readiness-to-Serve Charge and Capacity Charge for 2018 adopted by Metropolitan's Board on April 11, 2017. These two charges are set annually, and SDCWA's 2016 lawsuit included a challenge to these two charges for 2017. The new lawsuit similarly alleged the 2018 Readiness-to-Serve Charge and Capacity Charge violated the California Constitution, statutes, and common law. The petition/complaint asserts misallocation of costs. Metropolitan was served with the petition/complaint on June 20, 2017. On July 18, 2017, SDCWA filed a First Amended Petition for Writ of Mandate and Complaint to add Metropolitan's Board action of July 11, 2017 to make minor corrections to the Readiness-to-Serve Charge. On July 31, 2018, pursuant to stipulation by the parties, the San Francisco Superior Court ordered that the case be stayed. On July 23, 2020, the court entered SDCWA's requested dismissal of the 2017 case. The dismissal is without prejudice, which means SDCWA would not be precluded from re-initiating the case in the future.

On June 8, 2018, SDCWA filed a new lawsuit that alleges all rates and charges for 2019 and 2020 adopted by Metropolitan's Board on April 10, 2018 violate the California Constitution, statutes, and common law. The Petition for Writ of Mandate and Complaint asserted the Water Stewardship Rate is unlawful per se and its collection in transportation charges is also unlawful; failure to provide wheelers a reasonable credit for "offsetting benefits" pursuant to Water Code Section 1810, et seq., which SDCWA contends (and Metropolitan disputes) applies to the parties' Exchange Agreement; over-collection and misallocation of costs, including misallocation of Metropolitan's California WaterFix costs as its transportation costs; and specified procedural violations. SDCWA states in the Petition and Complaint that it intends to amend its complaint to allege additional claims against Metropolitan, including but not limited to a claim for breach of contract. Following a stipulated order issued by the San Francisco Superior Court on January 10, 2019, SDCWA filed a First Amended Petition for Writ of Mandate and Complaint and the court ordered the case stayed pending final resolution of the 2010 and 2012 cases. The amended petition/complaint adds a cause of action for breach of the Exchange Agreement alleging Metropolitan charged an unlawful price that includes the Water Stewardship Rate (despite suspension of this charge), failing to provide credit for offsetting benefits, charging transportation rates that are not based on costs of service, including California WaterFix costs, and not following procedural requirements; and requests a refund to SDCWA of any amount Metropolitan has collected in excess of the reasonable costs of the services provided or, alternatively, a reduction in SDCWA's future fees.

On July 28, 2020, the parties filed a stipulation and application to designate the case complex and related to the 2010-2017 cases. On November 13, 2020, the court ordered the case complex and assigned to Judge Massullo's court.

On April 20, 2021, based on the parties' stipulation, the court ordered the stay in the 2018 case lifted and granted SDCWA leave to file an amended petition/complaint. On April 21, 2021, SDCWA filed its Second Amended Petition for Writ of Mandate and Complaint in the 2018 case. SDCWA removed claims in this amended petition/complaint comparably to those it removed in the 2014 and 2016 cases. The amended petition/complaint retains claims concerning the Water Stewardship Rate's inclusion in the wheeling rate and the Exchange Agreement price (notwithstanding that Metropolitan ceased charging the Water Stewardship Rate under the Exchange Agreement in January 2018), the inclusion of California WaterFix costs in the wheeling rate and the Exchange Agreement price, and offsetting benefits with respect to the wheeling rate and the Exchange Agreement price.

On May 25, 2021, Metropolitan filed a motion to strike portions of the amended petition/complaint in the 2018 case. The motion sought to remove allegations regarding: the pre-set wheeling rate, recovery of suspending Water Stewardship Rate charges, and breach of contract as to the Water Stewardship Rate. See Note 16, Subsequent Events for updates.

Eight member agencies are real party in interest defendants in the 2014, 2016, and 2018 cases, in support of Metropolitan. In a Case Management Conference on April 22, 2021, the court stated the 2014, 2016, and 2018 cases will be consolidated and set a trial date in the cases for May 16 through 27, 2022. On June 11, 2021, Metropolitan lodged the administrative record for the three cases. See Note 16, Subsequent Events for updates.

Due to SDCWA's litigation challenging Metropolitan's rates, and pursuant to the Exchange Agreement between Metropolitan and SDCWA, as of June 30, 2021, Metropolitan held $26.5 million in the Exchange Agreement Set-Aside Fund. This amount includes the disputed Water Stewardship Rate payments for calendar years 2015 through 2017, and interest earned by Metropolitan thereon. The amount held does not include statutory interest, attorneys' fees, costs, or any other amount the court may award.

Metropolitan is unable to assess at this time the likelihood of success of the pending cases, any possible appeals other than those that are pending, or any future claims.

(h) Drinking Water Quality Standards

Under the Safe Drinking Water Act Amendments of 1996, Congress required the United States Environmental Protection Agency to set new drinking water quality standards. New standards to control microbial pathogens and disinfection byproducts (DBPs) became effective in 2002. These rules are known as the Interim Enhanced Surface Water Treatment Rule and the Stage 1 Disinfectants/Disinfection By-Product Rule. These standards became more stringent in a second set of regulations effective 2006. The second set of regulations (the Stage 2 Disinfectants/ Disinfection Byproducts Rule and the Long-Term 2 Enhanced Surface Water Treatment Rule) did not require additional capital investment by Metropolitan.

Metropolitan identified ozone disinfection as the most cost-effective option to minimize the production of DBPs and achieve other water quality objectives. Ozone is now used as the primary disinfectant at the Diemer, Jensen, Mills, and Skinner plants. The estimated cost of implementing ozone treatment at all five plants is approximately $1.1 billion.

(i) Reid Gardner Generating Station

Reid Gardner Generating Station (Plant) is a 557 megawatt coal-fired plant located near Moapa, Nevada. The Plant is owned and operated by Nevada Energy (NE). In 1983, DWR entered into a Participation Agreement to import power from the Plant to serve the SWP energy needs. DWR's interest in the Plant terminated on July 25, 2013. DWR and NE negotiated the terms of the divestiture including DWR's obligations to mitigate any environmental impacts associated with the electricity generated for DWR over the past thirty years. Metropolitan paid approximately 75.0 percent of DWR's costs associated with the generation of electricity at the Plant and will pay this proportion of DWR's assigned mitigation costs.

(j) Landfill Obligation

Federal and State laws and regulations require that Metropolitan perform certain maintenance and monitoring functions at its sole landfill site for 30 years after closure. They further require that a separate funding mechanism be established to ensure that sufficient funds are available for closure and postclosure costs. In October 1995, the landfill was closed and management's estimate of closure and postclosure costs for this site totaled approximately $2.0 million. The required thirty-year postclosure maintenance and monitoring of the landfill officially started in January 1998; after the installation of the landfill's final cover was completed. Approximately $24,000 was expended for post closure maintenance and monitoring activities in fiscal year 2021 while no amounts were expended in fiscal year 2020.

The actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws or regulations. Funding of these costs has been derived from a separate trust account that has been established for closure and postclosure costs. The balance of the trust account is sufficient to cover the landfill liability. At June 30, 2021 and 2020, approximately $800,000, net of interest receipts and disbursements, was available in this account.

10. PARTICIPATION RIGHTS IN STATE WATER PROJECT

Metropolitan is one of 29 water suppliers contracting with the State of California for a system to provide water throughout much of California. Under the terms of the State Water Contract, as amended, Metropolitan is obligated to pay allocable portions of the cost of construction of the system and ongoing operations and maintenance costs through at least the year 2035, regardless of the quantities of water available from the project (see Note 9a). Metropolitan and the other contractors may also be responsible to the State for certain obligations of any contractor who defaults on its payments to the State.

Approximately 33 percent and 35 percent of Metropolitan's total expenditures during fiscal years ended June 30, 2021 and 2020, respectively, pertained to its net payment obligations for the SWP. These payments were primarily based on the contractual water delivery request, the annually requested and actual deliveries received, and the cost of power required for such deliveries, offset by credits received from the project.

The State Water Contract provides Metropolitan rights to water through 2052 but Management's present intention is to exercise Metropolitan's option to extend the contractual period to at least 2085, under similar terms, based on the Agreement in Principle reached in 2014. This corresponds to an estimated 125-year service life for the original facilities. The State is obligated to provide specified quantities of water throughout the life of the contract, subject to certain conditions.

The State has power generation facilities associated with its reservoirs and aqueducts. The power generated is utilized by the system for water transportation purposes. Power generated in excess of system needs is marketed to various utilities and California's power market. The revenues resulting from sales of excess power reduce the costs of pumping. Metropolitan and the other water contractors are responsible for repaying the operating costs of the power facilities regardless of the amount of power generated.

Metropolitan capitalizes its share of system construction costs as participation rights when such costs are billed by the State (see Notes 1i, 2, and 9a). Metropolitan's share of system operations and maintenance costs is charged to expense.

Metropolitan amortizes a portion of capitalized participation rights each month using a formula that considers the total estimated cost of the project, the estimated useful life, and estimated production capacity of the assets based upon maximum annual contracted deliveries provided by the State of California. Amortization expense totaled $148.0 million and $142.7 million in fiscal years 2021 and 2020, respectively.

11. DEPOSITS, PREPAID COSTS, AND OTHER

Balances at June 30, 2021 and 2020 were as follows:

	June 30,	
(Dollars in thousands)	**2021**	2020
Prepaid water costs	**$ 246,801**	$ 234,768
Prepaid costs-Delta Habitat conservation and conveyance	**58,627**	58,627
Prepaid costs-Delta Conveyance Project	**25,000**	—
Prepaid costs-California WaterFix	**7,494**	7,494
Prepaid expenses	**27,418**	23,583
Preliminary design/reimbursable projects	**20,215**	15,693
Other	**18,614**	16,945
Total deposits, prepaid costs, and other	**404,169**	357,110
Less current portion	**(49,550)**	(2,782)
Noncurrent portion	**$ 354,619**	$ 354,328

(a) Prepaid Water Costs

Metropolitan has entered into several water exchange and storage agreements with other agencies. These agreements provide Metropolitan with additional reliable water supplies to supplement deliveries of Colorado River and SWP water. Metropolitan is also actively pursuing other agreements, both within and outside its service area, to provide additional water supplies. The exchange and storage agreements generally provide for advance delivery of water during periods when water is available. At a later time when water is needed, these programs can then return water to improve Metropolitan's reliability. Expenditures associated with these agreements have been recorded as prepaid costs and are charged to cost of water as the water is withdrawn. At June 30, 2021 and 2020, prepaid water costs totaled approximately $246.8 million and $234.8 million, respectively, based on volumes of 1,044.8 TAF and 1,114.0 TAF, as of such dates.

(b) Prepaid Costs—Delta Habitat Conservation and Conveyance

In March 2009, Metropolitan, other SWP contractors, federal Central Valley Project contractors, and the U.S. Department of Interior's Bureau of Reclamation entered into funding agreements with DWR. The agreements are known collectively as the Delta Habitat Conservation and Conveyance Program (DHCCP) Funding Agreement and the Bay Delta Conservation Plan and Delta Habitat Conservation and Conveyance Plan (BDCP - DHCCP) Supplemental Funding Agreement. Metropolitan's three-year DHCCP agreement provides funding of approximately $35.0 million for Metropolitan's share (24 percent). Metropolitan's two-year BDCP-DHCCP agreement provides funding of approximately $25.0 million (25 percent). The funding provided by both agreements supports development of the BDCP which was later on adapted as California WaterFix (see Note 9b) through environmental analysis, planning and design of Delta conservation measures including Delta water conveyance options. The two-tunnel California WaterFix project shifted to a single tunnel project referred to as the Delta Conveyance Project with the announcement of Governor Newsom on February 12, 2019. Total prepaid costs at June 30, 2021 and 2020 were $58.6 million.

The Board approved a 47.2 percent funding commitment for planning and pre-construction costs for the Delta Conveyance Project on December 18, 2020. As a result, Metropolitan remitted $25.0 million to DWR on January 15, 2021. Total prepaid costs for the Delta Conveyance Project as of June 30, 2021 was $25.0 million.

(c) Prepaid Costs—California WaterFix

In fiscal year 2019, Metropolitan disbursed a total of $41.5 million to DWR for preconstruction planning costs of the California WaterFix in accordance with the advance funding agreement entered into in August 2018. The $41.5 million was Metropolitan's share (31 percent) of the funding and DWR intends to refund Metropolitan for funds advanced through this agreement through bond financing actions. However, as a result of the shift to a single tunnel project and DWR's withdrawal of approval of the California WaterFix Project as well as the rescission of other permitting applications (see Note 9b), Metropolitan has requested, on June 27, 2019, that DWR return its contributions that have not been spent as of May 2, 2019. As of June 30, 2021 and 2020, DWR has remitted $34.0 million of unspent funds and $.5 million of interest. Total advanced funds at June 30, 2021 and 2020 were $7.5 million.

(d) Preliminary Design/Reimbursable Projects

Metropolitan engages in preliminary design activities prior to obtaining Board approval of capital projects. The costs of these designs are recorded as prepaid costs. Once Board approval is obtained, these costs are added to the cost of the relevant construction project.

Reimbursable projects include work Metropolitan is contracted to perform for outside, non-related parties, and is subsequently billed for reimbursement.

12. DEFERRED COMPENSATION AND SAVINGS PLANS

For the benefit of its employees, Metropolitan has adopted a deferred compensation plan in accordance with Section 457 of the Internal Revenue Code. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Investment of the funds is managed by a third-party administrator, accordingly, at June 30, 2021 and 2020, neither the plan assets nor the related liability were included in the accompanying basic financial statements.

The third-party administrator coordinates the investment of the deferred amounts in available investment vehicles per the instructions of each participant. Metropolitan's Treasurer serves as Trustee for the deferred compensation plan. Metropolitan is not liable to its employees for any losses that may be incurred in connection with their participation in this plan.

Metropolitan has established another compensation deferral arrangement in accordance with Section 401(k) of the Internal Revenue Code. The 401(k) Consolidated Savings Plan is available to substantially all employees. At June 30, 2021 and 2020, 1,670 and 1,641 employees, respectively, participated in the consolidated 401(k) plan. Amounts deferred by participants, Metropolitan matching contributions, and accumulated earnings thereon are fully vested. Deferred amounts and matching contributions are transferred by Metropolitan each pay period to a third-party administrator who coordinates the investment of such proceeds in a variety of investment vehicles in accordance with the instructions of each participant. The Treasurer serves as Trustee for the savings plan. Metropolitan is not liable to its employees for any losses that may be incurred in connection with their participation in this plan.

Metropolitan has established a matching contribution program on behalf of each participating employee in the savings plan. Metropolitan's contribution is subject to a maximum of 4.5 percent of the employee's total cash compensation.

Contributions to the savings plan were as follows:

	June 30,	
(Dollars in thousands)	**2021**	2020
Employees	**$ 22,892**	$ 21,846
Metropolitan	**10,271**	9,606
	$ 33,163	$ 31,452
Eligible payroll	**$ 256,585**	$ 246,443
Employee contributions as percent of eligible payroll	**8.9 %**	8.9 %

13. NET POSITION

Net position is classified as either restricted, unrestricted, or net investment in capital assets, including State Water Project costs.

Net investment in capital assets, including State Water Project costs consist of capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any bonds, notes, or other borrowings attributable to the acquisition or construction of those assets and deferred outflows and inflows of resources related to debt. Metropolitan's capital assets, including SWP costs include plant and equipment (Notes 1h and 2), participation rights in State Water Project (Notes 1i, 2, and 10), and participation rights in other facilities (Notes 1i, 2 and 4). Net investment in capital assets, including State Water Project costs were approximately $6.1 billion at June 30, 2021 and 2020.

The restricted component of net position are those items that have external constraints placed on them by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions of enabling legislation. Restricted net position totaled $532.7 million and $509.0 million at June 30, 2021 and 2020, respectively, of which $221.6 million and $232.4 million, respectively, were set-aside for principal and interest payments on outstanding debt. The remaining $311.1 million and $276.6 million, respectively, relates to estimated operating and maintenance expense for July and August of the subsequent fiscal year. Each of these requirements is related to bond covenants.

The unrestricted component of net position are those items that do not meet the definition of "restricted" or "net investment in capital assets, including State Water Project costs." Unlike the restricted net position, the Board has discretion in determining the use and establishing minimum/maximum balance requirements for the unrestricted cash and investment portion of net position. The Board may at any time change or eliminate amounts established for these purposes. Unrestricted net position totaled $520.2 million and $308.9 million at June 30, 2021 and 2020, respectively.

14. RISK MANAGEMENT

Metropolitan is exposed to various risks of loss related to the design, construction, treatment, and delivery of water resources. Metropolitan self-insures most of its property losses, the first $25.0 million for general liability, fiduciary liability and directors' and officers' liability, and $5.0 million for workers' compensation. Metropolitan supplements its self-insurance program with $75.0 million excess general liability coverage, $60.0 million excess fiduciary liability coverage, $65.0 million excess for directors' and officers' liability coverage, and statutory limits excess workers' compensation coverage. Special insurance policies carried include aircraft hull and liability, a limited property damage policy, crime insurance, specialty crime coverage, and travel accident coverage. Coverage types and limits for fiscal year 2021 were unchanged from fiscal year 2020. Settlement amounts did not exceed the self-insurance or insurance coverage limits in any of the past three years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported (IBNR). Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. The present value of liabilities for unpaid claims is based on a 1.5 percent annual interest rate over the life of the claims. Changes in the balances of claims liabilities during the past three fiscal years were included in accounts payable as follows:

	June 30,		
(Dollars in thousands)	**2021**	2020	2019
Unpaid claims, beginning of fiscal year	**$ 13,602**	$ 12,958	$ 13,579
Incurred claims (including IBNR)	**7,106**	5,545	5,835
Claim payments and adjustments	**(10,419)**	(4,901)	(6,456)
Unpaid claims, end of fiscal year	**10,289**	13,602	12,958
Less current portion	**(4,792)**	(4,122)	(3,284)
Noncurrent portion	**$ 5,497**	$ 9,480	$ 9,674

15. COVID-19 PANDEMIC

Metropolitan continues to monitor and respond to the COVID-19 pandemic and ongoing developments surrounding it. Due to the COVID-19 pandemic and measures taken by state and local governments to respond to and control the outbreak, the behavior of businesses and people has been altered in a manner that has significantly slowed economic output throughout the United States, the State and the region. Reduced economic activity and its associated impacts, including as a result of the COVID-19 outbreak itself, such as job losses, income losses, business closures and housing foreclosures or vacancies, and any prolonged recession that may occur, could have a variety of adverse effects on Metropolitan and in the region. Declines in assessed valuations in Metropolitan's service area and/or increases in property tax delinquencies or non-payment resulting from the economic disruption may negatively affect property tax collections and reduce tax levy receipts.

Economic conditions affect aggregate levels of retail water use and may reduce demands in the region and Metropolitan's water transactions and revenues. A protracted disruption in the manufacturing or construction industry may affect supply chains or delay construction schedules for, or the implementation of, Metropolitan's capital improvement programs and projects, and may increase the costs of such projects or program or Metropolitan's operations. A sustained deterioration in global stock market values may impact the market value of assets held to fund Metropolitan's pension and other post-employment benefit plans, which could result in future increases in required plan contributions. The extent and period of disruption to or decline in the local and global economies, the effectiveness of and ability to reach wide spread distribution of vaccines and the period of time therefor, the ramifications of future actions that may be taken or required by governmental authorities to contain and respond to the effects of the pandemic, including additional stimulus efforts by the federal government, and the pace at which the economy can re-open and the speed of the economic recovery are uncertain, and no assurances can be given that Metropolitan's operations and finances will not be negatively affected.

16. SUBSEQUENT EVENT

SDCWA v. Metropolitan Cases

On July 14, 2021, the court heard Metropolitan's motion to strike portions of the amended petition/complaint in the 2018 case and on July 19, 2021, the court denied the motion to strike, allowing SDCWA to retain the contested allegations in its petition/complaint.

On July 29, 2021, Metropolitan filed an answer to the amended petition/complaint in the 2018 case, along with a cross-complaint asserting similar causes of action to those in its cross-complaints in the 2014 and 2016 cases. On August 31, 2021, SDCWA filed an answer to the cross-complaint.

On August 25, 2021 the court entered an order consolidating the 2014, 2016, and 2018 cases for all purposes including trial. On August 31, 2021, SDCWA filed a consolidated answer to the cross-complaint in the three cases.

Metropolitan filed a notice of appeal of the judgment and the writ in the 2010 and 2012 cases on September 11, 2020. Metropolitan's appeal concerned the form of the judgment and the issuance of the writ. Following briefing and oral argument, on September 21, 2021, the California Court of Appeal issued an unpublished opinion affirming the post-remand judgment and peremptory writ of mandate issued by the Superior Court in August 2020 in the 2010 and 2012 cases. The Court of Appeal held: (1) its 2017 decision invalidating allocation of Water Stewardship Rate (WSR) costs to transportation in the Exchange Agreement price and the wheeling rate applied not only to 2011 to 2014, but also to 2015 forward; (2) no relief is required to cure the judgment's omission of the court's 2017 decision that allocation of State Water Project costs to transportation is lawful; and (3) the writ is proper and applies to 2015 forward. Accordingly, on September 30, 2021, Metropolitan paid SDCWA for WSR charges under the Exchange Agreement in 2015 to 2017 and pre-judgment statutory interest in the amount of $35,871,153.70. This payment was made from the Exchange Agreement Set-Aside Fund (the WSR charges and a portion of statutory interest) and unrestricted reserves (the remainder of statutory interest). SDCWA's pending claims in the 2014 and 2016 cases with respect to these WSR charges will be dismissed.

On October 12, 2021, the Board authorized a settlement of OHL USA, Inc. v. The Metropolitan Water District of Southern California case. Accordingly, a settlement agreement is being drawn up for approval of each party. The case is anticipated to be settled in the latter part of October 2021.

Short-term and Long-term Debt

On July 8, 2021, Metropolitan issued $98.4 million, Water Revenue Refunding Bonds, 2021 Series B, which refunded $89.4 million, Water Revenue Refunding Bonds, 2011 Series C; $2.8 million, Water Revenue Refunding Bonds, 2014 Series C-3; and pre-paid $35.6 million of a draw on a Short-Term Revolving Credit Facility provided by Royal Bank of Canada. The 2021 Series B bonds have a true interest cost of 0.85%, mature on October 1 , 2036, and are subject to optional redemption provisions.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

(Dollars in thousands)	2021	2020
Measurement date: June 30,	**2020**	2019
TOTAL PENSION LIABILITY		
Service cost	**$ 37,178**	$ 35,739
Interest on total pension liability	**174,996**	168,122
Changes of assumptions	**—**	—
Difference between expected and actual experience	**13,319**	16,205
Benefit payments, including refunds of employee contributions	**(125,982)**	(117,537)
Net change in total pension liability	**99,511**	102,529
Total pension liability - beginning	**2,479,307**	2,376,778
Total pension liability - ending (a)	**$ 2,578,818**	$ 2,479,307
PLAN FIDUCIARY NET POSITION		
Contribution - Employer	**$ 66,091**	$ 56,497
Contribution - Employee	**16,230**	15,631
Net investment income[(1)]	**90,131**	114,220
Benefit payments, including refunds of employee contributions	**(125,982)**	(117,537)
Net plan to plan resource management	**—**	—
Administrative expense	**(2,551)**	(1,244)
Other miscellaneous income/(expense)[(2)]	**—**	4
Net change in fiduciary net position	**43,919**	67,571
Plan fiduciary net position - beginning[(3)]	**1,810,312**	1,742,741
Plan fiduciary net position - ending (b)	**$ 1,854,231**	$ 1,810,312
Plan net pension liability - ending (a) - (b)	**$ 724,587**	$ 668,995
Plan fiduciary net position as a percentage of the total pension liability	**71.90 %**	73.02 %
Covered payroll	**$ 225,707**	$ 212,558
Plan net pension liability as a percentage of covered payroll	**321.03 %**	314.74 %

[(1)] 2015 amount was net of administrative expenses of $1,972.

[(2)] During Fiscal Year 2017-18, as a result of GASB 75, CalPERS reported its proportionate share of activity related to post-employment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75. Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB 68.

[(3)] Includes any beginning of year adjustment.

[(4)] GASB 68 requires ten years of information be presented but only seven years are available at this time. Additional years' information will be displayed as it becomes available.

See accompanying independent auditors' report

2019	2018	2017	2016	2015[4]
2018	2017	2016	2015	2014
$ 33,583	$ 33,685	$ 29,142	$ 28,890	$ 28,505
161,023	156,661	152,500	146,852	139,190
(15,391)	125,734	—	(35,008)	—
(10,039)	(15,804)	(12,754)	14,665	—
(107,646)	(100,092)	(92,401)	(86,154)	(81,391)
61,530	200,184	76,487	69,245	86,304
2,315,248	2,115,064	2,038,577	1,969,332	1,883,028
$ 2,376,778	$ 2,315,248	$ 2,115,064	$ 2,038,577	$ 1,969,332
$ 48,780	$ 42,819	$ 38,393	$ 34,306	$ 33,853
15,749	14,895	15,034	14,787	15,185
139,003	171,562	8,304	35,301	236,746
(107,646)	(100,092)	(92,401)	(86,154)	(81,391)
(4)	—	—	—	—
(2,577)	(2,255)	(950)	(1,756)	—
(4,895)	—	—	—	—
88,410	126,929	(31,620)	(3,516)	204,393
1,654,331	1,527,402	1,559,022	1,562,538	1,358,145
$ 1,742,741	$ 1,654,331	$ 1,527,402	$ 1,559,022	$ 1,562,538
$ 634,037	$ 660,917	$ 587,662	$ 479,555	$ 406,794
73.32 %	71.45 %	72.22 %	76.48 %	79.34 %
$ 204,635	$ 199,186	$ 195,878	$ 190,423	$ 186,850
309.84 %	331.81 %	300.01 %	251.84 %	217.71 %

NOTES TO SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Benefit Changes: The figures above include any liability impact that may have resulted from voluntary benefit changes that occurred after June 30, 2019 valuation date. However, offers of Two Years Additional Service Credit that occurred after June 30, 2019 valuation date are not included in the figure above, unless the liability impact is deemed to be material by the plan actuary.

Changes of Assumptions: There were no changes of assumptions for the 2016, 2019 or 2020 measurement dates. For the 2018 measurement date, demographic assumptions and inflation rate were changed in accordance with CalPERS experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. For the 2017 measurement date, the discount rate was reduced from 7.65 percent to 7.15 percent. For the 2015 measurement date, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). For the 2014 measurement date, amounts reported were based on the 7.5 percent discount rate.

SCHEDULE OF PENSION CONTRIBUTIONS

(Dollars in thousands)	**2021**	2020	2019	2018	2017	2016	2015[(1)]
Actuarially determined contribution	**$ 74,339**	$ 66,091	$ 56,497	$ 48,780	$ 42,819	$ 38,393	$ 34,306
Contributions in relation to the actuarially determined contribution	**(74,339)**	(66,091)	(56,497)	(48,780)	(42,819)	(38,393)	(34,306)
Contribution deficiency (excess)	**$ —**	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	**$ 235,294**	$ 225,707	$ 212,558	$ 204,635	$ 199,186	$ 195,878	$ 190,423
Contributions as a percentage of covered payroll	**31.6 %**	29.3 %	26.6 %	15.4 %	21.5 %	19.6 %	18.02 %

[(1)]*GASB 68 requires ten years of information be presented but only seven years are available at this time. Additional years' information will be displayed as it becomes available.*

See accompanying independent auditors' report

NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS

Methods and assumptions used to set the actuarially determined contribution rates for fiscal year 2021:

Valuation date: June 30, 2018

Actuarial Cost Method	Entry age, level percentage of payroll
Amortization Method/Period	Level percentage of payroll over 20 year period
Asset Valuation Method	Investment gains/losses amortized over a fixed 30-year period spread directly over 5 years.
Discount rate	7.00%
Inflation	2.50%
Mortality, disability, termination, retirement	CalPERS 1997-2015 Experience Study
Mortality improvement	15 years of mortality projection using 90% of Scale MP 2016 from the Society of Actuaries

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

(Dollars in thousands)	**2021**	2020	2019	2018[1]
Measurement Date: June 30,	**2020**	2019	2018	2017
TOTAL OPEB LIABILITY				
Service cost	**$ 11,061**	$ 10,635	$ 10,325	$ 10,024
Interest	**29,322**	31,600	30,252	28,951
Changes of assumptions	**—**	(4,217)	—	—
Difference between expected and actual experience	**—**	(50,116)	—	—
Benefit payments	**(22,849)**	(21,328)	(20,487)	(19,525)
Net change in total OPEB liability	**17,534**	(33,426)	20,090	19,450
Total OPEB liability - beginning	**434,759**	468,185	448,095	428,645
Total OPEB liability - ending (a)	**$ 452,293**	$ 434,759	$ 468,185	$ 448,095
PLAN FIDUCIARY NET POSITION				
Contribution - employer	**$ 33,506**	$ 32,067	$ 34,674	$ 33,646
Net investment income	**10,276**	16,240	18,538	20,792
Benefit payments	**(22,849)**	(21,328)	(20,487)	(19,525)
Administrative expense	**(144)**	(57)	(400)	(107)
Net change in fiduciary net position	**20,789**	26,922	32,325	34,806
Plan fiduciary net position - beginning	**266,773**	239,851	207,526	172,720
Plan fiduciary net position - ending (b)	**$ 287,562**	$ 266,773	$ 239,851	$ 207,526
Plan net OPEB liability - ending (a) - (b)	**$ 164,731**	$ 167,986	$ 228,334	$ 240,569
Plan fiduciary net position as a percentage of the total OPEB liability	**63.58 %**	61.36 %	51.23 %	46.31 %
Covered payroll	**$ 225,707**	$ 212,558	$ 204,635	$ 199,186
Plan net OPEB liability as a percentage of covered payroll	**72.98 %**	79.03 %	111.58 %	120.78 %

[1] *Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.*

See accompanying independent auditors' report

NOTES TO SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

Benefit Changes: There were no benefit changes for the June 30, 2017 through 2020 measurement dates.

Changes of Assumptions: For the June 30, 2019 measurement date, demographic assumptions were updated to CalPERS 1997-2015 experience study and mortality improvement scale was updated to Scale MP-2019. There were no changes of assumptions for the June 30, 2020, 2018 or 2017 measurement dates.

SCHEDULE OF OPEB CONTRIBUTIONS

(Dollars in thousands)	**2021**	2020	2019	2018[(1)]
Actuarially determined contribution	**$ 23,217**	$ 28,148	$ 27,328	$ 30,086
Contributions in relation to the actuarially determined contribution	**(27,025)**	(33,506)	(32,067)	(34,674)
Contribution deficiency (excess)	**$ (3,808)**	$ (5,358)	$ (4,739)	$ (4,588)
Covered payroll	**$ 235,294**	$ 225,707	$ 212,558	$ 204,635
Contributions as a percentage of covered payroll	**11.49 %**	14.84 %	15.09 %	16.94 %

[(1)] *Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.*

See accompanying independent auditors' report

NOTES TO SCHEDULE OF OPEB CONTRIBUTIONS

Methods and assumptions used to set the actuarially determined contribution rates for fiscal year 2021 were from the June 30, 2019 actuarial valuation:

Actuarial Cost Method	Entry age, level percentage of payroll
Amortization Method/Period	Level percentage of payroll over 23 year closed period (17 years remaining on measurement date 6/30/20).
Asset Valuation Method	Investment gains/losses spread over 5 year rolling period with corridor of 80% and 120% of fair value
Discount rate	6.75%
Inflation	2.75%
Mortality, disability, termination, retirement	CalPERS 1997-2015 Experience Study
Medical trend	Pre-Medicare - 7.25% for 2021, decreasing to 4.0% for 2076 and later Medicare - 6.3% for 2021, decreasing to 4.0% for 2076 and later
Mortality improvement	Mortality projected fully generational with Scale MP-2019.

This page intentionally left blank.

FIDUCIARY FUND DESCRIPTIONS

PRIVATE PURPOSE TRUST FUNDS

Colorado River Authority

The Colorado River Authority is a separate governmental entity composed of Southern California public agencies formed in 2007 for the purpose of engaging in the study, research and information dissemination among the people of California and representatives of Congress and the State Legislature relative to California's rights to water and other resources from the Colorado River. By means of a Joint Powers Agreement, Metropolitan acts as the trustee for the funds furnished by the public agencies in support of the Colorado River Authority. The Joint Powers Agreement specifies that such moneys will be placed in a special account designated "Colorado River Joint Powers Authority Account" and disbursements from are to be made by Metropolitan in accordance with the agreement.

Delta Conveyance Finance Authority

The Delta Conveyance Finance Authority (Finance Authority) was created on July 3, 2018 through a Joint Powers Authority, whose members consist of water agencies (member agencies) that contract with the Department of Water Resources (DWR) for the purchase of water. The Finance Authority's original purpose was to assist DWR and member agency participants to finance all or a portion of the two-tunnel California WaterFix (CWF) project. At the direction of Governor Newsom, the CWF project was shifted towards a single tunnel Delta Conveyance Project (Project). The Finance Authority may still assist in the financing of the Project after the completion of the environmental review under the California Environmental Quality Act and National Environmental Policy Act and other permitting activities, which is expected in mid-2024. The Finance Authority's operation is supported by the collection of contributions from its member agencies. Their funds are deposited in Metropolitan's cash and investment pool and disbursed in accordance with the Treasury and Accounting agreement between the Finance Authority and Metropolitan.

Six Agency Committee

The Six Agency Committee's (Committee) is a member group composed of a member and an alternate member appointed by each of the governing bodies of the six major California public agencies with Colorado River rights and interests. The Committee was created by a Joint Powers Agreement, executed on January 5, 1950 and subsequently amended, to administer funds contributed by the Agencies for purposes that tend to secure their rights in and to the waters of the Colorado River system. In accordance with the purposes of the Joint Powers Agreement, the Committee provides monetary support to the Board in furtherance of its work in safeguarding the Agencies' rights and promoting their interests in and to the water of the Colorado River. Terms and conditions for support of the Colorado River Board are set forth in an annual agreement between the Committee and the Colorado River Board. Funds advanced by the Agencies in accordance with the annual agreement are deposited with Metropolitan, who holds the responsibility to serve as trustee over such funds. Upon completion of the Committee, any funds remaining with the Committee will be ratably refunded to the contributing Agencies.

FIDUCIARY FUND DESCRIPTIONS (CONTINUED)

CUSTODIAL FUNDS

Diamond Valley Lake Multi Species Reserve Fund

The Diamond Valley Lake Multi Species Reserve Fund was created under a Cooperative Management Agreement executed by Metropolitan, the California Department of Fish & Wildlife, the United States Fish & Wildlife service, the Riverside County Habitat Conservation Agency, the Riverside County Regional Park and Open Space District, the County of Riverside, and the Riverside County Park Facilities Corporation for impacts related to Metropolitan's construction of the Diamond Valley Lake reservoir. The Cooperative Management Agreement provides for the acquisition, management, operation and maintenance of certain lands located in the southwestern portion of Riverside County in conformance with and to fulfill the requirements of the Southwestern Riverside Multi-Species Habitat Conservation Plan. The Southwestern Riverside Multi-Species Reserve initially comprised land owned by Metropolitan and the Riverside County Park Facilities Corporation, and now includes Riverside County Habitat Agency and United States Bureau of Land Management property. In accordance with the Cooperative Management Agreement, funds are deposited in Metropolitan's cash and investment pool and disbursements of funds are made by Metropolitan in accordance with the agreement. The balances reported in the Diamond Valley Lake Multi Species Reserve Fund in Metropolitan's fiduciary fund statements exclude Metropolitan's share based on the percentage of Metropolitan owned land in the Multi Species Reserve and do not reflect the balance of funds available for it's management

Water Utility Climate Alliance Membership

The Water Utility Climate Alliance (WUCA) is an association of water utility agencies formed with a mission to provide leadership and collaboration on climate change issues affecting water agencies across the United States. The organization comprises 12 of the nation's largest water providers, including Metropolitan, who agreed to contribute funds to finance WUCA approved expenditures through a Fiscal Agent Agreement. In accordance with the Fiscal Agent Agreement, Metropolitan was designated as the Fiscal Agent for the contributions made by member agencies and the funds are deposited in Metropolitan's interest-bearing cash and investment accounts. Disbursement of funds from the available WUCA resources are made by Metropolitan in accordance with the Fiscal Agent Agreement. The balances reported in the WUCA fund in Metropolitan's fiduciary fund statements exclude Metropolitan's share of contributions and do not reflect the balance of funds available for WUCA.

COMBINING STATEMENTS OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS

	June 30, 2021			
(Dollars in thousands)	**Colorado River Association**	**Delta Conveyance Finance Authority**	**Six Agency Committee**	**Total Private Purpose Trust Funds**
Assets				
Restricted pooled cash and investments, at fair value (Notes 1d and 3):	$ 500	$ 559	$ 2,118	**$ 3,177**
Interest receivable	—	—	—	**—**
Total assets	$ 500	$ 559	$ 2,118	**$ 3,177**
Liabilities				
Accounts payable and accrued expenses	$ —	$ 7	$ 65	**$ 72**
Total liabilities	—	7	65	**72**
Net Position				
Restricted for organizations and other governments	500	552	2,053	**3,105**
Total Liabilities and Net Position	$ 500	$ 559	$ 2,118	**$ 3,177**

See accompanying Independent Auditors' Report.

COMBINING STATEMENTS OF FIDUCIARY NET POSITION PRIVATE PURPOSE TRUST FUNDS (CONTINUED)

	June 30, 2020			
(Dollars in thousands)	**Colorado River Association**	**Delta Conveyance Finance Authority**	**Six Agency Committee**	**Total Private Purpose Trust Funds**
Assets				
Restricted pooled cash and investments, at fair value (Notes 1d and 3):	$ 501	$ 621	$ 2,179	$ 3,301
Interest receivable	—	1	—	1
Total assets	$ 501	$ 622	$ 2,179	$ 3,302
Liabilities				
Accounts payable and accrued expenses	$ —	$ 5	$ 32	$ 37
Total liabilities	—	5	32	37
Net Position				
Restricted for organizations and other governments	501	617	2,147	3,265
Total Liabilities and Net Position	$ 501	$ 622	$ 2,179	$ 3,302

See accompanying Independent Auditors' Report.

COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION PRIVATE PURPOSE TRUST FUNDS

	Fiscal Year Ended June 30, 2021			
(Dollars in thousands)	**Colorado River Association**	**Delta Conveyance Finance Authority**	**Six Agency Committee**	**Total Private Purpose Trust Funds**
Additions				
Contributions from participating agencies	$ —	$ —	$ 2,307	**$ 2,307**
Return of unspent funds	—	—	189	**189**
Interest	—	7	—	**7**
Total additions	—	7	2,496	**2,503**
Deductions				
Support payments to the Colorado River Board	—	—	2,200	**2,200**
Expensed equipment	—	—	8	**8**
Computer systems and software	—	—	12	**12**
Administrative expenses	1	—	1	**2**
Support payments for Colorado River system augmentation and conservation	—	—	309	**309**
Professional services	—	72	60	**132**
Total deductions	1	72	2,590	**2,663**
Net Increase (Decrease) in Fiduciary Net Position	(1)	(65)	(94)	**(160)**
Net position, Beginning of Year	501	617	2,147	**3,265**
Net position, End of Year	$ 500	$ 552	$ 2,053	**$ 3,105**

See accompanying Independent Auditors' Report.

COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION PRIVATE PURPOSE TRUST FUNDS (CONTINUED)

	Fiscal Year Ended June 30, 2020			
(Dollars in thousands)	**Colorado River Association**	**Delta Conveyance Finance Authority**	**Six Agency Committee**	**Total Private Purpose Trust Funds**
Additions				
Contributions from participating agencies	$ —	$ 550	$ 2,181	$ 2,731
Return of unspent funds	—	—	376	376
Interest	—	12	—	12
Total additions	—	562	2,557	3,119
Deductions				
Support payments to the Colorado River Board	—	—	2,150	2,150
Expensed equipment	—	—	—	—
Computer systems and software	—	—	—	—
Administrative expenses	1	—	—	1
Support payments for Colorado River system augmentation and conservation	—	—	453	453
Professional services	—	172	62	234
Total deductions	1	172	2,665	2,838
Net Increase (Decrease) in Fiduciary Net Position	(1)	390	(108)	281
Net position, Beginning of Year	502	227	2,255	2,984
Net position, End of Year	$ 501	$ 617	$ 2,147	$ 3,265

See accompanying Independent Auditors' Report.

COMBINING STATEMENTS OF FIDUCIARY NET POSITION CUSTODIAL FUNDS

(Dollars in thousands)	Fiscal Year Ended June 30, 2021 **Diamond Valley Lake Multi Species Reserve Fund**	**Water Utility Climate Alliance Membership**	**Total Custodial Funds**
Assets			
Restricted pooled cash and investments, at fair value (Notes 1d and 3):	$ 2,095	$ 440	**$ 2,535**
Interest receivable	1	—	**1**
Total assets	$ 2,096	$ 440	**$ 2,536**
Liabilities			
Accounts payable and accrued expenses	$ —	$ 55	**$ 55**
Due to other governments	27	—	**27**
Total liabilities	27	55	**82**
Net Position			
Restricted for organizations and other governments	2,069	385	**2,454**
Total Liabilities and Net Position	$ 2,096	$ 440	**$ 2,536**

See accompanying Independent Auditors' Report.

COMBINING STATEMENTS OF FIDUCIARY NET POSITION CUSTODIAL FUNDS (CONTINUED)

	Fiscal Year Ended June 30, 2020		
(Dollars in thousands)	**Diamond Valley Lake Multi Species Reserve Fund**	**Water Utility Climate Alliance Membership**	**Total Custodial Funds**
Assets			
Restricted pooled cash and investments, at fair value (Notes 1d and 3):	$ 2,124	$ 427	$ 2,551
Interest receivable	3	1	4
Total assets	$ 2,127	$ 428	$ 2,555
Liabilities			
Accounts payable and accrued expenses	$ —	$ 120	$ 120
Due to other governments	32	—	32
Total liabilities	32	120	152
Net Position			
Restricted for organizations and other governments	2,095	308	2,403
Total Liabilities and Net Position	$ 2,127	$ 428	$ 2,555

See accompanying Independent Auditors' Report.

COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION CUSTODIAL FUNDS

	Fiscal Year Ended June 30, 2021		
(Dollars in thousands)	**Diamond Valley Lake Multi Species Reserve Fund**	**Water Utility Climate Alliance Membership**	**Total Custodial Funds**
Additions			
Contributions from participating agencies	$ 44	$ 233	**$ 277**
Interest	24	5	**29**
Total additions	68	238	**306**
Deductions			
Travel, training and conferences	—	—	**—**
Payments to other governments for conservation	94	—	**94**
Professional services	—	161	**161**
Total deductions	94	161	**255**
Net Increase (Decrease) in Fiduciary Net Position	(26)	77	**51**
Net position, Beginning of Year	2,095	308	**2,403**
Net position, End of Year	$ 2,069	$ 385	**$ 2,454**

See accompanying Independent Auditors' Report.

COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION CUSTODIAL FUNDS (CONTINUED)

	Fiscal Year Ended June 30, 2020		
(Dollars in thousands)	**Diamond Valley Lake Multi Species Reserve Fund**	**Water Utility Climate Alliance Membership**	**Total Custodial Funds**
Additions			
Contributions from participating agencies	$ 44	$ 449	$ 493
Interest	45	7	52
Total additions	89	456	545
Deductions			
Travel, training and conferences	—	23	23
Payments to other governments for conservation	77	—	77
Professional services	—	314	314
Total deductions	77	337	414
Net Increase (Decrease) in Fiduciary Net Position	12	119	131
Net position, Beginning of Year	2,083	189	2,272
Net position, End of Year	$ 2,095	$ 308	$ 2,403

See accompanying Independent Auditors' Report.

STATISTICAL SECTION

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

Contents **Page**

Sources: Unless otherwise noted, the information in these schedules was derived from the comprehensive annual financial report for the relevant year.

The Metropolitan Water District of Southern California
Table 1
Ten-Year Summary of Net Position by Component (Unaudited)-Accrual Basis [1]
(Dollars in millions)

	Fiscal Year Ended June 30,									
	2021	2020 [6]	2019	2018 [2], [3]	2017 [3]	2016	2015 [4]	2014	2013 [5]	2012 [5]
		As Adjusted		As Adjusted			As Adjusted		As Adjusted	As Adjusted
Net investment in capital assets, including State Water Project costs	$ 6,141.5	$ 6,121.6	$ 6,131.6	$ 5,968.8	$ 6,067.0	$ 5,772.4	$ 5,572.5	$ 5,593.0	$ 5,399.5	$ 5,293.3
Restricted for:										
Debt service	221.6	232.4	180.7	201.4	224.6	199.5	263.2	171.6	205.2	195.5
Other expenses	311.1	276.6	237.9	206.2	182.4	183.3	178.8	147.7	170.1	174.9
Unrestricted	520.2	308.9	286.0	310.1	283.7	528.6	867.2	1,288.7	1,025.4	763.4
Total Net Position	$ 7,194.4	$ 6,939.5	$ 6,836.2	$ 6,686.5	$ 6,757.7	$ 6,683.8	$ 6,881.7	$ 7,201.0	$ 6,800.2	$ 6,427.1

(1) Metropolitan implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, in fiscal year 2012. This pronouncement requires that the difference between assets and liabilities be reported as net position, therefore, net assets are now referred to as net position.

(2) Adjustment relates to Metropolitan's implementation of GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* GASB 75 requires the reporting of a net Other Postemployment Benefit (OPEB) liability in the basic financial statements when an organization's OPEB liability exceeds the net position available for paying benefits. Fiscal years 2012 through 2017 have not been adjusted.

(3) Net investment in capital assets, including State Water Project costs, restricted for other expenses and unrestricted net position in fiscal years 2018 and 2017 were adjusted to conform to fiscal year 2019 presentation. Fiscal years 2012 through 2016 were not adjusted.

(4) Adjustment relates to Metropolitan's implementation of GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71. (GASB 71), *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68.* GASB 68 requires the reporting of net pension liability in the basic financial statements when an organization's pension liability exceeds the net position available for paying benefits while GASB 71 requires the recognition of beginning deferred outflow of resources for pension contributions made after the measurement date. Fiscal years 2012 through 2014 have not been adjusted.

(5) Adjustment relates to the adoption of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* This pronouncement requires debt issuance costs (except prepaid insurance costs) to be recognized as expense in the period incurred.

(6) Adjustment relates to the adoption of GASB Statement No. 84, *Fiduciary Activities.* This pronouncement requires fiduciary activities meeting specific criteria to be reported in fiduciary funds.

See accompanying Independent Auditors' Report.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California
Table 2
Ten-Year Summary of Changes in Net Position (Unaudited)-Accrual Basis [1]
(Dollars in millions)

	Fiscal Year Ended June 30,									
	2021	2020	2019	2018 [2]	2017	2016	2015 [3]	2014	2013	2012 [4] As Adjusted
Water revenues [5]	$ 1,404.7	$ 1,188.0	$ 1,148.7	$ 1,285.2	$ 1,150.5	$ 1,166.0	$ 1,382.9	$ 1,484.7	$ 1,282.5	$ 1,123.3
Readiness-to-serve charges	133.0	134.5	136.5	137.5	144.0	155.5	162.0	154.0	144.0	135.5
Capacity charge	31.7	30.5	33.0	34.6	39.7	44.7	37.5	28.4	28.7	33.0
Power sales	19.0	15.9	18.3	23.7	20.9	7.5	8.4	14.6	24.5	31.5
Operating revenues	1,588.4	1,368.9	1,336.5	1,481.0	1,355.1	1,373.7	1,590.8	1,681.7	1,479.7	1,323.3
Taxes, net	160.6	146.9	142.7	127.3	115.4	107.9	102.3	94.5	94.8	79.2
Investment income (loss)	4.1	28.9	36.0	10.6	6.2	19.4	(3.6)	5.7	(0.4)	4.1
Other	10.4	24.5	10.4	12.9	7.3	10.2	5.4	—	6.1	0.6
Nonoperating revenues	175.1	200.3	189.1	150.8	128.9	137.5	104.1	100.2	100.5	83.9
Total revenues	1,763.5	1,569.2	1,525.6	1,631.8	1,484.0	1,511.2	1,694.9	1,781.9	1,580.2	1,407.2
Power and water costs	(480.9)	(438.7)	(375.8)	(446.5)	(455.4)	(552.3)	(473.6)	(510.1)	(371.3)	(384.0)
Operations and maintenance	(509.8)	(557.4)	(493.9)	(507.4)	(487.5)	(650.1)	(543.4)	(439.7)	(419.8)	(433.5)
Litigation payments	(44.4)	—	—	—	—	—	—	—	—	—
Depreciation and amortization	(362.8)	(353.0)	(361.1)	(330.3)	(301.7)	(376.5)	(374.8)	(261.5)	(265.4)	(290.1)
Operating expenses	(1,397.9)	(1,349.1)	(1,230.8)	(1,284.2)	(1,244.6)	(1,578.9)	(1,391.8)	(1,211.3)	(1,056.5)	(1,107.6)
Bond interest, net of amount capitalized	(91.6)	(100.7)	(126.9)	(124.5)	(134.6)	(126.9)	(132.5)	(146.7)	(150.2)	(135.8)
Interest and adjustments on OAPF [6]	—	—	—	—	(0.6)	(0.8)	(1.2)	(1.6)	(2.1)	(2.6)
Loss on disposal of plant assets	(13.2)	(10.2)	(13.7)	(88.7)	(20.9)	—	—	—	—	—
Other	(6.2)	(5.9)	(5.3)	(68.2)	(9.4)	(4.6)	—	(23.7)	—	—
Nonoperating expenses	(111.0)	(116.8)	(145.9)	(281.4)	(165.5)	(132.3)	(133.7)	(172.0)	(152.3)	(138.4)
Total expenses	(1,508.9)	(1,465.9)	(1,376.7)	(1,565.6)	(1,410.1)	(1,711.2)	(1,525.5)	(1,383.3)	(1,208.8)	(1,246.0)
Capital contributions	0.3	—	0.8	1.5	—	2.1	2.3	2.2	1.7	13.6
Changes in net position	$ 254.9	$ 103.3	$ 149.7	$ 67.7	$ 73.9	$ (197.9)	$ 171.7	$ 400.8	$ 373.1	$ 174.8

(1) Metropolitan implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, in fiscal year 2012. This pronouncement requires that the difference between assets and liabilities be reported as net position, therefore, net assets are now referred to as net position.

(2) Metropolitan implemented GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* GASB 75 requires the reporting of a net Other Postemployment Benefit (OPEB) liability in the basic financial statements when an organization's OPEB liability exceeds the net position available for paying benefits. Fiscal years 2012 through 2017 have not been adjusted.

(3) Metropolitan implemented GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71. (GASB 71), *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68.* GASB 68 requires the reporting of net pension liability in the basic financial statements when an organization's pension liability exceeds the net position available for paying benefits while GASB 71 requires the recognition of beginning deferred outflow of resources for pension contributions made after the measurement date. Fiscal years 2012 through 2014 have not been adjusted.

(4) Adjustment relates to the adoption of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* . This pronouncement requires debt issuance costs (except prepaid insurance costs) to be recognized as expense in the period incurred.

(5) Water revenues includes revenues from water sales, exchanges, and wheeling.

(6) Off-Aqueduct Power Facilities. The State relieved Metropolitan of its obligation during the year ended June 30, 2018.

See accompanying Independent Auditors' Report.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California
Table 3
Ten-Year Summary of Water Revenues by Component (Unaudited)-Accrual Basis
(Dollars in thousands)

Fiscal Year Ended June 30,	Water Sales (1)				
	Treated	Untreated	Tier 2 (2) (3)	Exchange	Total
2021	$ 840,130.7	$ 397,566.6	$ —	$ 167,038.1	$ 1,404,735.4
2020	754,496.5	293,438.7	—	140,062.6	1,187,997.8
2019	727,511.1	318,940.9	—	102,221.8	1,148,673.8
2018	805,392.6	383,632.6	—	96,139.0	1,285,164.2
2017	704,254.2	358,841.4	—	87,437.0	1,150,532.6
2016	681,045.9	401,837.7	(1,180.3)	84,337.0	1,166,040.3
2015	805,798.0	489,016.4	9,252.8	78,830.9	1,382,898.1
2014	884,280.0	501,778.9	17,210.8	81,346.5	1,484,616.2
2013	805,277.9	399,865.2	2,914.9	74,469.7	1,282,527.7
2012	743,721.2	288,545.4	—	90,923.2	1,123,189.8

(1) Water sales rates vary based on the program. See Table 4 for rates.

(2) Tier 2 dollars reflect the premium paid by the member agency for water taken in excess of their maximum purchase commitment. Either treated/untreated or both could have caused the agency to exceed their maximum.

(3) The 2016 credit resulted from a correction of water sales between member agencies.

See accompanying Independent Auditors' Report.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California
Table 4
Ten-Year Summary of Water Revenues Rate Structure (Unaudited)
(Dollars per acre-foot-unless otherwise specified)

	Calendar Year [1]									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Tier 1 Supply Rate	$ 243	$ 208	$ 209	$ 209	$ 201	$ 156	$ 158	$ 148	$ 140	$ 106
Tier 2 Supply Rate	285	295	295	295	295	290	290	290	290	290
System Access Rate	373	346	326	299	289	259	257	243	223	217
Water Stewardship Rate	—	65	69	55	52	41	41	41	41	43
System Power Rate	161	136	127	132	124	138	126	161	189	136
Full Service Untreated:										
Tier 1	777	755	731	695	666	594	582	593	593	560
Tier 2	819	842	817	781	760	728	714	735	743	686
Replenishment Water Rate: [2]										
Untreated	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	442
Treated	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	651
Interim Agricultural Water Program [3]										
Untreated	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	537
Treated	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	765
Treatment Surcharge	327	323	319	320	313	348	341	297	254	234
Full Service Treated:										
Tier 1	1,104	1,078	1,050	1,015	979	942	923	890	847	794
Tier 2	1,146	1,165	1,136	1,101	1,073	1,076	1,055	1,032	997	920
Delta Supply Surcharge [4]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	58
Readiness-to-Serve Charge ($ millions)	130	136	133	140	135	153	158	166	142	146
Capacity Charge ($ per cubic foot second)	10,700	8,800	8,600	8,700	8,000	10,900	11,100	8,600	6,400	7,400

(1) Rates are set on a calendar year basis.
(2) The Replenishment program was discontinued after 2012.
(3) The Interim Agricultural Water Program was discontinued after 2012.
(4) The Delta Supply Surcharge was suspended after 2012.

See accompanying Independent Auditors' Report.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California
Table 5
Principal Water Revenue Customers (Unaudited) - Accrual Basis
(Dollars in thousands)

	Fiscal Year Ended June 30, 2021			Fiscal Year Ended June 30, 2012		
	Amount	%	Rank	Amount	%	Rank
Treated Water Sales						
Member Agency						
West Basin MWD	$ 118,070.5	14.0 %	1	$ 87,113.1	11.7 %	2
MWD of Orange County	117,729.7	14.0	2	156,000.3	21.0	1
Calleguas MWD	103,963.8	12.4	3	78,808.8	10.6	4
City of Los Angeles	85,555.0	10.2	4	48,364.9	6.5	6
Eastern MWD	70,311.7	8.4	5	48,448.2	6.5	5
Subtotal	$ 495,630.7	59.0 %		$ 418,735.3	56.3 %	
Total Treated Water Sales	$ 840,130.7	100.0 %		$ 743,721.2	100.0 %	
Untreated Water Sales						
Member Agency						
City of Los Angeles	$ 182,628.8	45.9 %	1	$ 81,314.6	28.2 %	2
Inland Empire Utility Agency	54,515.6	13.7	2	38,556.1	13.4	3
Upper San Gabriel Valley Municipal Water	41,445.8	10.4	3	10,109.7	3.5	8
Subtotal	$ 278,590.2	70.0 %		$ 129,980.4	45.1 %	
Total Untreated Water Sales	$ 397,566.6	100.0 %		$ 288,545.4	100.0 %	
Tier 2 Sales						
Member Agency						
City of Santa Ana	$ —	— %		$ 82.5	85.5 %	1
Subtotal	$ —	— %		$ 82.5	85.5 %	
Total Tier 2 Sales	$ —	— %		$ 96.5	100.0 %	
Exchange						
Member Agency						
San Diego County Water Authority	$ 150,182.9	89.9 %	1	$ 63,379.3	69.7 %	1
Subtotal	$ 150,182.9	89.9 %		$ 63,379.3	69.7 %	
Total Exchange	$ 167,038.1	100.0 %		$ 90,923.2	100.0 %	
Total Water Revenue	**$ 1,404,735.4**			**$ 1,123,286.3**		

See accompanying Independent Auditors' Report.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California

Table 6

Ten-Year Summary of Property Tax Levies and Collections (Unaudited)-Cash Basis

(Dollars in thousands)

Fiscal Year Ended June 30,	Total Tax Levy	Tax Collections			Outstanding Delinquent Taxes [2]	Percent of Current Taxes Collected to Total Tax Levy	Percent of Total Tax Collections to Total Tax Levy	Percent of Delinquent Taxes to Total Tax Levy
		Current	Delinquent	Total [1]				
2021	$ 153,026	$ 153,026	$ 8,081	$ 161,107	$ —	100.0 %	105.3 %	— %
2020	143,646	143,646	3,456	147,102	—	100.0	102.4	—
2019	130,566	130,566 [3]	14,588 [3]	145,154	—	100.0 [3]	111.2	—
2018	121,647	121,647 [3]	8,019 [3]	129,666	—	100.0 [3]	106.6	—
2017	112,727	112,727 [3]	2,410 [3]	115,137	—	100.0 [3]	102.1	—
2016	104,829	104,829	5,825	110,654	—	100.0	105.6	—
2015	100,066	97,687	5,320	103,007	2,379	97.6	102.9	2.4
2014	94,963	94,963	3,744	98,707	—	100.0	103.9	—
2013	92,247	89,576	7,078	96,654	2,671	97.1	104.8	2.9
2012	94,810	80,775	9,478	90,253	4,076	85.2	95.2	4.3

(1) Total tax collections exclude cash payments on new annexations.

(2) Delinquent taxes shown are net of the "Allowance for Uncollectibles" determined by historical trends of collections and payments.

(3) In fiscal year 2020, current and delinquent tax collections were revised for fiscal years 2017 through 2019 but total tax collections was not affected by the changes.

See accompanying Independent Auditors' Report.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California
Table 7
Ten-Year Summary of Assessed Valuations and Property Tax Rates (Unaudited)
(Dollars in billions)

Fiscal Year Ended June 30,	Gross Assessed Valuation (1)	Homeowner's Exemption	Net Assessed Valuation	Secured Property Percentage Tax Rate
2021	$ 3,263.3	$ 15.1	$ 3,248.2	0.0035 %
2020	3,092.4	15.3	3,077.1	0.0035
2019	2,916.6	15.4	2,901.2	0.0035
2018	2,740.6	15.6	2,725.0	0.0035
2017	2,583.4	15.8	2,567.6	0.0035
2016	2,451.0	15.9	2,435.1	0.0035
2015	2,315.0	16.2	2,298.8	0.0035
2014	2,183.4	16.4	2,167.0	0.0035
2013	2,097.4	16.7	2,080.7	0.0035
2012	2,067.5	16.9	2,050.6	0.0037

(1) Gross assessed valuations (before deduction of Homeowner's and Business Inventory Exemptions), as of August each year, of all secured and unsecured property within Metropolitan's service area, as certified by the County Auditor-Controllers for the respective counties.

See accompanying Independent Auditors' Report.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California
Table 8
Ten-Year Summary of Assessed Valuation Within Metropolitan's Service Area - By Counties (Unaudited)
(Dollars in billions)

	Fiscal Year Ended June 30,																			
	2021		2020		2019		2018		2017		2016		2015		2014		2013		2012	
County	AV (1)	% (2)	AV	%	AV	%	AV	%	AV	%	AV	%	AV	%	AV	%	AV	%	AV	%
Los Angeles	$ 1,593.5	48.8	$ 1,504.9	48.7	$ 1,415.3	48.5	$ 1,327.5	48.5	$ 1,251.3	48.4	$ 1,185.4	48.4	$ 1,117.4	48.3	$ 1,060.8	48.6	$ 1,012.5	48.3	$ 989.1	47.9
Orange	655.0	20.1	625.2	20.2	591.4	20.3	557.1	20.3	524.5	20.3	498.3	20.3	470.7	20.3	441.9	20.2	426.6	20.3	419.2	20.3
San Diego	566.4	17.4	537.7	17.4	508.6	17.4	479.7	17.5	452.0	17.5	427.9	17.5	405.0	17.5	381.7	17.5	369.0	17.6	370.4	17.9
Riverside	209.0	6.4	196.2	6.3	184.6	6.3	172.9	6.3	163.1	6.3	154.7	6.3	146.3	6.3	133.7	6.1	129.0	6.2	129.2	6.2
San Bernardino	127.1	3.9	120.2	3.9	113.0	3.9	104.2	3.8	97.8	3.8	93.9	3.8	89.1	3.8	83.5	3.8	80.9	3.8	80.4	3.9
Ventura	112.3	3.4	108.2	3.5	103.7	3.6	99.2	3.6	94.7	3.7	90.8	3.7	86.5	3.8	81.8	3.8	79.4	3.8	79.2	3.8
Total	$ 3,263.3	100.0	$ 3,092.4	100.0	$ 2,916.6	100.0	$ 2,740.6	100.0	$ 2,583.4	100.0	$ 2,451.0	100.0	$ 2,315.0	100.0	$ 2,183.4	100.0	$ 2,097.4	100.0	$ 2,067.5	100.0

(1) Assessed Valuation.

(2) Percent of Total Assessed Valuation within Metropolitan.

See accompanying Independent Auditors' Report.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California

Table 9

Ten-Year Summary of Ratios of General Obligation Debt to Net Assessed Valuations, Total Outstanding Debt to Total Household Income, and Amounts of Total and Net Outstanding Debt per Capita (Unaudited)

(Amounts in thousands)

Fiscal Year Ended June 30,	Population [1]	Net Assessed Valuations (NAV)	General Obligation (G.O.) Debt	Revenue Bond Debt	Notes and Loans	Unamortized Bond Discounts and Premiums, net[2]	Total Outstanding Debt	Accumulated Resources Restricted for Repayment of Principal	Net Total Outstanding Debt	Ratio of G.O. Debt to NAV	Net Outstanding Debt per Capita
2021	19,037	$ 3,248,320,002	$ 26,830	$ 3,994,265	$ 35,645	$ 464,184	$ 4,520,924	$ (111,810)	$ 4,409,114	0.00 %	$ 231.6
2020	19,035	3,077,116,471	37,300	3,968,845	82,445	366,281	4,454,871	(123,940)	4,330,931	0.00	227.5
2019	19,052	2,901,199,673	48,050	3,933,245	46,800	307,310	4,335,405	(116,825)	4,218,580	0.00	221.4
2018	19,039	2,725,018,457	60,600	4,233,860	—	212,499	4,506,959	(96,725) [3]	4,410,234 [3]	0.00	231.6
2017	18,981	2,567,616,063	74,905	4,301,985	—	202,848	4,579,738	(114,730)	4,465,008	0.00	235.2
2016	18,886	2,435,059,261	92,865	4,188,950	9,153	232,467	4,523,435	(153,270)	4,370,165	0.00	231.4
2015	18,791	2,298,791,445	110,420	4,157,105	10,684	200,028	4,478,237	(98,595)	4,379,642	0.00	233.1
2014	18,672	2,167,044,473	132,275	4,271,540	11,675	200,896	4,616,386	(82,285)	4,534,101	0.01	242.8
2013	18,537	2,080,710,578	165,085	4,450,650	12,161	210,283	4,838,179	(110,535)	4,727,644	0.01	255.0
2012	18,405	2,050,548,909	196,545	4,607,125	13,117	194,282	5,011,069	(104,230)	4,906,839	0.01	266.6

Fiscal Year Ended June 30,	Population [1]	Total Household Income (THI)[4]	General Obligation (G.O.) Debt	Revenue Bond Debt	Notes and Loans	Unamortized Bond Discounts and Premiums, net[2]	Total Outstanding Debt	Ratio of Total Outstanding Debt to THI	Total Outstanding Debt per Capita
2021	19,037	$ n/a	$ 26,830	$ 3,994,265	$ 35,645	$ 464,184	$ 4,520,924	n/a %	$ 237.5
2020	19,035	n/a	37,300	3,968,845	82,445	366,281	4,454,871	n/a	234.0
2019	19,052	1,356,188,374	48,050	3,933,245	46,800	307,310	4,335,405	0.32	227.6
2018	19,039	1,303,104,347	60,600	4,233,860	—	212,499	4,506,959	0.35	236.7
2017	18,981	1,224,898,669	74,905	4,301,985	—	202,848	4,579,738	0.37	241.3
2016	18,886	1,155,679,001	92,865	4,188,950	9,153	232,467	4,523,435	0.39	239.5
2015	18,791	1,107,415,207	110,420	4,157,105	10,684	200,028	4,478,237	0.40	238.3
2014	18,672	1,025,884,337	132,275	4,271,540	11,675	200,896	4,616,386	0.45	247.2
2013	18,537	984,899,139	165,085	4,450,650	12,161	210,283	4,838,179	0.49	261.0
2012	18,405	936,274,391	196,545	4,607,125	13,117	194,282	5,011,069	0.54	272.3

(1) Population data is reported for Metropolitan's service area. Amounts reflect revisions based on current data from the State of California Department of Finance and/or revisions to the service area boundaries.

(2) Deferred amount on bond refundings were reclassified as deferred outflow of resources beginning fiscal year 2012 as a result of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* implementation.

(3) Accumulated Resources Restricted for Repayment of Principal for fiscal year 2018 were corrected in fiscal year 2020 resulting in revisions to previously reported amounts for, Net Total Outstanding Debt.

(4) THI is based on population data and per capita income for Metropolitan's six county service area. Population data is from the State of California Department of Finance and per capita income data is from the U.S. Department of Commerce. Amounts reflect revisions based on current data available.

n/a: not available

See accompanying Independent Auditors' Report.

Source: Office of the Chief Financial Officer and State of California Department of Finance

The Metropolitan Water District of Southern California
Table 10
Direct and Overlapping Bonded Debt (Unaudited)
As of June 30, 2021

2020-21 Assessed Valuation $ 3,263,355,524,486

OVERLAPPING TAX AND ASSESSMENT DEBT:	Percentage Applicable		Debt June 30, 2021
Community College Districts	Various	$	13,298,211,316
Los Angeles Unified School District	99.606		10,821,748,653
San Diego Unified School District	99.960		4,482,833,730
Other Unified School Districts	Various		15,784,379,066
High School and School Districts	Various		7,738,884,501
City of Los Angeles	99.995		627,428,627
Other Cities	Various		194,039,836
Irvine Ranch Water District Improvement Districts	100		527,700,000
Santa Margarita Water District Improvement Districts	100		34,410,000
Other Water Districts	Various		30,112,195
Healthcare Districts	Various		647,791,206
Other Special Districts	Various		9,986,879
Community Facilities Districts	Various		7,407,185,252
1915 Act Bonds and Other Special Assessment District Bonds	Various		1,105,266,130
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$	62,709,977,391
METROPOLITAN WATER DISTRICT TOTAL DIRECT DEBT		**$**	**26,830,000**
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$	62,736,807,391

OVERLAPPING GENERAL FUND DEBT:	Percentage Applicable		Debt June 30, 2021
Los Angeles County Obligations	93.250	$	2,446,015,226
Orange County Obligations	99.919		878,800,798
Riverside County Obligations	66.669		1,066,104,445
San Bernardino County Obligations	50.839		226,884,586
San Diego County Obligations	96.702		599,837,672
Ventura County Obligations	76.521		250,694,274
City of Anaheim General Fund Obligations	99.881		645,550,495
City of Long Beach General Fund Obligations and Pension Obligation Bonds	100		91,780,000
City of Los Angeles General Fund Obligations	99.995		1,436,892,612
City of Pasadena General Fund and Pension Obligation Bonds	100		532,563,634
City of San Diego General Fund Obligations	99.949		593,501,589
Other City General Fund Obligations	Various		6,691,451,323
Water District General Fund Obligations	Various		61,984,727
Los Angeles Unified School District Certificates of Participation	99.606		130,453,978
Other School District General Fund Obligations	Various		1,972,958,376
Other Special District General Fund Obligations	Various		47,542,751
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$	17,673,016,486
Less: Obligations supported from other revenue sources			876,027,263
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$	16,796,989,223
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$	5,693,640,393
GROSS COMBINED TOTAL DEBT		$	86,103,464,270 [1]
NET COMBINED TOTAL DEBT		$	85,227,437,007

[1] Debt instruments included are general obligation bonds, lease revenue bonds and certificates of participation (when supported by the general fund), pension obligation bonds, 1915 Act special assessment bonds and Mello-Roos Act special assessment bonds. Excluded are enterprise revenue bonds, mortgage revenue bonds, tax and revenue anticipation notes and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2020-21 Assessed Valuation:	
Direct Debt ($26,830,000)	**0.001%**
Total Direct and Overlapping Tax and Assessment Debt	1.92 %
Gross Combined Total Debt	2.64 %
Net Combined Total Debt	2.61 %

Ratios to Redevelopment Incremental Valuation: $ 461,324,899,154	
Total Overlapping Tax Increment Debt	1.23 %

See accompanying Independent Auditors' Report.

Source: California Municipal Statistics, Inc. San Francisco, California

The Metropolitan Water District of Southern California
Table 11
Ten-Year Summary of Legal Debt Margin Information (Unaudited)
(Dollars in millions)

	Fiscal Year Ended June 30,									
15 Percent of Assessed Value [1a]	2021	2020	2019	2018	2017	2016	2015	2014	2013 [4]	2012 [4]
									As Adjusted	
Debt limit	$ 489,492	$ 463,864	$ 437,493	$ 411,095	$ 387,508	$ 367,651	$ 347,242	$ 327,508	$ 314,606	$ 310,122
Debt applicable to the limit [2]	4,521	4,455	4,335	4,507	4,842	4,773	4,478	4,616	4,838	5,011
Legal debt margin	$ 484,971	$ 459,409	$ 433,158	$ 406,588	$ 382,666	$ 362,878	$ 342,764	$ 322,892	$ 309,768	$ 305,111
Total debt applicable to the limit as a percentage of debt limit	0.92 %	0.96 %	0.99 %	1.10 %	1.25 %	1.30 %	1.29 %	1.41 %	1.54 %	1.62 %
100 Percent of Equity [1b]										
Debt limit [3]	$ 7,194	$ 6,940	$ 6,836	$ 6,686	$ 6,758	$ 6,684	$ 6,882	$ 7,201	$ 6,800	$ 6,427
Debt applicable to the limit [2]	3,994	3,969	3,933	4,234	4,302	4,189	4,157	4,272	4,451	4,607
Legal debt margin	$ 3,200	$ 2,971	$ 2,903	$ 2,452	$ 2,456	$ 2,495	$ 2,725	$ 2,929	$ 2,349	$ 1,820
Total debt applicable to the limit as a percentage of debt limit	55.52 %	57.19 %	57.53 %	63.33 %	63.66 %	62.67 %	60.40 %	59.32 %	65.46 %	71.68 %

Legal Debt Margin Calculations for Fiscal Year Ended June 30, 2021

15 Percent of Assessed Value	
2020-21 taxable assessed valuation	$ 3,263,282
Debt limit (15% of total assessed value)	$ 489,492
Applicable debt outstanding as of June 30, 2021	$ 4,521
Legal debt margin	$ 484,971
100 Percent of Equity (Net Position)	
Net position of Metropolitan as of June 30, 2021	$ 7,194
Debt limit (100% of equity/net position)	$ 7,194
Revenue bonds outstanding as of June 30, 2021	$ 3,994
Legal debt margin	$ 3,200

[1] The Metropolitan Water District Act (Act) provides for two limitations on indebtedness, which may be incurred by Metropolitan:

[a] Indebtedness is limited to 15 percent of the assessed value of all taxable property within Metropolitan.

[b] Revenue bonds limited to 100 percent of equity (net position) as of the end of the last fiscal year prior to the issuance of such bonds.

[2] The Act defines the calculations for debt limits based on gross debt outstanding. Accordingly, debt applicable to the limit is not netted for applicable reserves.

[3] Adjustment relates to reclassification of outstanding debt from net investment in capital assets to restricted for debt service beginning fiscal year 2012.

[4] Adjustment relates to implementation of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities.*

See accompanying Independent Auditors' Report.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California

Table 12

Ten-Year Summary of Revenue Bond Debt Service Coverage [1] (Unaudited)

(Dollars in millions)

	Fiscal Year Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Water Revenues[2]	$ 1,405	$ 1,188	$ 1,149	$ 1,285	$ 1,151	$ 1,166	$ 1,383	$ 1,485	$ 1,283	$ 1,062
Additional Revenues[2]	165	165	170	172	184	200	199	182	173	168
Total Revenues	1,570	1,353	1,319	1,457	1,335	1,366	1,582	1,667	1,456	1,230
Operating Expenses[3]	(1,029)	(1,026)	(916)	(963)	(927)	(1,201)	(1,005)	(854)	(793)	(792)
Net Operating Revenues	541	327	403	494	408	165	577	813	663	438
Power Sales & Other [4]	32	30	40	52	72	252	171	34	48	87
Interest on Investments[5]	10	20	34	8	4	18	13	19	(2)	11
Adjusted Net Operating Revenues	583	377	477	554	484	435	761	866	709	536
Senior and Subordinate Bonds Debt Service[6]	(279)	(272)	(333)	(340)	(306)	(309)	(280)	(343)	(298)	(297)
Subordinate Revenue Obligations	—	—	—	—	(2)	(1)	(1)	(1)	(1)	(1)
Funds Available from Operations	$ 304	$ 105	$ 144	$ 214	$ 176	$ 125	$ 480	$ 522	$ 410	$ 238
Ratios										
Debt Service Coverage on all Senior and Subordinate Bonds[7]	2.09	1.39	1.43	1.63	1.58	1.41	2.72	2.52	2.38	1.81
Bonds and Additional Bonds Debt Service Coverage[8]	—	—	—	—	1.57	1.41	2.71	2.51	2.37	1.80

(1) Prepared on a modified accrual basis for fiscal years 2013-2021 and on a cash basis for fiscal year 2012.

(2) Water Revenues include revenues from water sales, exchanges, and wheeling.

(3) Operating expenses are calculated on a modified accrual basis for fiscal years 2013-2021 and on a cash basis for fiscal year 2012 and include only the expenses applicable to the debt service coverage calculation. Therefore, operating expenses in this table don't tie to Total operating expenses per the Statement of Revenues, Expenses and Changes in Net Position.

(4) Fiscal years 2018, 2017, 2016, and 2015 include $1 million, $33 million, $222 million, and $142 million, respectively, in transfers from revenue reserves to fund conservation credit expenses.

(5) Excludes interest applicable to Bond Construction accounts, Excess Earning account(s), and Other Trust accounts.

(6) Previously reported as Bonds and Additional Bonds Debt Service for fiscal years 2012-2017.

(7) Previously reported as Bonds and Additional Bonds Debt Service Coverage for fiscal years 2012-2017.

(8) Previously reported as Debt Service Coverage on all Obligations for fiscal years 2012-2017. The State Revolving Fund Loan was paid off at the end of fiscal year 2017, therefore the ratio is the same as Debt Service Coverage on all Senior and Subordinate Bonds and is not presented beginning with fiscal year 2018.

See accompanying Independent Auditors' Report.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California
Table 13
Ten-Year Summary of Demographic Statistics (Unaudited)

	Calendar Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Population (in thousands) [1]										
Los Angeles County	10,172	10,211	10,277	10,223	10,215	10,192	10,069	10,020	9,912	9,858
Orange County	3,191	3,195	3,195	3,189	3,182	3,165	3,133	3,105	3,072	3,044
Riverside County	2,449	2,428	2,409	2,383	2,362	2,331	2,295	2,268	2,244	2,227
San Bernardino County	2,184	2,176	2,161	2,147	2,145	2,128	2,092	2,076	2,065	2,060
San Diego County	3,352	3,347	3,339	3,315	3,297	3,276	3,212	3,182	3,147	3,131
Ventura County	841	844	848	849	854	853	844	840	834	830
Per Capita Income [2]										
Los Angeles County	n/a	$ 65,094	$ 62,224	$ 58,419	$ 55,624	$ 53,521	$ 49,366	$ 46,530	$ 44,474	$ 42,564
Orange County	n/a	71,711	69,268	65,400	60,360	57,749	55,200	54,519	52,342	50,544
Riverside County	n/a	42,418	40,637	39,261	36,782	35,589	33,945	33,278	31,742	29,927
San Bernardino County	n/a	42,043	40,316	38,816	36,835	35,431	32,932	32,747	32,072	29,998
San Diego County	n/a	63,729	61,386	57,913	55,168	53,298	51,711	51,384	49,719	46,800
Ventura County	n/a	64,715	61,712	59,178	55,779	54,155	50,928	50,507	48,837	45,855
Median Household Income [3]										
Los Angeles County	n/a	$ 72,797	$ 68,093	$ 65,006	$ 61,338	$ 59,134	$ 55,746	$ 54,529	$ 53,001	$ 52,280
Orange County	n/a	95,934	89,759	86,217	81,827	78,428	76,306	74,163	71,983	72,293
Riverside County	n/a	73,260	66,964	63,944	60,134	58,292	57,006	54,095	52,651	52,883
San Bernardino County	n/a	67,903	63,857	60,420	56,337	53,803	52,041	52,323	50,770	51,247
San Diego County	n/a	83,985	79,079	76,207	70,824	67,320	66,192	61,426	60,330	59,477
Ventura County	n/a	92,236	84,566	82,857	80,135	80,032	75,449	77,363	71,517	74,263
Unemployment Rate [4]										
Los Angeles County	12.8 %	4.6 %	4.7 %	4.8 %	5.3 %	6.6 %	8.2 %	9.8 %	10.9 %	12.3 %
Orange County	8.8	2.8	3.0	3.5	4.0	4.4	5.5	6.5	7.6	8.8
Riverside County	9.9	4.2	4.5	5.3	6.1	6.7	8.2	10.3	12.1	13.7
San Bernardino County	9.4	3.9	4.1	5.0	5.8	6.4	8.0	10.3	11.9	13.4
San Diego County	9.2	3.3	3.4	4.0	4.7	5.2	6.4	7.8	8.9	10.0
Ventura County	8.6	3.7	3.8	4.5	5.2	5.6	6.6	7.9	9.1	10.1

n/a: not available

Sources:

(1) Data from State of California Department of Finance (DoF). The most recent calendar year for which information is available is 2020. Includes population for the entire county. Amounts from prior years reflect revisions based on current data from State of California Department of Finance.

(2) Data from U.S. Department of Commerce. The most recent calendar year for which information is available is 2019.

(3) Data from U.S. Census Bureau (American Community Survey). The most recent calendar year for which information is available is 2019.

(4) Data from U.S. Bureau of Labor Statistics and State of California Employment Development Department (EDD). The most recent calendar year for which information is available is 2020. Rates from prior years reflect revisions based on current data.

See accompanying Independent Auditors' Report.

The Metropolitan Water District of Southern California
Table 14
Principal Employers within Service Area (Unaudited)

	Calendar Year					
	2020			2011		
Company or Organization	Employees	Rank	Percentage of total employment	Employees	Rank	Percentage of total employment
Taco Bell Corp	210,000	1	10.21 %	166,000	1	8.17 %
Walt Disney Co	203,000	2	9.87	156,000	2	7.67
Alorica Inc	100,000	3	4.86	n/a	n/a	n/a
Chipotle Mexican Grill Inc	88,000	4	4.28	n/a	n/a	n/a
Gores Group	84,000	5	4.08	84,000	5	4.13
Dole Food Co Inc	74,800	6	3.64	71,100	6	3.50
AECOM	54,000	7	2.62	45,000	9	2.21
Board of Trustees California State University	47,000	8	2.28	47,000	7	2.31
Los Angeles International Airport	45,000	9	2.19	n/a	n/a	n/a
32nd St Naval Station	42,951	10	2.09	n/a	n/a	n/a
	948,751		46.12 %	569,100		27.99 %
Total Employment	2,057,107			2,032,835		

n/a: not available

Note: The most recent year for which information is available is 2020. Population includes companies with employees of 10,000 or more.

See accompanying Independent Auditors' Report.

Source: Data Axle (formerly Infogroup)

The Metropolitan Water District of Southern California
Table 15
Ten-Year Summary of Operating Information (Unaudited)

Mission Statement: The mission of the Metropolitan Water District of Southern California is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.

	Fiscal Year Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Acre-feet (1) water sold:										
Treated	771	705	707	788	736	731	892	1,029	984	981
Untreated	520	381	449	553	573	683	829	846	685	561
Exchange	304	277	221	219	178	179	180	180	183	157
Total	1,595	1,363	1,377	1,560	1,487	1,593	1,901	2,055	1,852	1,699
Acre-feet (1) water sold by usage:										
Domestic and municipal uses	1,522	1,255	1,352	1,481	1,454	1,569	1,858	2,039	1,829	1,488
Agricultural uses	—	—	—	—	—	—	—	—	23	28
Replenishment and other	73	108	25	79	33	24	43	16	—	183
Total	1,595	1,363	1,377	1,560	1,487	1,593	1,901	2,055	1,852	1,699
Source of Water Supplies-Acre-feet (1), (2), (3):										
Local Supplies	1,794.5	1,731.6	1,667.8	1,742.9	1,717.2	1,679.9	1,711.7	1,925.6	1,896.1	1,776.0
L.A. Aqueduct	138.8	281.9	312.7	307.7	224.7	57.9	57.7	61.0	113.4	266.6
Colorado River Aqueduct	891.1	410.0	601.8	494.6	594.6	1,086.5	1,184.4	1,103.0	640.0	437.8
State Water Project (California Aqueduct)	633.3	1,036.4	921.8	1,222.5	1,242.7	691.7	592.4	805.8	1,162.0	1,339.8
Total	3,457.7	3,459.9	3,504.1	3,767.7	3,779.2	3,516.0	3,546.2	3,895.4	3,811.5	3,820.2
Number of employees	1,879	1,876	1,877	1,832	1,794	1,772	1,770	1,765	1,746	1,767
Colorado River Aqueduct (miles)	242	242	242	242	242	242	242	242	242	242
Distribution System Pipeline (miles) (4)	830	830	830	830	830	830	830	830	819	819
Storage Capacity (thousand acre-feet)	1,072	1,072	1,072	1,072	1,072	1,072	1,072	1,072	1,072	1,072
Pumping Plants	6	6	6	6	6	6	6	6	6	6
Water Filtration Plants	5	5	5	5	5	5	5	5	5	5
Hydroelectric Plants	15	16	16	16	16	16	16	16	16	16

(1) Water volumes are reported in thousand acre-feet.
(2) Reflects regional sources of water supply within Metropolitan's service area.
(3) Actual production data from prior years are updated based on the most current available information.
(4) The increase in distribution system pipeline is due to the Inland Feeder becoming operational.

See accompanying Independent Auditors' Report.

Source: Office of the Chief Financial Officer

The Metropolitan Water District of Southern California
Table 16
Projects Completed as of June 30, 2021 (Unaudited)

Completion Date	Contract/ Spec. No.	Project	Bid Amount[1]	Final Amount
7/30/20	1893/1893	Electrical Upgrades at 15 Structures in the Orange County Region	$ 2,606,700	$ 2,611,056
9/14/20	M-3014/M-3014	Underground Storage Tank Modifications at Metropolitan Headquarters Building	51,855	164,227
10/12/20	1880/1837	Orange County Region Service Center	9,257,483	9,717,619
10/26/20	1882/1864	Weymouth Domestic Water System Improvements	3,740,000	3,965,000
11/13/20	M-3033/M-3033	Colorado River Aqueduct (CRA) Housing - Fencing Installation	191,027	191,027
11/19/20	1915/1809	CRA Pumping Plants 6.9 kV Power Cable Replacement [2]	16,452,832	11,927,829
1/8/21	1943/1943	East Orange County Feeder No. 2 Service Connection A-06 Rehabilitation	594,480	552,541
2/22/21	M-3041/M-3041	Weymouth Sedalia Property Grading and Drainage Improvements	38,000	38,000
3/2/21	M-3036/M-3036	Skinner Survey Building Roof Replacement	81,500	81,500
3/24/21	1931/1830	Joseph Jensen Water Treatment Plant Modules 2 and 3 Flocculator Rehabilitation	8,888,000	8,896,191
5/4/21	1923/1834	CRA Discharge Line Isolation Coupling and Bulkhead Installation	32,946,000	32,946,000
5/14/21	1988/1988	Allen-McColloch Pipeline PCCP 2021 Urgent Relining	2,435,000	2,452,375
5/18/21	1979/1979	Diamond Valley Lake Floating Wave Attenuator Repair [2]	276,373	274,600
5/20/21	1924/1821	Orange County Region Erosion Control Improvements - Stage 1 [2]	429,295	560,597
5/27/21	1972/1972	Lake Perris Bypass Pipeline Relining	5,410,000	5,410,000
5/27/21	1977/1977	Lakeview Pipeline Improvements [2]	3,270,000	3,270,000
6/4/21	1902/1902	Second Lower Feeder PCCP Rehabilitation - Reach 2	53,273,196	58,063,181
6/18/21	1911/1828	Greg Avenue Pressure Control Structure - Pump Modification and New Control Building [2]	20,975,000	22,433,506

(1) Bid amount represents the original approved contract amount and does not include approved change orders.

(2) Final contract amounts represent actual earnings through end of June 2021 and may change as resolution of pending issues are finalized.

See accompanying Independent Auditors' Report.

Source: Engineering Services Group

The Metropolitan Water District of Southern California

Table 17

Major Construction Contracts in Progress as of June 30, 2021 (Unaudited)-Accrual Basis

Contract No.	Project	Percentage Contract Complete through 6/30/2021	Estimated Contract Completion Date	Contract Earnings through 6/30/2021[1]	Bid Amount [2]
1878	Gene Wash Reservoir Discharge Valve Replacement	43%	November 2021	$ 2,302,659	$ 5,316,900
1883	F. E. Weymouth Water Treatment Plant Chlorination Systems Upgrades	93%	August 2021	8,180,099	8,487,170
1884	Garvey Reservoir Sodium Hypochlorite Feed System	3%	July 2022	61,250	2,418,149
1900	Diemer Water Treatment Plant West Basin and Filter Building Rehabilitation	99%	July 2021	39,818,691	38,539,196
1905	Metropolitan Headquarters Building Improvements	93%	July 2022	48,524,905	43,998,000
1908	Colorado River Aqueduct (CRA) Pumping Plants - Sump Rehabilitation	20%	July 2022	5,388,610	26,900,000
1914	Joseph Jensen Water Treatment Plant Electrical Upgrade - Stage 2	83%	August 2022	12,483,886	14,784,000
1920	CRA - Installation of Radial Gates at Seven Facilities	99%	August 2021	10,456,211	10,439,354
1921	F. E. Weymouth Water Treatment Plant Water Quality Instrumentation Improvements	97%	August 2021	2,873,402	2,944,000
1926	CRA Mile 12 Flow Monitoring Station Upgrades	—	July 2022	—	2,022,000
1938	Metropolitan Headquarters Building Physical Security Improvements	39%	February 2022	2,277,501	5,822,000
1945	Lake Mathews IT Disaster Recovery Facility Upgrades	40%	October 2021	179,140	448,900
1946	CRA Pumping Plants - Overhead Crane Replacement	3%	September 2023	347,300	13,419,000
1962	Metropolitan Headquarters Building Fire Alarm & Smoke Control Improvements	14%	January 2023	2,018,650	13,999,000
1970	Garvey Reservoir Drainage and Erosion Improvements - Areas 6, 7, 8, 10, and 11	60%	November 2021	774,830	1,294,800

(1) Earnings reflected represent the value of work performed by the contractor as of the date indicated and include contract retention and other similar deductions from amounts earned by the contractor but otherwise required to be withheld by Metropolitan by law or contract.

(2) Bid amount represents the original approved contract amount and does not include approved change orders.

See accompanying Independent Auditors' Report.

Source: Engineering Services Group

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

San Bernardino, California

Basic Financial Statements and Supplementary Information

For the Year Ended June 30, 2021
(With Comparative Data for Prior Year)

Table of Contents

ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscpa.net

Independent Auditor's Report

Board of Directors
San Bernardino Valley Municipal Water District
San Bernardino, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the San Bernardino Valley Municipal Water District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District as of June 30, 2021, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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.

Prior Year Comparative Information

We have previously audited the District's 2020 financial statements, and we expressed an unmodified opinion in our report dated November 20, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
November 19, 2021

San Bernardino Valley Municipal Water District (District) was formed on February 17, 1954, under the Municipal Water District Act of 1911. The District is one of 29 contractors to the California State Water Project, which delivers water from Northern California to various parts of the state. A major function of the District is to import and deliver water into its service area through participation in the State Water Project and to manage groundwater storage within its boundaries. The District's service area encompasses approximately 353 square miles in southwestern San Bernardino County and a portion of Riverside County. It spans the eastern two-thirds of the San Bernardino Valley, the Crafton Hills, and a portion of the Yucaipa Valley and includes the cities and communities of San Bernardino, Colton, Loma Linda, Redlands, Rialto, Bloomington, Highland, East Highland, Mentone, Grand Terrace, and Yucaipa. The District is governed by a five member board, representing five geographical divisions within the District, which is elected by the citizens in a general popular election.

In 1960, the District entered into a contract with the State Department of Water Resources to receive an annual allotment of up to 102,600 acre-feet of water from the State Water Project. The District has been importing water from the State Water Project since 1972.

Overview of the Basic Financial Statements

San Bernardino Valley Municipal Water District is a special purpose governmental district (Special District) engaged only in activities that support themselves through tax levies and user fees. Accordingly, the accompanying financial statements are presented in the format prescribed for proprietary funds by the Governmental Accounting Standards Board.

These financial statements consist of three interrelated statements designed to provide the reader with relevant, understandable data about the District's financial condition and operating results. They are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position presents the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. The Statement of Revenues, Expenses and Changes in Net Position describes the financial results of the District's operations for the years reported. These results, or changes in net position, are the increases or decreases in the bottom line of the Statement of Net Position.

The Statement of Cash Flows conveys to financial statement users how the District managed cash resources during the year. This statement converts the income or loss from operations presented on the Statement of Revenues, Expenses and Changes in Net Position into actual cash provided by or used for operations. The Statement of Cash Flows also details how the District obtains cash through financing and investing activities and, conversely, how cash is spent for these purposes.

Summary Financial Information and Analysis

Condensed Statement of Net Assets
in millions

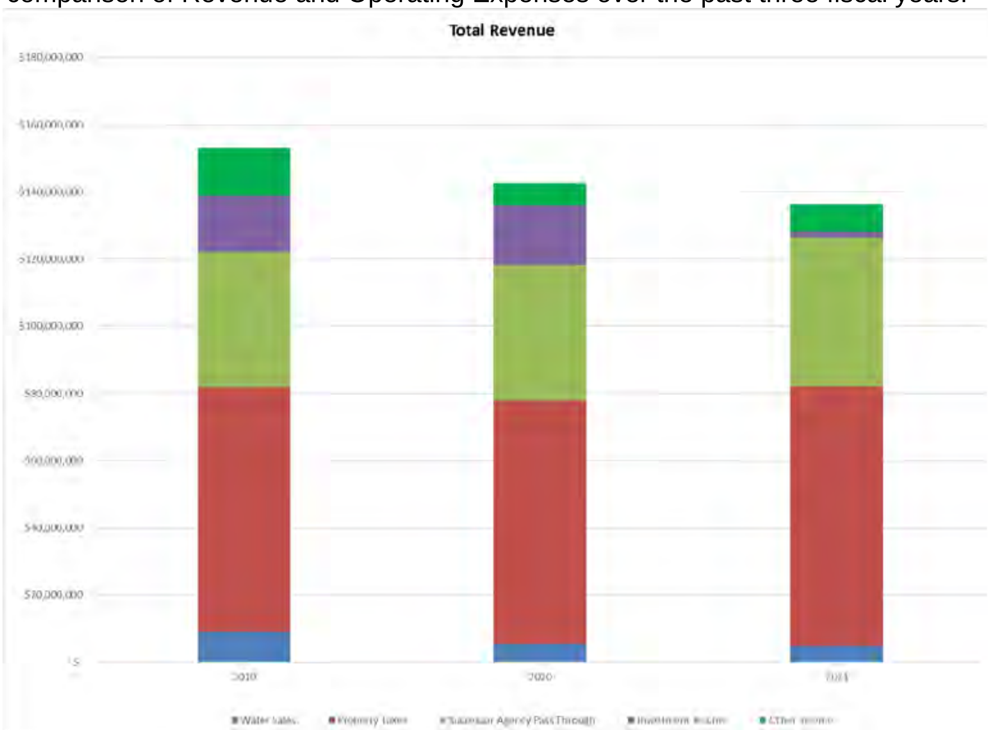
	2021	2020	Change
Assets:			
Current and other Noncurrent Assets	$ 156.17	$ 161.82	$ (5.65)
Restricted Assets	432.22	389.19	43.03
Capital assets - net	440.01	415.73	24.28
Total Assets	1,028.40	966.74	61.66
Deferred Outflows of Resources	2.78	1.68	1.10
Liabilities:			
Current Liabilities	11.41	7.64	3.77
Payable from Restricted Assets	1.02	0.84	0.18
Non-Current Liabilities	13.31	13.09	0.22
Total Liabilities	25.74	21.57	4.17
Deferred Inflows of Resources	4.42	4.04	0.38
Net Position			
Net Investment in Capital Assets	432.95	408.47	24.48
Restricted	430.84	388.00	42.84
Unrestricted	137.23	146.34	(9.11)
Total Net Position	$ 1,001.02	$ 942.81	$ 58.21

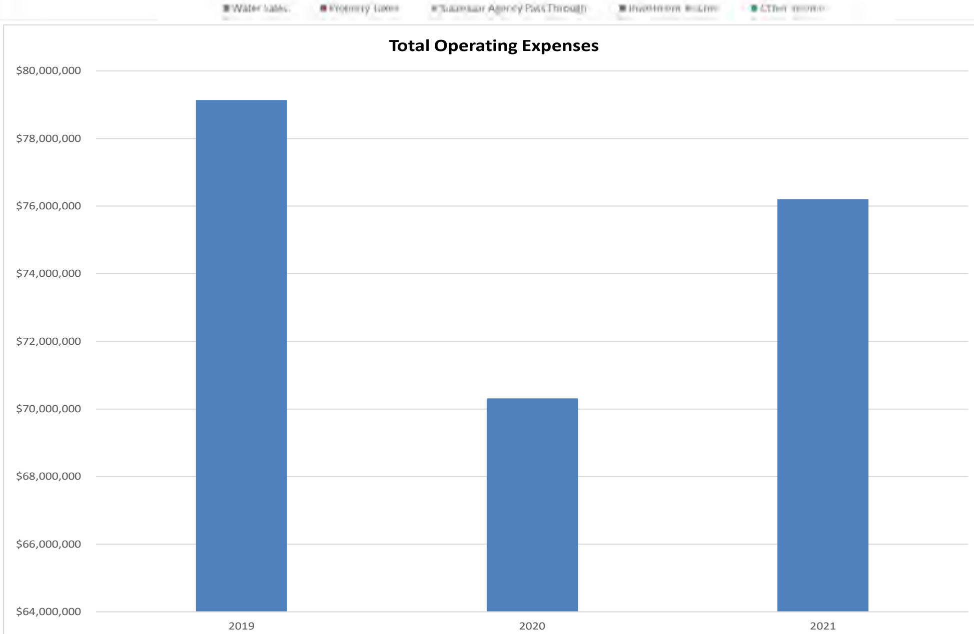
Condensed Statement of Revenues, Expenses and Changes in Net Assets
in millions

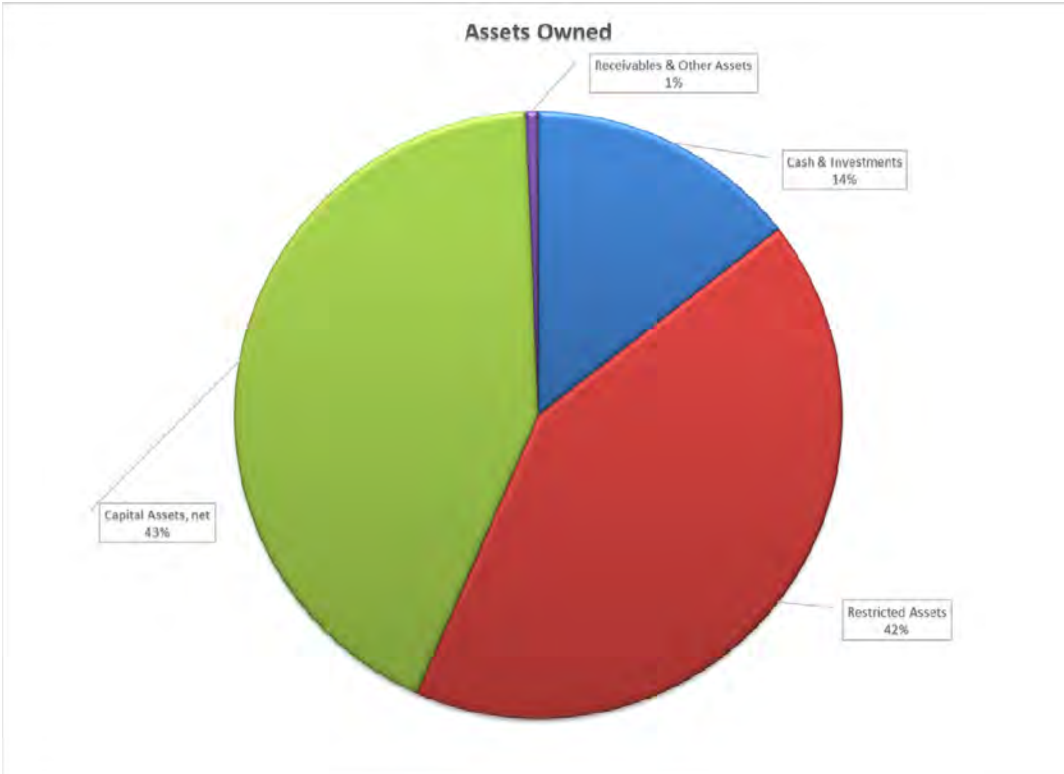
	2021	2020	Change
Operating Revenues	$ 9.67	$ 10.00	$ (0.33)
Operating Expenses	76.20	70.32	5.88
Nonoperating Revenues (Expenses)	124.25	132.19	(7.94)
Contributions in aid of Construction	0.50	0.50	-
Change in Net Position	58.22	72.37	(14.15)
Net Position, Beginning of Year	942.80	870.44	72.36
Net Position, End of Year	$ 1,001.02	$ 942.81	$ 58.21

The significant decrease in Operating Revenues is mainly derived from the cost sharing component in fiscal year June 30, 2019 from the San Manuel Band of Mission Indians for the Foothill Pipeline Relocation project. The decrease from fiscal year June 30, 2020 to June 30, 2021 in investment income is due a significant decline in investment interest rates and adjusting the portfolio to market at year end. The significant decrease in Operating Expenses from fiscal year June 30, 2019 to 2020 mainly pertains to the District paying $10.00 million toward the Delta Conveyance Project in fiscal year June 30, 2019. The significant increase in Operating Expense from fiscal year June 30, 2020 to 2021 pertains to increase in source of supply which contains payments to the Department of Water Resources, wages and benefits due to adding additional staff and consultants.

Below is a comparison of Revenue and Operating Expenses over the past three fiscal years:






Assets Owned
Receivables & Other Assets 1%
Cash & Investments 14%
Capital Assets, net 43%
Restricted Assets 42%


Assessed Property Values within the District Service Area
Secured
Unsecured
Homeowners
40,000,000,000
39,000,000,000
38,000,000,000
37,000,000,000
36,000,000,000
35,000,000,000
34,000,000,000
33,000,000,000
32,000,000,000
31,000,000,000
30,000,000,000
492,112,840
1,161,549,609
33,539,048,676
486,910,004
1,203,942,828
35,661,805,441
479,822,784
1,208,393,844
37,443,062,389
2019
2020
2021

The increase in Net Position included an operating loss of $66.53 million. This is due in part to the District being required by the California State Controller's office to report property taxes as nonoperating revenue. However, the majority of the property tax revenues are used for State Water Project expenditures which are included in operating expenses.

Total Nonoperating revenues increased by $5.91 million over the prior year. Total property taxes received increased by $8.73 million. The assessed values within the District's service area experienced a 4.8% increase over the prior year and the Board voted to retain the State Water Project Debt Service Tax Rate at $.1425/$100 of Assessed Value. Successor Agency Pass through Payments increased by $4.06 million over the prior year. Interest income decreased over the prior year by $16.06 million and grant income increased by $1.42 million over the prior year.

Categories of Net Position

The District is required to present its net position in three categories: Net investment in Capital Assets, Restricted, and Unrestricted.

Net Investment in Capital Assets

At June 30, 2021, the amount the District had invested in capital assets, net of related debt was $432.95 million. This balance was obtained by combining Construction in Progress of $10.55 million with Capital Assets in Service, net of Accumulated Depreciation and Amortization of $429.44 million and minus the Certificates of Participation of $7.04 million.

Restricted Net Position – Debt Service

The District has restricted Net Position of $430.84 million, which consists of tax proceeds that were levied for State Water Project payments plus interest on investments less State Water Project related expenditures. The Board of Directors has designated $30 million of this amount to be retained for the purpose of Maintenance and Repairs on the State Water Project distribution pipelines, pump stations and reservoirs. The balance of restricted Net Position of $425.42 million is to be used for future expenses related to the State Water Project.

The District's future commitment for State Water Project costs over the years 2022 to 2035, according to a payment schedule dated June 30, 2021 is estimated to total $1.03 billion.

Unrestricted Net Position

The District had unrestricted Net Position of $137.23 million at June 30, 2021. The Board of Directors has designated $25.00 million of this reserve to be retained for the purpose of self-insuring the District against any claims made against the District. The District has an extensive future capital improvement plan which consists of many projects which include Enhanced Santa Ana River Spreading, Central Feeder Phase 2, Santa Ana River Tributary / Storm Water Capture, Recycled Water Systems and Conjunctive Use Well Projects.

Construction in Progress (CIP)

The projects still in progress at June 30, 2021 included Riverside Groundwater Aquifer Storage Project, Design and Construction of Waterman Hydroelectric Plant, the Enhanced Recharge Project 1B, and Regional Recycled Water Pipeline.

Capital Assets

The District made payments to the Department of Water Resources during the year totaling $57.84 million net of credits and refunds for participation rights in the State Water Project. This was an increase of $1.49 million over the prior year mainly attributable to contributions for the Sites Reservoir Project during the fiscal year June 30, 2021. Additional information on capital assets can be found in the notes to the financial statements.

Certificates of Participation

The District issued $8.57 million in Certificates of Participation (COP) bonds during the fiscal year ending June 30, 2012. The District received an AAA bond rating from Standard and Poors which was reaffirmed in August 2017. Bond proceeds were used to build the Baseline Feeder Well Replacement Project. Additional information on the Certificate can be found in the notes to the financial statements.

Net Pension and Other Post-Employment Benefits Liability

During fiscal year ended June 30, 2021 the District recorded a Net Pension Liability in the amount of $3.67 million. During fiscal year ended June 30, 2021 the District recorded a Net Other Post-Employment Benefits Liability in the amount of $2.80 million.

Contacting the District's Financial Management

This financial report is designed to provide our customers, investors, and creditors with an overview of the District's financial operations and condition. If you have questions about this report or need additional information, you may contact the District at (909) 387-9200 or 380 E. Vanderbilt Way, San Bernardino, CA 92408

Statement of Net Position
June 30, 2021
(With Comparative Data for Prior Year)

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 16,836,793	$ 26,688,166
Investments	132,504,741	125,153,197
Property taxes receivable	83,215	76,804
Accounts receivable	1,751,641	3,412,457
Accrued interest receivable	309,753	658,840
Current portion of other receivable	6,854	236,390
Current portion of notes receivable	761,100	761,100
Total current assets - unrestricted	152,254,097	156,986,954
Restricted assets:		
Cash and cash equivalents	65,454,077	57,293,296
Investments	364,075,891	328,156,911
Total restricted cash and investments	429,529,968	385,450,207
Property taxes receivable	1,015,776	1,080,638
Accrued interest receivable	849,042	1,423,384
Water bank inventory	824,614	1,237,314
Total restricted assets	432,219,400	389,191,543
Noncurrent assets:		
Capital assets:		
Capital assets in service	265,666,751	247,330,042
Accumulated depreciation	(67,246,735)	(62,595,579)
Capital assets, net	198,420,016	184,734,463
Participation rights in State Water Project facilities (at cost)	424,464,852	401,872,114
Accumulated amortization	(193,437,721)	(178,257,908)
Participation rights in State Water Project facilities - net	231,027,131	223,614,206
Total capital assets, net of accumulated depreciation and amortization	429,447,147	408,348,669
Construction in progress	10,558,014	7,383,987
Total capital assets, net	440,005,161	415,732,656
Other noncurrent assets:		
Other receivables, net of current portion	130,232	137,086
Notes receivable, net of current portion	3,698,329	4,516,442
Water stock	88,500	88,500
Deposit on land	-	86,975
Total noncurrent assets	443,922,222	420,561,659
Total assets	1,028,395,719	966,740,156
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	1,720,461	1,036,368
Other post-employment benefits related	1,063,325	645,575
Total deferred outflows of resources	2,783,786	1,681,943

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

Statement of Net Position, (Continued)
June 30, 2021
(With Comparative Data for Prior Year)

	2021	2020
LIABILITIES		
Current liabilities:		
Payables from current assets - unrestricted:		
Accounts payable	$ 2,040,093	$ 1,145,690
Accrued employee benefits	844,874	800,401
Accrued interest payable	145,922	150,022
Unearned revenue	7,944,393	5,172,775
Deposits	218,227	178,627
Certificates of participation, current portion	215,000	205,000
Total payables from current assets - unrestricted	11,408,509	7,652,515
Payable from restricted assets:		
Accounts payable	635,523	462,203
Santa Ana River restoration/recovery trust fund	379,288	378,683
Total payables from current assets - restricted	1,014,811	840,886
Non-current liabilities:		
Certificates of participation, non-current portion	6,735,000	6,950,000
Premium on certificates of participation, net	103,205	108,365
Net pension liability	3,672,251	2,931,878
Net other post-employment benefits liability	2,799,841	3,095,591
Total non-current liabilities	13,310,297	13,085,834
Total liabilities	25,733,617	21,579,235
DEFERRED INFLOWS OF RESOURCES		
Pension related	820,427	51,258
Other post-employment benefits related	3,602,787	3,990,712
Total deferred inflows of resources	4,423,214	4,041,970
NET POSITION		
Net investment in capital assets	432,951,956	408,469,291
Restricted:		
Debt service - State Water Project	425,421,539	383,250,782
Debt service - Devil Canyon-Castaic	5,422,128	4,744,854
Unrestricted	137,227,051	146,335,967
Total net position	$ 1,001,022,674	$ 942,800,894

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

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2021
(With Comparative Data for Prior Year)

	2021	2020
OPERATING REVENUES		
Water sales	$ 4,849,395	$ 5,385,294
Other operating revenues	4,821,650	4,618,913
Total operating revenues	9,671,045	10,004,207
OPERATING EXPENSES		
Source of supply:		
Operations, maintenance, power and replacement	28,626,262	26,614,337
Purchased water	7,398,794	7,928,599
	36,025,056	34,542,936
Administrative and general:		
Salaries	3,857,005	3,233,383
Retirement and benefits	2,183,319	1,840,859
Payroll taxes	262,735	220,035
Consultants	6,947,619	5,062,586
Legal and accounting	815,828	773,398
Outside services	37,596	43,674
Office supplies and expense	389,148	188,341
Dues and subscriptions	534,384	361,924
Water conservation, public education and information	251,260	769,088
Field improvements	76,129	157,176
Maintenance and repair	1,183,206	1,138,779
Utilities	995,704	976,240
Inland Empire Brine Line fees	1,971,242	1,725,845
Insurance	107,190	110,285
Auto and travel	82,666	112,564
Lodging and meals	7,728	42,894
Taxes and licenses	357,229	315,811
Tax collection fee	188,512	279,302
	20,248,500	17,352,184
Other operating expenses:		
Depreciation and amortization	19,930,942	18,422,283
Total operating expenses	76,204,498	70,317,403
OPERATING LOSS	(66,533,453)	(60,313,196)

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

Statement of Revenues, Expenses and Changes in Net Position, (Continued)
For the Year Ended June 30, 2021
(With Comparative Data for Prior Year)

	2021	2020
NONOPERATING REVENUES		
Revenues:		
Property taxes:		
Debt service	$ 66,227,776	$ 62,243,369
General purpose distribution	11,050,494	10,362,514
Successor Agency pass through	44,327,650	40,264,726
Investment income	1,518,034	17,578,974
Grant income	3,451,680	2,028,543
Gain (loss) on disposal of capital assets	(2,944)	5,872
	126,572,690	132,483,998
Expenses:		
SBRWRA JPA contribution	2,030,371	16,000
Interest expense	286,684	294,884
	2,317,055	310,884
Total nonoperating revenues	124,255,635	132,173,114
Income before contributions	57,722,182	71,859,918
Contributions in aid of construction	499,598	499,598
Change in net position	58,221,780	72,359,516
Net position - beginning of year	942,800,894	870,441,378
Net position - end of year	$ 1,001,022,674	$ 942,800,894

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

Statement of Cash Flows
For the Year Ended June 30, 2021
(With Comparative Data for Prior Year)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from water sales	$ 9,281,829	$ 7,048,989
Cash received from other operating activities	5,058,040	4,618,913
Cash paid for source of supply	(35,612,356)	(34,301,180)
Cash paid to other suppliers	(12,999,781)	(14,621,142)
Cash paid for employees' wages, taxes and benefits	(6,534,562)	(5,576,692)
Net cash used for operating activities	(40,806,830)	(42,831,112)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes received - general purpose distribution	11,044,083	10,335,383
Successor Agency pass through received	44,327,650	40,501,117
Grant funds received	3,451,680	2,028,543
Net cash provided by noncapital financing activities	58,823,413	52,865,043
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Property taxes received - debt service	66,292,638	62,550,516
Proceeds from sale of capital assets	1,210	5,872
Proceeds from contribution in aid of construction	499,598	499,598
Proceeds (payments) to/from condemnation fund	86,975	(85,000)
Proceeds from collection of notes receivable	844,942	1,555,194
Acquisition of capital assets	(41,033,574)	(24,161,149)
Payments for construction in progress	(3,012,364)	(3,322,528)
Contributions to SBRWRA JPA	(2,030,371)	(16,000)
Principal payments on debt	(205,000)	(195,000)
Interest paid	(295,944)	(303,944)
Net cash provided by capital and related financing activities	21,148,110	36,527,559
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(212,461,259)	(238,590,168)
Redemption of investments	162,509,531	172,257,982
Investment income	9,096,443	18,200,617
Net cash used for investing activities	(40,855,285)	(48,131,569)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,690,592)	(1,570,079)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	83,981,462	85,551,541
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 82,290,870	$ 83,981,462

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

Statement of Cash Flows, (Continued)
For the Year Ended June 30, 2021
(With Comparative Data for Prior Year)

	2021	2020
RECONCILIATION TO STATEMENTS OF NET POSITION		
Current assets:		
Cash and cash equivalents - current	$ 16,836,793	$ 26,688,166
Cash and cash equivalents - restricted	65,454,077	57,293,296
Total cash and cash equivalents	$ 82,290,870	$ 83,981,462

	2021	2020
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating loss	$ (66,533,453)	$ (60,313,196)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation and amortization	19,930,942	18,422,283
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	1,660,816	389,597
Other receivable	236,390	-
Water bank inventory	412,700	241,756
Deferred outflows of resources pension related	(684,093)	1,097,753
Deferred outflows of resources other post-employment benefits related	(417,750)	306,509
Increase (decrease) in:		
Accounts payable	906,060	(2,570,774)
Accrued employee benefits	44,473	27,217
Unearned revenue	2,771,618	1,281,637
Deposits	39,600	-
Net pension liability	740,373	654,289
Net other post-employment benefits liability	(295,750)	(571,374)
Deferred inflows of resources pension related	769,169	(1,051,902)
Deferred inflows of resources other post-employment benefits related	(387,925)	(744,907)
Net cash used for operating activities	$ (40,806,830)	$ (42,831,112)

	2021	2020
SCHEDULE OF NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction in progress additions included in accounts payable	$ 161,663	$ 298,218

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

Note 1: Reporting Entity and Summary of Significant Accounting Policies

Organization and operations of the reporting entity

San Bernardino Valley Municipal Water District (the District) was formed on February 17, 1954, under the Municipal Water District Act of 1911. The District is one of 29 contractors to the California State Water Project, which delivers water from Northern California to various parts of the state. The purpose of the District is to import and deliver water into its service area through participation in the State Water Project and to manage groundwater storage within its boundaries. The District's service area encompasses approximately 352 square miles in southwestern San Bernardino County. It spans the eastern two-thirds of the San Bernardino Valley, the Crafton Hills, and a portion of the Yucaipa Valley, and includes portions of the cities of San Bernardino, Colton, Loma Linda, Redlands, Rialto, Bloomington, Highland, Grand Terrace, and Yucaipa. The District is governed by a five member board, representing five geographical divisions within the District, which is elected by the citizens in a general popular election.

The San Bernardino Valley Municipal Water District Financing Corporation (the Corporation) was created in May of 2011 by a joint exercise of powers agreement for the purpose of acquiring, constructing, rehabilitating, financing and refinancing, or providing for the sale or leasing of public capital improvements. It is governed by a Board of Directors comprised of the District's Board of Directors. The Corporation has issued debt which is secured solely from installment payments payable under an installment purchase agreement entered into by the District and the Corporation. All accounts or funds created and established pursuant to any instrument or agreement to which the Corporation is a party, and any interest earned or accrued thereon, shall incur to the benefit of the District. Separate financial statements are not prepared for the Corporation. It is reported as a blended component unit.

Measurement focus, basis of accounting and financial statement presentation

The District's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting, in conformity with generally accepted accounting principles (GAAP) and the Uniform Systems of Accounts for Water Utility Districts as prescribed by the Controller of the State of California. Under this basis, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The District has elected to follow all pronouncements of the Governmental Accounting Standards Board (GASB).

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand, demand deposits at financial institutions, investments in money market funds and government securities that are highly liquid and readily available with an original maturity of three months or less, and deposits in the State of California Local Agency Investment Fund (LAIF). Deposits in the LAIF can be withdrawn at any time without penalty.

Note 1: Reporting Entity and Summary of Significant Accounting Policies, (Continued)

Investments

Investments are stated at fair value (the value at which financial instruments could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale). Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Allowance for doubtful accounts

Notes and accounts receivable are reported net of an allowance for uncollectible accounts. Allowances are reported when notes and accounts are proven to be uncollectible. There were no allowances for uncollectible accounts to be netted with accounts or notes receivable for 2021. Refer to Note 5 for details of the notes receivable.

Prepaid expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Inventories

Inventories are valued at purchase cost using the weighted average cost of consumption method. Refer to Note 3 for more information regarding inventory.

Capital assets

Capital assets are stated at original cost. District policy has set the capitalization threshold for reporting capital assets at $5,000. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. The cost of maintenance is charged to operating expense. Land, right of ways, pipeline capacity, and construction in progress are not depreciated. Other tangible property, plant and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Useful Lives
Buildings	30-40
Furniture, fixtures and equipment	5-50
Vehicles	5-10
Water transportation and distributions lines	10-100

The capital cost component of the transportation charges and the Delta water charge the District pays for participation rights in the State Water Project are being capitalized as paid and amortized using the straight-line method over the remaining life of the State Water Contract, which expires in 2035.

Note 1: Reporting Entity and Summary of Significant Accounting Policies, (Continued)

Employee benefits

District employees earn vacation and sick leave days based on length of service. Employees may accumulate vacation time not to exceed two annual vacation periods, as determined by length of service, and unused sick leave to a maximum of 1,280 hours. Upon termination, the District is obligated to compensate employees for 100% of the accrued unused vacation time, and 25% of the accrued unused sick leave. Compensated absences are presented in the current liabilities section of the statement of net position.

The District provides a Health and Dependent Care Reimbursement Plan to employees eligible under the District's plan. Any unused benefits under this plan carry over to following years to a maximum of $25,000. The accrued medical reimbursement plan liability is presented in the current liabilities section of the statement of net position.

The District provides a deferred compensation plan to employees on a voluntary basis. Employees may elect to have a portion of their current earnings withheld and invested with Voya Financial and Annuity Company or PERS deferred compensation plan. Benefits are generally available upon the employee's death, disability, retirement, severe hardship, or termination of employment.

Restricted resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed, in accordance with its Reserve Policy.

Net position

Net position is categorized as follows:

- *Net investment in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction or improvement of those assets.

- *Restricted net position* – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted net position* – This component of net position consists of net position that does not meet the definition of *restricted* or *net investment in capital assets*.

Operating and nonoperating activities

Revenues and expenses are distinguished between operating and nonoperating items. Operating revenues generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are water sales.

Operating expenses include costs associated with the purchasing, pumping, and distribution of water, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Note 1: Reporting Entity and Summary of Significant Accounting Policies, (Continued)

Property taxes

Property taxes are attached as an enforceable lien on property as of March 1. Taxes are levied on July 1 and are due in two installments. The first installment is due on November 1 and is payable through December 10 without penalty. The second installment is due on February 1 and becomes delinquent on April 10. Property taxes are remitted to the District from the County of San Bernardino and County of Riverside at various times throughout the year.

Contributions

Contributions in aid of construction represent cash and capital assets contributed to the District by other governmental agencies for the acquisition, construction or improvement of District capital assets.

Pension plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis. 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.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

	Fiscal Year 2021	Fiscal Year 2020
Valuation Date (VD)	June 30, 2019	June 30, 2018
Measurement Date (MD)	June 30, 2020	June 30, 2019
Measurement Period (MP)	July 1, 2019 to June 30, 2020	July 1, 2018 to June 30, 2019

Other post-employment benefits (OPEB)

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

GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

	Fiscal Year 2021	Fiscal Year 2020
Valuation Date (VD)	June 30, 2020	June 30, 2018
Measurement Date (MD)	June 30, 2020	June 30, 2019
Measurement Period (MP)	July 1, 2019 to June 30, 2020	July 1, 2018 to June 30, 2019

Note 1: Reporting Entity and Summary of Significant Accounting Policies, (Continued)

Deferred outflows/inflows of resources

In addition to assets, the statement of net 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 future periods and so will not be recognized as an outflow of resources (expenses) until then. The District currently has pension and other post-employment benefits related deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District currently has pension and other post-employment benefits related deferred inflows of resources.

The remainder of this page left intentionally blank.

Note 2: Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments as of June 30, 2021 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Current assets:	
Cash in bank and on hand	$ 562,924
Cash in Local Agency Investment Fund	16,273,869
Total cash and cash equivalents	16,836,793
Investments	132,504,741
Total unrestricted	149,341,534
Restricted:	
Cash in bank	6,554,866
Cash in Local Agency Investment Fund	58,159,001
Cash held by trustee	360,922
Cash held in trust	379,288
Total cash and cash equivalents	65,454,077
Investments	364,070,891
Department of Water Resources bonds	5,000
Total investments	364,075,891
Total restricted	429,529,968
Total cash and cash equivalents and investments	$ 578,871,502

Cash, cash equivalents, and investments as of June 30, 2021 consisted of the following:

Cash on hand	$ 350
Deposits with financial institutions	7,857,650
Cash in Local Agency Investment Fund	74,432,870
Investments	496,580,632
Total cash and cash equivalents and investments	$ 578,871,502

Note 2: Cash, Cash Equivalents, and Investments, (Continued)

Investments authorized by the California Government Code and the District's investment policy

The table below identifies the investment types that are authorized by the District in accordance with Section 53601 of the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, and concentration of credit risk.

Authorized investment type	Maximum maturity	Maximum percentage of portfolio	Maximum investment in one issuer
U.S. Treasury Bills, Notes and Bonds	5 years	None	None
Federal Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
California Local Agency Investment Fund	N/A	None	$ 75,000,000
JPA Pools/CAMP	N/A	None	None
Medium-Term Notes	5 years	30%	None
Money Market Funds	N/A	20%	None
Collateralized Bank Deposits	None	25%	None
Municipal Bonds	5 years	30%	None

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 is to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter 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.

Note 2: Cash, Cash Equivalents, and Investments, (Continued)

Interest rate risk, (Continued)

As of June 30, 2021, the District had the following investments and maturities:

		Remaining maturity (in months)			
Investment type	Amount	12 or less	13 to 24	25 to 36	More than 36
Federal Agency Securities	$ 86,585,211	$ 9,415,513	$ 31,757,287	$ 45,412,411	$ -
JPA Pools/CAMP	80,105,052	80,105,052	-	-	-
Municipal Bonds	13,337,761	5,000	2,149,671	9,489,113	1,693,977
U.S. Treasury Bills, Notes and Bonds	221,771,876	13,535,164	125,940,056	62,046,100	20,250,556
Negotiable Certificates of Deposit	23,805,228	7,208,659	16,596,569	-	-
Medium-Term Notes	70,887,924	17,519,181	21,294,681	23,025,113	9,048,949
Money Market Funds	87,580	87,580	-	-	-
Total investments	$ 496,580,632	$ 127,876,149	$ 197,738,264	$ 139,972,737	$ 30,993,482

Disclosures relating to 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. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy and the actual rating as of year-end for each investment type.

Credit ratings of investments as of June 30, 2021 were as follows:

		Minimum	Rating as of year end				
Investment type	Amount	legal rating	AAA	AA+	A	BBB	Not rated
Federal Agency Securities	$ 86,585,211	N/A	$ -	$ 86,585,211	$ -	$ -	$ -
JPA Pools/CAMP	80,105,052	N/A	80,105,052	-	-	-	-
Municipal Bonds	13,337,761	N/A	2,704,976	6,437,572	3,006,704	-	1,188,509
U.S. Treasury Bills, Notes and Bonds	221,771,876	N/A	-	221,771,876	-	-	-
Negotiable Certificates of Deposit	23,805,228	A	-	7,332,830	16,472,398	-	-
Medium-Term Notes	70,887,924	A	-	11,695,152	46,220,274	12,972,498	-
Money Market Funds	87,580	AAA	87,580	-	-	-	-
Total investments	$ 496,580,632		$ 82,897,608	$ 333,822,641	$ 65,699,376	$ 12,972,498	$ 1,188,509

Note 2: Cash, Cash Equivalents, and Investments, (Continued)

Concentration of credit risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The District's investment policy is to apply the prudent investor standard as set forth in the California Government Code: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

The District's investment policy limits certain investments to minimum credit ratings issued by nationally recognized statistical rating organizations. The District's investments in commercial paper, medium-term notes, and money market funds at June 30, 2021 met their respective minimum credit ratings requirements.

Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total District's investments are as follows:

Issuer	Investment type	Reported amount	Percentage of Portfolio
Federal Home Loan Mortgage Corp.	Federal Agency Securities	$ 66,795,000	16.19%

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 *investments* is the risk that in the event of the failure of the counterparty 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 District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, 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. 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.

As of June 30, 2021, demand deposits with financial institutions in excess of federal depository insurance limits of $250,000 were fully collateralized by securities in a separate account held by the same institution.

Note 2: Cash, Cash Equivalents, and Investments, (Continued)

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF), which is part of the Pooled Money Investment Account that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in LAIF is based upon the District'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), which was $74,432,870 as of June 30, 2021. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The District may invest up to $75,000,000 in the LAIF fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. All investments with LAIF are secured by the full faith and credit of the State of California. Separate LAIF financial statements are available from the California State Treasurer's Office on the internet at www.treasurer.ca.gov.

Investment in California Asset Management Program

The District is a voluntary participant in the California Asset Management Program (CAMP), which was established as a nontaxable investment portfolio under provisions of the California Joint Exercise of Powers Act to provide California Public Agencies with comprehensive investment management services. There are no minimum deposit requirements or limits on deposits and withdrawals. Dividends from net investment income are declared on a daily basis and paid on the last day of the month. Dividends paid are automatically reinvested in each account by the purchase of additional shares. The contract creating the program specifies the types of investments that can be made by the investment portfolio with available cash: U.S. Government securities, securities of federally sponsored agencies, repurchase agreements, banker's acceptances, negotiable certificates of deposit and commercial paper. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by CAMP which was $80,105,052 as of June 30, 2021.

Investments with fair values highly sensitive to interest rate fluctuations

At June 30, 2021, the District did not hold investments that were highly sensitive to interest rate fluctuations beyond that already indicated in the information provided above.

Fair value measurements

GASB Statement No. 72, *Fair Value Measurements and Application*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs that are observable for an asset or liability, either directly or indirectly, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability.

Investments in the Local Agency Investment Fund are not subject to the fair value hierarchy.

Note 2: Cash, Cash Equivalents, and Investments, (Continued)

Fair value measurements, (Continued)

The District has the following fair value measurements as of June 30, 2021:

Investments by Fair Value Level	Total	Fair Value Measurement Using Level 1	Level 2	Level 3
U.S. Treasury Bills, Notes and Bonds	$ 221,771,876	$ 221,771,876	$ -	$ -
Federal Agency Securities	86,585,211	-	86,585,211	-
Negotiable Certificates of Deposit	23,805,228	-	23,805,228	-
Medium-Term Notes	70,887,924	-	70,887,924	-
Total investments by fair value level	403,050,239	$ 221,771,876	$ 181,278,363	$ -
Investments measured at the Net Asset Value (NAV)				
JPA Pools/CAMP	80,105,052			
Municipal Bonds	13,337,761			
Money market mutual funds	87,580			
Total	$ 496,580,632			

The District's investment in the Local Agency Investment Fund of $74,432,870 is measured at amortized cost which approximated fair value.

The District's investment in the California Asset Management Program of $80,105,052 is measured at amortized cost which approximated fair value.

Note 3: Water Bank Inventory

The Metropolitan Water District of Southern California, a State Water Project Contractor, has allowed the District to utilize capacity in the Kern Delta Water Bank, for the purpose of increasing water supply in a dry year. The District has stored 6,300 acre-feet and is able to call on a maximum of 5,000 acre-feet per year of this stored water. This stored water is classified as a restricted asset and is valued at cost.

The following is a summary of the water bank inventory for the year ended June 30, 2021:

	Acre-feet	Inventory cost
Balance at June 30, 2020	9,453	$ 1,237,314
Reductions	(3,153)	(412,700)
Balance at June 30, 2021	6,300	$ 824,614

Note 4: Capital Assets

Summaries of changes in capital assets in service for the year ended June 30, 2021 were as follows:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets, not being depreciated:				
Land, right of ways, and pipeline capacity	$ 31,545,009	$ 17,731,249	$ -	$ 49,276,258
Construction in progress	7,383,987	3,174,027	-	10,558,014
Total capital assets, not being depreciated	38,928,996	20,905,276	-	59,834,272
Capital assets, being depreciated:				
Buildings	6,712,962	245,849	-	6,958,811
Distribution lines	196,434,633	-	-	196,434,633
Brine line	7,121,795	-	-	7,121,795
Furniture, fixtures and equipment	1,379,340	353,855	85,682	1,647,513
Vehicles	438,065	109,883	18,445	529,503
Yucaipa Dam	3,698,238	-	-	3,698,238
Total capital assets, being depreciated	215,785,033	709,587	104,127	216,390,493
Less accumulated depreciation	(62,595,579)	(4,751,129)	(99,973)	(67,246,735)
Total capital assets, being depreciated, net	153,189,454	(4,041,542)	4,154	149,143,758
Participation rights in State Water Project Facilities	401,872,114	22,592,738	-	424,464,852
Less accumulated amortization	(178,257,908)	(15,179,813)	-	(193,437,721)
Participation rights in State Water Project Facilities, net	223,614,206	7,412,925	-	231,027,131
Total capital assets, net	$ 415,732,656	$ 24,276,659	$ 4,154	$ 440,005,161

Depreciation and amortization expense for the year ended June 30, 2021 was $19,930,942.

Note 5: Notes Receivable

Notes receivable at June 30, 2021 consisted of the following:

		2021
The District entered into a loan agreement with East Valley Water District in January 2015 for the amount of approximately $4 million for the construction, operation and maintenance of the city creek turnout and the plant 134 Hydroelectric Station. Interest shall accrue monthly on the unpaid and outstanding balance of the costs commencing from the effective date and continuing until repayment in full at the Local Agency Investment Fund interest rate, with accrued but unpaid interest also bearing interest. The term is eleven years, or until the date on which the debt incurred by the District in financing the project is paid in full, including interest or other charges, whichever occurs later.	$	2,138,116
The District entered into a loan agreement with West Valley Water District in December 2016 for the amount of approximately $4.36 million for the construction, operation and maintenance of the Lytle Creek Turnout and the Roemer Hydroelectric Station. Interest is accrued monthly on the unpaid and outstanding balance of the costs commencing from the effective date and continuing until repayment in full at the Local Agency Investment Fund interest rate, with accrued but unpaid interest also bearing interest. The term is eleven years, or until the date on which the debt incurred by the District in financing the project is paid in full, including interest or other charges, whichever occurs later.		2,321,313
		4,459,429
Less current portion of notes receivable		(761,100)
Total notes receivable, net of current portion	$	3,698,329

Note 6: Unearned Revenue

The District receives cash advances from various water purveyors in exchange for commitments of future water deliveries. As of June 30, 2021, total unearned revenue amounted to $7,944,393.

Note 7: Certificates of Participation

Project Finance Agreements (direct placement)

The District issued Revenue Certificates of Participation, Series 2011A on July 7, 2011, in the amount of $8,565,000, to fund capital improvements to the Baseline Feeder Project. The certificates are secured by the District's annual net revenues, meaning the revenues for any given fiscal year, excluding property taxes levied for the State Water Project, less the operation and maintenance costs for that fiscal year. Principal and interest are due in semiannual installments beginning on July 1, 2012 and ending on July 1, 2041. Interest rates range from 2.00% to 4.25%. Certificates are subject to extraordinary prepayment prior to their respective stated maturities at a prepayment price equal to the principal amount thereof plus accrued interest without a premium or penalty.

Note 7: Certificates of Participation (continued)

Project Finance Agreements (direct placement) (continued)

In May 2012, the District executed a Restated and Amended Agreement for the Construction, Operation and Maintenance of the New Baseline Feeder System with the District of Rialto, Riverside Highland Water Company and the West Valley Water District. The agreement requires annual capital payments by Rialto, Riverside Highland and West Valley to reimburse the District for the Debt Service on the 2011A Certificates of Participation. The District receives 100% reimbursement from the above mentioned entities and pays the annual principal and interest payable on the bonds to the bond trustee. Construction activities funded by the 2011A Certificates of Participation were completed as of June 30, 2013.

The following is a summary of bonds payable for the year ended June 30, 2021:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021	Due within one year
2011A Certificates of Participation	$ 7,155,000	$ -	$ (205,000)	$ 6,950,000	$ 215,000
Premium on certificates of participation	108,365	-	(5,160)	103,205	-
Total certificates of participation, net	$ 7,263,365	$ -	$ (210,160)	$ 7,053,205	$ 215,000

The aggregate principal and interest debt to maturity payments for certificates of participation are summarized as follows:

Year ending June 30,	Principal	Interest	Total
2022	$ 215,000	$ 287,544	$ 502,544
2023	225,000	278,744	503,744
2024	230,000	269,644	499,644
2025	240,000	260,244	500,244
2026	250,000	250,444	500,444
2027 - 2031	1,415,000	1,090,320	2,505,320
2032 - 2036	1,730,000	768,156	2,498,156
2037 - 2041	2,155,000	351,200	2,506,200
2042	490,000	10,719	500,719
Totals	$ 6,950,000	$ 3,567,015	$ 10,517,015

The District repaid $496,844 during the year ended June 30, 2021, of which $205,000 related to principal payments and $291,844 related to imputed interest.

In the event of default or termination, the District has agreed, upon demand, to immediately repay the Trustee or the Owners of not less than a majority in aggregate principal amount of Certificates at the time Outstanding will be entitled an amount equal to unpaid installment payments, including accrued interest thereon, and all penalty assessments due. In the event of default or termination, interest shall accrue at the rate or rates applicable to the installment payments.

Note 8: Defined Benefit Pension Plans (PERS)

A. General information about the pension plan

Plan description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under generally accepted accounting principles. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors three miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website, at www.calpers.ca.gov.

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 5 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 Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

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

Hire date	Prior to January 1, 2011	On or after January 1, 2011 and prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% @ 60	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-60	50-60	52-62
Monthly benefits, as a % of eligible compensation	2.0%-3.0%	1.92%-2.0%	1.0%-2.0%
Required employee contribution rates	8.0%	7.0%	7.5%
Required employer comtribution rates	17.392%	10.623%	8.239%

Note 8: Defined Benefit Pension Plans (PERS), (Continued)

A. General information about the pension plan

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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 through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2021 were $627,920. The actual employer payments of $709,684 made to CalPERS by the District during the measurement period ended June 30, 2020 differed from the District's proportionate share of the employer's contributions of $1,255,198 by $545,514, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

B. Net pension liability

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Note 8: Defined Benefit Pension Plans (PERS), (Continued)

B. Net pension liability, (Continued)

Actuarial methods and assumptions used to determine total pension liability

	Miscellaneous
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CALPERS' membership data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter.

(1) The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at www.calpers.ca.gov.

Long-term expected rate of return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations 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+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

Note 8: Defined Benefit Pension Plans (PERS), (Continued)

B. Net pension liability, (Continued)

The expected real rates of return by asset class are as follows:

Asset Class[1]	Current Target Allocation	Real Return Years 1 - 10[2]	Real Return Years 11+[3]
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	-	(0.92%)

[1] In the System's ACFR, 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.

[2] An expected inflation of 2.0% used for this period

[3] An expected inflation of 2.92% used for this period

Change of assumptions

The Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019.

Discount rate

The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension plan fiduciary net position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

Note 8: Defined Benefit Pension Plans (PERS), (Continued)

C. Proportionate share of net pension liability

The following table shows the Plan's proportionate share of the net position liability over the measurement period.

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability
Balance at: 6/30/2019 (VD)	$ 30,564,128	$ 27,632,250	$ 2,931,878
Balance at: 6/30/2020 (MD)	31,765,523	28,093,272	3,672,251
Net changes during 2019-20	1,201,395	461,022	740,373

Valuation Date (VD), Measurement Date (MD)

The District's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at www.calpers.ca.gov. The District's proportionate share of the net pension liability for the miscellaneous Plan as of the June 30, 2019 and 2020 measurement dates was as follows:

	Miscellaneous
Proportion - June 30, 2019	0.07321%
Proportion - June 30, 2020	0.08706%
Change - Increase (Decrease)	0.01385%

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Miscellaneous Tier 1 Plan's Net Pension Liability (Asset)	$ 7,899,467	$ 3,672,251	$ 179,435

Subsequent events

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

Note 8: Defined Benefit Pension Plans (PERS), (Continued)

C. Proportionate share of net pension liability, (Continued)

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lives (EARSL) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for PERF C for the measurement period ending June 30, 2020 is 3.8 years, which was obtained by dividing the total service years of 548,581 (the sum of remaining service lifetimes of the active employees) by 145,663 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

D. Pension expense and deferred outflows and deferred inflows of resources related to pensions

As of the start of the measurement period (July 1, 2019), the District's net pension liability for the plan was $2,931,878. For the measurement period ending June 30, 2020 (the measurement date), the District incurred a pension expense of $1,453,368 for the Plan.

Note 8: Defined Benefit Pension Plans (PERS), (Continued)

D. Pension expense and deferred outflows and deferred inflows of resources related to pensions (Continued)

As of June 30, 2021, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ -	$ 26,192
Differences between Expected and Actual Experience	189,242	-
Differences between Projected and Actual Earnings	109,090	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	794,235
Change in Employer's Proportion	794,209	-
Pension Contributions Subsequent to Measurement Date	627,920	-
	$ 1,720,461	$ 820,427

These amounts above are net of outflows and inflows recognized in the 2019-20 measurement period expense. Contributions subsequent to the measurement date of $627,920 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/(Inflows) of Resources, Net
2022	$ 83,387
2023	65,798
2024	70,606
2025	52,323
2026	-
Thereafter	-
	$ 272,114

E. Payable to the pension plan

At June 30, 2021, the District reported a payable of $-0- for the outstanding amount of contributions to the pension plan required for the year then ended.

Note 9: Other-Post Employment Benefits (OPEB)

Plan description

The District offers a health care plan to active and retired employees, as well as their qualified dependents. For employees hired prior to April 19, 2011, the District pays the entire cost of the monthly medical and dental insurance premiums for retired employees and their dependents who have reached at least age 50 with a minimum of 10 years' service. District-provided benefits continue for the life of the retiree and eligible family members. Benefits are also continued to surviving family members in the event of the death of an active eligible employee if age plus service at death equals 60 or more. For employees hired after April 19, 2011, who have reached at least age 60 with a minimum of 15 years of service, the District pays the entire cost of the monthly medical and dental insurance premiums for retired employees and their dependents until the employee reaches the age of Medicare eligibility as determined by the United States Department of Health and Human Services. The District participates in the ACWA medical program and Delta Dental of California. Retirees may enroll in any of the single-employer benefit plans offered by the District. The authority to establish and amend postemployment benefits resides with the District's Board of Directors.

The District intends to pre-fund its other postemployment benefits (OPEB) with CalPERS through the California Employers' Retiree Benefits Trust (CERBT) Fund. The CERBT is a trust fund that allows public employers to pre-fund the future cost of their retiree health insurance benefits and OPEB obligations for their covered employees or retirees. Employers that elect to participate in the CERBT make contributions into the trust fund. Participating employers use investment earnings to pay for retiree health benefits, similar to the CalPERS pension trust. CalPERS issues a publicly available annual financial report that includes financial statements and required supplementary information for the CERBT. That report may be obtained by writing to CalPERS Headquarters, Lincoln Plaza North, 400 Q Street, Sacramento, CA 95811, or on the internet at www.calpers.ca.gov.

Employees covered

As of the June 30, 2020 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	30
Inactive employees or beneficiaries currently receiving benefits	10
Total	40

Contributions

The Plan and its contribution requirements are established by Ordinance and may be amended by Board action to update the original ordinance. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2021, the District's cash contributions were $645,965 in payments to the CalPERS' California Employer's Retiree Benefit Trust (CERBT).

Note 9: Other-Post Employment Benefits (OPEB), (Continued)

Net OPEB liability

The District's net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2020, based on the following actuarial methods and assumptions:

Actuarial Assumptions:	
Discount Rate	6.73%
Inflation	2.01%
Salary Increases	3.25% annual increases
Investment Rate of Return	6.73%
Mortality Rate	The mortality rates used in this valuation are those used in the CalPERS 2017 experience study.

The long-term expected rate of return on OPEB plan investments was determined using a building–block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return
Equity	44%	5.23%
Fixed Income	48%	1.15%
REIT's	8%	5.08%
Cash	0%	0.00%
Total	100%	

Discount rate

The discount rate used to measure the total OPEB liability was 6.73 percent. The projection of cash flows used to determine the discount rate assumed that District's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Note 9: Other-Post Employment Benefits (OPEB), (Continued)

Changes in the OPEB Liability

The changes in the net OPEB liability for the Plan are as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (B)	Net OPEB Liability (c)= (a) - (b)
Balance at June 30, 2020			
(Measurement Date June 30, 2019)	$ 6,032,202	$ 2,936,611	$ 3,095,591
Changes recognized for the measurement period:			
Service Cost	123,628	-	123,628
Interest	409,881	-	409,881
Difference between expected and actual experience	345,803	-	345,803
Changes of assumptions	(461,236)	-	(461,236)
Contributions - employer	-	558,104	(558,104)
Net investment income	-	157,273	(157,273)
Benefit payments	(133,104)	(133,104)	-
Administrative expenses	-	(1,551)	1,551
Net Changes	284,972	580,722	(295,750)
Balance at June 30, 2021			
(Measurement Date June 30, 2020)	$ 6,317,174	$ 3,517,333	$ 2,799,841

Sensitivity of the Net OPEB Liability to changes in the discount rate

The following presents the net OPEB liability of the District's if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	Discount Rate - 1% 5.73%	Current Discount Rate 6.73%	Discount Rate + 1% 7.73%
Net OPEB Liability	$ 3,706,678	$ 2,799,841	$ 2,053,600

Sensitivity of the Net OPEB Liability to changes in the health care cost trend rates

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	$ 2,010,449	$ 2,799,841	$ 3,739,391

Note 9: Other-Post Employment Benefits (OPEB), (Continued)

OPEB plan fiduciary net position

CalPERS issues a publicly available CERBT financial report that may be obtained from the CalPERS' website at www.calpers.ca.gov.

Recognition of deferred outflows and deferred inflows of resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	For assumption changes and experience gains/losses, we assumed Average Future Working Lifetime, averages over all active and retirees (retirees are assumed to have no future working years)

OPEB expense and deferred outflows/inflows of resources related to OPEB

For the fiscal year ended June 30, 2021, the District recognized OPEB expense of $455,460. As of fiscal year ended June 30, 2021, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 645,965	$ -
Changes of assumptions	-	(3,565,999)
Differences between expected and actual experience	357,223	(36,788)
Net difference between projected and actual earnings on OPEB plan investments	60,137	-
Total	$ 1,063,325	$ (3,602,787)

Note 9: Other-Post Employment Benefits (OPEB), (Continued)

OPEB expense and deferred outflows/inflows of resources related to OPEB, (Continued)

The $645,965 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the net OPEB liability in the upcoming year. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2022	$ (778,871)
2023	(778,485)
2024	(781,120)
2025	(730,462)
2026	(80,661)
Thereafter	(35,828)
	$ (3,185,427)

Note 10: Commitments and Contingencies

Construction contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves. The District has committed to $18,348,206 in open construction contracts as of June 30, 2021. These include:

Project	Approved Contract	Payments To Date	Balance To Complete
Cactus Basin Project	$ 2,020,000	$ 897,633	$ 1,122,367
Waterman Turnout Hydroelectric Project	2,252,500	729,410	1,523,090
Enhanced Recharge Project Phase 1B	3,596,260	1,976,624	1,619,636
Enhanced Recharge Phase 1A, Basin Lining Improvements	94,025	81,493	12,532
Regional Recylced Water Pipeline	16,428,342	2,357,761	14,070,581
	$ 24,391,127	$ 6,042,921	$ 18,348,206

State of California Department of Water Resources

On December 30, 1960, the District entered into a contract with the State of California, Department of Water Resources to receive an annual entitlement for water from the State Water Project. The District assumed a proportionate share of capital costs and minimum operations, maintenance, power and replacement costs of the State facilities, in addition to paying variable operations, maintenance, power and replacement costs on a per-acre-foot charge for water deliveries received.

The District's future commitment for State Water Project costs over the years 2021 to 2035, according to the payment schedule dated June 30, 2021, is estimated as follows:

Note 10: Commitments and Contingencies (Continued)

State of California Department of Water Resources (Continued)

The District's future commitment for State Water Project costs over the years 2021 to 2035, according to the payment schedule dated June 30, 2021, is estimated as follows:

Transportation charges:	
Capital cost component	$ 64,369,149
Minimum operations, maintenance, power and replacement component	301,432,329
Variable operations, maintenance, power and replacement component	186,219,302
	552,020,780
Delta water charges	145,798,954
Water system revenue bond surcharge	34,658,014
Off Aqueduct power facilities charges	741,211
East branch extension capital cost	299,577,502
Total	$ 1,032,796,461

Jointly governed organization

The District participates in the following jointly governed organization with other districts and agencies for various water projects and operating facilities in Southern California:

Santa Ana Watershed Project Authority

The Santa Ana Watershed Project Authority (SAWPA) was formed under a joint exercise of power agreement for the purpose of undertaking projects for water quality control, protection, and pollution abatement in the Santa Ana River Watershed. SAWPA is composed of five member water agencies within the watershed area: Eastern Municipal Water District, Orange County Water District, San Bernardino Valley Municipal Water District, Western Municipal Water District, and the Inland Empire Utilities Agencies. Each participating agency appoints one commissioner and one alternate commissioner to form the Board of Commissioners, the governing body of SAWPA. Financial data for SAWPA is available online at www.sawpa.org.

Condensed financial information for the operation of SAWPA for the fiscal year ended June 30, 2020 and 2019 is as follows:

	2020	2019
Total assets	$ 171,906,687	$ 176,927,279
Total deferred outflows of resources	$ 4,218,310	$ 1,482,258
Total liabilities	$ 102,228,349	$ 106,512,749
Total deferred inflows of resources	$ 571,542	$ 337,312
Total net position	$ 73,325,106	$ 71,559,476
Total revenues	$ 22,688,168	$ 22,110,403
Total expenses	$ (20,922,538)	$ (19,227,886)
Change in net position	$ 1,765,630	$ 2,882,517

Note 11: Funds Held in Trust

The District is the administrator and custodian of funds held in trust on behalf of the California Department of Fish & Game (CDFG), as prescribed in the Memorandum of Agreement dated March 2007 (Agreement). The Agreement requires the District and Western Municipal Water District to deposit a combined sum of $50,000 per year, from 2007 to 2017, into a segregated fund administered by the District. Accordingly, the segregated fund is presented as a restricted asset and liability in these financial statements. The CDFG shall direct the District on the disbursements from the fund as needed, in accordance with the Agreement. The balance of the Santa Ana River Restoration/Recovery Trust Fund as of June 30, 2021 was $379,288.

Note 12: Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To help mitigate some of these risks, the District has purchased commercial insurance as follows:

<u>Property loss</u> - Insured up to $100,000,000 per occurrence (total insurable value of $73,028,872 as of June 20, 2019), with a $5,000 deductible for buildings, personal property, fixed equipment, mobile equipment, and licensed vehicles.

<u>Boiler and machinery</u> - Insured up to $100,000,000 per occurrence (total insurable value of $73,028,872 as of June 20, 2019), with a $10,000 deductible for boiler and machinery breakdown.

<u>Auto liability</u> - Insured up to $1,000,000 per occurrence with no deductible for property damage.

<u>Information security and privacy liability</u> - Insured up to $2,000,000 per occurrence with no deductible for security and privacy breaches.

<u>Pollution liability</u> - Insured up to $2,000,000 per occurrence with no deductible for underground storage tanks.

The District is self-insured for general liability exposure.

The District pays annual premiums for these coverages. They are subject to retrospective adjustments based on claims experience. The nature and amounts of these adjustments cannot be estimated and are charged to expense as invoiced. There have been no significant reductions in insured liability coverage from coverage in the prior year, and there were no instances in the past three years where a settlement exceeded the District's coverage.

Required Supplementary Information
Schedule of District's Proportionate Share of the Plan's Net Pension Liability and Related Ratios as of the Measurement Date
Last 10 Years*

Measurement Date	Employer's Proportion of the Collective Net Pension Liability[1]	Employer's Proportionate Share of the Collective Net Pension Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll	Pension's Plans Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2014	0.089700%	$ 5,587,972	$ 2,166,220	258%	77%
6/30/2015	0.084587%	5,805,949	2,279,057	255%	77%
6/30/2016	0.072157%	6,243,808	2,210,568	282%	76%
6/30/2017	0.027173%	2,694,804	2,127,895	127%	90%
6/30/2018	0.023636%	2,277,589	2,252,665	101%	92%
6/30/2019	0.028612%	2,931,878	2,761,632	106%	90%
6/30/2020	0.033751%	3,672,251	2,907,350	126%	88%

[1] Proportion of the net pension liability represents the plan's proportion of PERF C, which includes both the Miscallaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

* Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will displayed up to 10 years as needed as information becomes available.

Required Supplementary Information
Schedule of Plan Contributions
Last 10 years*

Fiscal Year	Contractually Determined Contributions	Contributions in Relation to the Contractually Determined Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014-15	$ 654,436	$ (654,436)	$ -	$ 2,279,057	28.72%
2015-16	1,563,043	(1,563,043)	-	2,210,568	70.71%
2016-17	4,308,248	(4,308,248)	-	2,127,895	202.47%
2017-18	380,370	(380,370)	-	2,252,665	16.89%
2018-19	601,348	(601,348)	-	2,761,632	21.78%
2019-20	709,684	(709,684)	-	2,907,350	24.41%
2020-21	627,920	(627,920)	-	3,422,597	18.35%

* Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will displayed up to 10 years as needed as information becomes available.

Notes to Schedule:

Change in Benefit Terms: None

Changes in Assumptions: For 2020, the Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019. There were no changes in assumptions in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate in 2019. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes in the discount rate. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios as of the Measurement Date
Last 10 years*

Measurement Period Ended June 30:	2017	2018	2019	2020
Total OPEB Liability				
Service Cost	$ 415,185	$ 153,033	$ 117,741	$ 123,628
Interest on the Total OPEB Liability	317,872	409,717	387,786	409,881
Actual and expected experience difference	(1,955)	87,576	(48,509)	345,803
Changes in assumptions	(5,400,852)	(802,057)	-	(461,236)
Changes in benefit terms	-	-	-	-
Benefit payments	(126,972)	(141,570)	(136,035)	(133,104)
Net change in Total OPEB Liability	(4,796,722)	(293,301)	320,983	284,972
Total OPEB Liability - beginning	10,801,242	6,004,520	5,711,219	6,032,202
Total OPEB Liability - ending (a)	6,004,520	5,711,219	6,032,202	6,317,174
Plan Fiduciary Net Position				
Contribution - employer	2,026,972	141,570	886,035	558,104
Net investment income	28,815	116,588	142,801	157,273
Benefit payments	(126,972)	(141,570)	(136,035)	(133,104)
Administrative expense	(135)	(1,014)	(444)	(1,551)
Net change in Plan Fiduciary Net Position	1,928,680	115,574	892,357	580,722
Plan Fiduciary Net Position - beginning	-	1,928,680	2,044,254	2,936,611
Plan Fiduciary Net Position - ending (b)	1,928,680	2,044,254	2,936,611	3,517,333
Net OPEB Liability - ending (a) - (b)	$ 4,075,840	$ 3,666,965	$ 3,095,591	$ 2,799,841
Plan fiduciary net position as a percentage of the total OPEB liability	32.12%	35.79%	48.68%	55.68%
Covered-employee payroll (1)	2,127,895	2,252,665	2,763,767	2,894,400
Net OPEB liability as a percentage of covered-employee payroll (1)	191.54%	162.78%	112.01%	96.73%

Notes to schedule:

(1) Covered-employee payroll represented above is based on covered-employee payroll provided by the employer. GASB 75 defines covered-employee payroll as the total payroll of employees that are provided OPEBs through the OPEB plan. Contributions are not based on a measure of pay, therefore, covered-employee payroll is used in this schedule.

Mortality Improvement: The mortality rates used in this valuation are those used in the 2017 CalPERS experience study.

* Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

Fiscal Year 2017-18 was the first year of implementation.

Required Supplementary Information
Schedule of OPEB Plan Contributions
Last 10 years*

Fiscal Year Ended June 30	2018	2019	2020	2021
Actuarially Determined Contributions (ADC) (2)	$ 529,151	$ 438,901	$ 388,949	$ 391,749
Contribution in relation to the ADC	(128,352)	(866,580)	(618,244)	(558,104)
(Excess)/deficiency	$ 400,799	$ (427,679)	$ (229,295)	$ (166,355)
Covered-employee payroll (3)	$ 2,252,665	$ 2,763,767	$ 2,894,400	$ 3,422,597
Contribution as a percentage of covered-employee payroll (3)	5.70%	31.36%	21.36%	16.31%

[2] Employers setting a discount rate based on the assumption that assets will be sufficient to cover all future benefit payments under the plan are assumed to annually make contributions equal to the actuarially determined contribution.

[3] Covered-employee payroll represented above is based on covered-employee payroll provided by the employer. GASB 75 defines covered-employee payroll as the total payroll of employees that are provided benefits through the OPEB plan. Contributions are not based on a measure of pay, therefore, covered-employee payroll is used in this schedule.

Notes to Schedule:

Actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2021 were from the June 30, 2020 actuarial valuation.

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal
Amortization Methodology	Straight-line amortization. For assumption changes and experience gains/losses: Average Future Working Lifetime averages over all actives and retirees (retirees are assumed to have no future working years). For asset gains and losses: 5 years.
Asset Valuation Method	Market value
Discount Rate	6.73%
Inflation	2.01%
Payroll Growth	3.25% per annum, in aggregate
Investment Rate of Return	6.73% per annum
Healthcare Trend Rates	6.90% initial, decreasing to 5.00% in 2028 and later
Retirement Age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	Pre-retirement mortality probability based on 2017 CalPERS 1997-2011 Experience Study covering CalPERS participants. Post-retirement mortality probability based on CalPERS Experience Study 2007-2011 covering participants in CalPERS.

* Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscpa.net

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*

Independent Auditor's Report

Board of Directors
San Bernardino Valley Municipal Water District
San Bernardino, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the business-type activities of San Bernardino Valley Municipal Water District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise San Bernardino Valley Municipal Water District's basic financial statements, and have issued our report thereon dated November 19, 2021.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
November 19, 2021

SAN GORGONIO PASS WATER AGENCY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEARS ENDED
JUNE 30, 2021 AND 2020**

SAN GORGONIO PASS WATER AGENCY
TABLE OF CONTENTS
June 30, 2021

EADIE + PAYNE LLP

Celebrating a Century of Quality Service

Eadie + Payne, LLP

3880 Lemon St., Ste. 300
Riverside, CA 92501

P.O. Box 1529
Riverside, CA 92502-1529

Office: 951-241-7800

www.eadiepaynellp.com

Certified Public Accountants
& Business Advisors

INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Gorgonio Pass Water Agency
Beaumont, California

Report on the Financial Statements

We have audited the accompanying financial statements of San Gorgonio Pass Water Agency (Agency), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2021 and 2020, and the changes in financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and information related to the pension and other postemployment benefits plan on pages 3-13 and 53-55, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The organizational information and schedule of Board of Directors and insurance coverage on pages 54-55 are presented for purposes of additional information and are not a required part of the basic financial statements. The organizational information and schedule of Board of Directors and insurance coverage are the responsibility of management and have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2021, 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 that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Eadie and Payne LLP

Riverside, California
October 14, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

The Agency

The San Gorgonio Pass Water Agency is one of 29 local government organizations, called State Water Contractors, who have contracted with the State of California to import water to their local service areas using the State Water Project. The Agency was created by the Legislature of the State of California under Senate Bill 8, Chapter 40, which was signed into law by Governor Edmund “Pat” Brown on April 19, 1961. The purpose for creating this public agency by special law was for the “planning, conservation, development, distribution, control and use of an adequate water supply for the public good and for the protection of life and property therein.” As part of the act, the Agency was given taxing authority similar to the taxing power of other local governments.

The Agency has entered into a contract with the State of California Department of Water Resources to receive an annual allotment of 17,300 acre-feet from the State Water Project. However, water did not get delivered to the region, which extends from Calimesa through the San Gorgonio Pass area to Cabazon, until the completion of the East Branch Extension Phase 1 in 2003. In 2018, the Department of Water Resources completed the construction of Phase 2, which increased the capacity of the facilities to deliver water by adding an additional pipeline, an additional reservoir, additional pumps and expanding an existing reservoir.

In 2020, the Agency completed construction and started using its new recharge site on the corner of Beaumont Avenue and Brookside in Beaumont, named the San Gorgonio Recharge Facility at Brookside. This facility was built to be able to recharge water, most often during wet years, but also as necessity arises because of operational constraints.

The Basic Financial Statements

The San Gorgonio Pass Water Agency is a special purpose government organization (Special District) engaged only in activities that support themselves through user fees and tax levies. Accordingly, the accompanying financial statements are presented in the format prescribed for proprietary funds by the Governmental Accounting Standards Board.

These financial statements consist of three interrelated statements designed to provide the reader with relevant, understandable data about the Agency’s financial condition and operating results. They are the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position presents the Agency’s assets and liabilities and the difference, or net, between what is owned and what is owed as of the last day of the Agency’s fiscal year. The Statement of Revenues, Expenses and Changes in Net Position describes the financial results of the Agency’s operations for the years reported. The results, or changes in net assets, are the increases or decreases in the bottom line of the Statement of Net Position.

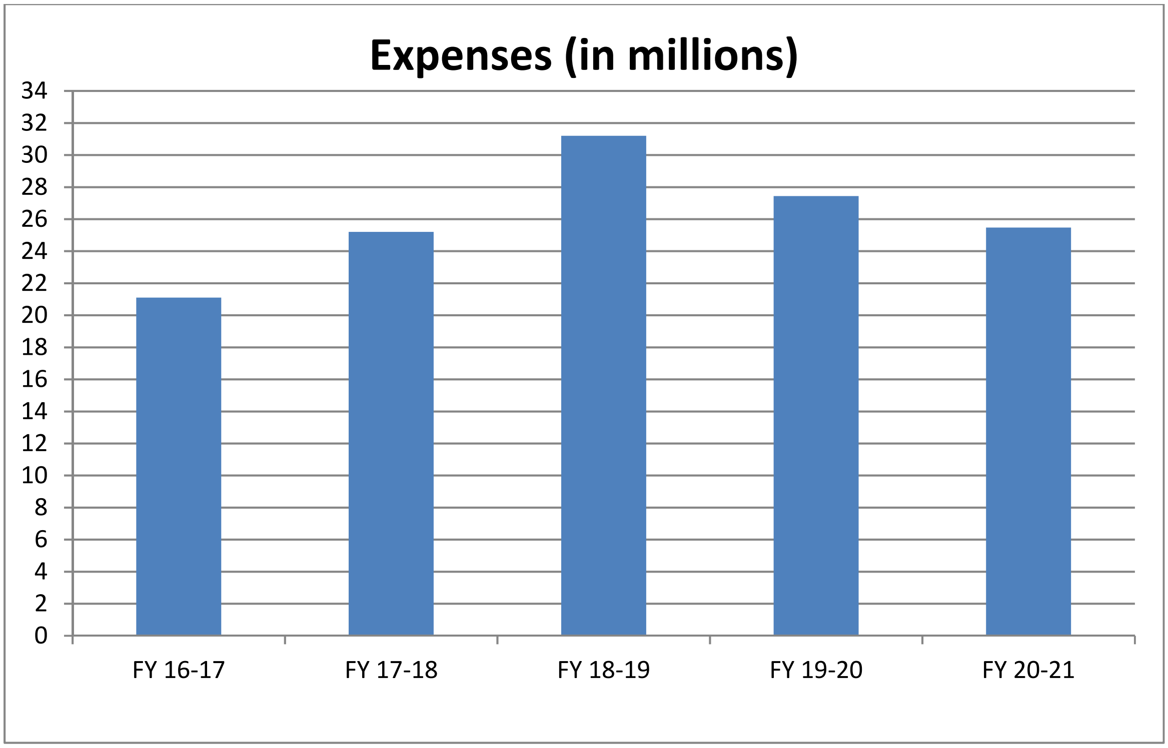
The Statement of Cash Flows conveys to financial statement readers how the Agency managed cash resources during the year. This statement converts the Change in Net Position presented on the Statement of Revenues, Expenses and Changes in Net Position into actual cash provided by or used for operations. The Statement of Cash Flows also details how the Agency obtains cash through financing and investing activities and, conversely, how cash is spent for these purposes.

Summary Financial Information and Analysis

The Agency exists for two major purposes: one is to deliver water to retail customers, and the other is to pay its portion of the indebtedness and maintenance and operations of the State Water Project. At this time, these two different purposes use two distinct types of income to sustain their related activities. Because of this, the financial statements typically look a bit different from other organizations that have only one major type of income.

The Agency receives two major sources of funding: revenue from water sales, and revenue from property taxes. Revenue from water sales falls into the operations portion of the statements, and revenue from property taxes falls into the non-operations portion of the statements.

However, the expenses to maintain the operations portion of the Agency’s efforts exceed its income from operations at this time. Examination of just the operations portion of the statements reveals what looks like a loss. However, tax revenue, by design, has been enacted to pay for some of the operations expense, but is relegated to the non-operations portion of the statements by accounting convention. So, even though operations look like a loss, in actuality, by viewing the statements as a whole, it is clear that the Agency is receiving at least enough to cover its expenses.



Graph of Combined Operating and Non-Operating Expenses

By reviewing the table on page 8, it is possible to see that overall income (Operating and Non-operating) totals $37.56 million for FY 2020-21, an increase of $0.55 million from the previous fiscal year. Overall expenses (Operating and Non-Operating) totaled $25.47 million for FY 2020-21, a decrease of $2.12 million from the previous fiscal year. The resulting Net Income was $12.09 million, an increase from the previous fiscal year of $2.67 million, due mostly to tax revenue.

The Agency purchased and delivered about 8,500 AF of water FY 2020-21, significantly less than in FY 2019-20. Looking ahead, FY 2021-22 is expected to be significantly drier, as the State Water Project allocation for 2021 was 5%, and the allocation for 2022 might start at 0%.

Overall income (Operating and Non-operating) totals $37.00 million for FY 2019-20, an increase of $1.51 million from FY 2018-19. Overall expenses (Operating and Non-Operating) totaled $27.59 million for FY 2019-20, a decrease of $3.56 million from FY 2018-19. The Agency purchased and delivered about the same amount of water in FY 2019-20 as in FY 2018-19, about 13,000 AF. However, the water was more expensive. The Board authorized an increase in the rate of water delivered to retailers effective May, 2019, but the Agency still spends more to obtain water than it receives in revenue for water sold. The resulting change in net position was $9.42 million.

Total Assets and Deferred Outflows of Resources for FY 2020-21 were $205.91 million, an increase of $11.81 million from the previous fiscal year. This is divided into four categories:

Current Assets (cash and investments that can be liquidated in 12 months), Restricted Assets (assets that are designated for a particular purpose), Capital Assets (assets that have a life longer than 1 year and are not intended for sale during the normal course of business) and pension and OPEB-related Deferred Outflows of Resources (the result of the new GASB rules). Current Assets increased $0.05 million, Restricted Assets increased $3.90 million, Capital Assets increased $7.72 million, Deferred Outflows of Resources increased $0.15 million.

Total Assets and Deferred Outflows of Resources for FY 2019-20 were $194.10 million, an increase of $8.56 million from the previous fiscal year. This is divided into four categories: Current Assets (cash and investments that can be liquidated in 12 months), Restricted Assets (assets that are designated for a particular purpose), Capital Assets (assets that have a life longer than 1 year and are not intended for sale during the normal course of business) and Deferred Outflows of Resources for Pension and OPEB plans (the result of the new GASB rules). Current Assets increased $0.23 million, Restricted Assets increased $6.67 million, Capital Assets increased $1.57 million, and Deferred Outflows of Resources for Pension and OPEB plans increased $0.09 million.

Current Liabilities were $0.36 million, a decrease of $0.13 million from the previous fiscal year. Long Term Liabilities were $0.71 million, a decrease of about $.03 million. Pension and OPEB-related Deferred Inflows of Resources were about $0.22 million, a decrease of about $0.11 million. Therefore, Net Position (the combination of Total Assets, Liabilities, Deferred Inflows and Deferred Outflows) for FY 2020-21 were $204.63 million, a net increase of $12.09 million.

Current Liabilities for FY 2019-20 were $0.49 million, a decrease of $0.72 million from FY 2018-19. Long Term Liabilities were $0.74 million, a decrease of about $0.41 million. Pension and OPEB related deferred inflows were about $0.33 million. Therefore, Net Position (the combination of Total Assets, Liabilities, Deferred Inflows and Deferred Outflows) for FY 2019-20 were $192.54 million, a net increase of $9.42 million.

Financial Statement Summary
(in millions)

	6/30/2021	6/30/2020	6/30/2019
Current Assets	16.44	16.39	16.16
Restricted Assets	64.63	60.73	54.06
Capital Assets	124.10	116.38	114.81
Deferred Outflows	0.74	0.60	0.51
Current Liabilities	0.36	0.49	1.21
Noncurrent Liabilities	0.71	0.74	1.15
Deferred Inflows	0.22	0.33	0.06
Net Position	204.63	192.54	183.12
Operating Revenues	3.37	5.04	4.55
Operating Expenses	(25.36)	(27.50)	(31.07)
Non-Operating Revenues			
Interest	0.45	1.30	1.33
Property Taxes	33.21	29.13	28.25
Miscellaneous	0.53	1.54	1.36
Non-Operating Expenses	(0.11)	(0.09)	(0.08)
Change in Net Position	12.09	9.42	4.35

The past few years have seen new reporting standards regarding pension liabilities and other post-employment benefits. The new standards change the way pension expenses and liabilities are recorded, and this change has had a minor impact on the statements of the Agency.

Previously, contributions to the CalPERS defined benefit pension plan were recorded as current expenses. Notes to the financial statements provided information about the composition and status of the investment pool that the Agency was assigned to by CalPERS.

Now, in an attempt to more accurately categorize the transactions associated with current and future pension costs, Agency contributions to pension plans have been reclassified. In the Agency's financial statements, current year pension contributions more closely match the year they impact pension balances. In addition, the statements include deferred outflows (in essence, future expenses) and deferred inflows (in essence, future credits), as well as a long-term pension liability.

The potential future pension cost is determined by an actuarial study, which considers a number of factors, including current employees of the Agency, their years of service, retired employees of the Agency, and estimates for future earnings of investments made by CalPERS. The Agency has been assigned to an investment pool that is managed by CalPERS. The estimate of the pension liability of the entire pool is a current estimate of the difference between the estimated pension cost and the funded status of the pool. The Agency is allocated a proportionate share of the entire pool.

The proportionate share is listed as a Noncurrent Liability in the Liability section of the Net Assets statement. Future contributions to the unfunded liability could change the classification of the fund balance.

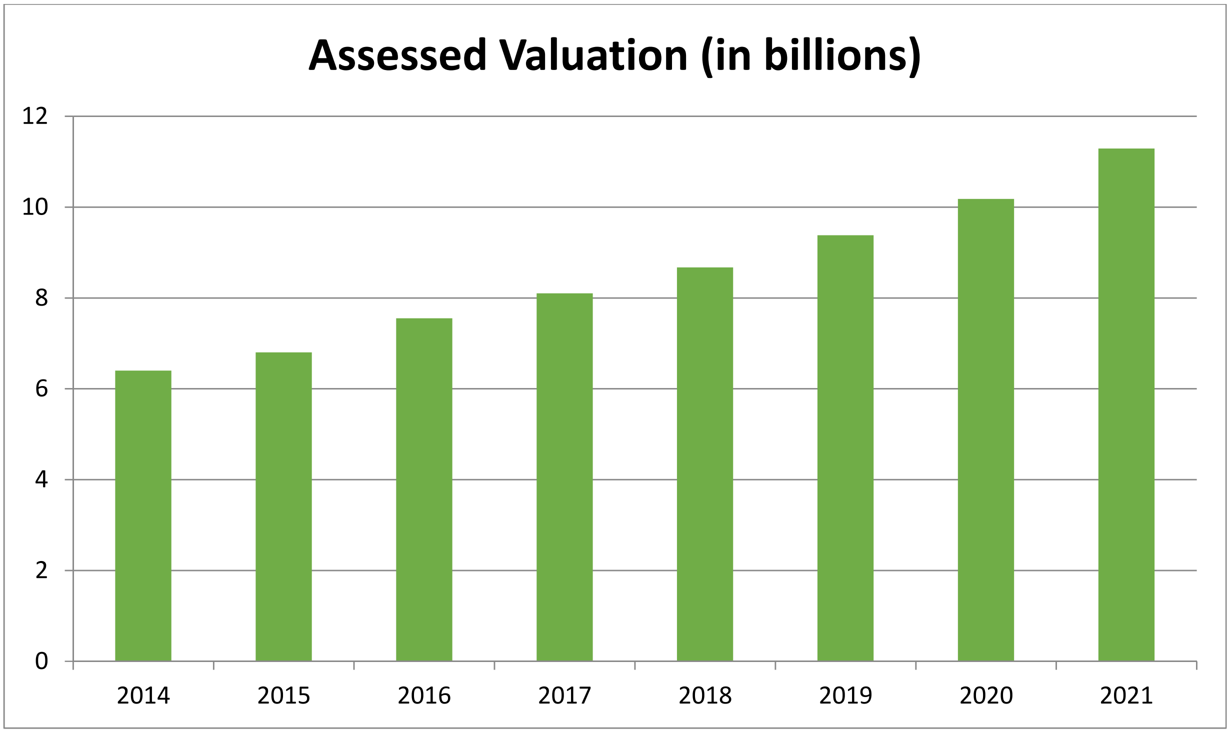
For Other Post-Employment Benefits (OPEB), the Agency joined an investment pool sponsored by CalPERS to build a trust fund to pay for future OPEB expenses. The Agency's first contribution to the pool, California Employers' Retiree Benefit Trust (CERBT), was made in 2009. Annual contributions were made in accordance with GASB Statement No. 45, and contributions to the trust and direct payments for health care costs were recorded as current expenses.

Starting with FY 2018-19, GASB Statement No.75 took effect, which is an attempt to more accurately categorize the transactions associated with current and future OPEB costs. Agency contributions to CERBT and direct expenses have been reclassified, and the statements include deferred outflows and deferred inflows, as well as a long-term OPEB liability. The estimate of OPEB liability is a current estimate of the difference between the estimated OPEB cost and the funded status of CERBT. This amount is listed as a Noncurrent Liability in the Liability section of the Net Assets statement. Future contributions to CERBT could change the classification of the balance of the Agency's net OPEB obligation.

The Agency's involvement with CERBT requires that an actuarial study to determine the Agency's potential future OPEB costs be made every 2 years. The study also estimates the current level of funding, to help gauge the Agency's progress in fully funding its OPEB obligations.

Assessed Valuation

The following chart reflects the Agency's assessed property tax valuations. Assessed valuations increased significantly from the years ending June 30, 2005 to 2008; however, as a result of the economic downturn, assessed values leveled off for the year ending in 2009, and declined by about 15% by the year ending in 2013. A recent analysis showed that the assessed values in the Agency's area are increasing, and while they usually fluctuate similarly to rest of the Inland Empire, a significant increase in both residential and commercial construction activity has resulted in a significant increase in assessed values.



Categories of Net Position

The Agency is required to present its assets in three categories: Net Investment in Capital Assets, Restricted Net Position and Unrestricted Net Position.

<u>Net Investment in Capital Assets</u>

At June 30, 2021, Capital Assets totaled $124.10 million (net of Accumulated Depreciation and Amortization) and consisted of Investment in State Water Rights, Utility Plant in Service, and Construction in Progress. Utility Plant in Service is divided into additional categories of Land and Rights of Way, Source of Supply, Transmission and Distribution, Buildings, Furniture and Fixtures, Technical Equipment and Transportation Equipment. The table on the next page groups these assets by whether they are being depreciated or amortized, or not.

At June 30, 2020, Capital Assets totaled $116.38 million (net of Accumulated Depreciation and Amortization) and consisted of Investment in State Water Rights, Utility Plant in Service, and Construction in Progress. Utility Plant in Service is divided into additional categories of Land and Rights of Way, Source of Supply, Transmission and Distribution, Buildings, Furniture and Fixtures, Technical Equipment and Transportation Equipment. The table on the next page groups these assets by whether they are being depreciated or amortized, or not.

Capital Asset Activity for the Fiscal Year

	Balance June 30, 2019	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Capital Assets, not being depreciated					
Land and Rights of Way	4,138,966	4,138,966	1,977	-	4,140,943
Construction in Progress	12,122,281	14,027,985	1,961,354	11,347,250	4,642,090
Total Capital Assets, not being depreciated	16,261,247	18,166,951	1,963,331	11,347,250	8,783,033
Capital Assets, being depreciated/amortized					
Investment in State Water Rights	149,062,702	154,192,311	6,317,618	-	160,509,929
Source of Supply	15,758,338	15,758,338	6,619,394	-	22,377,732
Transmission and Distribution	1,351,614	1,351,614	7,653,654	-	9,005,268
Buildings and Improvements	1,645,293	1,645,293	24,375		1,669,668
Furniture and Fixtures	129,857	129,857	17,180	20,497	126,541
Technical Equipment	94,439	94,439	-	3,250	91,189
Transportation Equipment	78,613	78,613	-	-	78,613
Total Capital Assets being depreciated or amortized	168,120,856	173,250,465	20,632,221	23,747	193,858,939
Total Capital Assets	184,382,104	191,417,416	22,595,552	11,370,997	$ 202,641,972

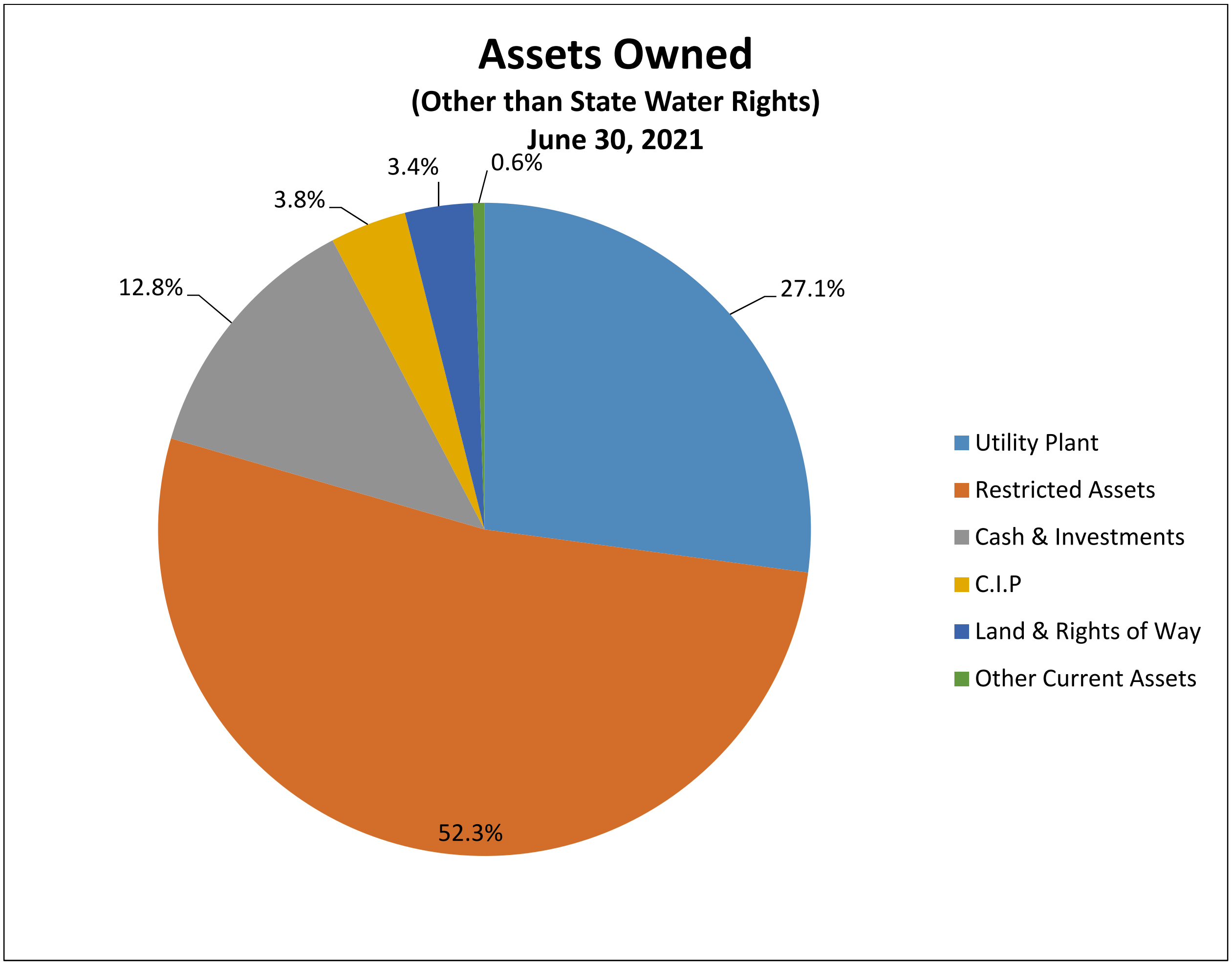
The accumulated depreciation and amortization for FY 2020-21 and FY 2019-20 was $78.54 million and $75.04 million, respectively.

The Agency made payments to the Department of Water Resources during the years FY2020-21 and FY 2019-20 totaling $25.44 million and $27.89 million, respectively. These amounts included expenditures for water purchases, as well as payments for indebtedness, and operations and maintenance of the State Water Project.

State Water Project deliveries through the East Branch Extension and the Cherry Valley Pump Station to the Agency service area started in July, 2003. Deliveries to retailers in FY 2020-21 and FY 2019-20 totaled 8,472 AF and 12,840 AF, respectively, and included deliveries to Yucaipa Valley Water District through facilities jointly owned and operated with the San Bernardino Valley Municipal Water District. The allocation for 2020 was significantly lower than 2019, so the Agency did not have as much water to deliver this fiscal year.

Additions to Construction in Progress totaled $1.96 million between July 1, 2020 and June 30, 2021. The primary projects currently in Construction in Progress include improvements to the East Branch Extension Phase 2 project and participation rights in a feasibility study to build a new reservoir named Sites Reservoir to increase the reliability of the State Water Project. A number of projects were completed this fiscal year, the largest being the San Gorgonio Recharge Facility at Brookside. Overall, Construction in Progress decreased by approximately $11.3 million, as projects were completed and capitalized or expensed.

Construction in Progress increased by $1.91 million between July 1, 2019 and June 30, 2020. The projects in Construction in Progress included improvements to the East Branch Extension Phase1 and Phase 2 project, plans for a pipeline for water delivery to the City of Banning, enlargement of the Noble turnout which delivers water to the Beaumont Cherry Valley Water District, construction of a recharge facility on Brookside and Beaumont Avenue, participation rights in a feasibility study to build a new reservoir named Sites Reservoir to increase the reliability of the State Water Project, pipeline improvements to sections owned jointly by the Agency and the San Bernardino Valley Municipal Water District, and new monitoring wells being installed by the USGS.



Restricted Net Position

At June 30, 2021 and 2020, the Agency had Restricted Net Position of $64.63 million and $60.73 million, respectively, which consisted of tax proceeds that were levied for State Water Project payments, less actual State Water Project related expenditures.

Unrestricted Net Position

At June 30, 2021 and 2020, the Agency had Unrestricted Net Position of $15.90 million and $15.43 million, respectively, which consisted primarily of water sales, general purpose tax proceeds and investment income, less general and administrative expenses not related to State Water Project expenditures.

Contacting the Agency's Financial Management

This financial report is designed to provide our customers, taxpayers, and creditors with an overview of the agency's financial operations and condition. If you have questions about this report or need additional information, please contact the Agency's Chief Financial Officer at 1210 Beaumont Ave., Beaumont, California 92223.

BASIC FINANCIAL STATEMENTS - AUDITED

SAN GORGONIO PASS WATER AGENCY
STATEMENTS OF NET POSITION
June 30, 2021 and 2020

	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets		
Cash and cash equivalents	$ 1,895,910	$ 851,816
Cash in Local Agency Investment Fund	13,847,599	14,539,799
Accounts receivable	-	231,021
Property taxes receivable	635,575	606,322
Interest receivable	50,691	157,029
Other	5,990	5,220
Total current assets	16,435,765	16,391,207
Restricted assets		
Cash in Local Agency Investment Fund	30,532,769	20,866,184
Investments	30,758,333	36,791,110
Property taxes receivable	3,338,522	3,072,239
Total restricted assets	64,629,624	60,729,533
Noncurrent assets		
Capital assets		
Investment in State Water Project	160,509,929	154,192,311
Utility plant in service	33,349,010	19,058,154
Less accumulated depreciation and amortization	(78,538,941)	(75,038,498)
Land and rights of way	4,140,944	4,138,967
Construction in progress	4,642,089	14,027,984
Total noncurrent assets	124,103,031	116,378,918
Total assets	205,168,420	193,499,658
Deferred outflows of resources		
Pension related	690,597	525,934
OPEB related	52,892	70,211
Total deferred outflows of resources	743,489	596,145
Total assets and deferred outflows of resources	$ 205,911,909	$ 194,095,803

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

	2021	2020
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current liabilities		
Accounts payable	$ 357,466	$ 467,065
Construction deposit	-	25,000
Total current liabilities	357,466	492,065
Noncurrent liabilities		
Accrued vacation and sick leave	115,656	86,804
Net pension liability	558,416	627,260
Net OPEB liability	35,636	26,395
Total noncurrent liabilities	709,708	740,459
Total liabilities	1,067,174	1,232,524
Deferred inflows of resources		
Pension related	139,315	132,848
OPEB related	77,651	193,638
Total deferred inflows of resources	216,966	326,486
Net position		
Net investment in capital assets, including State Water Project costs	124,103,030	116,378,918
Restricted for State Water Project	64,629,624	60,729,533
Unrestricted	15,895,115	15,428,342
Total net position	204,627,769	192,536,793
Total liabilities, deferred inflows of resources, and net position	$ 205,911,909	$ 194,095,803

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

SAN GORGONIO PASS WATER AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2021 and 2020

	2021	2020
Operating revenues		
Water sales	$ 3,371,063	$ 5,035,859
Operating expenses		
Source of supply		
Maintenance	15,190,282	14,708,787
Purchased water	4,605,847	5,621,798
Total source of supply	19,796,129	20,330,585
Transmission and distribution		
Utilities	10,472	11,461
Maintenance	8,198	56,688
Total transmission and distribution	18,670	68,149
General and administrative expenses		
Salaries	517,919	525,278
Director expense	132,934	129,806
Payroll taxes	47,830	46,080
Employee health benefits	78,512	77,639
Employee retirement benefits	170,559	196,896
Office supplies and expense	60,039	18,849
Travel expenses	1,109	21,069
Automotive expense	9,376	7,813
Utilities and telephone	17,159	16,499
Repairs and maintenance	58,034	18,263
Insurance	29,658	26,822
Administrative expense	6,805	56,652
Membership dues and assessments	26,310	30,894
Public relations	26,850	8,060
Election expense	102,959	-
Legal services	122,466	115,303
Engineering and consulting services	481,276	244,515
Penalties	-	35,000
Accounting and auditing	20,200	19,785
Outside professional services	109,958	47,477
Depreciation	1,213,910	653,021
Amortization	2,310,279	4,809,532
Total general and administrative	5,544,642	7,105,253
Total operating expenses	25,359,441	27,503,987
Operating loss	$ (21,988,378)	$ (22,468,128)

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

SAN GORGONIO PASS WATER AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2021 and 2020

	2021	2020
Operating loss	$ (21,988,378)	$ (22,468,128)
Nonoperating revenues (expenses)		
Property taxes - general purpose	3,878,948	3,305,632
Property taxes - debt service	29,333,169	25,822,846
Investment income	447,241	1,298,866
Unrealized gain (loss) on investments	(356,064)	448,466
Other revenue	460,313	1,077,062
County collection charge	(114,951)	(90,978)
Total nonoperating revenues (expenses)	33,648,656	31,861,894
Income before capital contributions	11,660,278	9,393,766
Capital contributions	430,698	22,099
Change in net position	12,090,976	9,415,865
Net position, beginning of year	192,536,793	183,120,928
Net position, end of year	$ 204,627,769	$ 192,536,793

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

SAN GORGONIO PASS WATER AGENCY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Cash received from customers	$ 3,602,084	$ 5,533,623
Cash paid to suppliers and employees	(22,029,401)	(22,979,996)
Net cash used in operating activities	(18,427,317)	(17,446,373)
Cash flows from noncapital financing activities		
Property taxes	32,801,630	29,028,754
Net cash provided by noncapital financing activities	32,801,630	29,028,754
Cash flows from capital and related financing activities		
Purchase of capital assets	(11,046,439)	(7,013,213)
Other revenue	460,313	1,077,062
Net cash used in capital and related financing activities	(10,586,126)	(5,936,151)
Cash flows from investing activities		
Sale of investments	5,676,713	7,333,002
Interest received	553,579	1,339,261
Net cash provided by (used in) investing activities	6,230,292	8,672,263
Net change in cash and cash equivalents	10,018,479	14,318,493
Cash and cash equivalents		
Balance, beginning of year	36,257,799	21,939,306
Balance, end of year	$ 46,276,278	$ 36,257,799

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

SAN GORGONIO PASS WATER AGENCY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2021 and 2020

	2021	2020
Reconciliation of cash and cash equivalents to statements of net position		
Unrestricted cash and cash equivalents	$ 1,895,910	$ 851,816
Unrestricted cash in Local Agency Investment Fund	13,847,599	14,539,799
Restricted cash in Local Agency Investment Fund	30,532,769	20,866,184
Total cash and cash equivalents	$ 46,276,278	$ 36,257,799
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (21,988,378)	$ (22,468,128)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation and amortization	3,524,189	5,462,553
Impairment on construction in progress	203,835	-
Noncash pension and OPEB expense	(316,467)	(162,670)
(Increase) decrease in:		
Accounts receivable	231,021	497,764
Other current assets	(770)	(270)
Increase (decrease) in:		
Accounts payable	(109,599)	(717,015)
Accrued vacation and sick	28,852	(58,607)
Net cash used in operating activities	$ (18,427,317)	$ (17,446,373)

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

NOTE 1- REPORTING ENTITY

The San Gorgonio Pass Water Agency (the "Agency"), a special district of the state of California, is one of 29 state water contractors created by the state legislature. The Agency will ultimately manage water resources and supply water to local water districts. The Agency's service area extends from Calimesa to Cabazon through the San Gorgonio Pass area in Riverside County (the "County").

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Measurement Focus

The Agency reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Agency is that the costs of providing goods or services to the general public on a continuing basis (including depreciation) be financed or recovered primarily through user charges. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred. An enterprise fund is accounted for on the flow of economic resources measurement focus. This means that all assets and liabilities associated with the activity (whether current or noncurrent) are included on the statements of net position.

The Agency distinguishes operating revenues and expenses from those revenues and expenses that are nonoperating. Operating revenues are those revenues that are generated by water sales, while operating expenses pertain directly to the furnishing of those services. Nonoperating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal business of supplying water services.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Agency considers all short-term debt securities purchased with an original maturity of three months or less to be cash equivalents. The Agency invests funds with the State of California's Local Agency Investment Fund (LAIF). Due to the high liquidity of this investment, the funds are classified as cash equivalents. For credit risk purposes, the fund is not rated.

Investments

Investments are reported in the accompanying statements of net position at fair value based on the last reported sales price published on the national exchange. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Accounts Receivable

Accounts receivable consists of amounts owed by local districts in the regular course of business operations. The Agency considers accounts receivable to be fully collectible and no allowance for doubtful accounts is provided in these financial statements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

The County of Riverside Assessor's Office assesses all real and personal property within the County each year. The County of Riverside Tax Collector's Office bills and collects the Agency's share of property taxes and assessments. The County of Riverside Treasurer's Office remits current and delinquent property tax collections to the Agency throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at 1.0 percent of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the County of Riverside, which have not been credited to the Agency's cash balance as of June 30, 2021 and 2020. The property tax calendar is as follows:

Lien date:		January 1
Levy date:		July 1
Due date:	First installment	November 1
	Second installment	February 1
Collection date:	First installment	December 10
	Second installment	April 10

The County will designate property taxes relating to debt service (restricted) or general purposes. Funds have been established by the Agency to account for the use of these designated assets. As of June 30, 2021 and 2020, certain taxes levied by the County and allocated to the Agency remain uncollected. The Agency considers these property taxes to be fully collectible and no allowance is provided in these financial statements.

Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. Agency policy has set the capitalization threshold for reporting capital assets at $5,000. Donated assets are recorded at estimated acquisition value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Assets	Years
Pipelines	20 - 40
Buildings	25
Spreading ground facilities	20
Furniture and fixtures	5 - 10
Technical equipment	5
Transportation	5

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Participation rights are being amortized on a unit-rate basis. The unit-rate has been determined by dividing the total estimated capital costs to be charged to the Agency by total estimated water deliveries over the project repayment period. The resulting rate, which will be adjusted periodically to reflect changes in estimates, would then be applied to actual water deliveries in the current year.

Construction in progress includes all capitalized costs for expenditures directly incurred to bring a capital asset to a useable condition. These capitalized costs will be recorded to capital assets when the asset is operational. At that time, the costs will be depreciated or amortized over the respective capital asset's useful life.

Accrued Vacation and Sick Leave

The Agency has a policy whereby an employee can accumulate unused sick leave and vacation. Sick leave is to be used for extended periods of sickness; however, upon termination or retirement, a portion will be paid as additional benefits to the employee. At retirement or termination, employees will be paid for 50 percent of the then unused sick leave up to the maximum 480 hours at their regular payroll rates in effect at the date of termination. The Agency has provided for these future costs by accruing 50 percent of the earned and unused sick leave up to the maximum number of hours and 100 percent of the earned and unused vacation.

Pension Accounting

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by California Public Employees' Retirement System (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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CalPERS plan governed by the Public Employees' Medical & Hospital Care Act (PEMHCA) and additions to/deductions from PEMHCA's fiduciary net position have been determined on the same basis as they are reported by PEMHCA. For this purpose, PEMHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Investment in Capital Assets, *including State Water Project* costs - This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets.

Restricted for State Water Project - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This component of the net position consists of a net position that does not meet the definition of restricted or net investment in capital assets.

Restricted and Unrestricted Resources
When both restricted and unrestricted resources are available for use, it is the Agency's practice to use restricted resources first, then unrestricted resources as they are needed.

Budgetary Policies
The Agency adopts an annual nonappropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures made in the accompanying notes to the financial statements. While management believes these estimates are adequate, actual results could differ from those estimates.

NOTE 3 - STATE WATER PROJECT

The Agency has contracted with the State Department of Water Resources to participate in the State Water Project to convey water from Northern California into the Southern California area. This participation requires payments in varying amounts by the Agency for many years into the future, including capital costs in connection with the transportation facilities, conservation (O.M.P. and R.) costs, and variable costs for the actual delivery of water.

NOTE 3 - STATE WATER PROJECT (Continued)

The Agency has been billed formally through calendar year 2021 only. The policy of the Agency is not to accrue any amounts which are due after the fiscal year-end. The payments which have been billed but are not reflected on the books and are not due until after the fiscal year-end of the Agency are approximately as follows:

Charges for Capital and Minimum Operations, Maintenance, Power and Replacement Components

Water System Revenue Bond		
Due July 1, 2021	$	223,167
Due January 1, 2022		237,145
Due July 1, 2022		237,145
Capital Cost Components		
Delta Water Charges		
Due July 1, 2021		262,265
Due January 1, 2022		347,883
Due July 1, 2022		347,883
Transportation Charges		
Due July 1, 2021		(307,434)
Due January 1, 2022		(304,257)
Due July 1, 2022		(304,258)
Minimum O.M.P. & R.		
Delta Water Charge		
Due monthly, starting July 1, 2021		75,224
Total for six months		451,344
Due monthly, starting January 1, 2022		83,949
Total for six months		503,694
Due monthly, starting July 1, 2022		83,949
Total for six months		503,694
Transportation Charge		
Due monthly, starting July 1, 2021		581,394
Total for six months		3,488,364
Due monthly, starting January 1, 2022		624,598
Total for six months		3,747,588
Due monthly, starting July 1, 2022		624,598
Total for six months		3,747,588

NOTE 3 - STATE WATER PROJECT (Continued)

Charges for the Devil Canyon-Castaic Contract		
Debt Service on Bonds		
Due July 1, 2021	$	48,819
Due January 1, 2022		49,759
Due July 1, 2022		49,759
O.M.P.& R. Component		
Due monthly, starting July 1, 2021		17,469
Total for six months		104,814
Due monthly, starting January 1, 2022		18,926
Total for six months		113,556
Due monthly, starting July 1, 2022		18,925
Total for six months		113,550
Charges for Off-Aqueduct Power Facilities		
Maintenance		
Due monthly, starting July 1, 2021		130
Total for six months		780
RG4 Separation		
Due monthly, starting July 1, 2021		1,328
Total for six months		7,968
Due monthly, starting January 1, 2022		1,008
Total for six months		6,048
Due monthly, starting July 1, 2022		1,007
Total for six months		6,042
Charges for East Branch Extension Facilities		
Allocated Charges		
Due September 1, 2021		10,338,404
Due March 1, 2022		3,673,390
Due September 1, 2022		10,337,344
Charges for Tehachapi Second Afterbay Facilities		
Capital Cost of Transportation Charge		
Due September 1, 2021		22,430
Due March 1, 2022		22,074
Due September 1, 2022		22,072
Totals for All Charges of the State Water Project		
Total Due Starting July 1, 2021		14,640,921
Total Due Starting January 1, 2022		8,396,880
Total Due for FY 2021-2022		23,037,801
Total Due Starting July 1, 2022		15,060,819
Total Due for Calendar Year 2022		23,457,699

NOTE 3 - STATE WATER PROJECT (Continued)

The Agency has committed to purchase other components of water that may become available at reasonable prices in the future. The future payments for this excess water are not determinable at this time.

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Agency's investment practices are prescribed by various provisions of the California Government Code and by administrative policies. The Agency's investment policy is approved annually by the Board.

Cash, cash equivalents, and investments as of June 30, 2021 and 2020 are included in the statements of net position as follows:

	2021	2020
Cash and cash equivalents - unrestricted	$ 15,743,509	$ 15,391,615
Cash and cash equivalents - restricted	30,532,769	20,866,184
Total cash and cash equivalents	46,276,278	36,257,799
Investments	30,758,333	36,791,110
	$ 77,034,611	$ 73,048,909

For purposes of the following discussion, these accounts have been classified as follows:

	2021	2020
Deposits	$ 1,895,910	$ 851,816
Investments	75,138,701	72,197,093
	$ 77,034,611	$ 73,048,909

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Investments Authorized by the Agency's Investment Policy

Under the provisions of the Agency's investment policy, adopted by Board Resolution No. 2021-07 in May 2021, which is in accordance with California Government Code Sections 53600 through 53686 et seq., the types of investments authorized for deposit are identified in the following table:

Authorized Investment Type	Maximum Maturity
U.S. Treasury	2 years
Federal agency	-
Municipal bonds	-
Negotiable certificates of deposit	3 years
Repurchase agreements	1 year
Medium term notes	5 years
Money market mutual funds	-
Local Agency Investment Fund (LAIF)	-
CalTRUST short-term fund	2 years
CalTRUST medium-term fund	3 ½ years

Concentration of Credit Risk

There were no investments in any one issuer, other than U.S. Treasury Securities, LAIF and CalTRUST that represent five percent or more of the total investments of the Agency at June 30, 2021 and 2020.

Custodial Credit Risk

The Agency maintains deposits with financial institutions in excess of federal depository insurance limits. California law requires banks and savings and loan institutions to pledge government securities with a market value of 110 percent of the Agency's cash on deposit or first trust deed mortgage notes with a market value of 150 percent of the deposit as collateral for these deposits. Under California law, this collateral is held in a separate investment pool by another institution in the Agency's name and places it ahead of general creditors of the institution.

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the possibility 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. As a means of highlighting exposure to interest rate risk, the current values of all securities are reported quarterly to the Board for investments. Investment fair value and duration at June 30, 2021 and 2020, other than investments in LAIF and CalTRUST, are as follows:

Authorized Investment Type	2021	Effective Duration
U.S. Treasury Securities	$ 2,055,453	2021
U.S. Treasury Securities	1,995,320	2022
Negotiable certificates of deposit	2,239,595	2021
Negotiable certificates of deposit	3,259,078	2022

Authorized Investment Type	2020	Effective Duration
U.S. Treasury Securities	$ 2,074,354	2021
U.S. Treasury Securities	1,991,080	2022
US Government Bonds	1,005,790	2023
Negotiable certificates of deposit	2,490,769	2020
Negotiable certificates of deposit	4,790,862	2021
Negotiable certificates of deposit	3,290,870	2022

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk
Information about the risk that an issuer or other counterparty to an investment will not fulfill its obligations is provided by the following tables:

Authorized Investment	Amount	AAf	Aaa	A(1-3)	Not Rated	% of Portfolio
As of June 30, 2021:						
Cash	$ 100	$ -	$ -	$ -	$ 100	N/A
Deposits with financial institutions	1,895,810	-	-	1,895,810	-	N/A
U.S. Treasury securities	4,050,773	-	4,050,773	-	-	5.39%
Negotiable certificates of deposit	5,498,673	-	-	5,498,673	-	7.32%
CalTRUST short-term fund	21,208,887	21,208,887	-	-	-	28.23%
LAIF	44,380,368	-	-	-	44,380,368	59.06%
	$ 77,034,611	$ 21,208,887	$ 4,050,773	$ 7,394,483	$ 44,380,468	100.00%

Authorized Investment	Amount	AAf	Aaa	A(1-3)	Not Rated	% of Portfolio
As of June 30, 2020:						
Cash	$ 100	$ -	$ -	$ -	$ 100	N/A
Deposits with financial institutions	851,716	-	-	851,716	-	N/A
U.S. government bonds	1,005,790	-	1,005,790	-	-	1.39%
U.S. Treasury securities	4,065,434	-	4,065,434	-	-	5.63%
Negotiable certificates of deposit	10,572,501	-	-	10,572,501	-	14.64%
CalTRUST short-term fund	21,147,385	21,147,385	-	-	-	29.29%
LAIF	35,405,983	-	-	-	35,405,983	49.05%
	$ 73,048,909	$ 21,147,385	$ 5,071,224	$ 11,424,217	$ 35,406,083	100.00%

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Deposits
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 deposits or investments, 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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. At June 30, 2021 and 2020, the carrying amount of the Agency's deposits was $1,895,910 and $851,816, respectively, and the bank balances were $1,942,023 and $890,883, respectively. The Agency has cash in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000, and the remaining balance is collateralized in accordance with the California Government Code.

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 balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. For LAIF's annual financial report, contact the California State Treasurer at 915 Capitol Mall, Room 106, Sacramento, California 95814.

CalTRUST
The Agency is participating in CalTRUST, a Joint Exercise of Powers Agreement of the Investment Trust of California. The principal executive office is located at 1100 K Street, Suite 101, Sacramento, California 95814. CalTRUST is subject to the California Joint Exercise of Powers Act. Each participant in CalTRUST must be a California Public Agency. The purpose of CalTRUST is to consolidate investment activities of its participants and thereby reduce duplication, achieve economies of scale and carry out coherent and consolidated investment strategies through the issuance of shares of beneficial interest in investments purchased by CalTRUST.

CalTRUST currently has a board of trustees that consists of 7 trustees who are responsible for the overall management, supervision, and administration of CalTRUST including formulation of investment and operating policy guidelines of the funds.

The Agency has invested in the short-term fund. The short-term fund has a targeted portfolio duration of 0 to 2 years. Investment strategies are to attain as high a level of current income as is consistent with the preservation of principal.

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

The shares in the two funds are not registered under any federal or state securities law nor under the Investment Company Act of 1940, and are thus not subject to the various protections of the 1940 Act which apply to certain pooled vehicles such as money market funds and other mutual funds. The short-term funds are valued at net asset value which is calculated by dividing the total value of the securities and other assets, less any liabilities, by the total outstanding shares of each fund. Liabilities include all accrued expenses and fees of each fund. The value of the portfolio securities is determined on the basis of the market value of such securities or, if market quotations are not readily available, at fair value under guidelines established by the Trustees. Investments with short remaining maturities may be valued at amortized cost, which the Trustees have determined to equal fair value.

Short-term fund deposits will be allowed to be invested on the business day they are received. Short-term funds can be redeemed at net asset value per share at the next determined date and/or time of calculation. Shares will be redeemed at net asset value per share determined by the accountant on the last business day of each month. The investment will remain in the fund until the day they are wired to the Agency. In the event of an emergency as defined by the Trustees, withdrawals may be made at such times and upon such prior notice within parameters defined by the Trustees. CalTRUST may, and is authorized by each participant to redeem shares owned by such participant (i) to the extent necessary to reimburse CalTRUST for any loss it has sustained by reason of the failure of such participant to make full payment for shares purchased by such participant, (ii) to the extent necessary to collect any charge relating to a transaction effected for the benefit of such participant which is applicable to shares, or (iii) as otherwise deemed necessary and desirable by the Trustees for CalTRUST to effectively carry out its obligations under the agreement, comply with applicable law, or any other obligations in connection with the affairs of CalTRUST. Redemption payments may be made in whole or in part in securities or other property of the funds. Participants receiving any such securities or other property on redemption will bear any costs of sale. Transfers among the funds will be considered a withdrawal from one fund and a deposit to another fund subject to restrictions and limitations of a withdrawal and deposit.

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Investments
Fair Value of Investments
GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72), provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets as of the measurement date in active markets that the Agency has the ability to access. Fair values are determined using fund manager estimates.
Level 2	Inputs to the valuation methodology include quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets.
Level 3	Inputs to the valuation methodology are unobservable and include situations where there is little, if any, market activity for the investment.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There has been no change in the methodologies used at June 30, 2021 and 2020.

Money markets: Valued at $1 per share in accordance with industry practice.

U.S. government bonds: Valued at the closing price reported in the active market on which the individual bonds are traded

U.S. Treasury securities: Valued at the closing price reported in the active market on which the individual securities are traded

Negotiable certificate of deposit: Valued at the closing price reported on the active market on which the negotiable paper is traded

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

CalTRUST funds: The fair value of the Agency's investment in CalTRUST is based upon the net asset value (NAV) of shares held by the Agency at year-end. The net asset value per share is computed by dividing the total value of the securities and other assets, less any liabilities, by the total outstanding shares. Liabilities include all accrued expenses and fees, including expenses of the trust. The market value of portfolio securities is determined on the basis of the market value of such securities, or if market quotations are not readily available, at fair value under guidelines established by the trustees. Investments with short remaining maturities may be valued at amortized cost which the CalTRUST Board has determined to equal fair value.

State pooled funds (Local Agency Investment Fund): The fair value of the Agency's investment in this pool is 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 methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Agency's investment assets at fair value as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
U.S. Treasury securities	4,050,773	-	-	4,050,773
Negotiable certificates of deposit	5,498,673	-	-	5,498,673
CalTRUST short-term fund	-	21,208,887	-	21,208,887
State pooled funds (Local Agency Investment Fund)	-	44,380,368	-	44,380,368
	$ 9,549,446	$ 65,589,255	$ -	$ 75,138,701

The following table sets forth by level, within the fair value hierarchy, the Agency's investment assets at fair value as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
U.S. government bonds	$ 1,005,790	$ -	$ -	$ 1,005,790
U.S. Treasury securities	4,065,434	-	-	4,065,434
Negotiable certificates of deposit	10,572,501	-	-	10,572,501
CalTRUST short-term fund	-	21,147,385	-	21,147,385
State pooled funds (Local Agency Investment Fund)	-	35,405,983	-	35,405,983
	$ 15,643,725	$ 56,553,368	$ -	$ 72,197,093

At June 30, 2021 and 2020, the Agency had no investments in repurchase and reverse repurchase agreements and did not invest in such during the years then ended.

NOTE 5 - CAPITAL ASSETS

For the year ended June 30, 2021, the changes in capital assets for the Agency were as follows:

	Balance July 1, 2020	Additions	Disposals	Balance June 30, 2021
Non-depreciable capital assets				
Land and rights of way	$ 4,138,967	$ 1,977	$ -	$ 4,140,944
Construction in progress	14,027,984	1,961,354	11,347,249	4,642,089
	18,166,951	1,963,331	11,347,249	8,783,033
Depreciable capital assets				
Investment in State Water Project	154,192,311	6,317,618	-	160,509,929
Source of supply	15,758,338	6,619,394	-	22,377,732
Recharge facilities	1,351,614	7,653,654	-	9,005,268
Technical equipment	94,439	-	3,250	91,189
Land improvements	16,265	24,375	-	40,640
Office building	1,508,644	-	-	1,508,644
Solar equipment	120,384	-	-	120,384
Furniture and fixtures	129,857	17,180	20,497	126,540
Transportation equipment	78,613	-	-	78,613
	173,250,465	20,632,221	23,747	193,858,939
	$ 191,417,416	$ 22,595,552	$ 11,370,996	$ 202,641,972

For the year ended June 30, 2021, the changes in accumulated depreciation and amortization for the Agency were as follows:

	Balance July 1, 2020	Additions	Disposals	Balance June 30, 2021
Depreciable capital assets				
Investment in State Water Project	$ 65,155,159	$ 2,310,279	$ -	$ 67,465,438
Source of supply	7,383,065	696,009	-	8,079,074
Recharge facilities	1,115,082	437,103	-	1,552,185
Technical equipment	94,439	-	3,250	91,189
Land improvements	16,265	2,438	-	18,703
Office building	969,361	60,442	-	1,029,803
Solar equipment	114,367	6,017	-	120,384
Furniture and fixtures	125,613	5,169	20,496	110,286
Transportation equipment	65,147	6,733	-	71,880
	$ 75,038,498	$ 3,524,190	$ 23,746	$ 78,538,942

NOTE 5 - CAPITAL ASSETS (Continued)

For the year ended June 30, 2020, the changes in capital assets for the Agency were as follows:

	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
Non-depreciable capital assets				
Land and rights of way	$ 4,138,967	$ -	$ -	$ 4,138,967
Construction in progress	12,122,281	1,905,703	-	14,027,984
	16,261,248	1,905,703	-	18,166,951
Depreciable capital assets				
Investment in State Water Project	149,062,702	5,129,609	-	154,192,311
Source of supply	15,758,338	-	-	15,758,338
Recharge facilities	1,351,614	-	-	1,351,614
Technical equipment	94,439	-	-	94,439
Land improvements	16,265	-	-	16,265
Office building	1,508,644	-	-	1,508,644
Solar equipment	120,384	-	-	120,384
Furniture and fixtures	129,857	-	-	129,857
Transportation equipment	78,613	-	-	78,613
	168,120,856	5,129,609	-	173,250,465
	$ 184,382,104	$ 7,035,312	$ -	$ 191,417,416

For the year ended June 30, 2020, the changes in accumulated depreciation and amortization for the Agency were as follows:

	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
Depreciable capital assets				
Investment in State Water Project	$ 60,345,627	$ 4,809,532	$ -	$ 65,155,159
Source of supply	6,887,894	495,171	-	7,383,065
Recharge facilities	1,047,501	67,581	-	1,115,082
Technical equipment	94,439	-	-	94,439
Land improvements	15,452	813	-	16,265
Office building	909,011	60,350	-	969,361
Solar equipment	102,336	12,031	-	114,367
Furniture and fixtures	124,261	1,352	-	125,613
Transportation equipment	49,424	15,723	-	65,147
	$ 69,575,945	$ 5,462,553	$ -	$ 75,038,498

NOTE 5 - CAPITAL ASSETS (Continued)

Construction in Progress is divided into 2 major categories. The first category consists of items that are generally considered tangible and have an identifiable estimated cost. Examples could be pipelines, valves, or fencing. The second category consists of items that may be intangible, or items for which a total cost estimate is not identifiable. Examples could be participation rights in studies for a future project, rights-of-way, or plans.

In Category 1, the Agency currently has expended about $1,016,608 and expects to expend and additional $350,000 to complete the projects; the projects are about 74% completed.

In Category 2, the Agency has expended about $3,625,482.

NOTE 6 - JOINT VENTURES (JOINT POWERS AGREEMENTS)

The Association of California Water Agencies

The Agency participates in a joint venture under a joint powers agreement (JPA) with the Association of California Water Agencies Joint Powers Insurance Authority (JPIA). The relationship between the Agency and the JPA is such that the JPA is not a component unit of the Agency for financial reporting purposes. Audited financial statements are available by contacting the JPIA at 2100 Professional Drive, Roseville, California 95661.

The Association of California Water Agencies Joint Powers Insurance Authority arranges for and provides insurance coverage for its nearly 365 member districts. JPIA is governed by a board of directors and each member agency is required to designate one representative from its local board of directors to participate in the JPIA board. From the board of directors, nine members of a ten-member executive committee are elected and delegated the authority to make JPIA's preliminary policy decisions relying upon input received from other standing and ad hoc committees and subcommittees. These policy decisions, along with other matters such as financial and claims data, are ultimately brought before the full board for review and/or ratification. The board controls the operations of the JPIA, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the board. JPIA provides joint protection coverage for losses in excess of the member districts' individually specified self-insurance retention levels. Individual claims (and aggregate public liability and property claims) in excess of specified levels are covered by excess insurance policies purchased from commercial insurance carriers.

NOTE 6 - JOINT VENTURES (JOINT POWERS AGREEMENTS) (Continued)

Condensed audited financial information of the Association of California Water Agencies Joint Powers Insurance Authority for the years ended September 30, 2020 and 2019 are as follows:

	2020	2019
Total assets	$ 237,525,073	$ 212,099,851
Deferred outflows of resources	1,054,750	553,790
Total assets and deferred outflows of resources	$ 238,579,823	$ 212,653,641
Total liabilities	$ 113,075,164	$ 112,046,920
Deferred inflows of resources	1,817,452	1,672,219
Net position	123,687,207	98,934,502
Total liabilities, deferred inflows, and net position	$ 238,579,823	$ 212,653,641
Total revenues	$ 189,130,318	$ 173,647,293
Total expenses	(172,886,738)	(169,356,246)
Total other income	8,509,125	8,177,851
Change in net position	$ 24,752,705	$ 12,468,898

Delta Conveyance Finance Authority

The Agency participates under a joint powers agreement (JPA) with the Delta Conveyance Finance Authority (DCFA). The DCFA is a joint powers agency created in July 2018 as a conduit financing authority to assist the Department of Water Resources and the public water agency participants, currently all of whom are State Water Project Contractors, finance all or a portion of the Delta Conveyance Project. The Delta Conveyance Project is a major project that will deliver water from the Sacramento River near the northern end of Sacramento-San Joaquin Delta to the existing State Water Project and Central Valley Project pumping plants in the southern end of the delta. Its members consist of water agencies that contract with DWR for the purchase of water. Its operations are supported by the collection of contributions from its members. The governing board is made up of eleven representatives from member agencies. Audited financial statements are available by contacting the DCFA at 1121 L Street, Suite 1045, Sacramento, California 95814.

Condensed audited financial information of the Delta Conveyance Finance Authority, which is reported on a cash basis of accounting, for the year ended June 30, 2019, the most recent information available, is as follows:

Cash receipts	$ 401,900
Cash disbursements	175,870
Excess of receipts over disbursements	$ 226,030
Cash and investments at beginning of the year	-
Cash and investments at end of the year	$ 226,030

NOTE 7 - PENSION PLAN

(a) General Information about the Pension Plan

Plan Description

All full-time Agency employees are required to participate in the San Gorgonio Pass Water Agency Miscellaneous Plan with CalPERS, a cost-sharing multiple-employer public employee defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employee's Retirement Law. The Agency selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board approval. CalPERS issues a separate comprehensive annual report. Copies of CalPERS' annual financial report may be obtained from its Executive Office, 400 Q Street, Sacramento, CA 95811.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members 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 improved non-industrial disability benefits after five years of service. The Agency has chosen the Optional Settlement 2W Death Benefit.

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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 through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance any unfunded accrued costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The Agency's total employer contributions were $451,073 and $288,162 for the fiscal years ended June 30, 2021 and 2020, respectively.

Active plan members who were hired before January 1, 2013, sometimes referred to as "Classic" employees, are required to contribute 8 percent of their annual covered salary. A resolution passed by the Board of the Agency directed the Agency to pay this portion, called Employer Paid Member Contributions (EPMC) through December 31, 2012. Beginning January 1, 2013, the Agency established two classes of employees, as dictated by the newly enacted Public Employees’ Pension Reform Act (PEPRA). By Board action, "Classic" employees began paying a portion of the EPMC starting January 1, 2013. For calendar year 2013, they contributed 1.0 percent of the annual covered salary as a pre-tax deduction. For calendar year 2014, they paid 2 percent of their annual covered salary. For calendar year 2015, and continuing, they pay 3 percent of their annual covered salary. At June 30, 2021 and 2020, the Agency's pickup of the employee's 5 percent share was $27,300 and $27,300, respectively. There are no PEPRA members employed by the Agency.

NOTE 7 - PENSION PLAN (Continued)

The plan's provisions and benefits at June 30, 2021 and 2020 are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% at 60	2.0% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Final average compensation period	12 months	12 months
Sick leave credit	Yes	Yes
Retirement age	60	62
Monthly benefits as a percent of eligible compensation	3.00%	1.80% to 2.50%
Cost-of-living adjustment	4.0% maximum	4.0% maximum
Required employee contribution rates		
2021	3.00%	8.00%
2020	3.00%	8.00%
Required employer contribution rates		
2021	17.392%	N/A
2020	16.413%	N/A

Net Pension Liability

The Agency's net pension liability for the Plan is measured as the proportionate share of the collective net pension liability of the Plan. At June 30, 2021 and 2020, the Agency reported the following net pension liability measured as of June 30, 2020 and 2019, respectively:

	2021		2020	
	Amount	Proportion	Amount	Proportion
Total pension liability	$ 4,041,405	0.02136%	$ 3,783,873	0.02104%
Fiduciary net position	3,482,989	0.02369%	3,156,613	0.02258%
Net pension liability	$ 558,416	0.00513%	$ 627,260	0.00612%

The Agency's proportion of the collective net pension liability decreased by 0.00099% since the last measurement date.

NOTE 7 - PENSION PLAN (Continued)

(b) Actuarial Methods and Assumptions Used to Determine Total Pension Liability
For the measurement period ending June 30, 2020 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2019 total pension liability determined in the June 30, 2019 actuarial accounting valuation. For the measurement period ending June 30, 2019 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability determined in the June 30, 2019 actuarial accounting valuation.

The June 30, 2020 and 2019 total pension liability was based on the following actuarial methods and assumptions:

Actuarial cost method		Entry age normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:		
Discount rate	2020	7.15%
	2019	7.15%
Inflation	2020	2.63%
	2019	2.75%
Salary increases		Varies by entry age and service
Investment rate of return	2020	7.25% net of pension plan investment expenses, including inflation
	2019	7.38% net of pension plan investment expenses, including inflation
Mortality rate table[1]		Derived using CalPERS' membership data for all funds
Post-retirement benefit increase		Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

[1] *The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.*

All other actuarial assumptions used in the June 30, 2020 and 2019 valuations were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

NOTE 7 - PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2020 and 2019 for was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS considered both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement 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+ 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. 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 adjusted to account for assumed administrative expenses.

NOTE 7 - PENSION PLAN (Continued)

The table below reflects long-term expected real rate of return by asset class.

Asset Class	New Strategic Allocation		Real Return Years 1-10[1]	Real Return 11+[2]	Real Return Years 1-10[1]	Real Return 11+[2]
	2020	2019	2020	2020	2019	2019
Global equity	50.00%	50.00%	4.80%	5.98%	4.80%	5.98%
Fixed income	28.00%	28.00%	1.00%	2.62%	1.00%	2.62%
Inflation sensitive assets	0.00%	0.00%	0.77%	1.81%	0.77%	1.81%
Private equity	8.00%	8.00%	6.30%	7.23%	6.30%	7.23%
Real estate	13.00%	13.00%	3.75%	4.93%	3.75%	4.93%
Liquidity	1.00%	1.00%	0.00%	-0.92%	0.00%	-0.92%
Total	100.00%	100.00%				

[1] An expected inflation of 2.00 percent used for this period
An expected inflation of 2.92 percent used for this period

(c) Sensitivity of the Net Pension Liability to Changes in the Discount Rate
The following presents the Agency's proportionate share of the collective net pension liability of the plan as of the measurement date calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00 percentage-point lower or 1.00 percentage-point higher than current discount rate:

Measurement Date	Discount Rate -1.0% (6.15%)	Current Discount (7.15%)	Discount Rate +1.0% (8.15%)
2020	$ 1,096,229	$ 558,416	$ 114,039
	(6.15%)	(7.15%)	(8.15%)
2019	$ 1,136,203	$ 627,260	$ 207,164

Pension Plan Fiduciary Net Position
Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 7 - PENSION PLAN (Continued)

(d) Pension Expense, Deferred Outflows and Deferred Inflows of Resources Related to Pensions
For the year ended June 30, 2021 and 2020, the Agency recognized pension expense of $224,033 and $220,856, respectively. At June 30, 2021 and 2020, the Agency deferred inflows and outflows of resources related to pensions are as follows:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2021	2020	2021	2020
Pension contributions subsequent to measurement date	$ 451,073	$ 288,162	$ -	$ -
Net difference between projected and actual earnings on pension plan investments	16,589	-		10,966
Difference between actual and projected contributions	187,897	140,363	6	680
Changes in assumptions		29,911	3,983	10,603
Difference between expected and actual experience	28,776	43,566		3,375
Change in proportion	6,262	23,932	135,326	107,224
Total	$ 690,597	$ 525,934	$ 139,315	$ 132,848

The amounts above are net of outflows and inflows recognized in the pension expense. The $451,073 and $288,162 reported as deferred outflows of resources related to contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the fiscal years ended June 30, 2022 and 2021, respectively.

The deferred outflows and inflows of resources, other than contributions subsequent to measurement date, will be recognized in future pension expense as follows:

Fiscal Year Ending June 30	Deferred Inflows (Outflows) of Resources 2021	2020
2021	$ -	74,986
2022	35,657	13,058
2023	35,678	14,663
2024	20,919	2,217
2025	7,955	-
	$ 100,209	$ 104,924

NOTE 8 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Agency offers health care benefits to active and retired employees, as well as their qualified dependents through CalPERS. The CalPERS plan is an agent multiple-employer plan governed by the Public Employees' Medical & Hospital Care Act (PEMHCA). Under PEMHCA, health coverage for the employee continues into retirement for employees who have reached at least age 50 with a minimum of five years of service. Eligible retirees may enroll in any of the plans available through the CalPERS program. The Agency pays the entire cost of coverage for the retiree and their dependents. The Agency provided health care benefits that continue for the life of the retiree and the spouse. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 "P" Street, Sacramento, California 95814.

At June 30, 2021 and 2020, the following employees were covered by the benefit terms:

	Number of Covered Participants
Inactive plan members or beneficiaries currently receiving benefit payments	3
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	4
Total	7

Contribution requirements of the Agency are established by Ordinance and may be amended through board action to update the original Ordinance. For the year ended June 30, 2021 and 2020, the Agency's average contribution rate was 7.1 percent and 12.6 percent of covered-employee payroll, respectively. Employees are not required to contribute to the plan.

Net OPEB Liability

The Agency's net OPEB liability was measured as of June 30, 2020 and 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019.

NOTE 8 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Actuarial assumptions: The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75% annually
Discount rate	6.75%
Long-term expected rate of return on investments	6.75% net of investment expenses
Healthcare cost trend rates	
Pre-Medicare	7.25% for 2021, decreasing to 4.00% for 2076 and later
Medicare	6.30% for 2021, decreasing to 4.00% for 2076 and later

Mortality rates were based on the CalPERS experience study, with adjustments for mortality improvements projected with Mortality Improvement Society of Actuaries Scale MP-2019.

The actuarial assumptions used in the June 30, 2020 and 2019 valuation were based on the results of a CalPERS actuarial experience study for the period 1997-2015.

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class Component	Target Allocation *		Long-Term Expected Real Rate of Return	
	2020	2019	2020	2019
Equities	59%	59%	4.82%	4.82%
Fixed income	25%	25%	1.47%	1.47%
TIPS	5%	5%	1.29%	1.29%
Commodities	3%	3%	0.84%	0.84%
REITs	8%	8%	3.76%	3.76%
Total	100%	100%		

* Policy target effective October 1, 2018.

NOTE 8 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Discount rate: The discount rate used to measure the total OPEB liability at June 30, 2021 and 2020 was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that Plan Assets will always exceed benefit payments. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in Assumptions

Assumption related to the excise tax on high cost employer-sponsored health coverage was removed.

Changes in the Net OPEB Liability

The changes in the net OPEB liability for the plan for the year ended June 30, 2021 are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	NET OPEB Liability (a) - (b)
Balances at June 30, 2020	$ 794,006	$ 767,611	$ 26,395
Changes for the year:			
Service cost	64,873	-	64,873
Interest	57,294	-	57,294
Assumption changes	(16,297)	-	(16,297)
Contributions - employer	-	70,211	(70,211)
Net investment income	-	26,844	(26,844)
Benefit payments	(20,161)	(20,161)	-
Administrative expense	-	(426)	426
Net changes	85,709	76,468	9,241
Balances at June 30, 2021	$ 879,715	$ 844,079	$ 35,636

NOTE 8 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

The changes in the net OPEB liability for the plan for the year ended June 30, 2020 are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	NET OPEB Liability (a) - (b)
Balances at June 30, 2019	$ 971,839	$ 723,097	$ 248,742
Changes for the year:			
Service cost	73,296	-	73,296
Interest	69,685	-	69,685
Differences between expected and actual experience	(289,302)	-	- (289,302)
Contributions - employer	(5,992)	25,564	(31,556)
Net investment income	-	44,669	(44,669)
Benefit payments	(25,520)	(25,520)	-
Administrative expense	-	(199)	199
Net changes	(177,833)	44,514	(222,347)
Balances at June 30, 2020	$ 794,006	$ 767,611	$ 26,395

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates: The following presents the net OPEB liability of the Agency, as well as what the Agency's net OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage-point lower or 1.00 percentage-point higher than the current discount rate:

	Discount Rate		
	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Net OPEB liability - June 30, 2021	$ 135,776	$ 35,636	$ (48,551)
Net OPEB liability - June 30, 2020	$ 119,174	$ 26,395	$ (51,673)

NOTE 8 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates:
The following presents the net OPEB liability of the Agency, as well as what the Agency's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.00 percentage point lower or 1.00 percentage-point higher than the current healthcare cost trend rates:

	Healthcare Trend Rate		
	1% Decrease	Current Trend	1% Increase
Net OPEB liability - June 30, 2021	$ (67,511)	$ 35,636	$ 158,473
Net OPEB liability - June 30, 2020	$ (66,169)	$ 26,395	$ 136,467

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CalPERS financial report.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
For the year ended June 30, 2021 and 2020, the Agency recognized OPEB benefit of $50,639 and $25,148, respectively. At June 30, 2021 and 2020, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2021	2020	2021	2020
Differences between expected and actual experience	$ -	$ -	$ 66,762	$178,032
Changes and assumptions	-	-	10,889	3,687
Net difference between projected and actual earnings on OPEB plan investments	14,104	-	-	11,919
Employer contributions made subsequent to the measurement date	38,788	70,211	-	-
Total	$ 52,892	$ 70,211	$ 77,651	$193,638

NOTE 8 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

The $38,788 and $70,211 reported as deferred outflows of resources related to contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the fiscal years ended June 30, 2022 and 2021, respectively. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/(Inflows) of Resources 2021	2020
2021	-	$ (119,524)
2022	$ (75,864)	(74,092)
2023	1,452	(849)
2024	5,845	827
2025	5,020	-
	$ (63,547)	$ (193,638)

NOTE 9 - RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts, theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance through participation in the Association of California Water Agencies Joint Powers Insurance Authority. See Note 6. The insurance purchased is for liability, property and workers' compensation insurance and there are various self-insured retention levels, similar to a deductible, per occurrence.

NOTE 10 - CONTRACTUAL COMMITMENTS

The Agency has entered into various contractual agreements for engineering, construction, and consulting services. As of June 30, 2021, the remaining contractual commitment for geologic studies and monitoring is $113,923, none for construction service, and for various other agreements is $497,153. As of June 30, 2020, the remaining contractual commitment for geologic studies and monitoring is $251,455, for construction service is $97,168, and for various other agreements is $932,513. These commitments have not been recorded in the accompanying financial statements.

NOTE 11 - RISK AND UNCERTAINTIES

COVID-19

As a result of the spread of the COVID-19 coronavirus, economic risks and uncertainties have arisen which could negatively impact the Agency’s operations and its financial results. However, management does not anticipate any negative impact at this time.

NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 14, 2021, the date the financial statements were available to be issued. No events occurred through this date requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

Schedule of Agency Contributions – CalPERS Pension Cost Sharing Plan
For the last ten fiscal years[1]

	2021	2021	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 151,073	$ 138,162	$ 121,289	$ 105,338	$ 95,564	$ 109,010	$ 112,491
Contributions in relation to the actuarially determined contribution	(451,073)	(288,162)	(321,289)	(105,338)	(95,564)	(109,010)	(112,491)
Contribution deficiency (excess)	$ (300,000)	$ (150,000)	$ (200,000)	$ -	$ -	$ -	$ -
Covered payroll	$ 541,807	$ 545,993	$ 522,545	$ 505,149	$ 478,062	$ 461,852	$ 425,739
Contributions as a percentage of covered payroll	83.25%	52.78%	61.49%	20.85%	19.99%	23.60%	26.42%

[1] Historical information is required only for measurement periods for which GASB 68 is applicable. Additional years will be added as they become available in the future.

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios
For the last ten fiscal years[1]

	2021	2020	2019	2018	2017	2016	2015
Measurement Date	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the collective net pension liability	0.00513%	0.00612%	0.00784%	0.00778%	0.00754%	0.00715%	0.01065%
Proportionate share of the collective net pension liability	$558,416	$627,260	$755,595	$771,494	$652,703	$490,726	$662,864
Covered-employee payroll	545,993	522,545	505,149	478,062	461,852	425,739	407,378
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	102.28%	120.04%	149.58%	161.38%	141.32%	115.26%	162.71%
Proportionate share of the fiduciary net position as a percentage of the plan's total pension liabilit	75.10%	75.26%	75.26%	73.31%	74.06%	78.04%	75.86%

[1] Historical information is required only for measurement periods for which GASB 68 is applicable. Additional years will be added as they become available in the future.

Schedule of Changes in the Agency's Net OPEB Liability and Related Ratios
For the last ten fiscal years[1]

Measurement Period Ending*	2020	2019	2018	2017
Changes in total OPEB liability				
Service cost	$ 64,873	$ 73,296	$ 71,161	$ 69,088
Interest	57,294	69,685	62,344	55,712
Difference between expected and actual experience	-	(289,302)	-	-
Changes of assumptions	(16,297)	(5,992)	-	-
Changes of benefit terms	-	-	-	-
Benefit payments including refunds**	(20,161)	(25,520)	(28,262)	(28,972)
Net changes	85,709	(177,833)	105,243	95,828
Total OPEB liability (beginning)	794,006	971,839	866,596	770,768
Total OPEB liability (ending)	$ 879,715	$ 794,006	$ 971,839	$ 866,596
Changes in plan fiduciary net position				
Contributions - employer**	$ 70,211	$ 25,564	$ 7,315	$ 6,512
Contributions - employee	-	-	-	-
Net investment income	26,844	44,669	54,942	68,257
Benefit payments including refunds**	(20,161)	(25,520)	(28,262)	(28,972)
Administrative expense	(426)	(199)	(1,281)	(345)
Net changes	76,468	44,514	32,714	45,452
Plan fiduciary net position (beginning)	767,611	723,097	690,383	644,931
Plan fiduciary net position (ending)	$ 844,079	$ 767,611	$ 723,097	$ 690,383
Net OPEB liability (ending)	$ 35,636	$ 26,395	$ 248,742	$ 176,213
Plan fiduciary net position as a percentage of the total OPEB liability	95.9%	96.7%	74.4%	79.7%
Covered payroll	$ 555,060	$ 530,033	$ 512,238	$ 485,156
Net pension liability as a percentage of covered payroll	6.4%	5.0%	48.6%	36.3%

* For the 12-month period ending on June 30 (measurement date)

** Includes implied subsidy benefit payments

[1] *Historical information is required only for measurement periods for which GASB 75 is applicable. Additional years will be added as they become available in the future.*

Schedule of Agency Contributions – OPEB Liability
For the last ten fiscal years[1]

	2021	2020	2019	2018
Actuarially determined contribution (ADC)	$ 71,584	$ 69,448	$ 91,647	$ 88,920
Contributions in relation to the actuarially determined contribution	38,788	70,211	25,564	7,315
Contribution deficiency/(excess)	$ 32,796	$ (763)	$ 66,083	$ 81,605
Covered payroll*	$ 544,138	$ 555,060	$ 530,033	$ 512,238
Contributions as a percentage of covered payroll	7.1%	12.6%	4.8%	1.4%

* For the 12-month period ending on the preceding June 30th fiscal year-end
[1] *Historical information is required only for measurement periods for which GASB 75 is applicable. Additional years will be added as they*

Notes to Schedule

Valuation date

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumption used to determine contribution rates

Actuarial cost method	Entry age, level percentage of payroll
Amortization method and period	Level dollar amount over closed 18-year period
Asset valuation method	Market value, no smoothing
Inflation	2.75%
Investment rate of return	6.75%
Healthcare cost trend rates	
Pre-Medicare	7.25% for 2021, decreasing to 4.00% for 2076 and later
Medicare	6.30% for 2021, decreasing to 4.00% for 2076 and later
Mortality, Disability, Termination, Retirement	
Retirement	CalPERS 1997-2015 Experience Study
Mortality Improvement	Mortality projected with Mortality Improvement Society of Actuaries Scale MP-2019

SUPPLEMENTARY INFORMATION - UNAUDITED

Organization and Description of the Agency

San Gorgonio Pass Water Agency (the "Agency") was formed in 1961 by the Legislature of the State of California through the enactment of special legislation. The Agency was formed for the purpose of importing water by contracting for participation in the State Water Project of the State Department of Water Resources and for any other activities authorized by the Legislature as proper for the Agency to conduct. The Agency's contract for water provides for delivery of up to 17,300 acre feet of water per year, effective January 1, 2008.

The Agency is committed to pay its proportionate share of the capital and other costs of the State Water Project, including the capital costs in connection with both the transportation facilities and the conservation facilities, the operation and maintenance costs in connection therewith, and the variable costs incident to the actual delivery of water. Annually, the State Department of Water Resources issues a bulletin known as the 132 Series in which the capital and operating costs are estimated for the life of the project. On June 30 of each year, they bill for the costs to be paid during the next succeeding calendar year. The capital costs are being capitalized as utility plant while the other costs are charged to operations. The capital costs are being amortized on a unit rate based on water deliveries projected over the life of the State Water Project to the year 2035.

Officers, Directors, and Senior Management

The officers, directors, and senior management of the Agency are listed below:

	Term Expires
Steve Lehtonen, President	December 2022
Larry Smith, Vice President	December 2024
Blair Ball, Director	December 2022
Ron Duncan, Director	December 2024
Chander P. Letulle, Director	December 2024
Robert Ybarra, Director	December 2022
Mickey Valdivia, Treasurer	December 2024
Lance Eckhart, General Manager and Secretary of the Board	N/A

Insurance Coverage

The agreement with the Joint Powers Insurance Authority (JPIA) is for liability, property, and workers' compensation insurance.

For liability coverage, the first $2,000,000 of basic coverage is pooled self-insured coverage. For coverage in excess of $2,000,000, the JPIA has a number of excess liability policies and insures the Agency for the $2,000,000 base through $60,000,000.

For property coverage, there is a $1,000 deductible for buildings, fixed equipment and personal property, and a $500 deductible for vehicles.

Eadie + Payne, LLP
3880 Lemon St., Ste. 300
Riverside, CA 92501
P.O. Box 1529
Riverside, CA 92502-1529
Office: 951-241-7800
www.eadiepaynellp.com

EADIE + PAYNE LLP

Celebrating a Century of Quality Service

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*

Independent Auditor's Report

To the Board of Directors and Management
San Gorgonio Pass Water Agency
Beaumont, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of San Gorgonio Pass Water Agency (the Agency), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated October 14, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Certified Public Accountants & Business Advisors

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Eadie and Payne LLP

Riverside, California
October 14, 2021

February 18, 2022

Corey McCullough
Montague DeRose and Associates, LLC
2801 Townsgate Road, Suite 221
Westlake Village, CA 91361

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT ZONE NO. 7

Fiscal Year Ended 6/30	Assessed Valuation (1)	Tax on Secured Property (2)	Delinquencies at June 30 Amount	Percent	Tax Rate Per $100 Assessed Valuation Agency Total Rate	Typical Total Rate
2015	$46,590,971,389	$11,113,571	$ 74,553	0.67%	0.0250	1.1292
2016	50,227,748,217	16,575,533	221,027	1.33	0.0343	1.0873
2017	53,661,748,685	17,078,709	131,010	0.77	0.0333	1.0915
2018	57,115,444,470	19,695,457	126,311	0.64	0.0359	1.1581
2019	61,423,451,270	19,553,061	124,982	0.64	0.0332	1.1654
2020	65,870,004,511	19,418,423	135,389	0.70	0.0309	1.1702
2021	69,421,461,427	20,419,370	136,808	0.67	0.0309	1.1389
2022	71,991,152,283	(3)	(3)	(3)	0.0307	1.1572

Direct and Overlapping Bonded Debt at December 31. 2021:

Total Gross Direct Debt	$0
Less: Supported Debt	0
Total Net Direct Debt	$0
Total Gross Overlapping Tax and Assessment Debt	$1,772,369,807
Less: Supported Debt	0
Total Net Overlapping Tax and Assessment Debt	$1,772,369,807
Total Gross Overlapping General Fund Debt	$237,439,040
Less: Supported Debt	7,285,000
Total Net Overlapping General Fund Debt	$230,154,040
Total Gross Overlapping Tax Increment Debt	$17,190,000
Less: Supported Debt	0
Total Net Overlapping Tax Increment Debt	$17,190,000
Total Gross Direct and Overlapping Bonded Debt	$2,026,998,847
Less: Self-supporting Debt	7,285,000
Total Net Direct and Overlapping Bonded Debt	$2,019,713,847

Ratio to Assessed Valuation at December 31, 2021:

Gross Direct Debt	0.00%
Net Direct Debt	0.00%
Total Gross Overlapping Tax and Assessment Debt	2.46%
Total Net Overlapping Tax and Assessment Debt	2.46%
Gross Direct and Overlapping Bonded Debt	2.82%
Net Direct and Overlapping Bonded Debt	2.81%

(1) The assessed valuations include state-reimbursable exemptions.
(2) Excludes tax levy on inventories and other unsecured property.
(3) Available at end of fiscal year.

KD:($350)

February 15, 2022

Corey McCullough
Montague DeRose and Associates, LLC
2801 Townsgate Road, Suite 221
Westlake Village, CA 91361

SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Fiscal Year Ended 6/30	Assessed Valuation (1)	Tax on Secured Property (2)	Delinquencies at June 30 Amount	Percent	Tax Rate Per $100 Assessed Valuation Agency Total Rate	Typical Total Rate
1999	$26,929,428,510	$292,586,142	$2,482,863	0.85%	0.00000	1.02221
2000	28,506,012,483	312,186,449	4,545,263	1.46	0.00000	1.01919
2001	30,811,725,758	336,579,195	6,194,044	1.84	0.00000	1.02724
2002	33,470,431,216	325,958,442	4,097,562	1.26	0.00000	1.02799
2003	35,986,575,550	348,404,287	4,327,765	1.24	0.00000	1.02707
2004	38,619,690,313	378,733,525	3,827,763	1.01	0.00000	1.02530
2005	42,010,491,267	412,156,061	4,490,277	1.09	0.00000	1.02086
2006	46,430,715,568	459,630,599	5,978,796	1.30	0.00000	1.02586
2007	51,053,483,690	508,780,407	10,760,629	2.11	0.00000	1.02631
2008	54,591,882,970	547,037,318	13,322,133	2.44	0.00000	1.02633
2009	56,957,844,751	570,319,442	15,942,615	2.80	0.00000	1.03483
2010	57,102,686,939	573,825,003	13,723,941	2.39	0.00000	1.03496
2011	57,601,688,658	575,911,027	9,363,054	1.63	0.00000	1.03496
2012	58,359,033,685	582,738,827	7,131,251	1.22	0.00000	1.03619
2013	58,837,930,366	590,636,407	5,574,662	0.94	0.00000	1.03969
2014	61,284,526,961	617,343,477	4,463,837	0.72	0.00000	1.04840
2015	64,587,513,414	658,541,674	4,942,942	0.75	0.00000	1.04840
2016	67,794,437,086	684,498,184	1,674,439	0.24	0.00000	1.04515
2017	70,290,131,386	720,076,190	4,641,237	0.64	0.00000	1.04088
2018	74,174,960,316	749,310,498	7,405,629	0.98	0.00000	1.05136
2019	77,584,016,408	785,888,856	7,629,757	0.97	0.00000	1.06593
2020	81,434,155,659	826,936,584	10,360,976.	1.25	0.00000	1.05998
2021	85,301,256,419	868,876,273	10,225,299	1.18	0.00000	1.05761
2022	88,590,288,518	(3)	(3)	(3)	0.00000	1.05763

Direct and Overlapping Bonded Debt at December 31, 2021:

Total Gross Direct Debt	$0
Less: Supported Debt	0
Total Net Direct Debt	$0
Total Gross Overlapping Tax and Assessment Debt	$971,769,946
Less: Supported Debt	0
Total Net Overlapping Tax and Assessment Debt	$971,769,946
Total Gross Overlapping General Fund Debt	$95,141,710
Less: Supported Debt	29,640,000
Total Net Overlapping General Fund Debt	$65,501,710
Total Gross Overlapping Tax Increment Debt	$25,950,000
Less: Supported Debt	0
Total Net Overlapping Tax Increment Debt	$25,950,000
Total Gross Direct and Overlapping Bonded Debt	$1,092,861,656
Less: Supported Debt	29,640,000
Total Net Direct and Overlapping Bonded Debt	$1,063,221,656

Ratio to Assessed Valuation at December 31, 2021:

Gross Direct Debt	0.00%
Net Direct Debt	0.00%
Total Gross Overlapping Tax and Assessment Debt	1.10%
Total Net Overlapping Tax and Assessment Debt	1.10%
Gross Direct and Overlapping Bonded Debt	1.23%
Net Direct and Overlapping Bonded Debt	1.20%

(1) The assessed valuations include state-reimbursable exemptions and exclude redevelopment incremental valuations. Beginning in 1988-89, assessed valuations exclude unitary utility valuations.
(2) Excludes tax levy on inventories and other unsecured property.
(3) Information not available until fiscal year is completed.

KD:($350)

February 15, 2022

Corey McCullough
Montague DeRose and Associates, LLC
2801 Townsgate Road, Suite 221
Westlake Village, CA 91361

KERN COUNTY WATER AGENCY

Fiscal Year Ended 6/30	Assessed Valuation (1)	Tax on Secured Property (2)	Delinquencies at June 30		Tax Rate Per $100 Assessed Valuation		
			Amount	Percent	Agency Rate	Typical Total Rate: City of Bakersfield Total Rate	Typical Total Rate: Elk Hills School District
1998	$34,411,749,796	$12,984,313	$480,525	3.70%	0.091601	1.172489	1.019745
1999	32,692,348,290	13,035,390	282,929	2.17	0.089041	1.139540	1.016470
2000	36,368,798,648	(3)	(3)	(3)	0.088270	1.162026	1.035082
2001	38,813,931,812	15,981,366	295,032	1.85	0.077322	1.157759	1.017135
2002	41,429,323,346	15,210,702	339,798	2.23	0.061936	1.117621	1.015612
2003	39,976,729,738	15,776,379	476,821	3.02	0.060665	1.160526	1.019332
2004	42,165,212,745	18,525,332	(3)		0.063662	1.146391	1.021406
2005	45,443,236,748	16,054,006	237,483	1.48	0.063200	1.156496	1.056077
2006	52,596,138,408	13,726,652	258,314	1.88	0.047579	1.133705	1.055929
2007	64,149,863,242	12,223,309	384,215	3.14	0.038184	1.122182	1.047846
2008	71,491,760,384	18,521,313	802,472	4.33	0.053401	1.157296	1.050210
2009	75,766,431,779	17,059,057	572,984	3.36	0.052517	1.151185	1.054710
2010	70,423,049,669	19,500,828	565,663	2.90	0.064063	1.180167	1.064484
2011	74,597,201,953	17,863,779	345,942	1.94	0.058402	1.176436	1.053897
2012	76,240,534,603	25,718,178	379,982	1.48	0.074783	1.191102	1.054265
2013	81,254,773,400	18,041,862	234,670	1.30	0.057330	1.174290	1.043923
2014	81,080,979,985	21,461,367	244,116	1.14	0.062029	1.144662	1.073345
2015	85,601,304,520	21,947,286	235,109	1.07	0.056660	1.117595	1.069056
2016	76,936,246,496	22,535,818	231,106	1.03	0.060768	1.133600	1.079475
2017	72,752,296,314	24,676,414	301,531	1.22	0.068450	1.118033	1.142412
2018	77,288,726,481	33,033,896	351,729	1.06	0.090374	1.220308	1.112009
2019	80,502,901,315	32,788,630	383,891	1.17	0.082148	1.200369	1.094740
2020	84,074,584,469	37,953,554	583,988	1.54	0.094733	1.207273	1.164463
2021	86,453,205,524	39,228,346	469,095	1.20	0.091399	1.208096	1.187214
2022	86,596,320,841	(4)	(4)	(4)	0.091788	1.197957	1.148820

Direct and Overlapping Bonded Debt at December 31, 2021

Total Gross Direct Debt	$0
Less: Supported Debt	0
Total Net Direct Debt	$0
Total Gross Overlapping Tax and Assessment Debt	$1,527,267,537
Less: Supported Debt	0
Total Net Overlapping Tax and Assessment Debt	$1,527,267,537
Total Gross Overlapping General Fund Debt	$503,840,363
Less: Supported Debt	0
Total Net Overlapping General Fund Debt	$503,840,363
Total Gross Overlapping Tax Increment Debt	$62,889,000
Less: Supported Debt	0
Total Net Overlapping Tax Increment Debt	$62,889,000
Gross Direct and Overlapping Bonded Debt	$2,093,996,900
Net Direct and Overlapping Bonded Debt	$2,093,996,900

Ratios to Assessed Valuation at December 31, 2021:

Gross Direct Debt.......0.00%
Net Direct Debt.......0.00%
Gross Direct and Overlapping Tax and Assessment Debt.......1.76%
Net Direct and Overlapping Tax And Assessment Debt.......1.76%
Gross Direct and Overlapping Bonded Debt.......2.42%
Net Direct and Overlapping Bonded Debt.......2.42%

(1) Assessed Valuations are based on 100% of cash value beginning in 1981-82, rather than 25% as in previous years. The assessed valuations include state-reimbursable exemptions and exclude redevelopment incremental valuations. Beginning in 1988-89, assessed valuations exclude unitary utility valuations.
(2) Excludes tax levy on inventories and other unsecured property.
(3) Information unavailable.
(4) Information not available until fiscal year is completed.

KD:($350)

February 2, 2022

Corey McCullough
Montague DeRose and Associates, LLC
2801 Townsgate Road, Suite 221
Westlake Village, CA 91361

METROPOLITAN WATER DISTRICT

2021-22 Assessed Valuation: $ $3,377,259,657,240

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 12/31/21	
Community College Districts	Various	$13,606,997,052	
Los Angeles Unified School District	99.634	10,792,130,704	
San Diego Unified School District	99.959	4,751,895,248	
Other Unified School Districts	Various	15,855,567,750	
High School and School Districts	Various	7,912,375,013	
City of Los Angeles	99.994	738,970,659	
Other Cities	Various	176,838,272	
Irvine Ranch Water District Improvement Districts	100.	517,500,000	
Santa Margarita Water District Improvement Districts	100.	32,885,000	
Other Water Districts	Various	22,565,105	
Healthcare Districts	Various	634,669,501	
Other Special Districts	Various	7,656,760	
Community Facilities Districts	Various	7,319,567,498	
1915 Act Bonds and Other Special Assessment District Bonds	Various	1,116,128,699	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$63,485,747,261	
METROPOLITAN WATER DISTRICT TOTAL DIRECT DEBT		**$26,830,000**	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$63,512,577,261	
OVERLAPPING GENERAL FUND DEBT:			
Los Angeles County Obligations	93.283%	$ 2,612,924,566	
Orange County Obligations	99.923	636,104,822	
Riverside County Obligations	66.688	1,071,538,981	
San Bernardino County Obligations	50.765	179,022,773	
San Diego County Obligations	96.703	575,141,093	
Ventura County Obligations	76.331	238,469,494	
City of Anaheim General Fund Obligations	99.887	640,986,695	
City of Long Beach General Fund Obligations and Pension Obligation Bonds	100.	75,375,000	
City of Los Angeles General Fund Obligations	99.994	1,444,145,353	
City of Pasadena General Fund and Pension Obligation Bonds	100.	530,698,634	
City of San Diego General Fund Obligations	99.949	574,111,483	
Other City General Fund Obligations	Various	7,217,477,613	
Water District General Fund Obligations	Various	59,227,739	
Los Angeles Unified School District Certificates of Participation	99.634	120,268,201	
Other School District General Fund Obligations	Various	1,927,596,772	
Other Special District General Fund Obligations	Various	42,208,835	
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$17,945,298,054	
Less: Obligations supported from other revenue sources		657,059,277	
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$17,288,238,777	
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$5,282,979,509	
GROSS COMBINED TOTAL DEBT		$86,740,854,824	(1)
NET COMBINED TOTAL DEBT		$86,083,795,547	

(1) Debt instruments included are general obligation bonds, lease revenue bonds and certificates of participation (when supported by the general fund), pension obligation bonds, 1915 Act special assessment bonds and Mello-Roos Act special assessment bonds. Excluded are enterprise revenue bonds, mortgage revenue bonds, tax and revenue anticipation notes and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

<u>Ratios to 2021-22 Assessed Valuation</u>:

Direct Debt ($26,830,000).. 0.001%
Total Direct and Overlapping Tax and Assessment Debt.................... 1.88%
Gross Combined Total Debt.. 2.57%
Net Combined Total Debt.. 2.55%

<u>Ratios to Redevelopment Incremental Valuation ($484,659,101,774)</u>:
Total Overlapping Tax Increment Debt.. 1.09%

KD: ($1,000)

February 18, 2022

Corey McCullough
Montague DeRose and Associates, LLC
2801 Townsgate Road, Suite 221
Westlake Village, CA 91361

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Fiscal Year Ended 6/30	Assessed Valuation (1)		Tax on Secured Property (2)	Delinquencies at June 30 Amount	Percent		Tax Rate Per $100 Assessed Valuation Agency Total Rate (3)	Typical Total Rate (6)
1999	$851,898,186,329		(4)	(4)		(4)	0.0089	1.067214
2000	910,809,885,402		(4)	(4)		(4)	0.0089	1.074728
2001	980,279,077,736		(4)	(4)		(4)	0.0088	1.078822
2002	1,169,293,222,451		(4)	(4)		(4)	0.0077	1.114077
2003	1,258,093,521,782		(4)	(4)		(4)	0.0067	1.102497
2004	1,359,534,425,177		(4)	(4)		(4)	0.0061	1.155130
2005	1,478,635,379,913		(4)	(4)		(4)	0.0058	1.169638
2006	1,643,013,823,543		(4)	(4)		(4)	0.0052	1.155967
2007	1,839,880,963,698		(4)	(4)		(4)	0.0047	1.179045
2008	2,015,721,475,188		(4)	(4)		(4)	0.0045	1.174687
2009	2,120,944,531,740		(4)	(4)		(4)	0.0043	1.189738
2010	2,081,864,775,527		(4)	(4)		(4)	0.0043	1.220441
2011	2,049,887,037,949		(4)	(4)		(4)	0.0037	1.269859
2012	2,068,668,852,729		(4)	(4)		(4)	0.0037	1.245849
2013	2,097,369,921,305	(7)	(4)	(4)		(4)	0.0035	1.265550
2014	2,183,386,537,251		47,704,924.11	536,777.41	1.13%	(5)	0.0035	1.224234
2015	2,314,948,470,714		48,035,283.02	521,310.97	1.09	(5)	0.0035	1.218651
2016	2,451,003,605,785		52,507,872.55	582,061.13	1.11	(5)	0.0035	1.191994
2017	2,583,386,184,090		56,623,896.43	507,550.17	0.90	(5)	0.0035	1.191849
2018	2,739,625,782,568	(8)	61,460,534.68	566,960.01	0.92	(5)	0.0035	1.193027
2019	2,916,620,002,752		67,179,889.79	666,681.73	0.99	(5)	0.0035	1.196046
2020	3,092,426,782,060		73,220,841.42	1,180,662.61	1.61	(5)	0.0035	1.174279
2021	3,263,355,524,486		79,522,572.33	961,258.75	1.21	(5)	0.0035	1.200129
2022	3,377,259,657,240		will be available at the end of the fiscal year			(5)	0.0035	1.175208

Direct and Overlapping Bonded Debt at December 31, 2021:

Total Gross Direct Debt	$26,830,000
Less: Self-supporting Debt	0
Total Net Direct Debt	$26,830,000
Total Overlapping Tax and Assessment Debt	$63,485,747,261
Direct and Overlapping Tax and Assessment Debt	$63,512,577,261
Total Gross Overlapping General Fund Obligation Debt	$17,945,298,054
Less: Self-supporting Debt	657,059,277
Total Net Overlapping General Fund Obligation Debt	$17,288,238,777
Overlapping Tax Increment Debt	$5,282,979,509
Gross Direct and Overlapping Bonded Debt	$86,740,854,824
Net Direct and Overlapping Bonded Debt	$86,083,795,547

Ratios to Assessed Valuation at December 31, 2021:

Gross Direct Debt..........0.001%
Net Direct Debt..........0.001%
Direct and Overlapping Tax and Assessment Debt..........1.88%
Total Gross Direct and Overlapping Bonded Debt..........2.57%
Total Net Direct and Overlapping Bonded Debt..........2.55%

(1) Assessed Valuations are based on 100% of cash value beginning in 1981-82, rather than 25% as in previous years. The assessed valuations include state-reimbursable exemptions. Beginning in 1988-89, assessed valuations exclude unitary utility valuations.
(2) Excludes tax levy on inventories and other unsecured property.
(3) Base rate for all member areas. Some areas added after formation of the District pay higher rates.
(4) Information unavailable.
(5) Los Angeles County portion only.
(6) Los Angeles County TRA 67.
(7) Excludes Orange County November 2012 unsecured adjustments.
(8) The 2017-18 Assessed Valuation is $1,005,087,583 less than the 8/15/2017 reported certified assessed valuation. The reduction is due to the discovery of 28 tax rate areas in Los Angeles County with double-counted assessed valuations.

February 18, 2022

Corey McCullough
Montague DeRose and Associates, LLC
2175 N. California Blvd., Suite 422
Walnut Creek, CA 94596

SAN BERNARDINO COUNTY VALLEY MUNICIPAL WATER DISTRICT

Fiscal Year Ended 6/30	Assessed Valuation (1)	Tax on Secured Property (2)	Delinquencies at June 30		Tax Rate Per $100 Assessed Valuation		
			Amount	Percent	Agency Rate	Typical Total Rate: School District Total Rate	Total Tax Rate
2015	$44,303,762,567				0.1625	0.0987	1.2612
2016	46,634,312,131				0.1625	0.0970	1.2595
2017	49,387,383,172				0.1625	0.0874	1.2499
2018	52,417,437,603				0.1525	0.0870	1.2395
2019	56,318,797,318				0.1525	0.0731	1.2256
2020	60,512,590,555				0.1425	0.0901	1.2326
2021	63,897,480,184				0.1425	0.1011	1.2436
2022	68,601,041,418				0.1300	0.1196	1.2496

Direct and Overlapping Bonded Debt at December 31, 2021:

Total Gross Direct Debt	$0
Less: Supported Debt	0
Total Net Direct Debt	$0
Total Gross Overlapping Tax and Assessment Debt	$1,424,959,368
Less: Supported Debt	0
Total Net Overlapping Tax and Assessment Debt	$1,424,959,368
Total Gross Overlapping General Fund Debt	$265,890,579
Less: Self-supporting Debt	0
Total Net Overlapping General Fund Debt	$265,890,579
Total Gross Overlapping Tax Increment Debt	$477,349,541
Less: Supported Debt	0
Total Net Overlapping Tax Increment Debt	$477,349,541
Gross Direct and Overlapping Bonded Debt	$2,168,199,488
Net Direct and Overlapping Bonded Debt	$2,168,199,488

Ratios to Assessed Valuation at December 31, 2021:

Gross Direct Debt	0.00%
Net Direct Debt	0.00%
Gross Direct and Overlapping Tax and Assessment Debt	2.08%
Net Direct and Overlapping Tax And Assessment Debt	2.08%
Gross Direct and Overlapping Bonded Debt	3.16%
Net Direct and Overlapping Bonded Debt	3.16%

(1) The assessed valuations include state-reimbursable exemptions and exclude redevelopment incremental valuations.
(2) Information unavailable.

KD:($350)

February 18, 2022

Corey McCullough
Montague DeRose and Associates, LLC
2801 Townsgate Road, Suite 221
Westlake Village, CA 91361

SAN GORGONIO PASS WATER AGENCY

Fiscal Year Ended 6/30	Assessed Valuation (1)	Tax on Secured Property (2)	Delinquencies at June 30		Tax Rate Per $100 Assessed Valuation	
			Amount	Percent	Agency Total Rate	Typical Total Rate
2015	$ 7,153,758,801	$12,452,588	$233,658	1.88%	0.1850	1.37965
2016	7,690,055,788	13,427,522	232,231	1.73	0.1850	1.35143
2017	8,130,682,113	14,310,311	234,673	1.64	0.1850	1.35370
2018	8,729,481,463	15,241,124	225,619	1.48	0.1825	1.36299
2019	9,436,463,325	16,536,186	309,574	1.87	0.1825	1.35694
2020	10,180,505,657	17,287,789	264,359	1.53	0.1775	1.33498
2021	11,294,530,549	18,692,214	262,299	1.40	0.1775	1.40036
2022	12,227,971,317	(3)	(3)	(3)	0.1750	1.39689

Direct and Overlapping Bonded Debt at December 31, 2021:

Total Gross Direct Debt	$0
Less: Supported Debt	0
Total Net Direct Debt	$0
Total Gross Overlapping Tax and Assessment Debt	$581,529,316
Less: Supported Debt	0
Total Net Overlapping Tax and Assessment Debt	$581,529,316
Total Gross Overlapping General Fund Debt	$75,047,149
Less: Supported Debt	0
Total Net Overlapping General Fund Debt	$75,047,149
Total Gross Overlapping Tax Increment Debt	$43,273,730
Less: Supported Debt	0
Total Net Overlapping Tax Increment Debt	$43,273,730
Total Gross Direct and Overlapping Bonded Debt	$699,850,195
Less: Self-supporting Debt	0
Total Net Direct and Overlapping Bonded Debt	$699,850,195

Ratio to Assessed Valuation at December 31, 2021:

Gross Direct Debt	0.00%
Net Direct Debt	0.00%
Total Gross Overlapping Tax and Assessment Debt	4.76%
Total Net Overlapping Tax and Assessment Debt	4.76%
Gross Direct and Overlapping Bonded Debt	5.72%
Net Direct and Overlapping Bonded Debt	5.72%

(1) The assessed valuations include state-reimbursable exemptions.
(2) Excludes tax levy on inventories and other unsecured property.
(3) Information not available until fiscal year is completed.

KD:($350)

COACHELLA VALLEY WATER DISTRICT

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ended June 30, 2021

Coachella Valley Water District

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

75-515 Hovley Lane East, Palm Desert, CA 92211

www.cvwd.org

THIS PAGE INTENTIONALLY LEFT BLANK

COACHELLA VALLEY WATER DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

COACHELLA VALLEY WATER DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

Page Number

STATISTICAL SECTION

INTRODUCTION

GENERAL MANAGER
Jim Barrett

CLERK OF THE BOARD
Sylvia Bermudez

ASSISTANT GENERAL MANAGER
Robert Cheng

ASSISTANT GENERAL MANAGER
Dan Charlton

November 22, 2021

To the Board of Directors:

We are pleased to present the Coachella Valley Water District's (CVWD, District) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2021. This document, which contains a complete set of basic financial statements, is presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. State law requires that all special-purpose local governments publish these basic financial statements within six months of the close of the agency's fiscal year. This report is published to fulfill that requirement and to provide the Board of Directors (Board), the public, and other interested parties these basic financial statements.

This report contains management's representations concerning the finances of the District. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that have been established for this purpose. These controls are designed to protect the District's assets from loss, theft, or misuse, and to ensure sufficiently reliable information for the preparation of the District's basic financial statements in conformity with GAAP. The District's internal controls have been designed to provide appropriate assurance that the basic financial statements will be free from material misstatement. As management, we assert that this financial report is complete and reliable in all material respects.

The District's basic financial statements have been audited by Clifton Larson Allen LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements for fiscal year ended June 30, 2021 are free of misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor rendered an unmodified opinion that the District's basic financial statements for the fiscal year ended June 30, 2021, are fairly presented, in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

A profile of the District is presented in the Introductory Section. In the Financial Section, Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides an overview and analysis of the basic financial statements. The letter of transmittal and introduction is designed to complement the MD&A and should be read in conjunction with it. This report includes all disclosures management believes necessary to enhance your understanding of the financial condition of the District.

1) Profile of the Coachella Valley Water District

Mission Statement: To meet the water-related needs of the people through dedicated employees, providing high-quality water at a reasonable cost.

Overview

Coachella Valley Water District was formed in 1918 to protect and conserve local water sources. CVWD is a special district established by the California State legislature and certified by state officials on January 16, 1918. The District has a deep history and was one of the original signatories to the Seven Party Agreement of 1931, which divided California's share of the Colorado River Water.

The District has grown into a multi-faceted agency that delivers irrigation and domestic (drinking) water, collects and recycles wastewater, provides regional stormwater protection and flood control, replenishes the groundwater basin, provides agricultural drainage and promotes water conservation. CVWD serves an area of approximately 1,000 square miles and is located primarily in Riverside County, with portions in Imperial and San Diego counties. The total full-time population served is approximately 300,000.

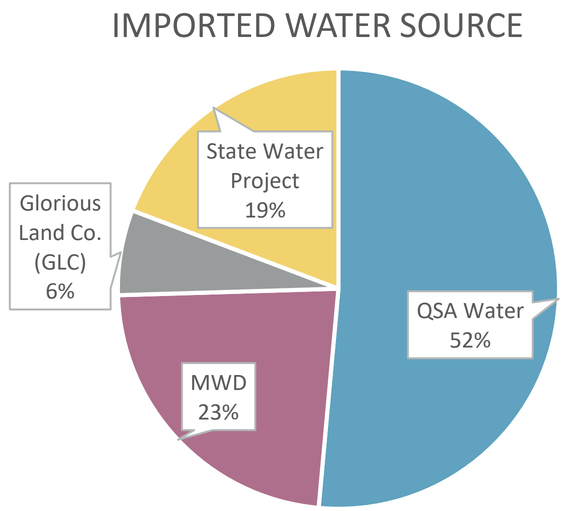
Governance

CVWD is governed by a five-member Board of Directors elected to four-year terms by District voters. Each Director lives in and represents one of five directorial divisions of the District, and is elected by voters who also live in that division. Terms of office are staggered and elections are held every two years, for two or three of the five Board members.

The Board of Directors set policy and represent the ratepayers. By a majority vote, the Board may enact and enforce ordinances and pass resolutions necessary for the operation of the District's business. The District plays a vital role in water resource management in Southern California and in the Lower Colorado River Basin.

The District must work effectively and cooperate with the State and federal governments, numerous local jurisdictions, and other water purveyors to fulfill this role. Board members actively serve in leadership positions for numerous intergovernmental agencies and associations that further the interests of the District. Numerous District policies are regulated by several state and federal agencies, including the State Water Resources Control Board, the California Department of Public Health and the California Environmental Protection Agency. Since the District is a government agency and not a private company, it is not regulated by the Public Utilities Commission.

The District relies on three sources of water to provide service to its customers: groundwater, recycled water, and imported water. The District imports water from four sources: the Colorado River, the Metropolitan Water District of Southern California (MWD), the Glorious Land Company (GLC), and the State Water Project (SWP). All of the District's imported water is received via the Coachella Canal.



Although the Coachella Valley is blessed with a vast aquifer, the region has relied upon imported water to protect and replenish groundwater supplies for years. The good news is that groundwater levels have improved in the west valley and continue to rise in the east valley, thanks to the successful implementation of the Coachella Valley Water Management Plan.

The Colorado River system is the primary source of water for the District's irrigation customers and is used to replenish the aquifer. The District has a base allotment of 301,000 acre-feet of Colorado River water. Additional Colorado River water allotments vary based on the terms of the Quantification Settlement Agreement (QSA). See Note 9 to the Financial Statements for further details about the QSA.

The State Water Project has been used to replenish groundwater through a unique exchange agreement with the Metropolitan Water District. The State Water Project is the nation's largest state-built water conveyance system and its water supply comes mainly from rainfall, snowmelt runoff, and excess flows in the Sacramento-San Joaquin Delta. The District is one of 29 State Water Project contractors that share in the cost of this delivery system.

The next several pages discuss the District's enterprise funds.

DOMESTIC WATER FUND

CVWD first provided drinking water to Coachella Valley residents in 1961 serving about 1,100 households. With continued growth and under the pressure of the need for a unified agency in the Valley, CVWD took over multiple water systems; over time the water services significantly increased. Every July, CVWD publishes operational information for the preceding year. As of calendar year 2020, below are the operating information:

Active wells	97
Distribution reservoirs	64
Storage capacity	153.2 MG
Distribution system	2,025 miles
Active Accounts	110,899
Population Served	300,000
Daily demand	75.9 MGD
Annual Acre Feet	88,911

In fiscal year 2021, the actual water consumption increased from 36,260 ccf to 40,095 ccf as compared to fiscal year 2020 mainly attributed to warmer than normal temperatures and lower than normal precipitation. In addition, the pandemic shutdown forced more people to stay home potentially resulting in higher than normal use of residential water. In effort to provide continued support to CVWD customers, the turn on/off fees, penalties, and interests are again suspended in FY 2021.

Domestic Water Rates

The District uses a budget-based tiered rate structure to curb excess water use and reward water-efficient customers. Domestic water service is broken down into five (5) customer classes: single family residential, multi-family, commercial, landscape irrigation, and construction meters. Each customer class is assigned a different monthly fixed charge to reflect the difference in the cost of providing service to them. As illustrated in the table on the following page, there are five tiers, with the first two tiers designed to meet the needs of an average single-family home of four people. All use in excess of tier 2 is considered inefficient, and is charged at a higher rate to cover the incremental costs of providing water in excess of efficient use.

In FY 2021, the District completed a five-year cost of service study for the Domestic Fund resulting to proposed rate increases. The purpose of the study is to develop a sustainable five-year financial plan and rate structure that will meet the overall drinking water needs that will support growth and funding for aging infrastructures. In June 2021, the Board of Directors approved a water rate increase effective fiscal year 2022. The domestic five-year rate history is shown on the table below:

Domestic Five-Year Rate History

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fixed Charge - Single Family (3/4" meter size)	$6.92	$6.92	$7.92	$7.92	$12.65
Consumption - Per CCF - Tier 1 - Excellent	0.95	0.95	0.98	0.98	0.94
Consumption - Per CCF - Tier 2 - Efficient	1.32	1.32	1.37	1.37	1.17
Consumption - Per CCF - Tier 3 - Inefficient	2.46	2.46	2.55	2.55	3.59
Consumption - Per CCF - Tier 4 - Excessive	4.67	4.67	4.83	4.83	4.21
Consumption - Per CCF - Tier 5 - Wasteful	6.13	6.13	6.34	6.34	6.44

CANAL WATER FUND

More than two-thirds of local farmland is irrigated with Colorado River water delivered via the Coachella Canal (Canal), a branch of the All American Canal.

Although the Valley is geographically located in the northwestern portion of the Sonoran Desert, irrigation allows widespread agriculture. In 1934, CVWD entered into a contract with the United States Bureau of Reclamation (Reclamation) for the construction of the Coachella Branch of the All American Canal. Reclamation agreed to deliver water to CVWD for potable and irrigation purposes within the 137,000 acres area known as Improvement District Number 1 (ID 1), of which 76,000 acres are irrigable. The larger size of ID 1 was established to maximize potential groundwater replenishment. The Coachella Canal was completed in 1948, with CVWD taking water delivery in 1949. Water that flows through the Canal travels several hundred miles, via gravity flow. It starts at the Colorado River and diverts into the All American Canal at the Imperial Dam, located 18 miles north of Yuma, Arizona. The water is diverted again, 38 miles downstream, into the Coachella Canal.

CVWD entered into a contract for the construction of the irrigation distribution system and a system of protective works to protect the Canal and systems from alluvial fan flooding. Shortly after work on the canal was completed, construction began on an underground tile drainage system designed to carry agricultural irrigation drainage water away from farmland to the Salton Sea. Below are some of the operating information as of calendar year 2020:

Pumping plants	16
Reservoirs	1
Storage capacity	1,361 AF
Distribution system	485 miles
Active accounts	1,305
Total water delivered	343,941 AF
Length of canal	123 miles
Irrigable acres	76,364

Canal Water Rates

Canal Water Service Charges are condensed into two types of customers: Class 1, Agriculture, and Class 2, Non-agriculture. Class 1 customers are allocated the District's historic Colorado River water supply (301,000 acre fee (AF) per year). Since Class 1 customers use less than 301,000 AF per year, those customers are not responsible for any QSA water purchase costs.

Water Supply Surcharges fund the cost of QSA water purchases, a new and more expensive supply, and is collected only from Class 2 and Temporary Construction Meter Customers. Class 1 customers will pay it if they demand more than the legacy supply of 301,000 AF per year. The Outside Improvement District 1 (ID1) Surcharge is assessed to all customers outside of ID1.

The Outside ID1 Surcharge is a fixed charge based on property acreage and is calculated by dividing the ID1 property tax revenue in a given year by the total acres within ID1 receiving canal water service.

Similar to the Domestic Fund, the District completed a five-year cost of service study for the Canal Fund. The Board of Director's approved a rate increases for Temporary Construction Meters, Quagga Mussel Surcharge, Gate Charges, and Outside ID 1 Surcharge in June 2021 for fiscal year 2022. The table below shows the five-year history of canal rates for the District.

Canal Five-Year Rate History

Service	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Water, per acre-foot, Class 1: Agriculture	$ 34.32	$ 34.32	$ 34.32	$ 34.32	$ 34.32
Water, per acre-foot, Class 2: Nonagriculture (1)	34.32	34.32	34.32	34.32	34.32
Water, per acre-foot, Temporary Construction Meters (1)	47.41	47.41	47.41	47.41	51.33
Water Supply Surcharge	67.80	67.80	67.80	67.80	67.80
Quagga Mussel Surcharge, per acre-foot	2.78	2.78	2.78	2.78	3.18
Gate Charge - Scheduled, per visit	16.66	16.66	16.66	16.66	19.80
Gate Charge - Unscheduled, per visit	33.32	33.32	33.32	33.32	39.60
Outside ID 1 Surcharge ($/acre/month)	3.69	3.69	3.69	3.69	3.92

(1) All Nonagriculture and Construction Meter customers pay the Class 1 rate plus the Water Supply Surcharge

SANITATION FUND

In 1968, CVWD began wastewater collection and treatment services. The table shows CVWD's current operations and services. Overall, CVWD treats approximately six billion gallons of wastewater annually and recycles more than two billion gallons of wastewater each year. This wastewater is subjected to an advanced multi-step process that filters out solids, organic materials, chemicals, and germs. At two of the District's five wastewater reclamation plants, the treated reclaimed, or nonpotable, water is then delivered to customers to irrigate grass, landscapes, and fill lakes. Increasing the supply and use of recycled water is a key component of CVWD's long-range water management plans.

Reclamation plants	5
Daily plant capacity	33.1 MGD
Collection piping system	1,159 miles
Active accounts	96,932
Average daily flow	16.71 MGD
Population Served	262,217

Sanitation Fund Rates

Monthly Sewer Rates

Customer Class	Account Charge	Service Charge per ESU
Residential	$1.58	$23.04
RV/Trailer Parks	$3.98	$23.04
Nonresidential	$3.98	$23.04

Sewer customers are charged a consumption-based fixed service charge, which estimates sewage discharge, called an equivalent sewer unit (ESU). Sewage discharges for residential customers are based on their indoor water budget of 200 gallons per dwelling unit per day, established by the Domestic Water Fund, multiplied by 365 days per year yields an equivalent sewer unit of 73,000 gallons per year. This ESU value is used as a common denominator to measure the relative impact of all customer classes on the sewer system. A monthly account charge per customer is established to recover billing costs such as the cost of placing sewer bills on the tax roll for Residential customers. The RV/trailer park customer class has sewage production patterns similar to residential, but receives monthly sewer bills rather than annual sewer bills; therefore, they are charged a monthly account charge that reflects the cost to bill monthly. Nonresidential accounts are based on potable water use, combined with an assumption of a “return to sewer” factor. The return to sewer factor estimates how much of the account’s potable water use is discharged to the sewer drain as wastewater. All residential and rv/trailer park customers are charged one service charge unit per dwelling unit. Nonresidential customers are charged one service charge per equivalent sewer unit. ESU values are assigned to nonresidential customers based on 90% of their average daily water usage.

The District is planning to complete a cost of service study for the Sanitation Fund in fiscal year 2022. The purpose of the study is to create a financial plan and determine the appropriate monthly rates that will support the Sanitation Fund’s fiscal needs.

GROUNDWATER REPLENISHMENT FUND GROUP

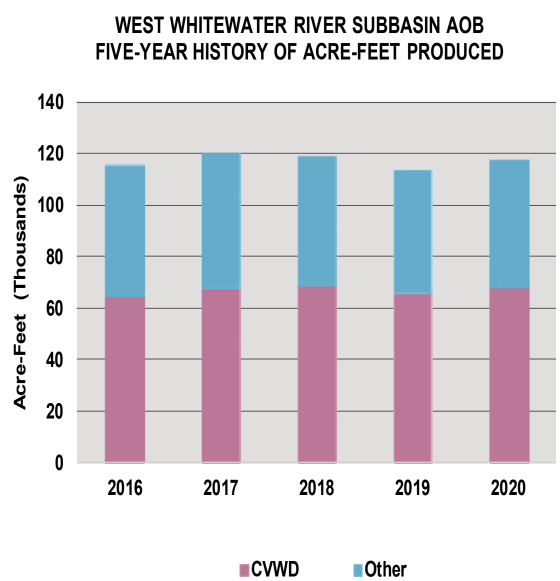
CVWD has three subbasins namely West Whitewater River, Mission Creek, and East Whitewater River to collect imported water to supplement groundwater needs. These three subbasins are accounted for in individual enterprise funds. Replenishment assessment charges are used to fund a portion of the costs of importing supplemental water for the replenishment of the subbasins.

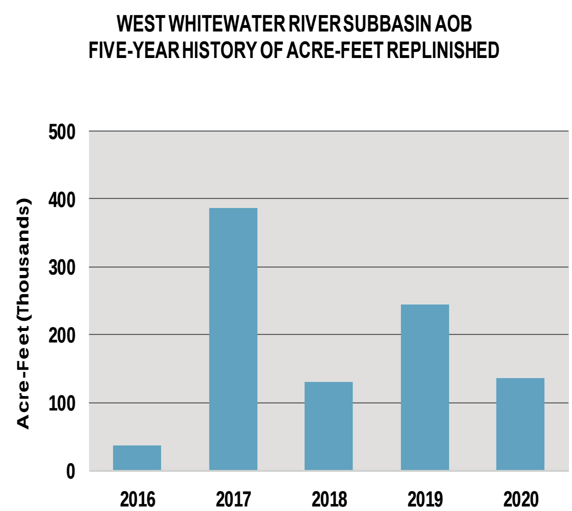
During fiscal year 2021, the District completed a five-year cost of service study for all three replenishment funds covering fiscal years 2022 to 2026. Based on the study, the result is a proposed rate increase for West Whitewater Subbasin and East Whitewater Subbasin, but none for Mission Creek Subbasin areas. The Board of Directors approved the increase in rates for fiscal year 2022 in June 2021. The new rates fro West Whitewater Subbasin and East Whitewater Subbasin is reflected in each section below.

West Whitewater Replenishment Fund

In 1973, CVWD and Desert Water Agency, began using the State Water Project entitlement to replenish the western Coachella Valley's aquifer at the Whitewater spreading area, northwest of Palm Springs. For calendar year 2020, there were 72 producers that pumped water from the West Whitewater River Subbasin. In addition, CVWD has replenished approximately 3.7 million acre-feet of water in the West Whitewater River Subbasin Area of Benefit (AOB). The amount of water replenished varies year-to-year. This is due in part to the 1984 Advance Delivery Agreement between CVWD, DWA and Metropolitan Water District (MWD), whereby the District will allow MWD to predeliver up to 800,000 AF of water in the Whitewater River. In years where an advance delivery balance exists, MWD may deliver less than the agreed upon allocations and instead draw on those advance delivery balances. However, the account can never go zero. The agreement allows MWD to store Colorado River water in the Whitewater River Basin in wet years on the Colorado River

The two graphs below show the history of the acre-feet produced and replenished in the last five years.





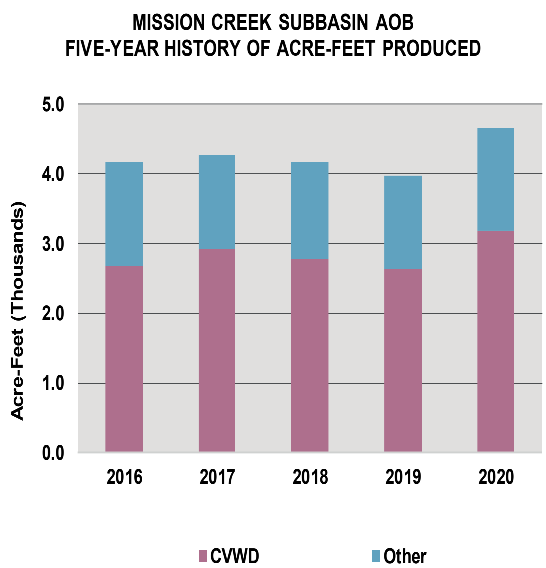
The table below shows the five-year history of the replenishment assessment charges (RAC) in the West Whitewater Replenishment Fund.

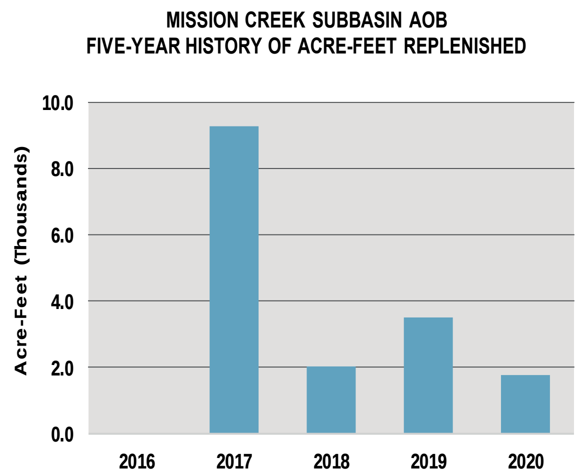
	2018	2019	2020	2021	2022
West Whitewater River Subbasin	$ 143.80	$ 143.80	$ 143.80	$ 143.80	$ 165.37

Mission Creek Replenishment Fund

The Mission Creek Subbasin Area of Benefit (AOB) is bound on the south by the Banning fault and on the north and east by the Mission Creek fault. This subbasin relies on the same imported SWP exchange water source, as does the West Whitewater River Subbasin AOB. CVWD and DWA completed construction of the facilities to replenish the Mission Creek Subbasin AOB in 2002. In 2003, CVWD and DWA entered into the Mission Creek Groundwater Replenishment Agreement. This agreement recognizes the need to operate the subbasin as a complete unit rather than as individual segments delineated by agency boundaries. At the end of 2020, CVWD and DWA have replenished 166,854 AF in the Mission Creek Subbasin AOB.

The two graphs below show the history of the acre-feet produced and replenished in the last five years.





The table below shows the five-year history of the replenishment assessment charges (RAC) in the Mission Creek Replenishment Fund.

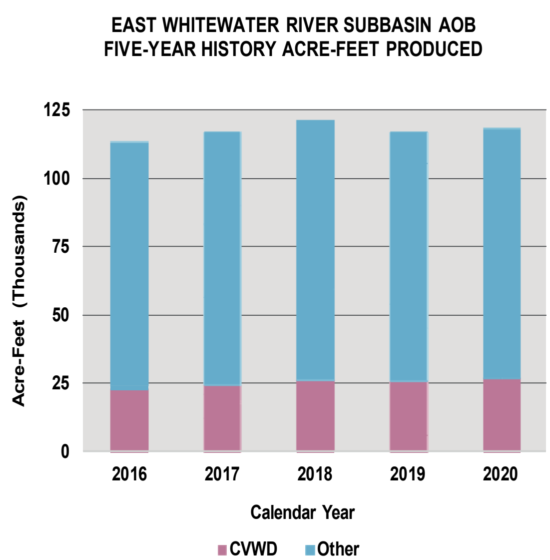
	2018	2019	2020	2021	2022
Mission Creek Subbasin	$ 135.52	$ 135.52	$ 135.52	$ 135.52	$ 135.52

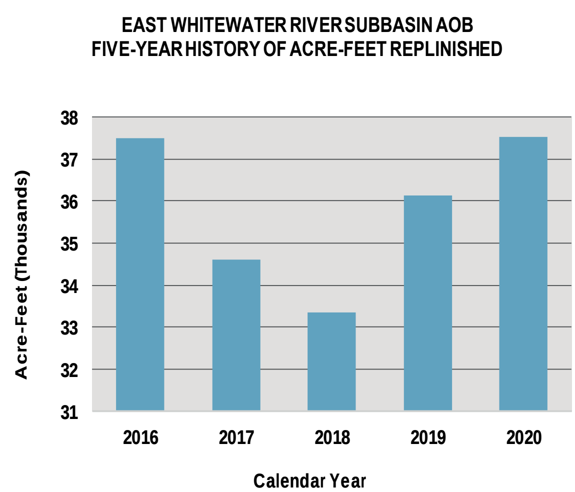
East Whitewater Replenishment Fund

The Eastern boundary of the East Whitewater River Subbasin is formed primarily by the watershed of the Mecca Hills and by the Northwest shoreline of the Salton Sea, running between the Santa Rosa Mountains and Mortmar. The southern boundary roughly coincides with the Riverside/Imperial County line. The west boundary runs from Point Happy in La Quinta, to Indio Hills and the San Andreas Fault.

Groundwater replenishment in the east valley began in 1997, using pilot groundwater replenishment facilities at Martinez Canyon and Dike 4. The Thomas E. Levy Groundwater Replenishment facility (TEL) became operational in 2009. A loan from the Domestic Water Fund was used to pay for the cost of the new facility.

At the end of 2020, CVWD has replenished 440,459 AF of water in this subbasin. The water is supplied from the Colorado River via the Coachella Branch of the All American Canal.





The table below shows the five-year history of the replenishment assessment charges (RAC) in the East Whitewater Replenishment Fund.

	2018	2019	2020	2021	2022
East Whitewater River Subbasin	$ 66.00	$ 66.00	$ 66.00	$ 66.00	$ 72.27

STORMWATER FUND

Stormwater Chanels	17
Length of Whitewater River / Coachella Stormwater Channel	50 miles
Length of all Regional Flood Protection Facilities	169 miles
Service Area	381,479 acres

In 1937, the Coachella Valley Stormwater District of Riverside County was merged into the Coachella Valley Water District. The District became responsible for much of the region's stormwater protection, helping to prevent loss of life and extensive property damage. CVWD protects over 590 squares miles from flooding. The entire system includes approximately 169 miles of channels built along the natural alignment of dry creeks that flow from the surrounding mountains into the Whitewater River. Along with the channels, a number of levees have been built to collect rapidly flowing floodwater as it pours from the adjacent mountains onto the valley floor. CVWD flood protection system is a 50-mile storm channel that runs from the Whitewater area north of Palm Springs to the Salton Sea.

The Whitewater River/Coachella Valley Stormwater Channel was designed to convey rain and snow melt from Whitewater to the Salton Sea. It was built to withstand a standard project flood or a flow of about 83,000 cubic feet per second. Although the Coachella Valley averages less than four inches of rain per year, the surrounding mountains are subject to much higher rainfall, which can produce unpredictable, damaging, and even deadly flash flooding events throughout the Valley. Ensuring adequate stormwater protection is critical.

The District continues to make stormwater protection improvements. CVWD has began land acquisitions for the North Indio Flood Control Project (NIFCP), which connects the flood conveyance channels of Sun City Palm Desert to those of Sun City Shadow Hills. Construction will follow in subsequent years.

2) Economic Indicators

Although some restrictions had been lifted resulting from the increase in vaccine availability, the effects of the Covid 19 pandemic continue to have a global impact. The District's total net position increased by $68.2 million in fiscal year 2021as compared to prior year. Total revenues increased by $1.5 million, while total expenses decreased by $9.2 million resulting from decline in water purchases, professional, and other services due to the temporary closure of most businesses during the pandemic. In fiscal year 2022, the District anticipates the service activity to increase back to normal levels as businesses continue to open up.

The estimated population of major cities surrounding the Coachella Valley is almost 390,000, which can increase to almost 600,000 during the months of November through May with the influx of "snowbirds" escaping the cold winters of Canada, the Pacific Northwest, and the Northeastern United States.

Tourism and Golf

Tourism and golf are the region's largest and most dynamic sector, and are critical components of the Valley's economy. Coachella Valley hosts multiple major events such as Modernism Week, the Palm Springs International Film Festival, the Coachella Valley Music and Arts Festival, the Stagecoach Country Music Festival, and the BNP Paribas Open tennis tournament. In fiscal year 2021, several of these events were postponed or cancelled but the District anticipates these events to resume in fiscal year 2022.

Golf courses in the Coachella Valley account for almost 14% of the golf industry in California. The District is in the forefront in ensuring that appropriate measures and actions are taken to maintain water conversation including conversion of irrigated rough to native plantings and utilization of nonpotable water, while providing the golf community sufficient water supply for its operational needs. The golf industry provides employment opportunities and is substantially contributes to the economic growth of the Valley.

Employment

At the end of calendar year 2020, the Riverside County's unemployment rate significantly increased from 3.9% to 13.5%. However, the unemployment rate declined to 7.9% in July 2021 as restrictions were lifted, allowing various businesses and industries to reopen.

Housing

As of July 2021, the Coachella Valley median housing price has dramatically increased to $546,000 from $440,000, which was an increase of 24% as compared to last year. Even rental properties saw a drastic increase in rental rates as housing inventory remains low. The District is continually watching the fluctuation in the housing market.

Crop Production

The District irrigates about 77,101 acres of cropland in the Coachella Valley. As of calendar year 2020, the District delivered about 343,941 acre-feet to 1,305 customers. Crop production for calendar year 2020 is valued at almost $575 million with an average gross value of $9,727 acre, according to the CVWD annual crop report. Over 60% of farms in the Coachella Valley use drip irrigation. Besides reducing water use, drip irrigation allows pesticide and herbicides to be added directly to irrigation lines. Drip irrigation tends to increase crop yield; however, it is not appropriate for all types of crops. More than two-thirds of local farmland is irrigated in part with Colorado River water, delivered via the Coachella Canal.

3) Fiscal Year 2021 Highlights

- Total net position increase by $68.2 million.

- Total capital assets increased by $75.2 million mainly due to the completion of several major capital projects such as the Highway 86 Transmission Main Phase 2, Highway 86 Booster Pump Station, L4 Pump Station and Check Structure, Coachella Valley Stormwater Channel Bank Protection, and the Lift Station 81-03 Capacity Upgrade in Burr Street.

- The capital improvement program reached an execution rate of 92.8%, which exceeded the target rate of 80%.

- Issuance of a Certificate of Participation Series 2021 in the amount of $42.9 million, plus premium of $11.5 million for the Oasis Recharge Project under the East Replenishment Fund.

- Completed a Cost of Service Study for the Domestic, Canal, and Replenishment Funds.

- Updated the Financial Reserve Policy to support the District’s financial plan.

4) Fiscal Year 2022 Financial Plan - Operating and Capital Improvement Budgets

Each year, the Board approves an annual operating budget. The District uses a base budget approach to budgeting. The base budget approach consists of budget proposals sufficient to maintain the operation of programs authorized in earlier years. Departments may request funding above the base budget amount in order to maintain current levels of service, to provide for the expansion of existing programs, or to enable the implementation of new services or programs. These are considered supplemental requests. All supplemental funding requests must be thoroughly described and include concise justification that reflects consideration of reasonable alternatives, particularly, if the request involves addition of full-time personnel.

The adopted fiscal year 2022 operating budget increased to $286.2 million from $278.5 million, which is a 2.8% increase as compared to fiscal year 2021. The primary drivers for the increase were in the Quantification Settlement Agreement Mitigation payments, utilities, water purchases, replenishment cost, and other services.

The Board also approves an annual capital improvement budget (CIB) based on new and replacement infrastructure needs of the District. The fiscal year 2022 CIB is $165.6 million, an increase of $61.8 million, which is a 59.6% increase as compared to fiscal year 2021. The CIB includes funding for a variety of projects and vehicle and equipment replacements.

Staff

The District budgets approximately 569 staff members who are responsible for daily operations and implementing strategic initiatives and policies set forth by the Board of Directors.

Challenges Facing the District

The District currently faces several challenges including investment in infrastructure, drought impacts, pension costs, and pending litigations.

Investment in Infrastructure

The aging infrastructures and rising demand on the water supply due to growth continues to be a significant challenge for CVWD in both short and long-term. For the past few years, the District has aggressively pursued alternative funding sources including grants, loans, and revenue bond debt issuance to support capital project needs. As of September 2021, the District has one-hundred and fifty four (154) active capital projects budgeted at $165.4 million; has a total of fourteen (14) awarded and four (4) implemented grants for a total of $26.7 million; and entered into four (4) loan agreements for a total of $153.8 million. The District also has nine-teen (19) active loan and grant applications for an estimated total of $188.3 million.

In addition, the District implemented a Comprehensive Asset Management Plan about five years ago to catalog and prioritize the replacement of these aging infrastructures. The purpose of the plan is to provide the District a comprehensive view of the state of the assets and a timeline for replacement based on likelihood and consequence of failure. To date, over 300,000 physical assets have been identified, inventoried, located, photographed, condition scored, and valued. These physical assets have been entered into the new Computerized Maintenance Management System (CMMS). For fiscal year 2022, the focus will be to integrate CMMS to the existing financial system, Central Square (NaviLine).

Potential Drought Impacts

In October 2021, Governor Newsom expanded the drought emergency declaration statewide from the original 50 counties that was declared back in April 2021. Governor Newsom signed an executive order to reduce water use by 15%. Although the water supply in the Coachella Valley region remains stable, the District has been proactive in addressing the drought emergency declaration by continued support of water use efficiency. CVWD adopted a climate action and adaptation plan at its September 28, 2021 board meeting. In addition, a Groundwater Management Plan for the Indio Subbasin and Mission Creek Subbasin is scheduled to be presented for adoption during the December 7, 2021 board meeting.

Pension Costs

Miscellaneous Pension Costs. The District provides retirement benefits to District employees through the California Public Employees Retirement System (CalPERS). The Board of Directors has been very concerned about the rising level of retirement benefit unfunded liability, caused mostly by the lower than anticipated investment returns by the CalPERS investment portfolio managers, thus increasing unfunded liability. Since September 2018, the District has been working with a CalPERS Senior Actuary to modify the CalPERS projections utilizing more current and accurate data provided by the District in order to ensure the District continues to make the appropriate amount of payments to CalPERS, which in turn reduce reduced unfunded liability. On October 23, 2018, the Board of Directors unanimously voted to pay $20 million directly to CalPERS in four equal payments throughout the fiscal year in order to reduce the

District's unfunded liability. The District continues to work with the CalPERS actuary to calculate appropriate payments and maintain a reasonable unfunded liability. As of the CalPERS Actuarial Valuation for measurement date ending June 30, 2020, the District's funded ratio is at 69.7% and an unfunded liability ratio of 30.3%.

Other Postemployment Benefits Other than Pension (OPEB). The District provides health care benefits to all employees who retire from the District, under retirement criteria established by the District, up to the age of 65, through a single-employer defined benefit plan. The OPEB eligibility varies depending on the bargaining unit's agreements. Through Board resolution in 2013, the District established a pre-funded Section 115 irrevocable OPEB Trust. District staff consistently monitors the OPEB plan and its funding status. As of June 2021, the OPEB plan is fully funded.

Pending Litigations

Agua Caliente Litigation. The Agua Caliente Band of Cahuilla Indians filed a lawsuit on May 14, 2013 against CVWD and Desert Water Agency (DWA) claiming senior water rights above all users in the Coachella Valley. On October 6, 2020, the court entered an order staying all proceedings in both cases to allow the parties to pursue settlement discussions before a private mediator. As of now, the settlement discussion is ongoing.

Interfund Loan Litigation. Plaintiff Roberts filed a lawsuit in 2019 against CVWD seeking to invalidate a 2007 interfund loan between Domestic Fund and West Replenishment Fund, related to the Mid-Valley Pipeline project. The District prevailed at trial, but an appeal is pending.

Financial Stability

Overall, the financial stability of the District remains stable and strong ending fiscal year 2021. The impact of pandemic did not have any significant impact on revenues; however, it did cause numerous delays in completion of planned capital improvement projects, including considerable increase in project costs. The overall impact of the pandemic to the Coachella Valley remains unclear. CVWD continues to monitor and proactively responds to anticipated changes that may have fiscal impact.

In addition, CVWD continues to pursue alternative funding sources such as grants, loans, and bond financing to support capital-financing needs. In fiscal year 2021, CVWD completed a five-year Cost of Service Study for the Canal, Domestic, and Replenishment Funds resulting in proposed rate increases. Proposition 218 allows for approval of five-year rate increases; however, CVWD adopts rate increases on an annual basis. The Board of Directors adopted fiscal year 2022 budget, along with the proposed rate increase last June 2021. The Cost of Service Study for Sanitation is set to begin in fiscal year 2022.

5) Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the Coachella Valley Water District, for the fiscal year ended June 30, 2020. In order to be awarded a Certificate of Achievement, an agency must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

We would like to thank the dedicated employees of the District for their commitment to providing high-quality service to the District's customers. In addition, we would like to thank the Board of Directors for providing the resources necessary to prepare this report and for their role in preserving the District's framework of internal controls. The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance department.

Respectfully submitted,

Geoffrey A. Kiehl

Geoffrey Kiehl
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Coachella Valley Water District
California

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

THIS PAGE INTENTIONALLY LEFT BLANK

COACHELLA VALLEY WATER DISTRICT

BOARD OF DIRECTORS

John Aguilar
Division One

John Powell Jr.
Board President
Division Three

Anthony Bianco
Division Two

Peter Nelson
Division Four

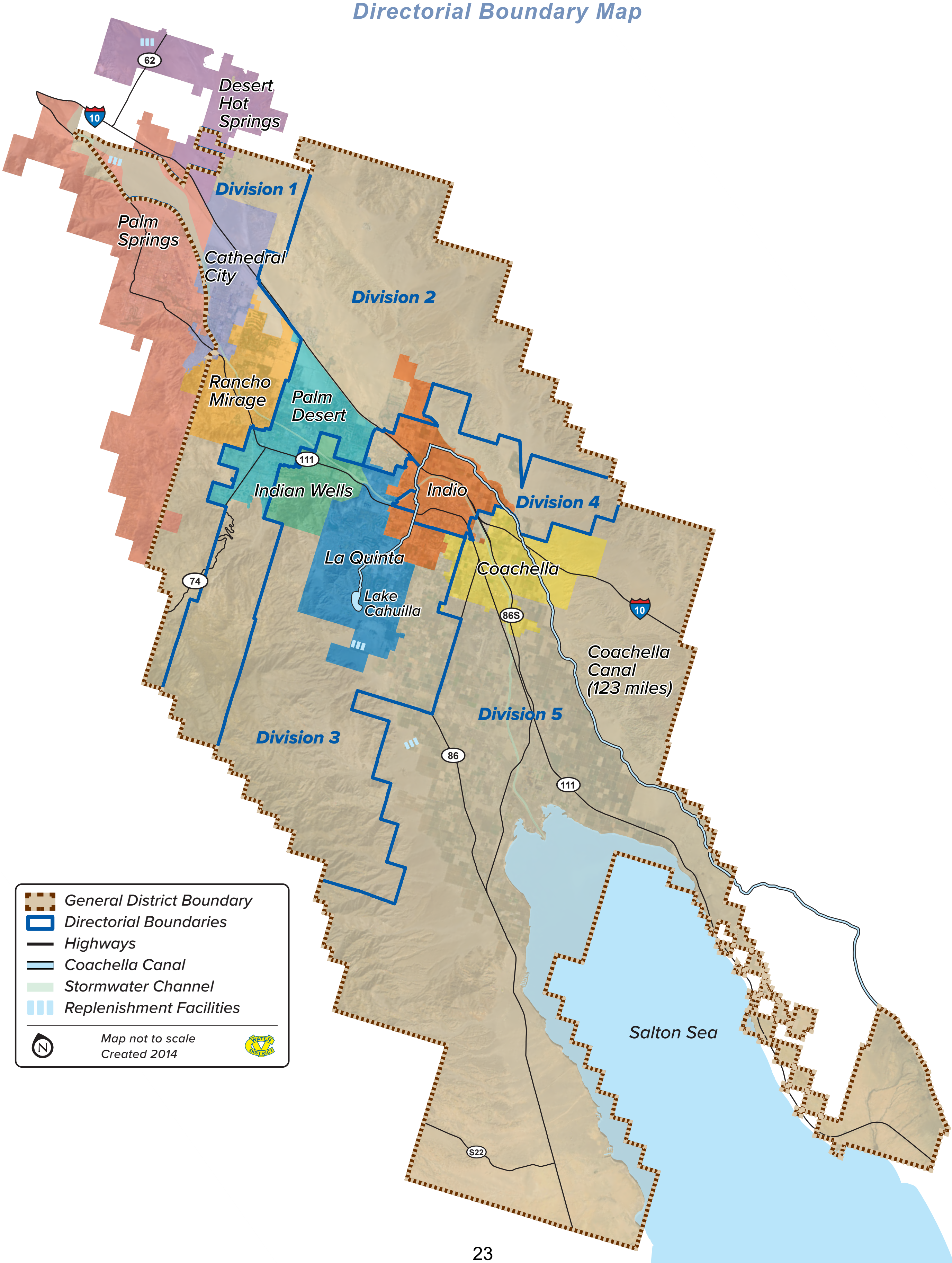
Cástulo R. Estrada
Board Vice President
Division Five

Mission Statement:

To meet the water-related needs of the people through dedicated employees, providing high-quality water at a reasonable cost.

COACHELLA VALLEY WATER DISTRICT

Directorial Boundary Map

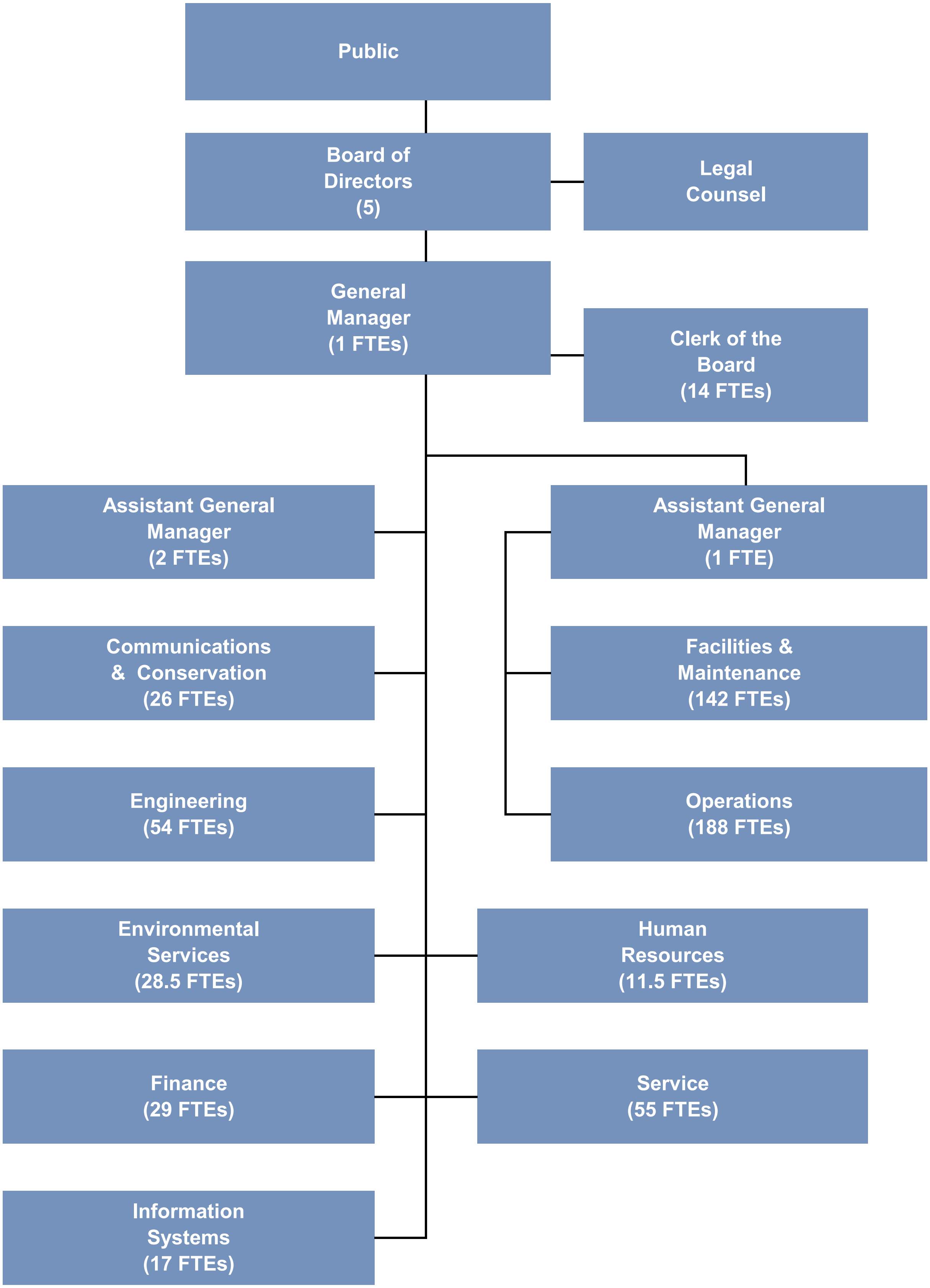


COACHELLA VALLEY WATER DISTRICT

Service Boundary Map

Coachella Valley Water District

Organizational Chart



District Departments & Directors

Executive Administration

General Manager	***Jim Barrett***
Assistant General Manager	***Robert Cheng***
Assistant General Manager	***Dan Charlton***

District Department Heads

Clerk of the Board	***Sylvia Bermudez***
Communication & Conservation	***Katie Evans***
Engineering	***Carrie Oliphant***
Environmental Services	***Steve Bigley***
Finance	***Geoffrey Kiehl***
Human Resources	***Scott Hunter***
Information Systems	***Luis Maciel***
Service	***Scott Burritt***

Acknowledgements

Finance Staff

Controller	***Karrie Swaine***
Finance Manager (General Accounting & Reporting)	***Teresa Acevedo***
Senior Accountant (Financial Analysis, Fixed Assets & Reporting)	***Sara Hypes***
Accountant (Cash and Account Reconciliations)	***Doug Kneuer***
Accounting Technician II (Accounts Payable)	***Tina Casarrubias***
Accounting Technician I (Accounts Payable)	***Vincent Naranjo***
Accounting Technician I (Accounts Receivable)	***John Norton***
Accounting Technician I (Accounts Receivable)	***Ana Olivarez***
Accounting Technician II (Payroll)	***Karla Kezis***
Accounting Technician I (Payroll)	***Jose Villalobos***
Financial Analyst I (Capital Projects)	***Nancy Clark***
Financial Analyst II (Grants)	***Laura Kleeman***

Special Acknowledgement

Communications Specialist	***Andrea Shek***
Administrative Assistant I	***Lena Zamudio***

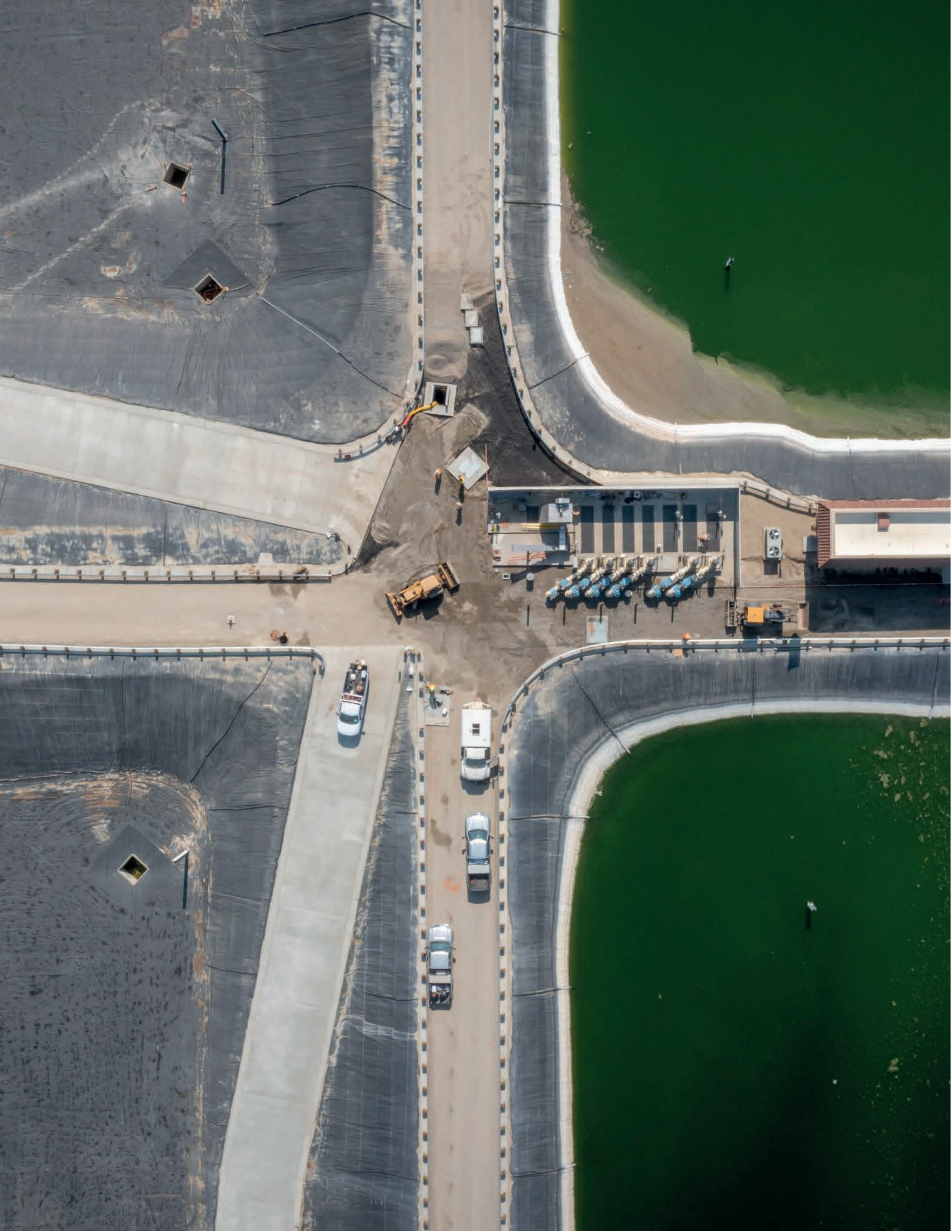
For any additional inquiries, you may contact us at:

In Person Inquiry:
Coachella Valley Water District
Steve Robbins Administration Building
75-515 Hovley Lane East
Palm Desert, CA 92260
Phone: (760) 398-2651

Mailing Address
Coachella Valley Water District
P.O. Box 1058
Coachella, CA 92236

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL



INDEPENDENT AUDITORS' REPORT

Board of Directors
Coachella Valley Water District
Coachella, California

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Coachella Valley Water District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, 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.

Emphasis of Matter

As discussed in Note 1S to the financial statements, the District implemented Governmental Accounting Standards (GASB) Statement No. 84, *Fiduciary Activities*, in fiscal year ended June 30, 2021, which resulted in a restatement. Our opinion is not modified with the respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios, the schedule of plan contributions – pension, the schedule of changes in net OPEB liability and related ratios, the schedule of plan contributions – OPEB, and the schedule of investment returns – OPEB be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining fund financial statements and supplementary debt schedules (supplementary information), and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Matters (Continued)

The introductory section and statistical section have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
November 22, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the Coachella Valley Water District's (District) annual financial report presents our analysis of the District's financial performance and activities for the fiscal year ended June 30, 2021. The following discussion and analysis should be read in conjunction with the basic financial statements and notes to the basic financial statements.

About the District

The District operates under the authority of the California Water Code and engages in various activities classified as "proprietary." These activities are accounted for much like that of a private business and use the full accrual method of accounting for transactions. The major activities include: sale and delivery of groundwater to domestic and commercial accounts; sale and delivery of Colorado River water to agricultural and other accounts; operation and maintenance of a system of farm drains; collection, treatment, and disposal of wastewater; sale and delivery of recycled water; operation and maintenance of stormwater channels and flood protection facilities; and replenishment of the groundwater basin. The District also owns and operates a fleet of vehicles and other rolling stock to support the various operating activities.

Overview of the Financial Statements

The financial statements of the District report information using accounting principles appropriate for an enterprise fund to report its activities. An "income determination" or "cost of services" measurement focus is reported with revenues and expenses recognized on the accrual basis of accounting. The financial statements conform to generally accepted accounting principles (GAAP) in the United States, and to the standards set by the Governmental Accounting Standards Board (GASB).

The Statement of Net Position shows the District's financial position at June 30, 2021. The statement includes the District's assets (i.e. the nature and amount of investments in resources) and liabilities (i.e. the obligations to creditors) by fund group. The net position represents the District's remaining value after the liabilities and deferred inflows of sources are deducted from assets and deferred outflows of sources. In addition, this statement also provides the basis of evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The Statement of Revenues, Expenses, and Changes in Fund Net Position identifies the District's revenues and expenses for the fiscal year ended June 30, 2021. This statement provides information by fund groups on the District's operations and whether the District's operating and non-operating revenues have recovered all its costs.

The Statement of Cash Flows provides information concerning the District's cash receipts, cash payments, and changes in cash resulting from operations, investments, and financing activities. This statement also provides information on the sources and uses of cash and on the change in the cash balance.

The Notes to the Basic Financial Statements provide a description of the accounting policies used to prepare the financial statements, and present material disclosures required by GAAP that are not otherwise present in the financial statements. The District, like other special Districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the District are segregated into two categories: proprietary funds and custodial funds.

The District maintains two types of proprietary funds reported using the accrual basis of accounting: Enterprise funds and Internal service funds. Enterprise funds report the District's business-type activities: Domestic Water, Sanitation, Canal Water, Stormwater, Groundwater Replenishment, and State Water Project. The District uses internal service fund accounting to report the activities of its Motorpool Fund.

The Required Supplementary Section includes schedules to identify the funding progress for the District's pension and other post-employment benefit liabilities.

Supplementary Information Section this section includes Custodial Fund financial statements for the four Assessment Districts and two Community Facility Districts. The faith and credit of the Coachella Valley Water District are not pledged to these Districts; therefore, they are accounted for in custodial funds and are in the basic financial statement.

Financial Highlights

The following are highlights of the financial status of the District during the time period specified. Each of these items is discussed in detail in subsequent sections of this report.

- As of June 30, 2021, the District's assets and deferred outflows exceeds liabilities and deferred inflows by approximately $1.9 billion broken down as $1.6 billion invested in capital assets, $124.9 million in restricted funds, and unrestricted funds of $207.7 million. The unrestricted funds pay for obligations as determined by the Board of Directors to support the services provided to the customers of the District.

- The District's total net position increased by $68.2 million, or an increase of 3.7% from the prior fiscal year primarily due to an increase in net investment in capital assets of $53.5 million attributable to the completion of several major projects, an increase in restricted net positon of $58.2 million and offset by decrease in unrestricted net position of $43.5 million. Annually, the District sets an objective of completing budgeted capital projects at a minimum of 80%. In fiscal year 2021, the District exceeded reached an execution rate of 92.8%

- Operating revenues increased by approximately $11.8million, or an increase of 6.8% from the prior fiscal year. This is mainly due to an increase in water sales of $9.5 million, ground water replenishment sales of $1.7 million, and other charges of $624 thousand.

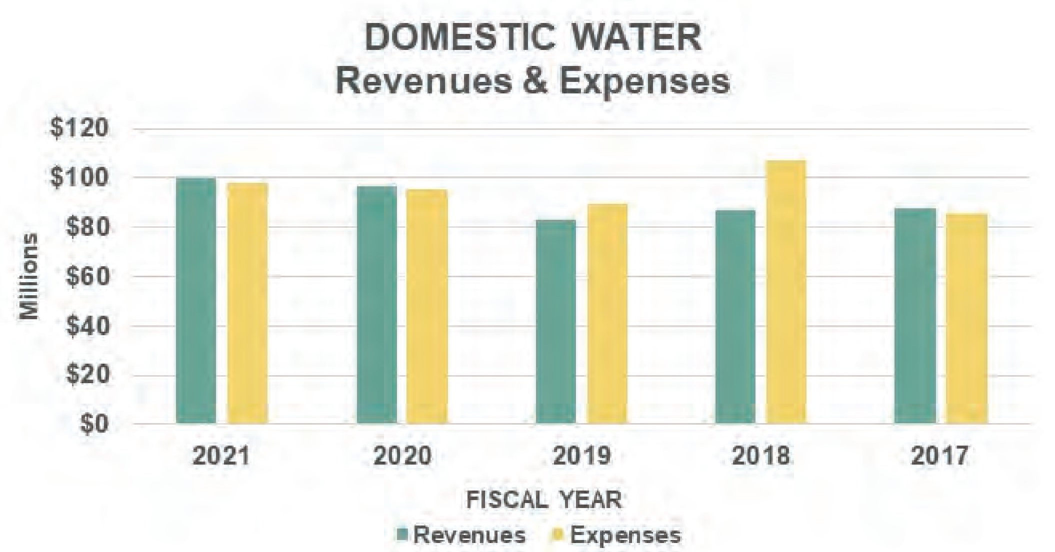
- Operating expenses, excluding depreciation, decreased by approximately $12.9 million, or 5.5% as compared to the prior fiscal year. Water purchases vary depending on availability of water and project timing each year. In FY 2021, water purchases decreased by $8.8 million. General operations decreased by $7.7 million primarily resulting from delay in replacement of vacant positions due to pandemic closures, which is offset by an increase in utilities of $3.5 million resulting from increased in electricity consumption and an electrical rate audit adjustment.

- Non-operating revenues decreased by $10.3 million, or 7.0% as compared to prior fiscal year. The change is mainly due to an increase of $10.5 million in property tax and other $353 thousand in other charges, however, it is offset by decrease in investment income of $17.3 million and intergovernmental income of $3.9 million.

- Non-operating expenses slightly increased by $100 thousand, or 5.5% as compared to prior fiscal year attributed to interest expense increase.

Overview of Fund Group Activity

***Domestic Water Fund*.** Activity associated with providing domestic water to the residents of the Coachella Valley. In fiscal year 2021, the Domestic Water Fund net position increased by $4.3 million as compared to the restated fiscal year 2020 net position.



Total assets increased by $10.4 million. Cash and investments (including restricted cash) increased by $10.5 million, while capital assets net of depreciation increased by $7.0 million due to continued effort by the District to complete capital projects. CVWD achieved an execution rate of 92.8% in FY 2021. Due from other governments increased by $2.6 million, while the Advances to Other funds decreased by $9.4 million, along with net decrease of $247 thousand in other assets.

Deferred pension related items resulted to a decrease in outflow of $2.6 million, while increase in inflow of $287,588.

Total liabilities increased by $3.3 million mainly due to increase of $4.1 million in Customer Advances and Deposits, $2.5 million in Loan Payables from State Water Resources Board (SWRCB) for Highway 86, offset by decrease of $3.0 million in net pension and OPEB liabilities and net decrease in other liability of $411 thousand.

Operating revenues increased by $9.2 million, primarily due to an $8.0 million higher water sales and $1.2 million in other charges.

Operating expenses increased by $4.1 million, mainly due to increases in utility resulting from increase electric consumption and electric rate adjustment of $2.1 million, water purchases of $1.1 million, materials and supplies of $1.7 million, and depreciation of $1.4 million. These are then offset by decreases in contract services, wages and salaries, and other expenses due to business shut-downs during the pandemic for $2.2 million.

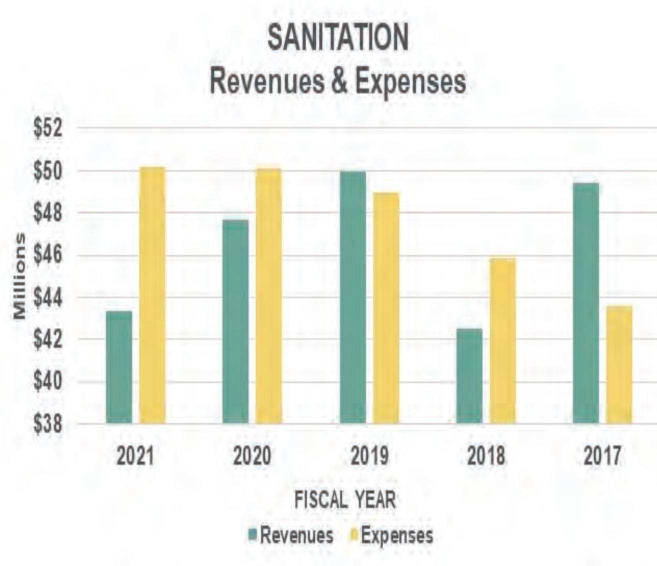
Total net non-operating revenues decreased by $5.9 million, primarily due to significant decrease in investment income of $4.1 million, intergovernmental revenue of $1.7 million, and other income of $1.2 million, offset by increase in property tax of $1.2 million..

Sanitation Fund. Activity associated with the District's wastewater reclamation plants. The plants allow the District to provide sanitation service to most of the Coachella Valley. The Sanitation Fund net position increased $2.0 million from the restated fiscal year 2020 net position.

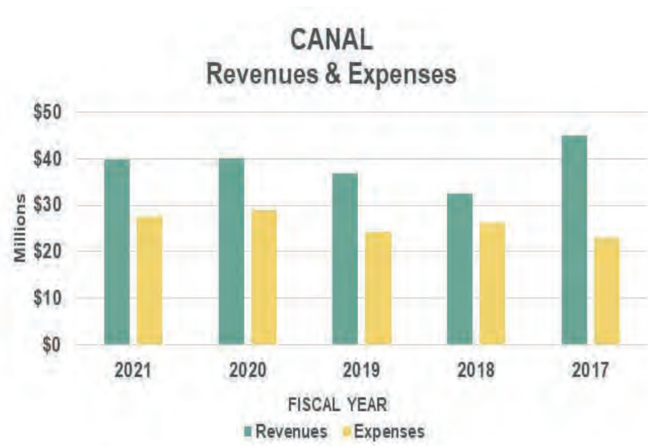
Cash and investments (including restricted cash) decreased $10.2 million, and capital asset increased by $11.9 million. Total liabilities decreased by $2.3 million mainly due to decrease in pension and OPEB liabilities.

Deferred pension outflows decreased by $1.4 million, while deferred inflows increased by $157 thousand.
Operating loss increased by $552 thousand primarily resulting from decrease of $407 thousand in operating revenues and $145 thousand increase in operating expenses.

Total net non-operating income decreased by $4.8 million, mostly due decrease in investment income of $4.1 million and $613 thousand in other income.



Canal Water Fund. Activity associated with providing irrigation water to agricultural farmers and certain golf courses of the Coachella Valley and farm drainage. In fiscal year 2021, the total net position for the canal water fund increased by $16.4 million.



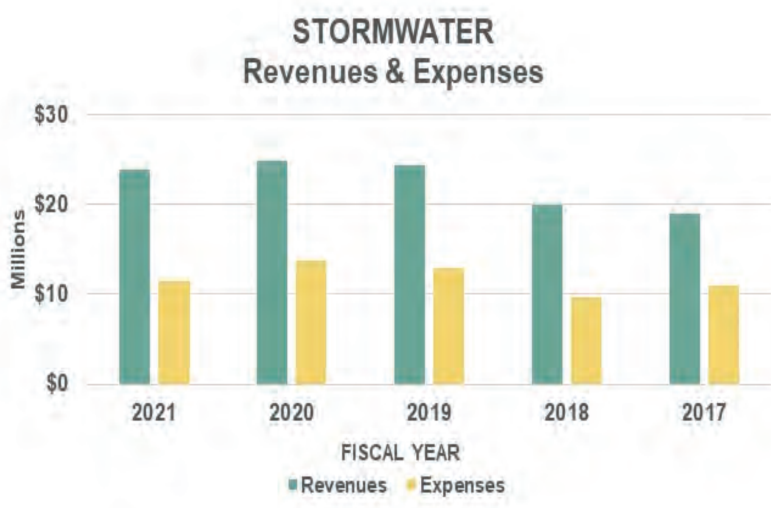
Total assets increased by $15.2 million resulting from an increase in Cash and Investment by $1.5 million, an increase in Net Capital Assets by $14.2 million and decrease in other assets of $492 thousand.

Total liabilities decreased by $20.3 million due to a $19.1 million in net pension and OPEB liability and decrease in current liabilities of $1.2 million.

Deferred pension outflows decreased by $822 thousand, while deferred inflows increased by $9 thousand.

Net operating loss decreased by $1.9 million resulting from an overall increase in operating revenue of $1.1 million due from increased water sales, while operating expenses decreased by $776 thousand due to lower water purchase and other charges.

***Stormwater Fund*.** Activity associated with providing stormwater protection in the Coachella Valley. In fiscal year 2021, the total net position for the Stormwater Fund increased by $12.5 million compared to the restated fiscal year 2020.

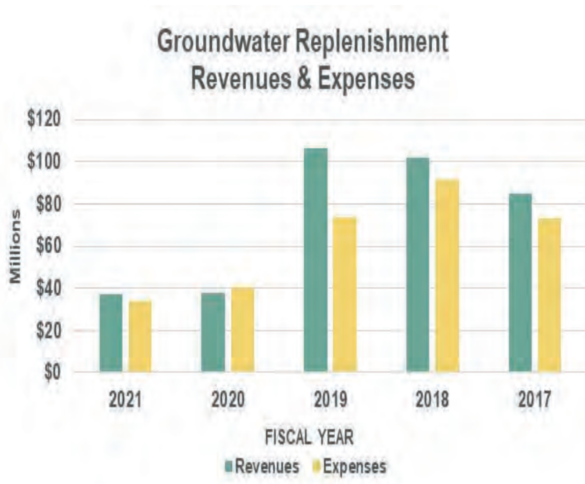


Total assets increased by $20.6 million primarily resulting from the following increase: cash and investment by $5.4 million and capital assets net of depreciation by $15.3 million.

Total liabilities increased by $7.5 million primarily due to a $7.0 million draw from the Bank of the West (BotW) Letter of Credit for the Stormwater Channel Projects. The total liability with BotW is now $9.7 million due to be repaid beginning of fiscal year 2023. Repayment to BotW will be paid from the Water Infrastructure Finance and Innovation Act (WIFIA) loan with Environmental Protection Agency, with the first reimbursement scheduled to begin June 1, 2022.

Total net operating loss in fiscal year 2021 is $11.2 million, which is a $1.8 million decrease as compared to the prior fiscal year. The change is primarily attributed to decrease in professional services charge of almost $3.0 million due to the large expenditure in fiscal year 2020 resulting from expensing a previously capitalized cost. No reclass of charges occurred in fiscal year 2021. Non-Operating revenues went down by $854 thousand mainly due to decrease in investment income of $4.4 million, while property tax revenues increased by $2.7 million.

***Groundwater Replenishment Fund Group*.** Activity associated with replacing the groundwater or replenishing the aquifer. In fiscal year 2021, the total net position increased by $3.9 million.

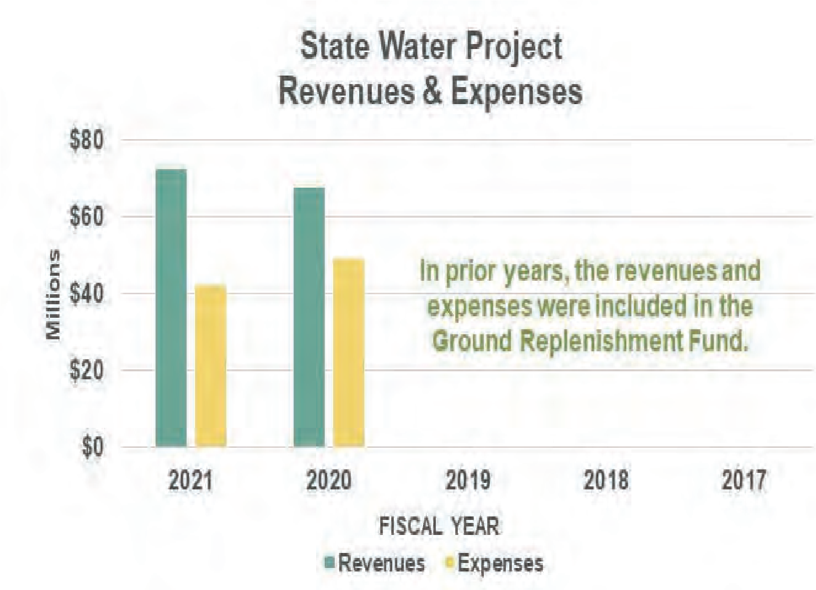


Total assets increased by $36.4 million resulting from increase in cash and investments, which include restricted cash, by $24.1 million primarily attributed to the bond proceeds from the issuance of a Certificate of Participation (COP) Series 2021 A and B. The bond proceeds are to be spent during construction of the Oasis Recharge Phase 2 project. Capital assets net of depreciation increased by $12.6 million as projects are completed and capitalized.

Total liabilities increased by $32.1 million primarily due to $54.4 million increase resulting from the issuance of the COP debt, offset by decrease of $9.4 million in advances from other funds and $12.7 million in accounts payable.

Net operating loss decreased by $6.8 million attributed to decrease in overall operating expenses by $4.9 million due to significant suspension of professional and other services, since most of those businesses had temporary closures in response to the Covid 19 pandemic. This decrease in operating expenses is offset by increase in operating revenues of $1.9 million primarily from increase in replenishment charges. Nonoperating revenue decreased by $1.7 million mostly due to decrease in investment income of $2.2 million offset by $437 thousand in other revenue and expenses.

State Water Project Fund. Activities associated with this group are designed to track the revenues and expenses related to the State Water Project. The primary purpose of SWP is water supply, flood control, power generation, recreation, fish and wildlife enhancement, and water quality improvement in the Sacramento-San Joaquin Delta. In fiscal 2014, this SWP was combined with the Ground Replenishment Fund. However, the District reinstated this fund in fiscal 2020 to better account for the revenue and expense activities.

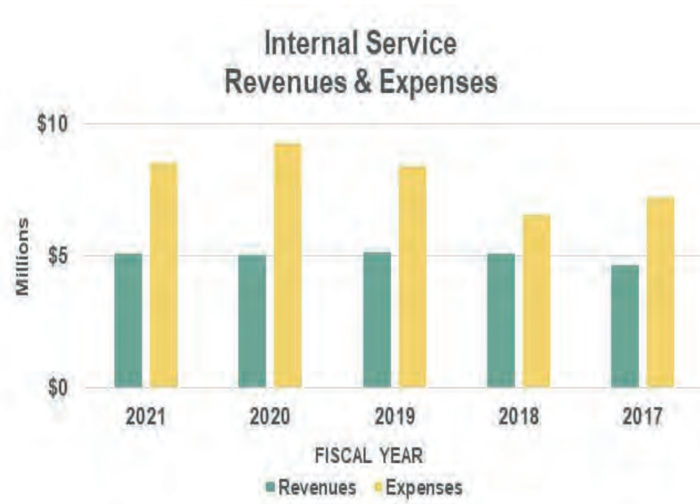


In fiscal year 2021, total assets increased by $30.3 million resulting from an increase in cash and investments of $14.7 million, net capital assets of $15.7, offset by decrease in other assets of $72 thousand. Total liabilities remained stable and had a slight increase of $54 thousand. Net operating loss decreased by $7.0 million due to decrease of $8.3 million in water purchases, while other operating expense increased by $1.3 million. Nonoperating revenues increased by $4.3 million consisting of an increase of $4.7 million in property tax, reduced by a decrease in investment income of $445 thousand.

Internal Service Fund. Activities associated with this group are designed to function as cost-reimbursement funds. The District operates one fund within this group: Motorpool Fund.

In fiscal year 2021, the total net position is $12.0 million, which is a decrease of $1.3 million from the restated fiscal year 2020 net position. Fiscal year 2020 net position was restated due to a reclass of previously expensed purchases that should have been capitalized. The net impact to the motorpool fund is $1.8 million.

Net operating loss increased by $998 thousand primarily resulting from an increase of $$535 thousand in materials and supplies due to a reduction in the prior year operating expenditures for purchases that should have been capitalized and increase of $423 thousand in other expenses.



Financial Analysis of the District

Financial position summary

The Statement of Net position (Table 1) shows an overall net increase of $68.2 million for the fiscal year ending June 30, 2021 as compared to the restated prior fiscal year net position.

Total assets increased by $113.1 million or 5.4% as compared to the prior fiscal year. The total increase comprised of an increase in current assets by $3.1 million, increase of $110.0 million in noncurrent assets comprising of an increase of $43.6 million in restricted cash and investments; net capital asset of $75.4 million, reduced by decrease in other noncurrent assets by $9.0 million.

Current assets increased by $3.1 million primarily due to increases in cash and investments of $2.4 million; due from other governments of $2.3 million, and $71 thousand in supplies inventory, which is then offset by decrease in overall receivables of $1.2 million and $458 thousand in prepaid expenses.

Noncurrent assets increased by $110.0 million, primarily due to an increase in restricted cash of $43.6 million related to the bond proceeds for the COP Series 2021, net capital assets of $75.4 million, and $454 thousand in net OPEB assets. This increase is then reduced by decrease of $9.4 million in advances to other funds resulting from repayment of the loan between the Domestic Water Fund and East Replenishment Fund in the Groundwater Replenishment Fund Group related to the facilities at Martinez Canyon and Thomas E,. Levy. A corresponding change in advances from other funds for the same amount will be reflected under total liabilities.

The total increase of $75.2 million in capital assets is mainly due to the completion of several major capital projects such as the Highway 86 Transmission Main Phase 2; Highway 86 Booster Pump Station; L4 Pump Station and Check Structure at Mile Post 120.8 Replacement; Coachella Valley Stormwater Channel Bank Protection; and Lift Station 81-03 Capacity Upgrade in Burr Street.

Total liabilities increased by $38.7 million, mostly due to the increase of $54.4 million in certificate of participation payable, $10.1 million in loans payable, and $4.9 million in customer advances and deposits. The increase is reduced by decreases of $15.4 million in current payables, $6.2 million in net pension and OPEB liability, and the corresponding decrease in advances from other funds of $9.4 million.

Deferred Outflow of Resources decreased by $5.8 million, due to the following reasons: 1) the difference in pension liability from the expected versus actual actuarial experience; 2) pension contributions subsequent to measurement date; 3) changes in assumption; and 4) difference in projected and actual earnings on pension plan investments. While the Deferred Inflow of Resources increased by $414 thousand primarily due to the difference between expected versus actual actuarial experience, and changes in pension actuarial assumptions.

As of June 30, 2021, investment in capital assets net of related debt is $1.6 billion, which is an increase of $53.5 million or 3.5% as compared to fiscal year 2020. Investments in capital assets (i.e., land improvements, buildings, and equipment) less any related outstanding debt used to acquire these assets represents almost 82.5% of the District's net position. Restricted net position increased by $58.2 million and represent 6.5% of net position. Unrestricted net position accounts decreased by $43.5 million and amounts to 10.9% of the total net position.

Table 1

COACHELLA VALLEY WATER DISTRICT

Condensed Statement of Net Position

As of June 30, 2021

(in millions)

	2021	Restated 2020	Dollar Change	Percentage Change
Current Assets	$ 406.5	$ 403.4	$ 3.1	0.8%
Noncurrent Assets	163.5	128.8	34.6	26.9%
Capital Asset, Net of Depreciation	1,634.3	1,558.9	75.4	4.8%
Total Assets	**2,204.3**	**2,091.2**	**113.1**	**5.4%**
Deferred Outflow of Resources	31.2	37.1	(5.8)	-15.8%
Total Deferred Outflow of Resource	**31.2**	**37.1**	**(5.8)**	**-15.8%**
Long-term Liabilities	259.5	220.7	38.8	17.6%
Other Liabilities	51.4	51.5	(0.1)	(0.2%)
Total Liabilities	**310.9**	**272.2**	**38.7**	**14.2%**
Deferred Inflow of Resources	15.9	15.5	0.4	2.7%
Total Deferred Inflow of Resource	**15.9**	**15.5**	**0.4**	**2.7%**
Net Investment in Capital Assets	1,576.1	1,522.6	53.5	3.5%
Restricted Net Position	124.9	66.8	58.2	87.1%
Unrestricted Net Position	207.7	251.2	(43.5)	(17.3%)
Total Net Position	**$ 1,908.7**	**$ 1,840.6**	**$ 68.2**	**3.7%**

Note: Allow for rounding differences.

Activities and changes in Net Position

The Statement of Revenues, Expenses, and Changes in Fund Net Position (Table 2) identifies the various revenue, expense, and other significant items that contributed to the change in net position.

Total net position increased by $68.2 million, or 3.7% in fiscal year ending June 30, 2021.

Total revenues increased by $1.5 million, or 0.5% as compared to prior fiscal year comprising of $11.8 million increase in operating revenues and decrease of $10.3 million in non-operating revenues.

Increase in total operating revenues of $11.8 million is primarily from increases in water sales of $9.5 million, $1.7 million in groundwater replenishment charges, and $624 thousand in other charges.

Non-operating revenues decreased by $10.3 million attributed to decline in investment income of $17.3 million in investment income, $3.9 million in intergovernmental revenue, which is then reduced by an increase in property tax of $10.5 million and $353 thousand in other revenue.

Total expenses decreased by $9.2 million, or 3.3% in fiscal year 2021, which consisted of a $12.9 million decrease in operating expenses, $3.6 million increase in non-operating expenses.

Operating expenses decreased by $12.9 million due to significant decline in water purchases of about $8.8 million and $12.6 million in professional and other services. Water purchases can be volatile as it is heavily reliant on weather conditions, water availability, pricing from Metropolitan Water District. The decrease in professional and other services are mostly from the temporary closures of businesses who provided those services due to the effects of the Covid 19 pandemic. The decrease is then offset by increase in power cost of $3.4 million resulting from an electric rate adjustment, increase in depreciation of $3.5 million, $2.4 in personnel costs, and increase in material and supplies of $3.6 million. Materials and supplies in fiscal year 2020 was reduced by $5.3 million to reclass an expenditure that should have been capitalized, thus resulting to an increase in expenses.

Non-operating expenses slightly increased by $109 thousand mainly due to interest expense and the gain and loss from disposal of assets.

Capital contributions and development fees slightly increased by $332 thousand or 1.85%. The fluctuations in capital contributions is attributed to the varying stages of the projects from design, construction, and completion from year-to-year. Some years the capital contributions can significantly vary from an increase to a decrease and vice versa.

Table 2
COACHELLA VALLEY WATER DISTRICT
Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position
As of June 30, 2021
(in millions)

	2021	Restated 2020	Dollar Change	Percentage Change
Operating Revenues				
Water Sales	$ 90.3	$ 80.8	$ 9.5	11.8%
Water and sewer availability	2.7	2.9	(0.1)	(5.0%)
Meter and service fees	18.0	18.2	(0.2)	(1.2%)
Sanitation service fees	39.6	39.9	(0.3)	(0.8%)
Groundwater replenishment	26.5	24.8	1.7	6.7%
Other charges	8.1	6.8	1.2	18.0%
Total Operating Revenues	185.2	173.4	11.8	6.8%
Non-Operating Revenue	136.5	146.8	(10.3)	(7.0%)
Total Revenues	**321.7**	**320.2**	**1.5**	**0.5%**
Operating Expenses				
General operations	133.4	141.1	(7.7)	(5.4%)
Water purchases	70.0	78.8	(8.8)	(11.1%)
Utilities	19.2	15.7	3.5	22.6%
Total Operating Expenses	**222.7**	**235.5**	**(12.9)**	**(5.5%)**
Depreciation expense	47.1	43.6	3.5	8.1%
Non-Operating Expense	2.1	2.0	0.1	5.5%
Total Expenses	**271.9**	**281.1**	**(9.2)**	**(3.3%)**
Income before capital contributions	49.9	39.1	10.8	27.5%
Capital contributions	4.6	4.8	(0.2)	(3.4%)
Development fees	13.7	13.2	0.5	3.7%
Change in net position	68.2	57.1	11.1	19.4%
Beginning net position, as Restated	1,840.6	1,783.5	57.1	3.2%
Ending Net Position	**$ 1,908.7**	**$ 1,840.6**	**$ 68.2**	**3.7%**

Note: Allow for rounding differences.

Capital Assets

As of June 30, 2021, the District's Net Capital Assets totaled $1.6 billion, an increase of $75.4 million, or 5.5%. Capital assets include all of the District's major infrastructure including: water treatment facilities, water mains, pipes, storage reservoirs, well, water reclamation facilities, storm water improvements, irrigation and drainage facilities, land, water rights, District headquarters and other structures, as well as vehicles and other equipment. Per District's capitalization policy, assets with a value of $10,000 or greater are capitalized; assets acquired with federal grant funds with a value of $5,000 or greater are capitalized.

A comparison of the changes in the District's capital assets over the past two fiscal years is presented in Table 3.

Table 3

COACHELLA VALLEY WATER DISTRICT

Capital Assets

As of June 30, 2021

(in millions)

	2021	Restated 2020	Dollar Change	Percentage Change
Infrastructures, Plant, Land Improvements, & Intangibles				
Domestic Water	713.6	667.6	46.0	6.9%
Sanitation	596.9	582.4	14.5	2.5%
Canal	84.4	64.0	20.4	31.9%
Stormwater	178.1	154.4	23.7	15.3%
Groundwater Replenishment	117.4	117.2	0.2	0.2%
Motorpool	3.9	3.8	0.0	0.7%
Equipment	102.0	90.7	11.2	12.4%
Construction in progress	144.6	168.1	(23.5)	(14.0%)
Land and Land Rights	67.7	61.5	6.1	10.0%
Water rights	73.6	74.0	(0.4)	(0.6%)
Interest in jointly owned facilities	386.5	365.5	21.0	5.7%
Total capital assets	**2,468.5**	**2,349.3**	**119.2**	**5.1%**
Less depreciation	834.2	790.4	43.9	5.5%
Net capital assets	**$ 1,634.3**	**$ 1,558.9**	**$ 75.4**	**4.8%**

Note: Allow for rounding differences.

For more detailed information on capital asset activity, refer to Note 3: Capital Assets.

Economic Factors and Next Year's Budget

A majority of the District is located in Riverside County. The District's economy relies largely on tourism (hotels and resorts), construction, and agriculture. The District produces, stores, treats, and distributes potable water for a population of more than 400,000, which can increase up to 600,000 during winter and parts of spring season. The District also provides nonpotable water, regional sanitation services, water reclamation, groundwater management, agricultural irrigation and drainage, and stormwater protection for the Coachella Valley.

The impact of Covid 19 pandemic remains in the forefront in the entire world. The economic market had created some volatility, especially in pricing of materials, food, especially the real estate market in the United States. Despite the economic volatility, CVWD continues to have a strong financial position by maintaining a conservative approach and looking at various avenues to finance large capital projects, which include aggressively pursuing grants and loans. In fiscal year 2021, the District revised the Reserve Policy to ensure that sufficient reserves are available, while also supporting replacement of infrastructure needs.

The District's total budget for fiscal year 2022 is $451.8 million.

In fiscal year 2021, the District completed a comprehensive five-year Cost of Service Studies for the Canal, Replenishment, and Domestic Water funds to determine the appropriate rate structure and financial plan to meet District needs. A miscellaneous fees study for other fees were also completed in early fiscal year 2022.

In fiscal year 2022, the District will begin a comprehensive five-year Cost of Service Study for the Sanitation fund and a Cost of Service Study for the Water Developer and Sanitation Developer Fees to determine appropriate rates and fees to accommodate District needs and continued growth.

ADDITIONAL FINANCIAL INFORMATION

This financial report provides the District's customers, investors, and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Finance Department at 75515 Hovley Lane East, Palm Desert, CA 92211.

COACHELLA VALLEY WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

	Domestic Water	Sanitation	Canal Water	Stormwater
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and Investments	$ 53,443,916	$ 76,196,679	$ 50,989,636	$ 128,809,122
Receivables:				
Accounts	10,724,500	2,187,117	6,020,537	625,595
Property Taxes	241,410	1,004,748	407,466	380,927
Interest	325,704	311,962	169,143	428,010
Deposits	-	185,000	-	-
Loan	2,133,846	-	-	-
Allowance for Uncollectible Accounts	-	-	-	(513,763)
Supplies Inventory	3,482,042	-	-	-
Prepaid Expenses	296,007	-	-	-
Due from Other Governments	3,148,580	321,180	-	56,403
Total Current Assets	73,796,005	80,206,686	57,586,782	129,786,294
NONCURRENT ASSETS				
Advances to Other Funds	55,427,549	-	-	-
Restricted Cash and Investments	49,144,889	18,185,957	-	-
Net OPEB Asset	321,708	-	-	3,070
Capital Assets:				
Land and Land Rights	12,892,483	3,702,115	3,329,579	17,686,679
Water Rights	73,595,304	-	-	-
Construction in Progress	38,888,081	57,028,293	13,266,594	20,453,181
Land Improvements	890,452	1,084,315	128,249	64,124
Building and Plant	712,406,656	595,654,926	84,166,340	177,926,519
Interest in Shared Facilities	-	-	35,479,522	-
Equipment	22,095,856	30,721,238	8,252,661	2,593,227
Intangibles	290,178	144,992	80,227	111,593
Less: Accumulated Depreciation	(304,142,655)	(257,472,102)	(46,010,675)	(78,220,542)
Total Capital Assets, Net	556,916,355	430,863,777	98,692,497	140,614,781
Total Noncurrent Assets	661,810,501	449,049,734	98,692,497	140,617,851
Total Assets	735,606,506	529,256,420	156,279,279	270,404,145
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension Related Items	14,543,956	7,980,731	4,372,630	1,527,314
Total Deferred Outflows of Resources	14,543,956	7,980,731	4,372,630	1,527,314

COACHELLA VALLEY WATER DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2021

	Groundwater Replenishment	State Water Project	Totals	Internal Service Fund Motorpool
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and Investments	$ 43,309,077	$ 15,309,403	$ 368,057,833	$ 1,555,436
Receivables:				
Accounts	1,739,407	-	21,297,156	-
Property Taxes	121,788	2,114,344	4,270,683	-
Interest	142,419	52,154	1,429,392	5,896
Deposits	100,000	-	285,000	-
Loan	-	-	2,133,846	-
Allowance for Uncollectible Accounts	-	-	(513,763)	-
Supplies Inventory	-	-	3,482,042	204,476
Prepaid Expenses	-	-	296,007	-
Due from Other Governments	482,714	-	4,008,877	-
Total Current Assets	45,895,405	17,475,901	404,747,073	1,765,808
NONCURRENT ASSETS				
Advances to Other Funds	-	-	55,427,549	-
Restricted Cash and Investments	40,258,252	-	107,589,098	-
Net OPEB Asset	129,178	-	453,956	-
Capital Assets:				
Land and Land Rights	30,064,808	-	67,675,664	-
Water Rights	-	-	73,595,304	-
Construction in Progress	14,196,136	-	143,832,285	736,808
Land Improvements	44,887	-	2,212,027	-
Building and Plant	117,252,666	-	1,687,407,107	3,827,501
Interest in Shared Facilities	-	351,039,095	386,518,617	-
Equipment	679,356	-	64,342,338	37,629,466
Intangibles	80,040	-	707,030	25,019
Less: Accumulated Depreciation	(29,547,983)	(91,054,937)	(806,448,894)	(27,764,612)
Total Capital Assets, Net	132,769,910	259,984,158	1,619,841,478	14,454,182
Total Noncurrent Assets	173,157,340	259,984,158	1,783,312,081	14,454,182
Total Assets	219,052,745	277,460,059	2,188,059,154	16,219,990
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension Related Items	1,725,599	-	30,150,230	1,083,972
Total Deferred Outflows of Resources	1,725,599	-	30,150,230	1,083,972

COACHELLA VALLEY WATER DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2021

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	Domestic Water	Sanitation	Canal Water	Stormwater
CURRENT LIABILITIES				
Accounts Payable	$ 8,600,051	$ 5,847,946	$ 1,298,879	$ 3,123,724
Accrued Liabilities	1,767,785	800,030	450,701	198,853
Unearned Revenues	300,000	211,781	-	-
Retentions Payable	433,403	88,967	107,052	9,057
Customer Advances and Deposits	7,741,360	358,595	941,942	962,024
Current Portion of Long-Term Liabilities	2,231,541	763,397	442,869	9,984,428
Total Current Liabilities	21,074,140	8,070,716	3,241,443	14,278,086
LONG-TERM LIABILITIES				
Compensated Absences Payable	2,464,873	1,417,737	822,471	446,509
Claims Liability	1,371,300	-	-	-
Revolving Loans	-	-	-	-
Loan Payable	18,720,529	-	-	-
Certificates of Participation	-	-	-	-
Net OPEB Liability	-	184,084	99,502	-
Net Pension Liability	54,983,365	32,604,800	18,286,041	6,370,679
Advances from Other Funds	-	-	-	-
Total Long-Term Liabilities	77,540,067	34,206,621	19,208,014	6,817,188
Total Liabilities	98,614,207	42,277,337	22,449,457	21,095,274
DEFERRED INFLOWS OF RESOURCES				
Deferred OPEB Related Items	7,112,652	4,198,764	1,873,720	1,035,091
Deferred Pension Related Items	268,133	472,114	275,484	18,380
Total Deferred Inflows of Resources	7,380,785	4,670,878	2,149,204	1,053,471
NET POSITION				
Net Investment in Capital Assets	534,473,430	426,540,558	97,616,972	128,878,202
Restricted:				
Construction, Capital, and Replacement Funds	49,144,889	18,185,957	-	-
State Water Project	-	-	-	-
Unrestricted	60,537,151	45,562,421	38,436,276	120,904,512
Total Net Position	$ 644,155,470	$ 490,288,936	$ 136,053,248	$ 249,782,714

COACHELLA VALLEY WATER DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2021

	Groundwater Replenishment	State Water Project	Totals	Internal Service Fund Motorpool
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
CURRENT LIABILITIES				
Accounts Payable	$ 3,755,087	$ 56,322	$ 22,682,009	$ 225,715
Accrued Liabilities	221,200	-	3,438,569	120,745
Unearned Revenues	-	-	511,781	-
Retentions Payable	-	-	638,479	-
Customer Advances and Deposits	-	-	10,003,921	-
Current Portion of Long-Term Liabilities	230,370	21,279	13,673,884	120,704
Total Current Liabilities	4,206,657	77,601	50,948,643	467,164
LONG-TERM LIABILITIES				
Compensated Absences Payable	427,831	39,518	5,618,939	224,165
Claims Liability	-	-	1,371,300	-
Revolving Loans	-	-	-	-
Loan Payable	-	-	18,720,529	-
Certificates of Participation	54,387,433	-	54,387,433	-
Net OPEB Liability	-	-	283,586	-
Net Pension Liability	6,653,364	-	118,898,249	4,536,958
Advances from Other Funds	55,427,549	-	55,427,549	-
Total Long-Term Liabilities	116,896,177	39,518	254,707,585	4,761,123
Total Liabilities	121,102,834	117,119	305,656,228	5,228,287
DEFERRED INFLOWS OF RESOURCES				
Deferred OPEB Related Items	638,813	-	14,859,040	-
Deferred Pension Related Items	(16,116)	-	1,017,995	42,310
Total Deferred Inflows of Resources	622,697	-	15,877,035	42,310
NET POSITION				
Net Investment in Capital Assets	114,138,380	259,984,158	1,561,631,700	14,441,948
Restricted:				
Construction, Capital, and Replacement Funds	40,258,252	-	107,589,098	-
State Water Project	-	17,358,782	17,358,782	-
Unrestricted	(55,343,819)	-	210,096,541	(2,408,583)
Total Net Position	$ 99,052,813	$ 277,342,940	$ 1,896,676,121	$ 12,033,365

COACHELLA VALLEY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2021

	Domestic Water	Sanitation	Canal Water	Stormwater
OPERATING REVENUES				
Sales	$ 67,998,272	$ -	$ 18,622,208	$ -
Availability Charges	643,365	62,018	2,017,748	-
Meter and Service Fees	16,709,390	71,670	1,058,772	174,933
Sanitation Service Fees	-	39,591,523	-	-
Replenishment Charges	-	-	-	-
Other Charges	3,039,597	24,441	123,674	85,809
Total Operating Revenues	88,390,624	39,749,652	21,822,402	260,742
OPERATING EXPENSES				
Wages and Salaries	22,830,053	12,268,153	7,103,245	3,098,173
Benefits	13,896,659	7,484,356	4,334,560	1,710,865
Materials and Supplies	7,265,933	2,338,976	2,258,555	268,155
Water Purchases	12,719,362	-	5,114,223	-
Power	11,709,657	4,761,748	605,034	38,803
Contract Services	3,706,482	3,597,717	1,384,033	1,179,894
Depreciation	15,250,707	15,478,150	2,088,696	3,370,438
Other	10,490,660	3,441,650	4,689,573	1,808,906
Total Operating Expenses	97,869,513	49,370,750	27,577,919	11,475,234
OPERATING LOSS	(9,478,889)	(9,621,098)	(5,755,517)	(11,214,492)
NONOPERATING REVENUES (EXPENSES)				
Property Taxes	2,340,102	2,180,725	13,004,250	21,474,426
Intergovernmental	5,040,372	335,075	38,442	-
Investment Income	1,312,835	269,466	338,871	563,753
Interest Expense	(276,216)	-	-	-
Other	2,879,009	812,051	4,642,563	1,638,262
Gain (Loss) on Disposal of Capital Assets	-	(826,547)	-	-
Total Nonoperating Revenues (Expenses)	11,296,102	2,770,770	18,024,126	23,676,441
Income (Loss) Before Transfers and Capital Contributions	1,817,213	(6,850,328)	12,268,609	12,461,949
Transfers In	-	2,481,921	4,173,387	212,941
Transfers Out	(8,336,287)	(636,796)	(304,488)	(188,139)
Capital Contributions:				
Contributed Plant	2,628,548	1,515,430	287,699	-
Development Fees	8,157,731	5,543,341	-	-
CHANGES IN NET POSITION	4,267,205	2,053,568	16,425,207	12,486,751
Net Position - Beginning of Year, as Restated	639,888,265	488,235,368	119,628,041	237,295,963
NET POSITION - END OF YEAR	$ 644,155,470	$ 490,288,936	$ 136,053,248	$ 249,782,714

COACHELLA VALLEY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (CONTINUED)
YEAR ENDED JUNE 30, 2021

	Groundwater Replenishment	State Water Project	Totals	Internal Service Fund Motorpool
OPERATING REVENUES				
Sales	$ 3,680,416	$ -	$ 90,300,896	$ -
Availability Charges	-	-	2,723,131	-
Meter and Service Fees	-	-	18,014,765	-
Sanitation Service Fees	-	-	39,591,523	-
Replenishment Charges	26,492,015	-	26,492,015	-
Other Charges	-	-	3,273,521	4,826,840
Total Operating Revenues	30,172,431	-	180,395,851	4,826,840
OPERATING EXPENSES				
Wages and Salaries	3,450,257	60,797	48,810,678	1,901,459
Benefits	1,946,697	-	29,373,137	1,273,700
Materials and Supplies	265,290	-	12,396,909	852,134
Water Purchases	16,748,683	35,458,759	70,041,027	-
Power	2,098,237	-	19,213,479	-
Contract Services	1,482,098	-	11,350,224	400,842
Depreciation	2,277,183	5,310,554	43,775,728	3,340,269
Other	4,915,762	982,895	26,329,446	718,896
Total Operating Expenses	33,184,207	41,813,005	261,290,628	8,487,300
OPERATING LOSS	(3,011,776)	(41,813,005)	(80,894,777)	(3,660,460)
NONOPERATING REVENUES (EXPENSES)				
Property Taxes	6,406,577	72,529,475	117,935,555	-
Intergovernmental	322,303	-	5,736,192	-
Investment Income	37,010	(430,902)	2,091,033	(13,567)
Interest Expense	(973,906)	-	(1,250,122)	-
Other	477,804	-	10,449,689	288,124
Gain (Loss) on Disposal of Capital Assets	-	-	(826,547)	4,148
Total Nonoperating Revenues (Expenses)	6,269,788	72,098,573	134,135,800	278,705
Income (Loss) Before Transfers and Capital Contributions	3,258,012	30,285,568	53,241,023	(3,381,755)
Transfers In	536,942	-	7,405,191	2,275,844
Transfers Out	(30,591)	-	(9,496,301)	(184,734)
Capital Contributions:				
Contributed Plant	164,000	-	4,595,677	-
Development Fees	-	-	13,701,072	-
CHANGES IN NET POSITION	3,928,363	30,285,568	69,446,662	(1,290,645)
Net Position - Beginning of Year, as Restated	95,124,450	247,057,372	1,827,229,459	13,324,010
NET POSITION - END OF YEAR	$ 99,052,813	$ 277,342,940	$ 1,896,676,121	$ 12,033,365

COACHELLA VALLEY WATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021

	Domestic Water	Sanitation	Canal Water	Stormwater
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers and Users	$ 73,767,959	$ 39,842,159	$ 21,993,879	$ 70,105
Cash Received from Interfund Service Provided	-	-	-	-
Cash Paid to Employees for Services	(36,168,944)	(19,648,531)	(11,368,116)	(4,684,304)
Cash Paid to Suppliers of Goods and Services	(30,788,779)	(11,644,186)	(11,339,652)	(414,872)
Cash Paid to Others	-	(3,369,980)	(3,630,801)	(1,633,973)
Net Cash Provided (Used) by Operating Activities	6,810,236	5,179,462	(4,344,690)	(6,663,044)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash Transfers In	-	-	-	-
Cash Transfers Out	(1,115,830)	(636,796)	(304,488)	(188,139)
Payments Received from (Provided to) Other Governments	2,471,609	487,650	38,442	(53,454)
Cash Received from Property Taxes	2,358,801	2,049,495	12,908,417	21,423,083
Net Cash Provided by Noncapital Financing Activities	3,714,580	1,900,349	12,642,371	21,181,490
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(26,891,820)	(24,252,626)	(11,781,380)	(18,419,689)
Cash Received from Development Fees	8,157,731	5,543,341	-	-
Proceeds from Sale of Capital Assets	-	-	-	-
Payment Received from (Provided to) Other Funds	9,422,397	-	-	-
Interest Received (Paid) on Interfund Debt	973,906	-	-	-
Proceeds from Line of Credit	-	-	-	7,000,000
Proceeds from Loan Payable	5,431,927	-	-	-
Proceeds from Certificates of Participation	-	-	-	-
Principal Paid on Long-Term Debt	(227,231)	-	-	-
Interest Paid on Long-Term Debt	(276,216)	-	-	-
Other Items	2,879,009	812,051	4,642,563	1,638,262
Net Cash Used by Capital and Related Financing Activities	(530,297)	(17,897,234)	(7,138,817)	(9,781,427)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Purchases	(32,552,604)	(29,948,693)	(16,179,596)	(40,872,612)
Proceeds from Maturity of Investments	34,164,564	50,216,423	20,459,680	50,282,885
Interest Received on Investments	490,217	635,071	380,174	630,767
Net Cash Provided by Investing Activities	2,102,177	20,902,801	4,660,258	10,041,040
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,096,696	10,085,378	5,819,122	14,778,059
Cash and Cash Equivalents - Beginning of Year	4,848,012	5,503,908	2,602,893	6,497,488
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 16,944,708	$ 15,589,286	$ 8,422,015	$ 21,275,547
RECONCILIATION TO AMOUNTS REPORTED ON THE STATEMENT OF NET POSITION				
Cash and Investments	$ 53,443,916	$ 76,196,679	$ 50,989,636	$ 128,809,122
Restricted Cash and Investments	49,144,889	18,185,957	-	-
Less: Investments with Maturities Greater than Three Months	(85,644,097)	(78,793,350)	(42,567,621)	(107,533,575)
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 16,944,708	$ 15,589,286	$ 8,422,015	$ 21,275,547

COACHELLA VALLEY WATER DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2021

	Groundwater Replenishment	State Water Project	Totals	Internal Service Fund Motorpool
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers and Users	$ 30,198,843	$ -	$ 165,872,945	$ -
Cash Received from Interfund Service Provided	-	-	-	4,826,840
Cash Paid to Employees for Services	(5,294,031)	-	(77,163,926)	(2,980,479)
Cash Paid to Suppliers of Goods and Services	(33,346,557)	(35,178,123)	(122,712,169)	(1,509,328)
Cash Paid to Others	(4,915,762)	(982,895)	(14,533,411)	(718,896)
Net Cash Used by Operating Activities	(13,357,507)	(36,161,018)	(48,536,561)	(381,863)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash Transfers In	184,734	-	184,734	2,275,844
Cash Transfers Out	(30,591)	-	(2,275,844)	(184,734)
Payments Received from (Provided to) Other Governments	520,671	-	3,464,918	-
Cash Received from Property Taxes	6,405,325	72,366,457	117,511,578	-
Net Cash Provided by Noncapital Financing Activities	7,080,139	72,366,457	118,885,386	2,091,110
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(14,363,945)	(21,009,222)	(116,718,682)	(2,277,088)
Cash Received from Development Fees	-	-	13,701,072	-
Proceeds from Sale of Capital Assets	-	-	-	258,399
Payment Received from (Provided to) Other Funds	(9,422,397)	-	-	-
Interest Received (Paid) on Interfund Debt	(973,906)	-	-	-
Proceeds from Line of Credit	-	-	7,000,000	-
Proceeds from Loan Payable	-	-	5,431,927	-
Proceeds from Certificates of Participation	54,387,433	-	54,387,433	-
Principal Paid on Long-Term Debt	-	-	(227,231)	-
Interest Paid on Long-Term Debt	-	-	(276,216)	-
Other Items	477,804	-	10,449,689	288,124
Net Cash Provided (Used) by Capital and Related Financing Activities	30,104,989	(21,009,222)	(26,252,008)	(1,730,565)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Purchases	(24,279,828)	(12,215,877)	(156,049,210)	(493,558)
Proceeds from Maturity of Investments	16,744,621	-	171,868,173	679,290
Interest Received on Investments	265,538	(483,053)	1,918,714	10,033
Net Cash Provided (Used) by Investing Activities	(7,269,669)	(12,698,930)	17,737,677	195,765
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,557,952	2,497,287	61,834,494	174,447
Cash and Cash Equivalents - Beginning of Year	3,130,497	31,384	22,614,182	82,466
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 19,688,449	$ 2,528,671	$ 84,448,676	$ 256,913
RECONCILIATION TO AMOUNTS REPORTED ON THE STATEMENT OF NET POSITION				
Cash and Investments	$ 43,309,077	$ 15,309,403	$ 368,057,833	$ 1,555,436
Restricted Cash and Investments	40,258,252	-	107,589,098	-
Less: Investments with Maturities Greater than Three Months	(63,878,880)	(12,780,732)	(391,198,255)	(1,298,523)
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 19,688,449	$ 2,528,671	$ 84,448,676	$ 256,913

COACHELLA VALLEY WATER DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2021

	Domestic Water	Sanitation	Canal Water	Stormwater
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Operating Loss	$ (9,478,889)	$ (9,621,098)	$ (5,755,517)	$ (11,214,492)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Depreciation	15,250,707	15,478,150	2,088,696	3,370,438
(Increase) Decrease in Accounts Receivable	(2,288,083)	(20,593)	546,915	(40,345)
(Increase) Decrease in Allowance for Uncollectible Accounts	-	-	-	77,204
(Increase) Decrease in Deposits Receivable	-	-	-	-
(Increase) Decrease in Supplies Inventory	(15,058)	-	-	-
(Increase) Decrease in Prepaid Expenses	457,900	-	-	-
(Increase) Decrease in Deferred Outflows of Resources - Pension Related Items	2,613,849	1,443,240	822,309	354,802
Increase (Decrease) in Accounts Payable	(1,227,707)	(734,826)	(1,785,473)	1,690,355
Increase (Decrease) in Accrued Liabilities	886,139	193,390	63,824	45,814
Increase (Decrease) in Unearned Revenues	300,000	-	-	-
Increase (Decrease) in Retentions Payable	(916,087)	(210,919)	(192,334)	(618,375)
Increase (Decrease) in Customer Advances and Deposits	4,074,808	184,770	683,334	(52,563)
Increase (Decrease) in Compensated Absences Payable	7,961	94,211	(16,819)	137,700
Increase (Decrease) in Claims Liability	94,877	-	-	-
Increase (Decrease) in Net OPEB Liability (Asset)	(3,012,459)	(1,659,927)	(737,745)	(430,357)
Increase (Decrease) in Net Pension Liability	(225,310)	(124,406)	(70,883)	(30,584)
Increase (Decrease) in Deferred Inflows of Resources - OPEB Related Items	1,168,906	644,091	286,263	166,988
Increase (Decrease) in Deferred Inflows of Resources - Pension Related Items	(881,318)	(486,621)	(277,260)	(119,629)
Total Adjustments	16,289,125	14,800,560	1,410,827	4,551,448
Net Cash Provided (Used) by Operating Activities	$ 6,810,236	$ 5,179,462	$ (4,344,690)	$ (6,663,044)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Capital Assets Contributed by Other Parties	$ 2,628,548	$ 1,515,430	$ 287,699	$ -
General District Capital Assets Transferred from Domestic Water	$ (7,220,457)	$ 2,481,921	$ 4,173,387	$ 212,941
Gain (Loss) on Disposal of Assets	$ -	$ (826,547)	$ -	$ -

COACHELLA VALLEY WATER DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2021

	Groundwater Replenishment	State Water Project	Totals	Internal Service Fund Motorpool
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Operating Loss	$ (3,011,776)	$ (41,813,005)	$ (80,894,777)	$ (3,660,460)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Depreciation	2,277,183	5,310,554	43,775,728	3,340,269
(Increase) Decrease in Accounts Receivable	26,412	287,175	(1,488,519)	-
(Increase) Decrease in Allowance for Uncollectible Accounts	-	-	77,204	-
(Increase) Decrease in Deposits Receivable	-	-	-	-
(Increase) Decrease in Supplies Inventory	-	-	(15,058)	(56,327)
(Increase) Decrease in Prepaid Expenses	-	-	457,900	-
(Increase) Decrease in Deferred Outflows of Resources - Pension Related Items	396,389	-	5,630,589	217,209
Increase (Decrease) in Accounts Payable	(12,727,688)	(6,539)	(14,791,878)	(200,025)
Increase (Decrease) in Accrued Liabilities	59,183	-	1,248,350	20,574
Increase (Decrease) in Unearned Revenues	-	-	300,000	-
Increase (Decrease) in Retentions Payable	(24,561)	-	(1,962,276)	-
Increase (Decrease) in Customer Advances and Deposits	-		4,890,349	-
Increase (Decrease) in Compensated Absences Payable	3,289	60,797	287,139	48,856
Increase (Decrease) in Claims Liability	-	-	94,877	-
Increase (Decrease) in Net OPEB Liability	(307,393)	-	(6,147,881)	-
Increase (Decrease) in Net Pension Liability	(34,169)	-	(485,352)	(18,722)
Increase (Decrease) in Deferred Inflows of Resources - OPEB Related Items	119,276	-	2,385,524	-
Increase (Decrease) in Deferred Inflows of Resources - Pension Related Items	(133,652)	-	(1,898,480)	(73,237)
Total Adjustments	(10,345,731)	5,651,987	32,358,216	3,278,597
Net Cash Provided (Used) by Operating Activities	$ (13,357,507)	$ (36,161,018)	$ (48,536,561)	$ (381,863)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Capital Assets Contributed by Other Parties	$ 164,000	$ -	$ 4,595,677	$ -
General District Capital Assets Transferred from Domestic Water	$ 352,208	$ -	$ -	$ -
Gain (Loss) on Disposal of Assets	$ -	$ -	$ (826,547)	$ (254,251)

COACHELLA VALLEY WATER DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2021

	Custodial Funds	OPEB Trust Fund
ASSETS		
Cash and Investments:		
Cash and Cash Equivalents	$ 10,081,875	$ 35,013,305
Receivables:		
Accounts	87,668	-
Property Taxes	88,123	-
Interest	33,614	-
Total Assets	10,291,280	35,013,305
LIABILITIES		
Accounts Payable	5,266	-
Total Liabilities	5,266	-
NET POSITION		
Restricted for OPEB	-	35,013,305
Held for Bondholders	10,286,014	-
Total Net Position	$ 10,286,014	$ 35,013,305

COACHELLA VALLEY WATER DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2021

	Custodial Funds	OPEB Trust Fund
ADDITIONS		
Contributions:		
Employers	$ -	$ 2,353,855
Investment Earnings:		
Net Increase in Fair Value of Investments	-	7,254,255
Interest, Dividends, and Other	58,652	23
Total Investment Earnings	58,652	7,254,278
Less Investment Costs	-	(104,628)
Net Investment Earnings	58,652	7,149,650
Special Assessments or Special Taxes Collected from Property Owners	1,660,342	-
Miscellaneous	1,699	-
Total Additions	1,720,693	9,503,505
DEDUCTIONS		
Benefits Paid to Participants or Beneficiaries	-	2,353,855
Administrative Expense	71,178	8,000
Payments for Special Assessment or Special Tax Debt	804,600	-
Property Insurance	147,611	-
Repairs and Maintenance	22,040	-
Total Deductions	1,045,429	2,361,855
NET INCREASE IN FIDUCIARY NET POSITION	675,264	7,141,650
Net Position - Beginning of Year, as Restated	9,610,750	27,871,655
NET POSITION - END OF YEAR	$ 10,286,014	$ 35,013,305

THIS PAGE INTENTIONALLY LEFT BLANK

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Coachella Valley Water District (the District) was organized in 1918 under the County Water District Act provisions of the state water codes. The District provides domestic and irrigation water, stormwater protection, agricultural drainage, sanitation, groundwater replenishment and water conservation services to users within its boundaries. The District's service area covers approximately 1,000 square miles, mostly within the Coachella Valley in Riverside County, California. The boundaries also extend into small portions of Imperial and San Diego counties. The Coachella Valley is a fascinating place in which to live, work and play because what once was a barren wasteland, has been transformed into a vibrant collection of diverse communities with thriving agricultural and recreation/hospitality industries.

Domestic water is delivered to more than 109,000 customers. The valley's drinking water comes from a vast underground aquifer. This water is nearly pristine and requires little treatment to meet all state and federal water quality standards.

The District's board of directors has formed various improvement districts, which are geographical segments within the service area of the District. Special assessment debt without government commitment is issued for certain improvement districts, and interest and principal thereon are payable from ad valorem assessments on land within such districts, from service charges and proceeds from the sale of property.

As required by generally accepted accounting principles, these financial statements present the District and its component units, entities for which the District is considered to be financially accountable. The District is considered to be financially accountable for an organization if the District appoints a voting majority of that organization's governing body, and the organization is able to provide specific financial benefits to or impose specific financial burdens on the District. The District is also considered to be financially accountable if an organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the District). In certain cases, other organizations are included as component units, if the nature and significance of their relationship with the District are such that, their exclusion would cause the District's financial statements to be misleading or incomplete. The District has one component unit, the Coachella Valley Water District Public Facilities Corporation.

The Coachella Valley Water District Public Facilities Corporation (Corporation) is a component unit as no person other than a director of the District is eligible to serve as a director of the Corporation, except a person approved by a resolution of the board of directors of the District. The Corporation is a nonprofit public benefit Corporation organized to provide financial assistance to the District by acquiring and constructing various public improvements, and the acquisition of land and related facilities for the use, benefit, and enjoyment of the public. There is also a financial benefit/burden relationship between the District and the Corporation.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Basis of Accounting and Measurement Focus

A proprietary fund accounts for operations in a manner similar to private business enterprises, where the intent of the governing body is that 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.

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied. The proprietary fund financial statements are reported using the *economic resources measurement focus*, and the *accrual basis of accounting*. Under the *economic resources measurement focus*, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with these activities are included in the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the *accrual basis of accounting*, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues related to water sales, sanitation, and other user charges are recognized when earned. Unbilled service receivables, if material, have been reflected in the financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District’s principal ongoing operations. The principal operating revenues consist of charges to customers for sales and use of water and sanitation. Nonoperating revenues primarily consist of property taxes, intergovernmental revenues, penalties and interest, backflow charges, and interest earned on investments. The principal operating expenses consist of wages and salaries, benefits, materials and supplies, water purchases, power, contract services, and depreciation on capital assets. Nonoperating expenses primarily consist of interest expense on interfund advances.

The fiduciary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

The District follows all applicable Government Accounting Standards Board (GASB) pronouncements.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Major Fund Groups

For financial statement purposes, the operations of the District are reported in the following major funds:

Domestic Water – Activity associated with providing domestic water to the residents of the Coachella Valley. More than 2,004 miles of distribution pipelines serve those customers from water stored in 62 reservoirs.

Sanitation – Activity associated with the District's wastewater reclamation plants. The plants allow the District to provide sanitation service to most of the Coachella Valley that it serves with domestic water.

Canal Water – Activity associated with providing irrigation water to agricultural farmers and certain golf courses of the Coachella Valley and farm drainage.

Stormwater – Activity associated with providing stormwater protection in the Coachella Valley.

Groundwater Replenishment – Activities associated with replacing groundwater, or replenishing the aquifer, including activities associated with delivering nonpotable water to fourteen (14) golf courses, four (4) Homeowners' Associations, and one (1) public high school and District facilities.

State Water Project – Activities associated with the state water project. The primary purpose is to provide sufficient water supply, flood control, power generation, recreation, fish and wildlife enhancement, and water quality improvement in the Sacramento-San Joaquin Delta.

Additionally, the District reports the following fund types:

Internal Service Funds are used to account for the fleet management services that are provided to other departments of the District.

OPEB Trust Fund accounts for the activities of the Districts Section 115 OPEB Trust, which accumulates resources for retiree's health care costs in an irrevocable trust account.

Custodial Funds account for assets received and held by the District, while acting in the capacity as agents or custodians. Included in the Custodial Funds are cash and deposits that are maintained for certain assessment districts and community facilities districts.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Property Taxes

Under California law, property taxes are assessed and collected by the counties at up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool and are then allocated to the local governments based on complex formulas.

Tax liens attach annually, on the first day of March preceding the fiscal year for which the taxes are levied. Taxes are levied on July 1 and cover the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash, and cash equivalents represent each funds' share in the District's pool of cash and investments purchased with an original maturity of three months or less.

E. Restricted Cash and Investments

Restricted cash and investments include development fees that are restricted by state law for the construction of capital facilities. As required by GASB Statement No. 34, restricted assets are only reported in funds for which the related restriction is for a purpose more restricted, than that for which the fund was established.

F. Investments

Investments are reported in the accompanying Statement of Net Position at fair value, which represents the quoted or stated market value, except for certain nonnegotiable certificates of deposit that are reported at cost because they are not transferable and have terms that are not affected by changes in market interest rates. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The District pools cash and investments of all funds. Investment income earned by the pooled investments is allocated to the various funds, based on each fund's average cash and investment balance.

G. Supplies Inventory

Supplies inventory consists of materials used in the construction and maintenance of the District's capital assets and is valued at weighted-average cost.

H. Prepaid Expenses

Prepaid expenses consist of certain payments to vendors that reflect costs applicable to future accounting periods and are expensed during the periods benefited.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets

Capital assets, consisting of property, plant, equipment, and water rights, are recorded at cost. Property, plant, and equipment donated to these proprietary fund type operations, are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital Assets are defined by the District as assets with an initial, individual cost of more than $10,000 and an estimated useful life of more than one year. Assets acquired with federal grant funds are capitalized when the cost is greater than or equal to $5,000 and have an estimated useful life of more than one year. Depreciation is charged to operations using a straight-line method, based on average useful life of the asset.

The estimated useful lives of the capital assets are as follows:

Assets	Years
Domestic Water Plan	25 to 50
Sanitation Plant	25 to 50
Irrigation Plant and Drainage Works	40 to 49
Common Plant and Equipment	3 to 45
Stormwater	5 to 50

Interests in jointly-owned facilities are depreciated, using the straight-line method, with an estimated life of 100 years. On occasion, the District will construct assets on behalf of other agencies, where the other agencies will be responsible for managing and owning the assets. These assets are not capitalized.

J. Contributed Plant

Contributed plant represents utility plant donated or paid for by developers within the District. Water, sanitation, stormwater, and other plant facilities contributed to the District are recorded at acquisition value at the date of donation. The District received capital contributions totaling $4,595,677 for the year ended June 30, 2021.

K. Deferred Outflows/Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognizes deferred outflows and inflows of resources.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources (Continued)

In addition to assets, the statement of net 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 future periods and so will not be recognized as an outflow of resources (expense) until then. The District has the following items on the statement of net position that qualify for reporting in this category:

- Deferred outflows related to pensions equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflows related to pensions for differences between changes in assumptions and expected and actual experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflows related to pensions for net differences between projected and actual earnings on investments of the pension plans fiduciary net position. These amounts are amortized over five years.

More information on these deferred outflows of resources are provided in Note 6.

In addition to liabilities, the statement of net 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 future periods, and so will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

- Deferred inflows related to pensions for changes of assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred inflows related to OPEB for differences between expected and actual experiences and changes of assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the plans.
- Deferred inflows related to OPEB resulting from the net differences between projected and actual earnings on investments of the OPEB Plan’s fiduciary net position. These amounts are amortized over five years.

More information on these deferred inflows are provided in Notes 6 and 8.

L. Claims Payable

The District records a liability for claims, judgments, and litigation when it is probable that an asset has been impaired or a liability has been incurred prior to year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Long-Term Obligations

Interest on the debt is recorded when incurred. Principal that is due within one year is shown as a current liability. Bond discounts and premiums, if material, are recorded as a reduction or increase, respectively, of outstanding debt and are deferred and amortized over the term of the debt.

N. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's Miscellaneous California Public Employees' Retirement System (CalPERS) Plan (the Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Other Postemployment Benefits (OPEB)

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

P. Compensated Absences

It is the District's policy to permit employees to accumulate earned, but unused vacation benefits up to certain limits. Vacation hours are earned based upon the number of years of employment. Employees earn 10 working days for each full year of service for the first five years of continuous employment. Employees earn 15 working days during the second five years (6-10) of continuous employment. After the 10th year of service, vacation leave shall accrue at the rate of 20 working days for each year of service. Employees in the Coachella Valley Water District Employee Association bargaining unit cease to accrue vacation leave at six hundred hours (600), employees in the ASSET bargaining unit, cease to accrue vacation leave at four hundred and eighty hours (480), employees in the Management bargaining unit, cease to accrue vacation leave at five hundred hours (500), and the General Manager has no maximum vacation accrual. Earned vacation pay is paid upon separation from employment.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Compensated Absences (Continued)

Sick leave credits are earned at the rate of one working day, for each full month of service. Sick leave shall not accrue during any 30 calendar day absence without pay. Unused sick leave credits shall be accumulated from year to year, to a maximum of three hundred and sixty (360) hours in sick leave fund, to be used by the employee as needed for approved sick leave. Sick leave credits over three hundred and sixty hours (360), shall accrue to an emergency health fund. Only employees who had 300 or more hours accumulated in the emergency health fund at June 29, 1991, can accumulate to a maximum of six hundred hours (600).

Upon retirement from the District, an employee's unused sick leave and emergency health fund of record shall be covered as follows: Up to four hundred and eighty (480) hours of accrued sick leave and emergency health fund combined, shall be paid to the employee at the rate of 100%. All accrued sick leave and emergency health fund beyond the four hundred and eighty (480) hours, will be paid at 50% of cash value.

Q. Net Position

Net position of the District is categorized as investment in capital assets, restricted and unrestricted.

Net investment in capital assets represent the capitalized cost of capital assets, net of accumulated depreciation, reduced by capital-related borrowings and payables.

Restricted net position represents net position that is constrained by externally imposed requirements of creditors (such as through debt covenants), laws or regulations of other governments or imposed by law, through constitutional provisions or enabling legislation.

All net position not categorized as net investment in capital assets or restricted, are included in unrestricted net position, including amounts reserved in accordance with designations by the board of directors.

R. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted grant or developer proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the District's financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to use consider restricted – net position to have been depleted before unrestricted – net position is applied.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. New Accounting Pronouncements

For the year ended June 30, 2021, the District adopted GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement resulted in changing the presentation of the financial statements by reclassifying Contractor Deposit Fund and Canal Lining Project Fund, as they no longer qualify as fiduciary activity, to Domestic Water Fund and Canal Water Fund, respectively, and including net position to Custodial Funds that was not previously required. Beginning net position of Custodial Funds has been increased by $9,610,750 to reflect this change. See Note 15.

T. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

NOTE 2 CASH AND INVESTMENTS

Cash and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Current Assets:	
Cash and Investments	$ 369,613,269
Noncurrent Assets:	
Restricted Cash and Investments:	
Construction, Capital, and Replacement Funds	107,589,098
Fiduciary Funds:	
Cash and Investments	45,095,180
Total Cash and Investments	$ 522,297,547

Cash and investments as of June 30, 2021, consist of the following:

Petty Cash on Hand	$ 4,333
Deposits with Financial Institutions	67,284,170
Investments	455,009,044
Total Cash and Investments	$ 522,297,547

Investments Authorized for the District's OPEB Trust Fund

The OPEB Trust Fund is administered by a third-party whose main objective is to achieve long-term growth of Trust assets by maximizing long-term rate of return on investments and minimizing risk of loss. Assets are invested in accordance with the below targets for each asset class to achieve an average total annual rate of return that is equal to or greater than the Trust's actuarial discount rate:

	Asset Weightings	
Asset Classes	Range	Target
Growth Assets:		
Domestic Equity	29 - 49%	39%
International Equity	1 - 41%	21%
Other	0 - 20%	0%
Income Assets:		
Fixed Income	20 - 60%	40%
Other	0 - 20%	0%
Real Return Assets	0 - 20%	0%
Cash Equivalents	0 - 20%	0%

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by the California Government Code and the District's Investment Policy

The following table identifies the investment types that are authorized for the District by the California Government Code and the District's investment policy. The table also identifies certain provisions of the California Government Code (or the District's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address the funds within the OPEB Trust Fund that are governed by the agreement between the District and the trustee, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Minimum Rating	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
Local Agency Bonds	A	5 years	None	5%
U.S. Treasury Obligations	None	5 years	None	None
U.S. Federal Agency Securities	None	5 years	None	None
Banker's Acceptances	Highest**	180 days	40%	5%
Commercial Paper	A-1	270 days	25%	5%
Negotiable Certificates of Deposit	A	5 years	30%	5%
Asset-Backed Securities (ABS)	AA	5 years	20%	5%
Medium-Term Notes	A	5 years	30%	5%
Money Market Mutual Funds	Highest**	5 years	20%	5%
Supranationals Obligations	AA	5 years	30%	5%
Local Agency Investment Fund (LAIF)	None	N/A	None	None
Riverside County Treasurer's Pooled Investment Fund (TPIF)	None	None	100%	N/A
JPA Pools (other investment pools)	None	N/A	None	None
Certificates of Deposit	None	5 years	30%	5%
Registered State Notes or Bonds	A	5 years	None	None
District's Own Bonds	None	5 years	100%	N/A

*Based on state law requirements, or investment policy requirements, whichever is more restrictive
**Shall have the highest ranking or the highest letter and number rating as provided for by a nationally recognized statistical-rating organization

Disclosures Relating to Interest Rate Risk

Interest rate risk is a 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 District 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. This way, 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.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2021:

		Remaining Investment Maturities		
Investment Type:	Total	12 Months Or Less	13 to 24 Months	25 to 60 Months
Riverside County Treasurers Investment Fund	$ 45,140,298	$ 45,140,298	$ -	$ -
First American Government Obligation	643,619	643,619	-	-
U.S. Treasury Notes	114,267,402	16,069,784	45,690,849	52,506,769
Fannie Mae/Freddie Mac	72,479,977	-	21,148,507	51,331,470
Federal Agency Collateralized Mortgage Obligation	20,471,520	10,884,459	9,422,534	164,527
Federal Home Loan Bank	32,821,229	-	-	32,821,229
Federal Farm Credit Bank	15,440,330	4,229,829	5,103,025	6,107,476
Supra-National Agency Bond	10,755,469	4,381,768	-	6,373,701
Asset-Backed Securities	34,019,688	378,706	4,671,038	28,969,944
Medium-Term Notes	59,554,972	14,762,671	17,409,514	27,382,787
Negotiable Certificates of Deposit	12,316,891	4,664,684	7,652,207	-
OPEB Trust Mutual Funds	35,013,305	35,013,305	-	-
Held by COP Trustee:				
First American Government Obligation	2,084,344	2,084,344	-	-
Total Investments	$ 455,009,044	$ 138,253,467	$ 111,097,674	$ 205,657,903

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to 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. Presented below, is the minimum rating as required by (where applicable) the California Government Code, the District's investment policy, or trust agreements, and the actual rating, as reported by Standards & Poor's and Moody's, as of year-end for each investment type as of June 30, 2021:

Investment Type	Total as of June 30, 2021	Minimum Legal Rating	Exempt From Disclosure	AAA-A	Aaa*	Not Rated
Riverside County Treasurers Investment Fund	$ 45,140,298	N/A	$ -	$ -	$ -	$ 45,140,298
First American Government Obligation	643,619	N/A	-	643,619	-	-
U.S. Treasury Notes	114,267,402	N/A	114,267,402	-	-	-
Fannie Mae/Freddie Mac	72,479,977	N/A	-	72,479,977	-	-
Federal Agency Collateralized Mortgage Obligation	20,471,520	N/A	-	20,471,520	-	-
Federal Home Loan Bank	32,821,229	N/A	-	32,821,229	-	-
Federal Farm Credit Bank	15,440,330	N/A	-	15,440,330	-	-
Supra-National Agency Bonds	10,755,469	AA	-	10,755,469	-	-
Asset Backed Securities	34,019,688	AA	-	23,345,518	10,674,170	-
Medium-Term Notes	59,554,972	A	-	59,554,972		-
Negotiable Certificates of Deposit	12,316,891	A	-	12,316,891	-	-
OPEB Trust Mutual Funds	35,013,305	N/A				35,013,305
Held by COP Trustee:						
First American Government Obligation	2,084,344	N/A	-	2,084,344	-	-
Total Investments	$ 455,009,044		$ 114,267,402	$ 249,913,869	$ 10,674,170	$ 80,153,603

* Ratings for these securities are based on Moody's credit ratings.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments are as follows:

Issuer	Investment Type	Reported Amount
Federal National Mortgage Association	Fannie Mae	$ 27,745,102
Federal Home Loan Mortgage Corporation	Freddie Mac	44,734,875
Federal Home Loan Bank	Federal Home Loan Bank	32,821,229

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

The 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 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 District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, 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 fair 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 District deposits by pledging first trust deed mortgage notes, having a value of 150% of the secured public deposits. The District Treasurer may waive the collateral requirement for deposits that are fully insured up to $250,000 by the FDIC.

As of June 30, 2021, all of the District's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

Investment in County Investment Pool

The District is a voluntary participant in the County of Riverside Treasurer's Pooled Investment Fund (TPIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the County of Riverside. The fair value of the District's investment in this pool, is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by TPIF for the entire TPIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawals is based on the accounting records maintained by TPIF, which are recorded on an amortized cost basis.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements

The District 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 District has the following recurring fair value measurements as of June 30, 2021:

Investment Type	Totals	Level 1	Level 2	Level 3
U.S. Treasury Notes	$ 114,267,402	$ 114,267,402	$ -	$ -
Fannie Mae/Freddie Mac	72,479,977	-	72,479,977	-
Federal Agency Collateralized Mortgage Obligation	20,471,520	-	20,471,520	-
Federal Home Loan Bank	32,821,229	-	32,821,229	-
Federal Farm Credit Bank	15,440,330	-	15,440,330	-
Supra-National Agency Bond	10,755,469	-	10,755,469	-
Asset-Backed Securities	34,019,688	-	34,019,688	-
Medium-Term Notes	59,554,972	-	59,554,972	-
Negotiable Certificates of Deposit	12,316,891	-	12,316,891	-
OPEB Trust Mutual Funds	35,013,305	-	35,013,305	-
Total Investments	407,140,783	$ 114,267,402	$ 292,873,381	$ -
Riverside County Treasurers Investment Fund*	45,140,298			
First American Government Obligation*	643,619			
Held by COP Trustee:				
First American Government Obligation	2,084,344			
Total Investments	$ 455,009,044			

*Not subject to fair value measurement hierarchy.

U.S. Treasury Notes classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. All investments classified in Level 2 of the fair value hierarchy are value using specified fair market value factors or institutional bond quotes.

NOTE 3 CAPITAL ASSETS

	Balance at July 1, 2020 as Restated	Transfers	Increases	Decreases	Balance at June 30, 2021
Capital Assets, not being Depreciated:					
Land and Land Rights					
Domestic Water	$ 12,706,497	$ 185,986	$ -	$ -	$ 12,892,483
Sanitation	3,461,285	240,830	-	-	3,702,115
Canal Water	3,299,923	29,656	-	-	3,329,579
Storm Water	12,797,320	4,889,359	-	-	17,686,679
Groundwater Replenishment	29,261,080	639,728	164,000	-	30,064,808
Total Land and Land Rights	61,526,105	5,985,559	164,000	-	67,675,664
Construction in Progress:					
Domestic Water	66,014,359	(54,018,098)	26,950,694	(58,874) *	38,888,081
Sanitation	50,851,408	(18,180,458)	24,357,393	(50) *	57,028,293
Canal Water	18,130,901	(16,645,685)	11,781,378	-	13,266,594
Storm Water	30,543,533	(28,510,043)	18,419,691	-	20,453,181
Groundwater Replenishment	785,232	(953,040)	14,363,944	-	14,196,136
Other Services/Internal Services	1,767,178	(3,307,458)	2,277,088	-	736,808
Total Construction in Progress	168,092,611	(121,614,782)	98,150,188	(58,924)	144,569,093
Water Rights:					
Domestic Water	73,781,290	(185,986)	-	-	73,595,304
Sanitation	240,830	(240,830)	-	-	-
Total Water Rights	74,022,120	(426,816)	-	-	73,595,304
Total Capital Assets not being Depreciated	303,640,836	(116,056,039)	98,314,188	(58,924)	285,840,061
Capital Assets, being Depreciated:					
Land Improvements:					
Domestic Water	450,295	440,157	-	-	890,452
Sanitation	-	1,084,315	-	-	1,084,315
Canal Water	-	128,249	-	-	128,249
Storm Water	-	64,124	-	-	64,124
Groundwater Replenishment	-	44,887	-	-	44,887
Total Land Improvements	450,295	1,761,732	-	-	2,212,027
Intangibles:					
Domestic Water	-	290,178	-	-	290,178
Sanitation	-	144,992	-	-	144,992
Canal Water	-	80,227	-	-	80,227
Storm Water	-	111,593	-	-	111,593
Groundwater Replenishment	-	80,040	-	-	80,040
Other Services/Internal Services	-	25,019	-	-	25,019
Total Intangibles	-	732,049	-	-	732,049
Buildings and Plant:					
Domestic Water	667,165,899	42,612,209	2,628,548	-	712,406,656
Sanitation	582,358,909	14,106,794	1,410,715	(2,221,492)	595,654,926
Canal Water	63,968,113	19,910,527	287,700	-	84,166,340
Storm Water	154,449,291	23,477,228	-	-	177,926,519
Groundwater Replenishment	117,167,654	85,012	-	-	117,252,666
Other Services/Internal Services	3,827,501	-	-	-	3,827,501
Total Building and Plant	1,588,937,367	100,191,770	4,326,963	(2,221,492)	1,691,234,608
Interest in Shared Facilities:					
Canal Water	35,479,522	-	-	-	35,479,522
State Water Project	330,029,873	-	21,009,222	-	351,039,095
Total Interest in Shared Facilities	365,509,395	-	21,009,222	-	386,518,617

NOTE 3 CAPITAL ASSETS (CONTINUED)

	Balance at July 1, 2020 as Restated	Transfers	Increases	Decreases	Balance at June 30, 2021
Capital Assets, being Depreciated:					
Equipment:					
Domestic Water	$ 18,648,649	$ 3,455,097	$ -	$ (7,890)	$ 22,095,856
Sanitation	25,455,726	5,326,277	-	(60,765)	30,721,238
Canal Water	7,586,192	670,414	-	(3,945)	8,252,661
Storm Water	2,414,126	180,679	-	(1,578)	2,593,227
Groundwater Replenishment	223,774	455,582	-	-	679,356
Other Services/Internal Services	36,396,549	3,282,439	-	(2,049,522)	37,629,466
Total Equipment	90,725,016	13,370,488	-	(2,123,700)	101,971,804
Total Depreciated Assets	2,045,622,073	116,056,039	25,336,185	(4,345,192)	2,182,669,105
Less Accumulated Depreciation for:					
Land Improvements:					
Domestic Water	(55,624)	-	(27,621)	-	(83,245)
Sanitation	-	-	(36,141)	-	(36,141)
Canal Water	-	-	(4,271)	-	(4,271)
Storm Water	-	-	(2,136)	-	(2,136)
Groundwater Replenishment	-	-	(1,495)	-	(1,495)
Total Land Improvements	(55,624)	-	(71,664)	-	(127,288)
Intangibles					
Domestic Water	-	-	(12,884)	-	(12,884)
Sanitation	-	-	(6,441)	-	(6,441)
Canal Water	-	-	(3,579)	-	(3,579)
Storm Water	-	-	(4,945)	-	(4,945)
Groundwater Replenishment	-	-	(3,546)	-	(3,546)
Other Services/Internal Services	-	-	(1,139)	-	(1,139)
Total Intangibles	-	-	(32,534)	-	(32,534)
Buildings and Plant:					
Domestic Water	(276,763,398)	-	(14,365,760)	-	(291,129,158)
Sanitation	(236,293,770)	-	(14,041,891)	1,417,006	(248,918,655)
Canal Water	(16,880,336)	-	(1,462,852)	-	(18,343,188)
Storm Water	(72,620,574)	-	(3,287,574)	-	(75,908,148)
Groundwater Replenishment	(27,140,878)	-	(2,233,017)	-	(29,373,895)
Other Services/Internal Services	(1,382,947)	-	(76,882)	-	(1,459,829)
Total Buildings and Plant	(631,081,903)	-	(35,467,976)	1,417,006	(665,132,873)
Interest in Shared Facilities:					
Canal Water	(21,277,530)	-	(354,808)	-	(21,632,338)
State Water Project	(85,744,383)	-	(5,310,554)	-	(91,054,937)
Total Interest in Shared Facilities	(107,021,913)	-	(5,665,362)	-	(112,687,275)
Equipment:					
Domestic Water	(12,080,816)	-	(844,442)	7,890	(12,917,368)
Sanitation	(7,155,891)	-	(1,393,677)	38,703	(8,510,865)
Canal Water	(5,768,058)	-	(263,186)	3,945	(6,027,299)
Storm Water	(2,231,107)	-	(75,783)	1,577	(2,305,313)
Groundwater Replenishment	(129,922)	-	(39,125)	-	(169,047)
Other Services/Internal Services	(24,836,667)	-	(3,262,248)	1,795,271	(26,303,644)
Total Equipment	(52,202,461)	-	(5,878,461)	1,847,386	(56,233,536)
Total Accumulated Depreciation	(790,361,901)	-	(47,115,997)	3,264,392	(834,213,506)
Net Depreciable Assets	1,255,260,172	116,056,039	(21,779,812)	(1,080,800)	1,348,455,599
Capital Assets, Net	$ 1,558,901,008	$ -	$ 76,534,376	$ (1,139,724)	$ 1,634,295,660

* Deletion includes abandoned projects and projects determined not to be capitalizable.

NOTE 3 CAPITAL ASSETS (CONTINUED)

The District's interest in shared facilities is as follows:

	2021	2020
All-American Canal	$ 21,213,582	$ 21,213,582
Distribution System for All-American Canal	14,265,940	14,265,940
California State Water Project	351,039,095	330,029,873
Totals	386,518,617	365,509,395
Less: Accumulated Depreciation	(112,687,275)	(107,021,913)
Interest in Shared Facilities, Net	$ 273,831,342	$ 258,487,482

The interest in jointly-owned facilities for the All-American Canal (the Canal) and the related Distribution System (the System) represent the District's allocated share of the cost of these facilities, as determined by the United States Department of the Interior. Depreciation is provided on the straight-line method based on a 100-year life for the Canal and the System.
The interest in jointly-owned facilities in the California State Water Project results from the District's participation under a 1963 contract with the state of California, Department of Water Resources. Under the terms of this contract, the District secured rights to receive certain amounts of acre-feet of water each year through 2035, an amount up to a total of 4,782,511 acre-feet of water. Under certain conditions, the District may carry-over a portion of its annual entitlement from one year so that delivery may be taken in the first three months of the next calendar year. As of June 30, 2021, 1,874,972 acre-feet had been received and utilized by the District. Certain amounts billed for capital costs are capitalized, as interest in jointly owned facilities and are amortized over the remaining life of the contract. All other changes under this contract are expensed as incurred.

NOTE 3 CAPITAL ASSETS (CONTINUED)

The following material construction commitments existed at June 30, 2021:

Project Name	Contract Amount	Expenditures to Date as of June 30, 2021	Remaining Commitments
Oasis In-Lieu Recharge, Phase 2	$ 46,088,354	$ 11,532,997	$ 34,555,357
L-4 Pump Station Relocation Project, Phase 2	5,578,000	3,450,378	2,127,622
Check Structure at MP 88.6 Replacement Project	2,357,732	2,141,444	216,288
Sun City Palm Desert Water Main Replacement, Phase I	9,150,129	8,649,668	500,461
Well No. 4529-1	3,316,704	831,031	2,485,673
Purchase and Installation of Emergency Standby Generator for Well No. 6808-1	463,840	-	463,840
Nonpotable Water (NPW) Pipeline Connections	35,356,690	1,754,954	33,601,736
Reservoir 4602-2 Design and Construction	2,465,142	1,700,951	764,191
Reservoir 4605-2 Design and Construction	9,524,412	1,911,840	7,612,572
Reservoir 4606-2 Design and Construction	3,729,499	2,364,000	1,365,499
First Tee Junction Box and Sewer Manhole Rehabilitation	557,601	236,136	321,465
Sewer Manhole Rehabilitation Project - Rancho Mirage, Palm Desert, and La Quinta	424,635	243,945	180,690
North Indio Demolition Project	605,148	181,137	424,011
Coachella Valley Stormwater Channel Improvements - Avenue 54 to the Thermal Drop Structure	49,977,777	1,490,000	48,487,777
WRP 10-Secondary Effluent Pump Station and Storage Ponds	27,541,173	26,852,547	688,626
WRP 4,7 & 10 Chemical System Safety Upgrades	11,669,735	11,341,997	327,738
WRP 4 Process Optimizations	748,881	717,526	31,355
Total	$ 209,555,452	$ 75,400,551	$ 134,154,901

NOTE 4 LONG-TERM DEBT

Long-term liability for the year ended June 30, 2021, is as follows:

	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021	Due Within One Year	Due After One Year
Direct Borrowings:						
Revolving Loans	$ 2,744,000	$ 7,000,000	$ -	$ 9,744,000	$ 9,744,000	$ -
Loan Payable	16,203,491	3,188,033	227,231	19,164,293	443,764	18,720,529
Other Debt:						
Certificates of Participation Series 2021A		42,080,000		42,080,000	-	42,080,000
Certificates of Participation Series 2021B	-	810,000	-	810,000	-	810,000
	18,947,491	53,078,033	227,231	71,798,293	10,187,764	61,610,529
Add: COP Premium	-	11,497,433	-	11,497,433	-	11,497,433
Compensated Absences Payable	8,653,396	1,551,047	1,215,052	8,989,391	3,146,287	5,843,104
Claims Payable	1,736,960	356,892	262,015	1,831,837	460,537	1,371,300
Totals	$ 29,337,847	$ 66,483,405	$ 1,704,298	$ 94,116,954	$ 13,794,588	$ 80,322,366

Compensated absences payable is liquidated by all funds.

NOTE 4 LONG-TERM DEBT (CONTINUED)

Insured and Self-Insured Claims Liability

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported.

The District's participation in the self-insurance program is listed below:

Property Loss – Insured up to a replacement value of $100 million, with a $100,000 deductible per occurrence on scheduled buildings and contents, actual cash value on scheduled mobile equipment.

Workers' Compensation – Permissibly Self Insured with an excess policy with limits of $35 million with a $250,000 self-insured retention per claim. The claims are overseen through a third-party administrator.

Liability (Excess Liability) – Insures property damage and bodily injury liability losses in excess of a $250,000 self-insured retention per claim, with limits up to $35 million per occurrence with a policy aggregate of $70 million.

Auto Liability – Self-insured up to $2 million per occurrence with Excess Liability providing coverage once the $2 million self-insured retention is met.

Public Officials Liability – Insured up to $10 million per occurrence and in the aggregate with a $500,000 self-insured retention per claim.

Crime Policy – Insured up to $5 million per occurrence and in the aggregate with a $100,000 deductible per claim for employee dishonesty.

Underground Storage Tank Liability – Insured up to $1 million per pollution incident with an aggregate of $2 million and a $5,000 deductible. Covering eleven (11) underground storage tanks at 51501 Tyler Street, Coachella, CA 92236, 43-000 Cook Street, Palm Desert, CA 92260, and 75525 Hovley Lane, Palm Desert, CA 92211.

Pollution liability and 1st party coverage – Insured up to $25 million per occurrence and in the aggregate with a $250,000 self-insured retention per claim.

A number of other suits and claims arising in the course of business are pending against the District. In the opinion of the District's General Counsel, the adverse results, if any, of such legal actions on these suits and claims will not have a material effect on the District's financial position, changes in net position, or liquidity.

NOTE 4 LONG-TERM DEBT (CONTINUED)

Self-Insurance Claims Liability (Continued)

Changes in claims liability over the past three years are as follows:

Liability at June 30, 2019	$ 2,934,700
Claims and Changes in Estimate	(644,423)
Claim Payments	(553,317)
Liability at June 30, 2020	1,736,960
Claims and Changes in Estimate	356,892
Claim Payments	(262,015)
Liability at June 30, 2021	$ 1,831,837

The claims liability is typically liquidated by the Domestic Water Fund. Management estimates the District's liability under these claims will not exceed amounts provided for by the District as of June 30, 2021. During the past three fiscal years, there were no settlements or judgments that exceeded insured coverage. There were also no significant reductions in insured liability coverage in 2020-2021.

Tax-exempt and Taxable Revolving Loans

On June 25, 2019, the District executed a revolving credit agreement with Bank of the West for a maximum aggregate principal amount of $75 million effective beginning July 1, 2019. Pursuant to this agreement, the District can borrow funds as needed across all operating funds through revolving loans provided that no more than five revolving loans are outstanding at any time. The purpose of the agreement is to provide low-cost and flexible financing for upcoming capital projects including the Talavera Water Main Replacements Phase I, Sun City Water Main Replacements Phase I, and Palm Desert Replenishment Facility Phase II. It could also be used to provide interim financing for the Coachella Valley Stormwater Channel Improvement Project and the North Indio Regional Flood Control Project prior to making a draw on WIFIA loans.

The District can repay or terminate the revolving loans at any time without pre-payment penalty, until the commitment expiration date of July 1, 2022. The District is obligated to pay an annual commitment fee equal to 20 basis points (0.20%) of unutilized line of credit. Any draw on the line of credit will be charged interest based on variable rate linked to one-month LIBOR index plus a credit spread of 30 basis points. At June 30, 2021, the outstanding balance totaled $9,744,000.

NOTE 4 LONG-TERM DEBT (CONTINUED)

Loan Payable

On June 19, 2018, the District entered into an agreement with the State Water Resource Control Board (SWRCB) for a Drinking Water State Revolving Fund (SRF) Loan to finance the construction of Highway 86 Transmission Main and Booster Station, which involves the installation, operation, and maintenance of a domestic water pipeline that would supply water to the communities of Salton Sea Beach, Desert Shores, Salton City and unincorporated areas in Riverside and Imperial Counties. The District may borrow up to $24,838,922 or the eligible costs of the projects, whichever is less. The loan has an interest rate of 1.8% with a repayment period of 30 years after project completion. At June 30, 2021, total proceeds from the loan were $24,391,524, of which $5 million of principal was forgiven in fiscal year 2020-2021 per the terms of the agreement, and total principal paid was $227,231. Total amount receivable from SWRCB at June 30, 2021, was $2,133,846. The outstanding balance of the loan at June 30, 2021, was $19,164,293.

The SRF loan payable require the District to prescribe and collect rates, fees, and charges for Domestic Water Fund, which are reasonably expected to be sufficient to yield net revenues during such fiscal year equal to at least 110% of debt service payable in such fiscal year. The District's ratio of net revenues to debt service for the fiscal year ended June 30, 2021, was 1189%. The District is also required to have a reserve of one year's debt service. The District's reserve of $746,535 as of June 30, 2021, is included in the Domestic Water Fund's operating reserves meets this requirement.

Debt service requirements of the SRF loan payable as of June 30, 2021, are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2022	$ 443,764	$ 302,771	$ 746,535
2023	449,991	296,544	746,535
2024	458,127	288,408	746,535
2025	466,411	280,125	746,536
2026	474,844	271,692	746,536
2027 - 2031	2,506,152	1,226,526	3,732,678
2032 - 2036	2,741,063	991,614	3,732,677
2037 - 2041	2,997,994	734,684	3,732,678
2042 - 2046	3,279,007	453,670	3,732,677
2047 - 2051	3,213,094	146,316	3,359,410
Portion of Principal as of June 30, 2021*	2,133,846	-	2,133,846
Total	$ 19,164,293	$ 4,992,350	$ 24,156,643

* As of June 30, 2021, the future debt service requirements have not been determined.

NOTE 4 LONG-TERM DEBT (CONTINUED)

Certificates of Participation, Series 2021A and Series 2021B

On June 15, 2021, the Corporation issued Certificates of Participation (COP) Series 2021A in an amount of $42,080,000, plus premium of $11,497,433, and Series 2021B in an amount of $810,000, pursuant to an installment purchase agreement with the District, to finance the cost of and reimburse the District for costs previously expended on certain improvements benefiting the East Whitewater Replenishment System. The District also entered into a Depository Agreement in which the District has established the 1% Property Tax Account, into which the Depository Agent is to deposit certain 1% ad valorem property taxes transferred directly to the Depository Agent by the County of Riverside. The District expects to pay all or a portion of the installment payments from amounts on deposit in the 1% Property Tax Account.

COP Series 2021A has interest payable semi-annually on August 1 and February 1 at rates ranging from 4% to 5% and principal payable annually in amounts ranging from $160,000 to $2,780,000 on August 1 starting in 2027 through 2051.COP Series 2021B has interest payable semi-annually on August 1 and February 1 at 1.35% and principal payable on August 1, 2027, for $810,000. The balance outstanding at June 30, 2021, on COP Series 2021A and Series 2021B was $42,080,000 and $810,000, respectively.

The COP are secured by a pledge of net revenues in the East Whitewater Replenishment System that is reported as a part of the Groundwater Replenishment Fund. The District is required to maintain the rates and charges for the East Whitewater Replenishment System to be at least 1.25 times debt service each fiscal year. As of June 30, 2021, The District's net revenue coverage was 312%.

Debt service requirements of COP Series 2021A and Series 2021B are as follows:

	COP Series 2021A		COP Series 2021B		
Year Ending June 30,	Principal	Interest	Principal	Interest	Total
2022	$ -	$ 1,132,710	$ -	$ 6,591	$ 1,139,301
2023	-	1,879,150	-	10,935	1,890,085
2024	-	1,879,150	-	10,935	1,890,085
2025	-	1,879,150	-	10,935	1,890,085
2026	-	1,879,150	-	10,935	1,890,085
2027 - 2031	3,320,000	9,136,000	810,000	16,403	13,282,403
2032 - 2036	6,420,000	7,819,925	-	-	14,239,925
2037 - 2041	7,905,000	6,333,100	-	-	14,238,100
2042 - 2046	9,660,000	4,581,800	-	-	14,241,800
2047 - 2051	11,995,000	2,242,000	-	-	14,237,000
2052-2056	2,780,000	69,500	-	-	2,849,500
Subtotal	42,080,000	38,831,635	810,000	66,734	81,788,369
Unamortized Premium	11,497,433	-	-	-	11,497,433
Total	$ 53,577,433	$ 38,831,635	$ 810,000	$ 66,734	$ 93,285,802

NOTE 5 SPECIAL ASSESSMENT DEBT WITHOUT GOVERNMENT COMMITMENT

As of June 30, 2021, certain special assessment district limited obligation improvement bonds, were outstanding that are not recorded as liabilities by the District. The bonds are payable from the annual installments collected on regular property tax bills, sent to owners of property having unpaid assessments levied against land benefited by the projects. Neither the faith, credit nor taxing power of the District is pledged to the repayment of the bonds. Accordingly, no liability has been recorded in the District's financial statements. At June 30, 2021, The Assessment District No. 67 bond was paid off and the following limited obligation Improvement Bonds remain outstanding:

	Date of Issue	Amount of Issue	Outstanding June 30, 2021
Assessment District No. 68	2002	$ 2,560,000	$ 945,000
Assessment District No. 70	2006	8,239,480	3,280,000
Assessment District No. 33	2010	786,528	586,528
Total Noncommittal Debt Issues		$ 11,586,008	$ 4,811,528

NOTE 6 MISCELLANEOUS PENSION PLAN

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Plan (the Plan), an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statue and resolution adopted by the District. 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 to 62 with statutorily reduced benefits. All members are eligible for nonindustrial disability benefits after five years of service. The death benefit is one of the following:

- The Basic Death benefit – this is a standard benefit where an employee's beneficiary (or estate) may receive the retirement benefit if the member dies while actively employed. The benefit is a lump sum in the amount of the member's accumulated contributions, where interest is currently credited at 7.5% per year, plus a lump sum in the amount of one month's salary for each completed year of current service; up to six months.

NOTE 6 MISCELLANEOUS PENSION PLAN (CONTINUED)

Benefits Provided (Continued)

- The 1957 Survivor benefit – this is a standard benefit where an employee's eligible survivor may receive the members retirement benefit if the member dies while actively employed, has attained at least the age of 50, and has at least five years of credited service. The benefit is a monthly allowance equal to one-half of the unmodified service retirement benefit that the member would have been entitled to receive if the member had retired on the date of his or her death. The benefit is payable to the spouse until their death; and payable to dependents until reaching the age of 18.

CalPERS also offers optional death benefits, such as Optional Settlement 2W Death Benefit, and the Special Death Benefit. More information on these benefits is available on the CalPERS website. The cost of living adjustments for the plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at the June 30, 2020 measurement date, are summarized as follows:

Hire Date	Prior to Jan. 5, 2008*+	Prior to Jan. 1, 2013+	On or After Jan. 1, 2013*
Benefit Formula	2.0% @ 55	2.5% @ 55	2.0% @ 62
Benefit Vesting Schedule	5 years of service	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life	monthly for life
Retirement Age	minimum 50	minimum 50	minimum 52
Monthly Benefits, as a % of Eligible Compensation	1.426% to 2.418%	2.0% to 2.5%	1.0% to 2.5%
Required Employee Contribution Rates	0.000%	8.000%	6.750%
Required Employer Contribution Rates:			
Normal Cost Rates	0.000%	9.225%	6.765%
Payment of Unfunded Liability	$ -	$ 18,523,692	$ -

*There were no active employees this plan during the measurement period, therefore, there were no employee contributions made during this period. In addition, the District was not required to make any contributions during this period. State Assembly Bill 340 created PEPRA that implemented new benefit formulas, a final compensation period, and new contribution requirements for new employees eligible to participate in the Plan.
+ Closed to new entrants.

Employees Covered

At the June 30, 2020 measurement date, the following employees were covered by the benefit terms of the Plan:

Retired Employees and Beneficiaries	501
Terminated or Transferred Employees	156
Active Employees	546
Total	1,203

NOTE 6 MISCELLANEOUS PENSION PLAN (CONTINUED)

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are 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 through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. District contribution rates may change if plan contracts are amended. Payments made by the District to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. For the fiscal year ended June 30, 2021, the District made payments totaling $18,080,196.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry age normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increases	(1)
Mortality Rate Table*	(2)
Post Retirement Benefit Income	(3)

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates includes 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

(3) The less of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.50% thereafter.

NOTE 6 MISCELLANEOUS PENSION PLAN (CONTINUED)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1-10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(a) In the CalPERS CAFR, 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

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 6 MISCELLANEOUS PENSION PLAN (CONTINUED)

Subsequent Events

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

Changes in the Net Pension Liability

The changes in Plan's Net Pension Liability recognized over the measurement period are as follows:

	Increase (Decrease) Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 6/30/2019 (Measurement Date)	$ 425,233,541	$ 301,294,260	$ 123,939,281
Changes Recognized for the Measurement Period:			
Service Cost	7,728,980	-	7,728,980
Interest on Total Pension Liability	30,139,385	-	30,139,385
Differences Between Expected and Actual Experience	3,003,163	-	3,003,163
Changes in Assumptions	-	-	-
Net Plan to Plan Resource Movement	-	-	-
Contributions from the Employer	-	22,901,638	(22,901,638)
Contributions from the Employee	-	3,595,610	(3,595,610)
Net Investment Income	-	15,303,105	(15,303,105)
Benefit Payments, Including Refunds of Employee Contributions	(21,142,650)	(21,142,650)	-
Administrative Expense	-	(424,751)	424,751
Net Changes	19,728,878	20,232,952	(504,074)
Balance at 6/30/20 (Measurement Date)	$ 444,962,419	$ 321,527,212	$ 123,435,207

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

The following table presents the net pension liability of the District for the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.15%) or 1% point higher (8.15%) than the current rate:

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
Net Pension Liability	$ 183,811,143	$ 123,435,207	$ 73,582,544

Pension Plan Fiduciary Net Position

Detailed information about the pension Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 6 MISCELLANEOUS PENSION PLAN (CONTINUED)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the District recognized pension expense of $21,452,203. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Pension Contributions Subsequent to Measurement Date	$ 18,080,196	$ -
Changes in Assumptions	4,142,305	(1,060,305)
Difference Between Expected and Actual Experiences	6,300,603	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,711,098	-
Total	$ 31,234,202	$ (1,060,305)

The $18,080,196 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2022	$ 4,526,216
2023	2,153,458
2024	3,091,523
2024	2,152,518
2025	169,986
Total	$ 12,093,701

Payable to the Pension Plan

At June 30, 2021, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

NOTE 7 DEFERRED COMPENSATION PLAN

The District offers its employees three different deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency. No contributions are required by the District. The assets of the plans are held for the exclusive benefit of the plan participants and their beneficiaries and the assets shall not be diverted for any other purpose. The third-party administrators have the managing and reporting responsibilities. Each participate retains title to all accumulated funds and directs the investment in their respective accounts by selecting various investment options and the District has no liability for any losses that may be incurred. Pursuant to federal legislation, the Section 457 plan assets were placed in trust for exclusive benefit of all employees and their beneficiaries and are not available to the creditors of the District. For this reason, the assets and related liabilities of the plan are excluded from the financial records of the District and are not included in the accompanying financial statements.

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description and Benefits Provided

The District provides health care benefits to all employees who retire from the District, under retirement criteria established by the District, up to the age of 65, through a single-employer defined benefit plan. The District, on September 10, 2013, entered into an agreement with PFM, by resolution approved by the board of directors, to establish a pre-funded Section 115, irrevocable OPEB (Other Postemployment Benefit) Trust, in which PFM would act as the Trust administrator and Trustee. The plan itself does not issue a separate financial report.

Elected Officials and Association of Coachella Valley Water District Managers (ACVWDM)

Elected Officials and ACVWDM employees hired prior to July 1, 2011, with 10 or more years of service, who retired between July 1, 2011 and December 28, 2013, are eligible to participate in the District medical plan on a cost-sharing basis. Elected Officials and ACVWDM employees hired on, or after July 1, 2011, with 15 or more years of service, are eligible to participate in the District medical plan on a cost-sharing basis. The cost-sharing ratio is dependent on the coverage and the years of service.

For Elected Officials and ACVWDM employees eligible for Medicare, with 12 or more years of service, the District pays the cost of a Medicare supplement (Medigap) policy selected at the time of retirement, retiree must stay in same medical plan elected before retirement and cannot upgrade medical plan during retirement. District pays cost of Medigap for retiree, spouse/domestic partner, or surviving spouse/domestic partner for any coverage elected, up to a cap.

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Plan Description and Benefits Provided (Continued)

Association of Supervisory Support Evaluation Team (ASSET)

ASSET employees hired prior to July 1, 2011, with 10 or more years of service, who retired between July 1, 2011 and April 18, 2014, are eligible to participate in the District medical plan on a cost-sharing basis. ASSET employees hired on, or after July 1, 2011, with 15 or more years of service, are eligible to participate in the District medical plan on a cost-sharing basis. The cost-sharing ratio is dependent on the coverage and the years of service.

Coachella Valley Water District Employee Association (CVWDEA)

CVWDEA employees hired prior to August 9, 2011, with ten or more years of service, who retired between July 1, 2011 and August 8, 2011, are eligible to participate in the District medical plan on a cost-sharing basis. Employees hired on, or after August 9, 2011, with fifteen or more years of service, are eligible to participate in the District medical plan on a cost-sharing basis. The cost-sharing ratio is dependent on the coverage and the years of service.

All Employees

The District covers 100% of costs of retiree medical for all employees who retired prior to July 1, 2011. Coverage will continue for the retiree and spouse or registered domestic partner and eligible dependents, until they become entitled to Medicare Benefits at age 65. Coverage for retirees' eligible spouse or registered domestic partner and eligible dependents will continue until they are eligible for coverage under any other health care plan, public health care program, or are no longer eligible for coverage under the District's group health plans, according to the terms and conditions of the agreement between the group health plan and the District.

Current District employees are eligible OPEB participants upon reaching age 50 with a minimum of fifteen years of eligible service with the District. Board members are also eligible to participate. Eligible retirees and board members may enroll in the Anthem Blue Cross PPO Fully Insured Plan, Anthem Blue Cross HMO Plan or the Kaiser Permanente HMO plan provided by the District.

As of January 1, 2015: The Anthem Blue Cross PPO Fully Insured Plan replaced the AETNA Health of California PPO Plan and the Anthem Blue Cross HMO Plan replaced the AETNA Health of California HMO Plan. The District's Resolution No. 2008-200 establishes the authority for the plan. The activity and liability from the OPEB plan are included in these financial statements.

Employees Covered

The following current and former employees were covered by the benefit terms under the plan as of the year ended June 30, 2021:

Retired Employees and Beneficiaries	110
Terminated or Transferred Employees	-
Active Employees	566
Total	676

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Accounting for the Plan

The OPEB trust is prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments

Investments are reported at fair value, which is determined by the means of the most recent bid and asked prices as obtained from dealers that make markets in such securities. Securities for which market quotations are not readily available are valued their fair value as determined by the custodian with the assistance of a valuation service.

Investment Policy and Rate of Return

The District's policy in regard to the allocation of invested assets is established and may be amended by the District's board of directors by a majority vote of its members. It is the policy of the board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

The long-term expected rates of return are Bartel Associates estimates and are presented as geometric means developed over a 20-year period.

The board's adopted asset allocation policy and the long-term expected real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2021, are summarized in the following table:

Asset Class	PFM Target Allocation	Expected Real Rate of Return
Global Equity	60%	4.82%
Fixed income	40%	1.47%
Total	100%	

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 26.01%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Contributions

The contribution requirements of plan members and the District are established and may be amended by the District, District's board of directors, and/or the employee associations. Currently, contributions are not required from plan members. Administrative costs of the OPEB plan are financed through investment earnings. The District is currently funding the OPEB liability on a pay-as-you-go basis, making contributions to the trust as approved by the board of directors. For the fiscal year ended June 30, 2021, the District made $1,753,249 in payments to retirees, and the estimated implied subsidy was $600,606, resulting in total benefit payments of $2,353,855.

Actuarial Assumptions

The District's net OPEB liability for the Plan is measured as the total OPEB liability, less the OPEB plan's fiduciary net position. The net OPEB liability is measured as of June 30, 2021 using an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2021 using standard update procedures. The District's total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement period, unless otherwise specified:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age normal, level percent of Pay
Actuarial Assumptions:	
Discount Rate	6.25%
Inflation	2.75%
Projected Salary Increase	3.00%
Mortality	CalPERS 1997-2015 Experience Study
Mortality Improvement	Mortality Improvement Scale MP-2019
Healthcare Trend	7.25% non-Medicare; 6.30% Medicare; decreasing to an ultimate rate of 4.0% on 2076

The actuarial assumptions used in the June 30, 2019, valuation were based on a standard set of assumptions the actuary has used for similar valuations, modified, as appropriate, for the District.

Discount Rate

GASB 75 requires a discount rate that reflects the following:

a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;

b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Discount Rate (Continued)

The discount rate utilized to measure the total OPEB liability was 6.25%. The current OPEB plan's fiduciary net position and future pay-as-you-go contributions are projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on the OPEB Trust investments was applied to all periods of the projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

The changes in the Net OPEB liability for the Plan are as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2020 (Measurement Date)	$ 33,849,165	$ 27,871,654	$ 5,977,511
Changes Recognized for the Measurement Period:			
Service Cost	1,228,809	-	1,228,809
Interest	2,118,816	-	2,118,816
Contribution - Employer*	-	2,353,855	(2,353,855)
Net Investment Income	-	7,149,651	(7,149,651)
Benefit Payments	(2,353,855)	(2,353,855)	-
Administrative Expense	-	(8,000)	8,000
Net Changes	993,770	7,141,651	(6,147,881)
Balance at June 30, 2021 (Measurement Date)	$ 34,842,935	$ 35,013,305	$ (170,370)

* Includes implied subsidy of $600,606

At June 30, 2021, the net OPEB asset is recorded as follows:

	Net OPEB Liability (Asset)
Domestic Water Fund	(321,708)
Sanitation Fund	184,084
Canal Water Fund	99,502
Stormwater Fund	(3,070)
Groundwater Replenishment Fund	(129,178)
Total Net OPEB (Asset)	$ (170,370)

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.25%) or one-percentage-point higher (7.25%) than the current discount rate:

	Discount Rate - 1% (5.25%)	Current Discount Rate (6.25%)	Discount Rate +1% (7.25%)
Net OPEB Liability (Asset)	$ 2,908,773	$ (170,370)	$ (2,940,016)

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current heath care cost trend rates:

	1% Decrease	*Current Healthcare Cost Trend Rates*	*1% Increase*
	(6.25% Non-Medicare; 5.30% Medicare; Decreasing to 3.0% in 2076)	(7.25% Non-Medicare; 6.30% Medicare; Decreasing to 4.0% in 2076)	(8.25% Non-Medicare; 7.30% Medicare; Decreasing to 5.0% in 2076)
Net OPEB Liability (Asset)	$ (4,226,251)	$ (170,370)	$ 4,629,168

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2021, the District recognized OPEB income of $1,408,502. As of fiscal year ended June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Inflow of Resources
Changes of Assumptions	$ -	$ (6,325,410)
Differences Between Expected and Actual Experiences	-	(4,149,761)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	(4,383,869)
Total	$ -	$ (14,859,040)

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ending June 30:	Amount
2022	$ (3,021,399)
2023	(2,963,401)
2024	(2,964,416)
2025	(2,963,893)
2026	(1,757,310)
Thereafter	(1,188,621)
Total	$ (14,859,040)

Payable to the OPEB Plan

At June 30, 2021, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2021.

NOTE 9 QUANTIFICATION SETTLEMENT AGREEMENT

CVWD entered into a Quantification Settlement Agreement (QSA) with the Imperial Irrigation District (IID) and Metropolitan Water District of Southern California (MWD) on October 10, 2003. The QSA and all related agreements are intended to mutually settle longstanding disputes regarding the priority, use, and transfer of Colorado River Water and to establish the terms for further distribution of Colorado River water among the parties for up to 75 years. Other parties involved in the QSA include the US Department of the Interior, state of California, and San Diego County Water Authority (SDCWA).

QSA Water Transfer

The QSA quantified the annual Colorado River water deliveries to CVWD, IID, and MWD, and secures long-term Colorado River water supplies by setting the transfer period effective for up to 75 years. The QSA protects the Valley's groundwater supply by providing water for irrigation and aquifer replenishments, which sustains the region's economy and quality of life.

Before the QSA, CVWD received an annual average of 330,000 acre-feet (330 thousands of acre-feet or 330 TAF) of Colorado River water; this quantity was subjected to an annual application process through the Department of the Interior. The QSA allowed CVWD to receive a guaranteed annual base entitlement to Colorado River water of 330 TAF. Of this quantity, 29 TAF is transferred to SDCWA and various Indian tribes. The adjusted base allotment of 301 TAF is provided to CVWD at no cost.

The QSA also allowed CVWD to obtain conserved Colorado River water from IID (up to 78 TAF for calendar year 2021), under the IID-CVWD Acquisition Agreement. This additional water is transferred in two separate installments (up to 50 TAF, and up to 28 TAF for calendar year 2021), and is partially used to replenish the aquifer at the Thomas E. Levy Groundwater Replenishment Facility (TEL). IID water costs are estimated and payment is made annually regardless of the volume transferred to CVWD ("take or pay" contract).

Another water supply obtained in connection with the QSA is the 2003 MWD-CVWD 35 TAF Exchange Water; this agreement allows CVWD to receive up to 35 TAF of MWD's State Water Project (SWP) water, delivered in the form of Colorado River water and used to replenish the West Whitewater River Subbasin. MWD water costs are paid annually; invoice is based on 35 TAF.

CVWD's estimated QSA water transfers and payments are shown below.

	50 TAF IID		28 TAF IID		35 TAF MWD		Total IID/MWD	
Calendar Year	Vol (af)	Cost	Vol (af)	Cost	Vol (af)	Cost	Vol (af)	Cost
2021	50,000	$ 4,343,500	28,000	$ 6,080,760	35,000	$ 10,430,000	113,000	$ 20,854,260
2022	50,000	4,473,805	33,000	7,381,608	35,000	10,745,000	118,000	22,600,413
2023	50,000	4,608,019	38,000	8,755,035	35,000	11,060,000	123,000	24,423,054
2024	50,000	4,746,260	43,000	10,204,223	35,000	11,410,000	128,000	26,360,483
2025	50,000	4,888,648	48,000	11,732,484	35,000	11,760,000	133,000	28,381,132
2026	50,000	5,035,307	53,000	13,343,256	35,000	12,110,000	138,000	30,488,563
2027 to 2077	2,550,000	607,742,396	2,613,000	1,541,629,510	1,785,000	1,460,072,435	6,948,000	3,609,444,341

NOTE 9 QUANTIFICATION SETTLEMENT AGREEMENT (CONTINUED)

QSA Water Transfer Mitigation

Under the terms of the QSA, CVWD entered into a separate agreement on October 10, 2003 (effective date of January 1, 2004), with the state of California Department of Fish and Game (State), IID and SDCWA; these agencies make up the QSA Joint Powers Authority (JPA). The JPA pays for environmental mitigation requirements and environmental mitigation costs associated with the water transfers through the collection, holding, investing, and disbursing of funds.

The agreement terminates on the latter of (1) the mutual termination date of the 1998 IID/SDCWA Transfer Agreement and the IID/CVWD Acquisition Agreement, or (2) when all environmental mitigation requirements have been satisfied and the associated costs fully paid. The JPA governing body is composed of one commissioner appointed by each of the four parties to the agreement. All secretarial, clerical, accounting and administrative duties of the JPA are performed by personnel of SDCWA.

The original value of this commitment was $133,000,000 in 2003 and calculated using a six percent discount factor (as allowed under the QSA JPA agreement). The cost-share by each JPA member is as follows: $36,717,791 (CVWD); $44,061,350 (IID); $52,220,859 (SDCWA). The State is solely responsible for the payment of the costs of and liability for environmental mitigation requirements in excess of the $133 million (m) contributed by the other members.

The total obligation for CVWD was approximately $36.7 million in 2003, which has an approximate future value of $73.6 million in 2025, escalated at a 6% discount rate provided in the QSA. However, in fiscal years 2008 and 2009, through Resolution 2007-93, CVWD contributed a payment advance of $4.4 million, which reduced the value of future payments from $73.6 million to $69.6 million in 2025, and represents a savings of approximately $4 million.

In January 2015, the QSA requested and CVWD's board of directors approved prepayment funding to the original QSA Mitigation Payment Schedule, which provided for an advance up to $5 million, starting in 2015, and spread over a maximum of six years. The $5 million prepayment will reduce CVWD's share by approximately $2.5 million in future payments.

Original scheduled payments are due December 31, and advance payments are due July 1; these payments are budgeted in the District's annual operating expenses. A summary of CVWD's mitigation payments is tabulated below.

Calendar Year	Original Funding Schedule	Adjustment for Advances	Total Calendar Year Payments
2021	$ 738,869	$ -	$ 738,869
2022	2,697,555	-	2,697,555
2023	2,706,745	-	2,706,745
2024	6,953,711	(4,220,705)	2,733,006
2025	2,748,523	(2,596,647)	151,876
2026	1,446,565	(881,435)	565,130

NOTE 9 QUANTIFICATION SETTLEMENT AGREEMENT (CONTINUED)

Recent QSA-Related Developments

In August 2016, the U.S. Department of the Interior and the California Department of Natural Resources signed a memorandum of understanding (MOU) regarding coordination of activities to manage the Salton Sea; the MOU also provided the State with a lead role in the cooperative effort of restoring the sea.

In December 2016, Congress enacted and the President signed the Water Infrastructure Improvements for the Nation Act, which includes a provision that would allow the U.S. Army Corps of Engineers to work with nonfederal partners in addition to the Salton Sea Authority on a variety of restoration projects. The provision also makes permanent a current pilot program at the Salton Sea that allowed the Corps to work in the area.

The State Water Resources Control Board adopted Order on Long-Term Management of the Salton Sea on November 7, 2017, to ensure the goals of the Salton Sea Management Plan are met. This action revises a 2002 order approving long-term water transfer from the Imperial Irrigation District to the San Diego County Water Authority, the Metropolitan Water District of Southern California, and CVWD. The immediate result of this order is to terminate the need for water deliveries for Salton Sea mitigation purposes in 2017, with the longer-term goal to ensure that the range of measures to address the impacts of reduced water flows are met.

A key element of the state’s 10-year plan is for the construction of 29,800 acres of pond, wetlands and dust-suppression projects on exposed portions of the Salton Sea. The plan provides a schedule of targeted completion dates for the 10-year plan, starting with 500 acres in 2018 and finishing with 4,200 acres in 2028. A plan to address the needs beyond 2028 will be developed by the state at a future date.

Since the November 2017 adoption, the State Board has held two informational meetings in 2018 and two meetings in 2019 regarding the status updates of the program. Although CVWD is not a direct party to the Draft Stipulated Order, we are actively watching and participating in the discussions as necessary to ensure that the conditions in the QSA are not negatively impacted. CVWD also monitors the Salton Sea activities through its active participation on the Salton Sea Authority Board.

NOTE 10 DEPARTMENT OF WATER RESOURCES (DWR) WATER SUPPLY CONTRACT COMMITMENT

Recognizing a need for additional imported water to supplement its Colorado River supply for groundwater recharge purpose, CVWD entered into a State Water Project (SWP) Water Supply Contract (Contract) with the Department of Water Resources (acting on behalf of the state of California) on March 29, 1963. This contract complies with the provisions of the California Water Resources Development Bond Act and other applicable laws of the state of California.

NOTE 10 DEPARTMENT OF WATER RESOURCES (DWR) WATER SUPPLY CONTRACT COMMITMENT (CONTINUED)

The current Contract and its amendments provide CVWD with a maximum annual water amount of up to 138,350 acre-feet (AF). The original contracted amount was 23,100 AF, and the additional 115,250 AF was acquired through a series of subsequent transfers, including 9,900 AF from Tulare Lake Basin Water Storage District (Tulare Lake) (2004), 5,250 AF from Tulare Lake (2007), 88,100 AF from the Metropolitan Water District of Southern California (MWD) (2003), and 12,000 AF from Berrenda Mesa Water District (2007).

Because the Coachella Valley does not have a physical connection to SWP facilities (which terminates at Lake Perris in Southern California) and MWD and CVWD have access to both SWP water and Colorado River water, an agreement was negotiated to allow CVWD to exchange its SWP water for an equivalent amount of Colorado River water with MWD. This Colorado River water, also known as “Exchange Water” is delivered through MWD’s Colorado River Aqueduct to the turnout on the Whitewater River. The Exchange Water is then delivered to both the Mission Creek Groundwater Replenishment Facility and the Whitewater Groundwater Replenishment Facility for direct groundwater recharge, helping to eliminate groundwater overdraft in the Coachella Valley Groundwater Basin. The agreements with MWD were updated in November 2019, and will terminate in 2035.

Actual availability of SWP water varies from year to year, based on precipitation and snowpack runoff in Northern California where the SWP reservoirs are located. Although the long-term average SWP allocation is about 60% of each contractor’s maximum contracted amount, a wet or dry hydrologic year can increase or decrease the actual SWP allocated to the contractors. It is recognized that annual average SWP allocation is expected to decrease unless additional SWP conservation facilities are constructed.

The term of the Contract terminates in 2035, or for a project repayment period of 75 years, and provides for a pledge of certain CVWD revenues to the bondholders of the state under the Bond Act. A Contract Extension is pending that would extend the Contract an additional 50 years, from 2035 to 2085, which will relieve pressure on the contractor’s shrinking repayment period once it’s executed.

Provision is made in the Contract for two general charges: (1) Delta Water Charge and (2) Transportation Charge, which are divided into components. The Delta Water Charge is intended to cover all costs of project conservation facilities (storage) including capital, maintenance, operation, and replacement components, and is charged to CVWD on the basis of water entitlement and/or delivery. The Transportation Charge is for facilities necessary to deliver water to the contractors and also includes a capital, maintenance, operation, and replacement component. These charges are collected by DWR through the contractors’ annual Statement of Charges.

NOTE 10 DEPARTMENT OF WATER RESOURCES (DWR) WATER SUPPLY CONTRACT COMMITMENT (CONTINUED)

As of calendar year 2021, CVWD's estimated commitment through the Statement of Charges is as follows:

Calendar Year	Amount due
2021	$ 53,755,278
2022	52,788,453
2023	65,208,682
2024	66,330,337
2025	67,525,473
2026	64,382,292
2027	64,949,751
2028	64,489,255
2029	64,787,434
2030	63,249,333
2031	65,050,994
2032	62,762,744
2033	65,027,966
2034	63,515,466
2035	67,411,195
Total	$ 951,234,653

NOTE 11 COMMITMENT TO PARTICIPATE IN LOWER COLORADO RIVER MULTI-SPECIES CONSERVATION PROGRAM

The implementation of the 50-year Program is estimated at a cost of $626 million as of 2003. The Department of the Interior has pledged to pay for half of the estimated program costs and for any rise in costs (other than inflation). The District pays its share of Program expenses on a quarterly basis as costs are incurred, which is estimated to be approximately $15 million over the 50-year period. The District recognized $682,485 in Program expenses for fiscal year ending on June 30, 2021.

NOTE 12 INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Long-term interfund receivables and payables consisted of the following as of June 30, 2021:

Receivable Fund	Payable Fund	Amount
Domestic Water Fund	Groundwater Replenishment Fund (East Whitewater RAC)	$ 4,091,072
Domestic Water Fund	Groundwater Replenishment Fund (West RAC)	51,336,477
	Total	$ 55,427,549

NOTE 12 INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (CONTINUED)

On June 25, 2013, the board of directors approved an interfund loan from the Domestic Water Fund to the East Whitewater Replenishment Fund in the amount of $60,285,179, to reimburse the Domestic Water Fund for project costs incurred related to the Martinez Canyon Spreading Area and the Thomas E. Levy Recharge (TEL) facilities. The term of the interfund loan is fifteen years, with interest to accrue at a rate commensurate with the District's average monthly return on investments, plus a ten percent premium on the calculated interest rate. The outstanding balance on the loan as of June 30, 2021, was $4,091,072.

The annual scheduled repayments on the Domestic Water Fund and Groundwater Replenishment Fund (East Whitewater RAC) interfund advance as of June 30, 2021, are as follows:

Martinez Canyon Spreading Area and the (TEL) Facilities Loan

Year Ending June 30,	Principal	Interest	Total
2022	$ 2,028,264	$ 39,201	$ 2,067,465
2023	2,062,808	13,882	2,076,690
Total	$ 4,091,072	$ 53,083	$ 4,144,155

On May 14, 2019, the board of directors approved an interfund loan from the Domestic Water Fund to the West Replenishment Fund in the amount of $52,340,180, to reimburse the Domestic Water Fund for project costs incurred related to the Mid-Valley Pipeline. The annual payments are interest only. Principal will be paid in the instance that the West Replenishment Fund has reserves in excess of the target at June 30 each year; in which case the amount of reserves in excess of the target will be the principal payment for that year. At June 30, 2021, there was a principal payment of $372,366. The term is 30 years with interest to accrue at a rate commensurate with the District's average monthly return on investments, plus a 10% premium on the calculated interest rate. The outstanding balance on the loan as of June 30, 2021, was $51,336,477.

Transfers in and out for the year ended June 30, 2021, are summarized as follows:

From	To	Amount
Domestic Water Fund	Motorpool Fund	$ 1,115,830
Sanitation Fund	Motorpool Fund	636,796
Canal Water Fund	Motorpool Fund	304,488
Stormwater Fund	Motorpool Fund	188,139
Groundwater Replenishment Fund	Motorpool Fund	30,591
Motorpool Fund	Groundwater Replenishment Fund	184,734
Domestic Water Fund	Sanitation Fund	2,481,921
Domestic Water Fund	Canal Water Fund	4,173,387
Domestic Water Fund	Stormwater Fund	212,940
Domestic Water Fund	Groundwater Replenishment Fund	352,209
	Total	$ 9,681,035

NOTE 12 INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (CONTINUED)

The Domestic Water Fund, Sanitation Fund, Canal Water Fund, Stormwater and Groundwater Replenishment Fund transferred $2,275,844 to the Motorpool Fund to fund capital asset acquisitions.

The Motorpool Fund transferred $184,734 to Groundwater Replenishment Fund for capital asset acquisitions.

The Domestic Water Fund transferred a total of $7,220,457 general district capital assets to Sanitation Fund, Canal Water Fund, Stormwater and Groundwater Replenishment Fund.

NOTE 13 RESTRICTED AND UNRESTRICTED NET POSITION

Net Investment in Capital Assets	$ 1,576,073,648
Restricted Net Position:	
Construction, Capital, and Replacement Funds	107,589,098
State Water Project	17,358,782
Unrestricted	207,687,958
Total Net Position	$ 1,908,709,486

Although not legally restricted, unrestricted net position has been designated for various purposes to establish and maintain sound financial management and a stable rate structure.

Operating	$ 50,280,000
Rate Stabilization	19,685,000
Capital Improvement	53,000,000
Debt Service	3,168,000
Emergency Repair	47,299,000
Motorpool Replacement	3,129,000
Other Undesignated Net Position	31,126,958
Unrestricted Net Position	$ 207,687,958

NOTE 14 JOINT POWERS AUTHORITY

The California WaterFix (WaterFix) was a project designed to restore reliability to the State Water Project, protect and maintain ecosystem health, and maintain water quality; the benefits were also envisioned to potentially extend to the Central Valley Project. The Delta Conveyance Design and Construction Joint Powers Authority (DCA) was created to design, develop, and construct the twin-tunnel conveyance system as described by the Department of Water Resources (DWR). Coachella Valley Water District's (CVWD's) Board of Directors authorized CVWD's participation through the execution of DCA Agreement on June 26, 2018.

NOTE 14 JOINT POWERS AUTHORITY (CONTINUED)

After Governor Newsom declared his support for a single-tunnel option, the project was subsequently modified to reflect this change and renamed the Delta Conveyance Project (Project). Although the goals of the Project are similar to WaterFix, these changes required participating utilities, including CVWD, to revise their participation documents. Amendments to the DCA Agreement were approved by CVWD's Board during their November 10, 2020 meeting.

Currently, the DCA is governed by a Board of Directors (the Board) who represent participating Public Water Agencies that form the DCA. The DCA Board consists of up to seven Directors and seven Alternative Directors with each pair appointed by and representing the members. A representative from CVWD was elected to serve on the DCA Board Director.

Funding for the DCA is derived exclusively from DWR who owns and operates the State Water Project (SWP) facilities. In the event that DWR does not have the authority to fund, construct or own the Project as part of the SWP, funding for the DCA may be derived from other sources. The members of the DCA are not responsible for any costs incurred by the DCA in fulfillment of its purposes. The debt, liabilities and obligations of the DCA is the debts, liabilities, and obligations of the DCA and not the individual members. The Construction Authority does not issue separate financial statements.

NOTE 15 RESTATEMENT OF NET POSITIONS

	Domestic Water	Sanitation	Canal Water
Net position at July 1, 2020, as originally reported	$ 638,296,341	$ 487,327,703	$ 119,180,494
To capitalize costs incurred in prior years as capital assets, which were previously expensed	1,591,924	907,665	447,547
Net position at July 1, 2020, as restated	$ 639,888,265	$ 488,235,368	$ 119,628,041

	Stormwater	Groundwater Replenishment	Internal Service Fund Motorpool
Net position at July 1, 2020, as originally reported	$ 237,016,318	$ 94,818,984	$ 11,556,832
To capitalize costs incurred in prior years as capital assets, which were previously expensed	279,645	305,466	1,767,178
Net position at July 1, 2020, as restated	$ 237,295,963	$ 95,124,450	$ 13,324,010

	Custodial Funds
Net position at July 1, 2020, as originally reported	$ -
Implementation of GASB 84	9,610,750
Net position at July 1, 2020, as restated	$ 9,610,750

NOTE 16 CONTINGENCIES

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of an outbreak of a new strain of coronavirus (the COVID-19 outbreak) and the risks that is posed to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on the District's financial condition, liquidity, operations and workforce. The District cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time; however, if the pandemic continues, it may have a material effect on the District's results of future operations and financial position in fiscal year 2022.

NOTE 17 SUBSEQUENT EVENT

The District received a Clean Water State Revolving Fund (CWSRF) loan for the Wastewater Reclamation Plant No. 10 (WRP) Customers Non-Potable Water Connection Project in the amount of $33,000,000. The funding agreement also includes a grant-funded portion in the amount of $5,000,000. The District signed the funding agreement on September 2, 2021.

Other events occurring after June 30, 2021, have been evaluated for possible adjustments to the financial statements or disclosure as of November 22, 2021, which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY

COACHELLA VALLEY WATER DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS – MISCELLANEOUS PLAN AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS*

	2015	2016	2017	2018	2019
Fiscal Year Ended	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
Measurement Period	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
TOTAL PENSION LIABILITY					
Service Cost	$ 5,485,267	$ 5,436,814	$ 5,783,089	$ 6,802,190	$ 7,124,963
Interest on Total Pension Liability	23,199,726	24,080,603	25,225,601	26,342,072	27,295,591
Changes in Assumptions	-	(6,023,990)	-	22,552,553	(2,443,307)
Differences Between Expected and Actual Experience	-	(2,042,873)	944,339	1,244,724	470,080
Benefit Payments, Including Refunds of Employee Contributions	(14,862,689)	(15,426,247)	(15,908,979)	(17,373,710)	(18,619,271)
Net Change in Total Pension Liability	13,822,304	6,024,307	16,044,050	39,567,829	13,828,056
Total Pension Liability - Beginning of Year	314,018,404	327,840,708	333,865,015	349,909,065	389,476,894
Total Pension Liability - End of Year (a)	327,840,708	333,865,015	349,909,065	389,476,894	403,304,950
PLAN FIDUCIARY NET POSITION					
Plan to Plan Resource Movement	-	47	-	(518)	(616)
Contributions - Employer	7,407,594	8,196,637	8,819,906	10,688,138	12,547,765
Contributions - Employee	2,917,459	2,956,640	3,196,965	3,129,689	3,240,219
Net Investment Income	34,250,928	5,096,743	1,200,323	26,008,057	20,992,758
Benefit Payments	(14,862,689)	(15,426,247)	(15,908,979)	(17,373,710)	(18,619,271)
Administrative Expense	-	(258,450)	(139,921)	(334,788)	(387,811)
Other Miscellaneous Income (Expense)	-	-	-	-	(736,459)
Net Change in Plan Fiduciary Net Position	29,713,292	565,370	(2,831,706)	22,116,868	17,036,585
Plan Fiduciary Net Position - Beginning of Year	199,307,780	229,021,072	229,586,442	226,754,736	248,871,604
Plan Fiduciary Net Position - End of Year (b)	229,021,072	229,586,442	226,754,736	248,871,604	265,908,189
Net Pension Liability - Ending (a)-(b)	$ 98,819,636	$ 104,278,573	$ 123,154,329	$ 140,605,290	$ 137,396,761
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.86%	68.77%	64.80%	63.90%	65.93%
Covered Payroll	$ 34,880,240	$ 36,151,428	$ 38,917,148	$ 40,954,846	$ 42,572,677
Net Pension Liability as a Percentage of Covered Payroll	283.31%	288.45%	316.45%	343.32%	322.73%

Notes to Schedule

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
From fiscal year June 30, 2015 to June 30, 2016:
GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.
From fiscal year June 30, 2016 to June 30, 2017:
There were no changes in assumptions.
From fiscal year June 30, 2017 to June 30, 2018:
The discount rate was reduced from 7.65% to 7.15%.
From fiscal year June 30, 2018 to June 30, 2019:
There were no significant changes in assumptions.

*Fiscal year 2015 was the 1st year of implementation; therefore only seven years are shown.

COACHELLA VALLEY WATER DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS – MISCELLANEOUS PLAN (CONTINUED)
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS*

	2020	2021
Fiscal Year Ended	June 30, 2020	June 30, 2021
Measurement Period	June 30, 2019	June 30, 2020
TOTAL PENSION LIABILITY		
Service Cost	$ 7,421,549	$ 7,728,980
Interest on Total Pension Liability	28,788,099	30,139,385
Changes in Assumptions	-	-
Differences Between Expected and Actual Experience	5,511,121	3,003,163
Benefit Payments, Including Refunds of Employee Contributions	(19,792,178)	(21,142,650)
Net Change in Total Pension Liability	21,928,591	19,728,878
Total Pension Liability - Beginning of Year	403,304,950	425,233,541
Total Pension Liability - End of Year (a)	425,233,541	444,962,419
PLAN FIDUCIARY NET POSITION		
Plan to Plan Resource Movement	-	-
Contributions - Employer	33,850,043	22,901,638
Contributions - Employee	3,543,253	3,595,610
Net Investment Income	17,974,095	15,303,105
Benefit Payments	(19,792,178)	(21,142,650)
Administrative Expense	(189,758)	(424,751)
Other Miscellaneous Income (Expense)	616	-
Net Change in Plan Fiduciary Net Position	35,386,071	20,232,952
Plan Fiduciary Net Position - Beginning of Year	265,908,189	301,294,260
Plan Fiduciary Net Position - End of Year (b)	301,294,260	321,527,212
	-	-
Net Pension Liability - Ending (a)-(b)	$ 123,939,281	$ 123,435,207
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	72.26%
Covered Payroll	$ 45,067,739	$ 46,938,578
Net Pension Liability as a Percentage of Covered Payroll	275.01%	262.97%

Notes to Schedule

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
From fiscal year June 30, 2019 to June 30, 2020:
There were no changes in assumptions.
From fiscal year June 30, 2020 to June 30, 2021:
There were no changes in assumptions.

*Fiscal year 2015 was the 1st year of implementation; therefore only seven years are shown.

COACHELLA VALLEY WATER DISTRICT
SCHEDULE OF PLAN CONTRIBUTIONS – MISCELLANEOUS PLAN
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS*

	2015	2016	2017	2018	2019
Fiscal Year Ended	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
Contractually Required Contribution (Actuarially Determined)	$ 8,217,475	$ 9,940,264	$ 10,976,030	$ 11,747,022	$ 12,650,422
Contributions in Relation to the Actuarially Determined Contributions	(8,217,475)	(9,940,264)	(10,976,030)	(11,747,022)	(33,850,422)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ (21,200,000)
Covered Payroll	$ 36,151,428	$ 38,917,148	$ 40,954,846	$ 42,572,677	$ 45,067,739
Contributions as a Percentage of Covered Payroll	22.73%	25.54%	26.80%	27.59%	75.11%

Notes to Schedule

Valuation Date	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016
Methods and Assumptions Used to Determine Contribution Rates:					
Actuarial Cost Method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization Method	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	15 Year Smoothed Market Method	Fair Value	Fair Value	Fair Value	Fair Value
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary Increases	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.375% (3)
Retirement Age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed
(2) Depending on age, service, and type of employment
(3) Net of pension plan investment expense, including inflation
(4) 50 years (2.7% @55), 52 years (2.0%@62)
(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

*Fiscal year 2015 was the 1st year of implementation; therefore only seven years are shown.

COACHELLA VALLEY WATER DISTRICT
SCHEDULE OF PLAN CONTRIBUTIONS – MISCELLANEOUS PLAN (CONTINUED)
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS*

	2020	2021
Fiscal Year Ended	June 30, 2020	June 30, 2021
Contractually Required Contribution (Actuarially Determined)	$ 18,401,638	$ 17,480,196
Contributions in Relation to the Actuarially Determined Contributions	(22,901,638)	(18,080,196)
Contribution Deficiency (Excess)	$ (4,500,000)	$ (600,000)
Covered Payroll	$ 46,938,578	$ 48,621,446
Contributions as a Percentage of Covered Payroll	48.79%	37.19%

Notes to Schedule

	6/30/2017	6/30/2018
Methods and Assumptions Used to Determine Contribution Rates:		
Actuarial Cost Method	Entry age	Entry age
Amortization Method	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value
Inflation	2.625%	2.50%
Salary Increases	(2)	(2)
Investment Rate of Return	7.25% (3)	7.00% (3)
Retirement Age	(4)	(4)
Mortality	(5)	(5)

(1) Level percentage of payroll, closed
(2) Depending on age, service, and type of employment
(3) Net of pension plan investment expense, including inflation
(4) 50 years (2.7% @55), 52 years (2.0%@62)
(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

*Fiscal year 2015 was the 1st year of implementation; therefore only seven years are shown.

COACHELLA VALLEY WATER DISTRICT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS – OPEB PLAN
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS*

	2017	2018	2019	2020	2021
Fiscal Year End	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Measurement Date	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
TOTAL OPEB LIABILITY					
Service Cost	$ 1,621,000	$ 1,715,000	$ 1,256,225	$ 1,293,912	$ 1,228,809
Interest on Total OPEB Liability	1,606,000	1,649,000	2,282,978	2,371,301	2,118,816
Difference Between Expected and Actual Experience	(194,000)	(1,063,000)	-	(4,580,693)	-
Changes in Assumptions	-	(10,404,000)	-	(768,098)	-
Benefit Payments, Including Refunds and the Implied Subsidy Benefit Payments	(1,821,000)	(1,957,000)	(2,099,162)	(2,228,298)	(2,353,855)
Net Change in Total OPEB Liability	1,212,000	(10,060,000)	1,440,041	(3,911,876)	993,770
Total OPEB Liability - Beginning of Year	45,169,000	46,381,000	36,321,000	37,761,041	33,849,165
Total OPEB Liability - End of Year (a)	46,381,000	36,321,000	37,761,041	33,849,165	34,842,935
PLAN FIDUCIARY NET POSITION					
Contributions - Employer	1,821,000	1,957,000	2,099,162	2,728,298	2,353,855
Net Investment Income	2,159,000	1,758,000	1,511,175	1,613,083	7,149,651
Administrative Expenses	(1,821,000)	(10,000)	(9,604)	(8,000)	(8,000)
Benefit Payments, Including Refunds and the Implied Subsidy Benefit Payments	(16,000)	(1,957,000)	(2,099,162)	(2,228,298)	(2,353,855)
Net Change in Plan Fiduciary Net Position	2,143,000	1,748,000	1,501,571	2,105,083	7,141,651
Plan Fiduciary Net Position - Beginning of Year	20,374,000	22,517,000	24,265,000	25,766,571	27,871,654
Plan Fiduciary Net Position - End of Year (b)	22,517,000	24,265,000	25,766,571	27,871,654	35,013,305
Net OPEB Liability - Ending (a)-(b)	$ 23,864,000	$ 12,056,000	$ 11,994,470	$ 5,977,511	$ (170,370)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	48.55%	66.81%	68.24%	82.34%	100.49%
Covered-Employee Payroll	$ 40,954,846	$ 42,572,677	$ 45,067,739	$ 46,938,578	$ 48,621,446
Net OPEB Liability as Percentage of Covered-Employee Payroll	58.27%	28.32%	26.61%	12.73%	-0.35%

Notes to Schedule

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2019 to June 30, 2020:

The mortality improvement scale was updated to Scale MP-2019 from MP-2017. The healthcare trend changed from 7.50% non-Medicare and 6.50% Medicare to 7.25% non-Medicare and 6.30% Medicare.

COACHELLA VALLEY WATER DISTRICT
SCHEDULE OF PLAN CONTRIBUTIONS – OPEB PLAN
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS*

	2021
Fiscal Year End	June 30, 2021
Actuarially Determined Contribution	1,762,000
Contributions in Relation to the Actuarially Determined Contributions	(2,353,855)
Contribution Deficiency (Excess)	$ (591,855)
Covered-Employee Payroll	$ 48,621,446
Contributions as a Percentage of Covered-Employee Payroll	4.84%

Notes to Schedule

Valuation Date	6/30/2019

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate	6.25%
Inflation	2.75%
Medical Trend	7.5% Non-Medicare/6.5% Medicare, decreasing to an ultimate rate of 4.0% in 2076
Mortality	CalPERS 1997-2015 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2019

*Fiscal year 2021 was the first year the actuarially determined contribution was calculated; therefore, only one year is shown.

COACHELLA VALLEY WATER DISTRICT
ANNUAL MONEY-WEIGHTED RATE OF RETURN ON INVESTMENTS – OPEB PLAN
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS*

	2017	2018	2019	2020	2021
Annual Money-weighted Rate of Return,					
Net of Investment Expense	7.75%	7.77%	6.57%	6.60%	26.01%

(1) Historical information is required only for year for which GASB 74 is applicable. Fiscal year 2017 was the first year of implementation; therefore, only five years are shown.

THIS PAGE INTENTIONALLY LEFT BLANK

COACHELLA VALLEY WATER DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION – ALL CUSTODIAL FUNDS
JUNE 30, 2021

	Assessment District No. 33	Assessment District No. 67	Assessment District No. 68
ASSETS			
Cash and Investments	$ 207,095	$ 77,389	$ 458,079
Receivables:			
Accounts	-	-	-
Property Taxes	-	1,643	6,146
Interest	696	327	1,523
Total Assets	207,791	79,359	465,748
LIABILITIES			
Accounts Payable	-	-	-
Total Liabilities	-	-	-
NET POSITION			
Held for Bondholders	207,791	79,359	465,748
Total Net Position	$ 207,791	$ 79,359	$ 465,748

COACHELLA VALLEY WATER DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION –
ALL CUSTODIAL FUNDS (CONTINUED)
JUNE 30, 2021

	Assessment District No. 70	Community Facilities District No. 102	Facilities District - 2015-01	Totals
ASSETS				
Cash and Investments	$ 1,277,735	$ 8,051,606	$ 9,971	$ 10,081,875
Receivables:				
Accounts	87,668	-	-	87,668
Property Taxes	40,226	40,108	-	88,123
Interest	4,242	26,792	34	33,614
Total Assets	1,409,871	8,118,506	10,005	10,291,280
LIABILITIES				
Accounts Payable	5,266	-	-	5,266
Total Liabilities	5,266	-	-	5,266
NET POSITION				
Held for Bondholders	1,404,605	8,118,506	10,005	10,286,014
Total Net Position	$ 1,404,605	$ 8,118,506	$ 10,005	$ 10,286,014

COACHELLA VALLEY WATER DISTRICT
COMBINING STATEMENT OF CHANGE IN FIDUCIARY NET POSITION – ALL CUSTODIAL FUNDS
YEAR ENDED JUNE 30, 2021

	Assessment District No. 33	Assessment District No. 67	Assessment District No. 68
ADDITIONS			
Investment Earnings:			
Interest and Dividends	$ 625	$ 78	$ 435
Special Assessments or Special Taxes Collected from Property Owners	64,647	1,643	220,485
Miscellaneous	-	-	-
Total Additions	65,272	1,721	220,920
DEDUCTIONS			
Administrative Expense	3,106	34	21,832
Payments for Special Assessment or Special Tax Debt	56,582	-	193,125
Property Insurance	-	-	-
Repairs and Maintenance	-	-	-
Total Deductions	59,688	34	214,957
NET INCREASE IN FIDUCIARY NET POSITION	5,584	1,687	5,963
Net Position - Beginning of Year	202,207	77,672	459,785
NET POSITION - END OF YEAR	$ 207,791	$ 79,359	$ 465,748

COACHELLA VALLEY WATER DISTRICT
COMBINING STATEMENT OF CHANGE IN FIDUCIARY NET POSITION – ALL CUSTODIAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2021

	Assessment District No. 70	Community Facilities District No. 102	Facilities District - 2015-01	Totals
ADDITIONS				
Investment Earnings:				
Interest and Dividends	$ 2,361	$ 55,045	$ 108	$ 58,652
Special Assessments or Special Taxes Collected from Property Owners	617,429	756,138	-	1,660,342
Miscellaneous	1,699	-	-	1,699
Total Additions	621,489	811,183	108	1,720,693
DEDUCTIONS				
Administrative Expense	36,202	10,000	4	71,178
Payments for Special Assessment or Special Tax Debt	554,893	-	-	804,600
Property Insurance	-	147,611	-	147,611
Repairs and Maintenance	-	22,040	-	22,040
Total Deductions	591,095	179,651	4	1,045,429
NET INCREASE IN FIDUCIARY NET POSITION	30,394	631,532	104	675,264
Net Position - Beginning of Year	1,374,211	7,486,974	9,901	9,610,750
NET POSITION - END OF YEAR	$ 1,404,605	$ 8,118,506	$ 10,005	$ 10,286,014

SUPPLEMENTARY

SCHEDULE OF MATURITIES OF CERTIFICATES OF PARTICIPATION PAYABLE

June 30, 2021

Payment Date	Interest Rate	Principal Payments[1]	Interest Payments[1]	Total Debt Service[1]	Principal Balance[1]
Coachella Valley Water District, 2021A-Original Issue $42,080,000					
8/1/2021	5.00	$ -	$ 193,135	$ 193,135	$ 42,080,000
2/1/2022	5.00	-	939,575	939,575	42,080,000
8/1/2022	5.00	-	939,575	939,575	42,080,000
2/1/2023	5.00	-	939,575	939,575	42,080,000
8/1/2023	5.00	-	939,575	939,575	42,080,000
2/1/2024	5.00	-	939,575	939,575	42,080,000
8/1/2024	5.00	-	939,575	939,575	42,080,000
2/1/2025	5.00	-	939,575	939,575	42,080,000
8/1/2025	5.00	-	939,575	939,575	42,080,000
2/1/2026	5.00	-	939,575	939,575	42,080,000
8/1/2026	5.00	-	939,575	939,575	42,080,000
2/1/2027	5.00	-	939,575	939,575	42,080,000
8/1/2027	5.00	160,000	939,575	1,099,575	41,920,000
2/1/2028	5.00	-	935,575	935,575	41,920,000
8/1/2028	5.00	1,000,000	935,575	1,935,575	40,920,000
2/1/2029	5.00	-	910,575	910,575	40,920,000
8/1/2029	5.00	1,055,000	910,575	1,965,575	39,865,000
2/1/2030	5.00	-	884,200	884,200	39,865,000
8/1/2030	5.00	1,105,000	884,200	1,989,200	38,760,000
2/1/2031	5.00	-	856,575	856,575	38,760,000
8/1/2031	5.00	1,165,000	856,575	2,021,575	37,595,000
2/1/2032	5.00	-	827,450	827,450	37,595,000
8/1/2032	5.00	1,225,000	827,450	2,052,450	36,370,000
2/1/2033	5.00	-	796,825	796,825	36,370,000
8/1/2033	5.00	1,285,000	796,825	2,081,825	35,085,000
2/1/2034	5.00	-	764,700	764,700	35,085,000
8/1/2034	4.00	1,345,000	764,700	2,109,700	33,740,000
2/1/2035	4.00	-	737,800	737,800	33,740,000
8/1/2035	4.00	1,400,000	737,800	2,137,800	32,340,000
2/1/2036	4.00	-	709,800	709,800	32,340,000
8/1/2036	4.00	1,455,000	709,800	2,164,800	30,885,000
2/1/2037	4.00	-	680,700	680,700	30,885,000
8/1/2037	4.00	1,515,000	680,700	2,195,700	29,370,000
2/1/2038	4.00	-	650,400	650,400	29,370,000
8/1/2038	4.00	$ 1,580,000	$ 650,400	$ 2,230,400	$ 27,790,000

Note 1: Dollar amounts are rounded to nearest dollar.

SCHEDULE OF MATURITIES OF CERTIFICATES OF PARTICIPATION PAYABLE

June 30, 2021

Payment Date	Interest Rate	Principal Payments[1]	Interest Payments[1]	Total Debt Service[1]	Principal Balance[1]
Coachella Valley Water District, 2021A-Original Issue $42,080,000					
2/1/2039	4.00	$ -	$ 618,800	$ 618,800	$ 27,790,000
8/1/2039	4.00	1,645,000	618,800	2,263,800	26,145,000
2/1/2040	4.00	-	585,900	585,900	26,145,000
8/1/2040	4.00	1,710,000	585,900	2,295,900	24,435,000
2/1/2041	4.00	-	551,700	551,700	24,435,000
8/1/2041	4.00	1,780,000	551,700	2,331,700	22,655,000
2/1/2042	4.00	-	516,100	516,100	22,655,000
8/1/2042	4.00	1,855,000	516,100	2,371,100	20,800,000
2/1/2043	4.00	-	479,000	479,000	20,800,000
8/1/2043	4.00	1,930,000	479,000	2,409,000	18,870,000
2/1/2044	4.00	-	440,400	440,400	18,870,000
8/1/2044	4.00	2,005,000	440,400	2,445,400	16,865,000
2/1/2045	4.00	-	400,300	400,300	16,865,000
8/1/2045	4.00	2,090,000	400,300	2,490,300	14,775,000
2/1/2046	4.00	-	358,500	358,500	14,775,000
8/1/2046	4.00	2,175,000	358,500	2,533,500	12,600,000
2/1/2047	4.00	-	315,000	315,000	12,600,000
8/1/2047	4.00	2,275,000	315,000	2,590,000	10,325,000
2/1/2048	4.00	-	258,125	258,125	10,325,000
8/1/2048	4.00	2,390,000	258,125	2,648,125	7,935,000
2/1/2049	4.00	-	198,375	198,375	7,935,000
8/1/2049	4.00	2,515,000	198,375	2,713,375	5,420,000
2/1/2050	4.00	-	135,500	135,500	5,420,000
8/1/2050	4.00	2,640,000	135,500	2,775,500	2,780,000
2/1/2051	4.00	-	69,500	69,500	2,780,000
8/1/2051	5.00	$ 2,780,000	$ 69,500	$ 2,849,500	$ -

Note 1: Dollar amounts are rounded to nearest dollar.

SCHEDULE OF MATURITIES OF CERTIFICATES OF PARTICIPATION PAYABLE

June 30, 2021

Payment Date	Interest Rate	Principal Payments[1]	Interest Payments[1]	Total Debt Service[1]	Principal Balance[1]
Coachella Valley Water District, 2021B Original Issue $810,000					
8/1/2021	1.35	$ -	$ 1,124	$ 1,124	$ 810,000
2/1/2022	1.35	-	5,468	5,468	810,000
8/1/2022	1.35	-	5,468	5,468	810,000
2/1/2023	1.35	-	5,468	5,468	810,000
8/1/2023	1.35	-	5,468	5,468	810,000
2/1/2024	1.35	-	5,468	5,468	810,000
8/1/2024	1.35	-	5,468	5,468	810,000
2/1/2025	1.35	-	5,468	5,468	810,000
8/1/2025	1.35	-	5,468	5,468	810,000
2/1/2026	1.35	-	5,468	5,468	810,000
8/1/2026	1.35	-	5,468	5,468	810,000
2/1/2027	1.35	-	5,468	5,468	810,000
8/1/2027	1.35	$ 810,000	$ 5,468	$ 815,468	$ -

Note 1: Dollar amounts are rounded to nearest dollar.

SCHEDULE OF MATURITIES OF LOANS PAYABLE

June 30, 2021

Payment Date	Interest Rate	Loan Draws[1]	Principal Forgiveness[1]	Principal Payments[1]	Interest Payments[1]	Total Debt Service[1]	Principal Balance[1,2]
State of California Water Resource Control Board - Original Loan $19,164,293							
11/6/2019	1.8	$ 10,338,267	$ -	$ -	$ -	$ -	$ 10,338,267
1/1/2020	1.8	-	-	-	28,551	28,551	10,338,267
2/7/2020	1.8	2,756,882	-	-	-	-	13,095,149
5/7/2020	1.8	-	-	-	-	-	13,095,149
6/30/2020	1.8	3,108,342	-				16,203,491
7/1/2020	1.8	-	3,730,602	-	$ 112,503	112,503	$ 12,472,889
8/17/2020	1.8	3,377,844	1,269,398	-	-	-	14,581,335
9/15/2020	1.8	1,622,165	-	-	-	-	16,203,500
11/30/2020	1.8	690,795	-	-	-	-	16,894,295
1/1/2021	1.8	-	-	227,231	138,110	365,341	16,667,064
4/9/2021	1.8	363,383	-	-	-	-	17,030,447
6/30/2021	1.8	2,133,846	-	-	-	-	19,164,293
7/1/2021	1.8	-	-	221,774	151,493	373,268	18,942,518
1/1/2022	1.8	-	-	252,151	172,244	419,426	18,690,367
7/1/2022	1.8	-	-	252,396	171,999	419,426	18,437,971
1/1/2023	1.8	-	-	254,667	169,727	419,426	18,183,304
7/1/2023	1.8	-	-	256,959	167,435	419,426	17,926,345
1/1/2024	1.8	-	-	259,272	165,123	419,426	17,667,072
7/1/2024	1.8	-	-	261,606	162,789	419,426	17,405,467
1/1/2025	1.8	-	-	263,960	160,435	419,426	17,141,507
7/1/2025	1.8	-	-	266,336	158,059	419,426	16,875,171
1/1/2026	1.8	-	-	268,733	155,662	419,426	16,606,439
7/1/2026	1.8	-	-	271,151	153,243	419,426	16,335,287
1/1/2027	1.8	-	-	273,592	150,803	419,426	16,061,696
7/1/2027	1.8	-	-	276,054	148,341	419,426	15,785,642
1/1/2028	1.8	-	-	278,538	145,856	419,426	15,507,103
7/1/2028	1.8	-	-	281,045	143,349	419,426	15,226,058
1/1/2029	1.8	-	-	283,575	140,820	419,426	14,942,483
7/1/2029	1.8	-	-	286,127	138,268	419,426	14,656,356
1/1/2030	1.8	-	-	288,702	135,693	419,426	14,367,654
7/1/2030	1.8	-	-	291,300	133,094	419,426	14,076,354
1/1/2031	1.8	-	-	293,922	130,473	419,426	13,782,432
7/1/2031	1.8	-	-	296,567	127,827	419,426	13,485,865
1/1/2032	1.8	-	-	299,236	125,158	419,426	13,186,628
7/1/2032	1.8	-	-	301,930	122,465	419,426	12,884,699
1/1/2033	1.8	-	-	304,647	119,748	419,426	12,580,052
7/1/2033	1.8	-	-	307,389	117,006	419,426	12,272,663
1/1/2034	1.8	-	-	310,155	114,239	419,426	11,962,508
7/1/2034	1.8	-	-	312,947	111,448	419,426	11,649,561
1/1/2035	1.8	-	-	315,763	108,632	419,426	11,333,798
7/1/2035	1.8	-	-	318,605	105,790	419,426	11,015,193
1/1/2036	1.8	-	-	321,472	102,922	419,426	10,693,721
7/1/2036	1.8	-	-	324,366	100,029	419,426	10,369,355
1/1/2037	1.8	-	-	327,285	97,110	419,426	10,042,070
7/1/2037	1.8	-	-	330,231	94,164	419,426	9,711,839
1/1/2038	1.8	$ -	$ -	$ 333,203	$ 91,192	$ 419,426	$ 9,378,637

Note 1: Dollar amounts are rounded to nearest dollar.

Note 2: Preliminary Debt Schedule. Figures subject to change. Current Balance equal to amount billed to date.

SCHEDULE OF MATURITIES OF LOANS PAYABLE

June 30, 2021

Payment Date	Interest Rate	Loan Draws[1]	Principal Forgiveness[1]	Principal Payments[1]	Interest Payments[1]	Total Debt Service[1]	Principal Balance[1,2]
State of California Water Resource Control Board - Original Loan $19,164,293							
7/1/2038	1.8	$ -	$ -	$ 336,201	$ 88,193	$ 419,426	$ 9,042,435
1/1/2039	1.8	-	-	339,227	85,167	419,426	8,703,208
7/1/2039	1.8	-	-	342,280	82,114	419,426	8,360,928
1/1/2040	1.8	-	-	345,361	79,034	419,426	8,015,567
7/1/2040	1.8	-	-	348,469	75,926	419,426	7,667,098
1/1/2041	1.8	-	-	351,605	72,789	419,426	7,315,492
7/1/2041	1.8	-	-	354,770	69,625	419,426	6,960,723
1/1/2042	1.8	-	-	357,963	66,432	419,426	6,602,760
7/1/2042	1.8	-	-	361,184	63,210	419,426	6,241,576
1/1/2043	1.8	-	-	364,435	59,960	419,426	5,877,140
7/1/2043	1.8	-	-	367,715	56,680	419,426	5,509,426
1/1/2044	1.8	-	-	371,024	53,370	419,426	5,138,401
7/1/2044	1.8	-	-	374,364	50,031	419,426	4,764,038
1/1/2045	1.8	-	-	377,733	46,662	419,426	4,386,305
7/1/2045	1.8	-	-	381,132	43,262	419,426	4,005,172
1/1/2046	1.8	-	-	384,563	39,832	419,426	3,620,610
7/1/2046	1.8	-	-	388,024	36,371	419,426	3,232,586
1/1/2047	1.8	-	-	391,516	32,879	419,426	2,841,070
7/1/2047	1.8	-	-	395,040	29,355	419,426	2,446,030
1/1/2048	1.8	-	-	398,595	25,800	419,426	2,047,435
7/1/2048	1.8	-	-	402,182	22,212	419,426	1,645,253
1/1/2049	1.8	-	-	405,802	18,593	419,426	1,239,451
7/1/2049	1.8	-	-	409,454	14,941	419,426	829,997
1/1/2050	1.8	-	-	413,139	11,255	419,426	416,858
7/1/2050	1.8	$ -	$ -	$ 416,857	$ 7,537	$ 419,426	$ 0

Note 1: Dollar amounts are rounded to nearest dollar.

Note 2: Preliminary Debt Schedule. Figures subject to change. Current Balance equal to amount billed to date.

SCHEDULE OF MATURITIES OF LOANS PAYABLE

June 30, 2021

Payment Date	Interest Rate	Principal Payments[1]	Interest Payments[1]	Total Debt Service[1]	Principal Balance[1,2]
Bank of the West Letter of Credit - Original loan $9,744,000					
07/01/2021	2.25	$ -	$ 3,045	$ 3,045	$ 9,744,000
08/01/2021	2.25	-	3,045	3,045	9,744,000
09/01/2021	2.25	-	3,045	3,045	9,744,000
10/01/2021	2.25	-	3,045	3,045	9,744,000
11/01/2021	2.25	-	3,045	3,045	9,744,000
12/01/2021	2.25	-	3,045	3,045	9,744,000
01/01/2022	2.25	-	3,045	3,045	9,744,000
02/01/2022	2.25	-	3,045	3,045	9,744,000
03/01/2022	2.25	-	3,045	3,045	9,744,000
04/01/2022	2.25	-	3,045	3,045	9,744,000
05/01/2022	2.25	-	3,045	3,045	9,744,000
06/01/2022	2.25	-	3,045	3,045	9,744,000
07/01/2022	2.25	$ 9,744,000	$ -	$ 9,744,000	$ -

Note 1: Dollar amounts are rounded to nearest dollar.

Note 2: Preliminary Debt Schedule. Figures subject to change. Current Balance equal to amount disbursed to date.

STATISTICAL


WATER
DISTRICT
Ramiro
STORE HO
USE TO
MAGE
ND N

STATISTICAL SECTION

TABLE OF CONTENTS

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

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

These schedules contain information to help the reader assess the factors that affect the government's ability to generate its most significant local source of revenues.

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

These schedules contain information about the government's operations and resources to help the reader understand how the government's financial information relates to the services the government provides and the activities it performs.

THIS PAGE INTENTIONALLY LEFT BLANK

Net Position by Component
Last Ten Fiscal Years
($000's)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net Investment in Capital Assets	$ 1,101.1	$ 1,126.7	$ 1,198.2	$ 1,237.2	$ 1,266.6	$ 1,315.4	$ 1,357.2	$ 1,459.5	$ 1,522.6	$ 1,576.1
Restricted for construction, capital and replacement	69.8	64.2	50.4	53.8	61.5	56.5	55.6	61.6	64.0	107.6
Restricted for State Water Project	78.7	62.0	62.0	26.4	26.4	26.4	26.4	26.4	2.8	17.4
Unrestricted	306.8	352.0	358.8	314.0	320.3	341.5	281.2	236.0	251.2	207.7
Total Net Position	**$1,556.5**	**$1,605.0**	**$1,669.4**	**$1,631.5**	**$1,674.8**	**$1,739.7**	**$1,720.4**	**$1,783.5**	**$1,840.6**	**$1,908.7**
Percent Change	*2.95%*	*3.11%*	*4.01%*	*(2.27%)*	*2.65%*	*3.88%*	*(1.11%)*	*3.67%*	*3.10%*	*3.57%*

Note:
Allow for rounding differences

Changes in Net Position
Last Ten Fiscal Years
($000's)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating Revenues:										
Sales	$ 69.7	$ 69.6	$ 70.5	$ 65.4	$ 54.1	$ 72.8	$ 81.9	$ 77.6	$ 80.8	$ 90.3
Water & sewer availability charges	2.5	2.0	2.5	2.2	2.3	2.6	2.6	3.3	2.9	2.7
Meter & service fees[1]	15.5	15.1	15.5	15.4	16.5	14.9	16.1	15.2	18.2	18.0
Sanitation service fees	37.3	37.5	38.1	38.3	38.5	39.1	39.4	39.9	39.9	39.6
Replenishment charges	19.2	20.9	21.4	21.3	19.3	22.9	25.6	24.5	24.8	26.5
Other charges	10.5	12.0	13.4	7.6	8.0	7.0	8.0	7.3	11.2	8.1
Total Operating Revenues	**$ 154.7**	**$ 157.1**	**$ 161.4**	**$ 150.2**	**$ 138.6**	**$ 159.3**	**$ 173.7**	**$ 167.8**	**$ 177.9**	**$ 185.2**
Operating Expenses:[2]										
Transmission & distribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pumping	-	-	-	-	-	-	-	-	-	-
Source of supply	-	-	-	-	-	-	-	-	-	-
Operations & maintenance	-	-	-	-	-	-	-	-	-	-
General & administrative	-	-	-	-	-	-	-	-	-	-
Wages & salaries	35.8	37.2	38.0	38.8	42.2	43.2	45.2	48.2	49.9	50.7
Benefits	19.4	19.2	19.2	20.3	17.3	22.8	27.2	26.9	29.0	30.6
Materials & supplies	11.4	11.6	12.3	12.7	11.7	12.0	12.5	15.0	15.0	13.2
Water purchases	67.3	53.3	53.7	42.1	63.8	59.5	80.4	60.8	78.8	70.0
Utilities	14.2	14.8	15.9	15.6	14.7	14.3	15.2	14.9	15.7	19.2
Contract services	14.0	31.4	13.0	9.9	9.9	11.4	13.3	11.2	12.8	11.8
Depreciation	34.6	35.1	36.2	35.8	36.6	46.9	38.7	40.4	43.6	47.1
Other	24.1	2.7	20.3	24.7	34.5	32.9	37.1	40.2	39.7	27.0
Total Operating Expenses	**$ 220.6**	**$ 205.4**	**$ 208.6**	**$ 200.0**	**$ 230.6**	**$ 242.9**	**$ 269.6**	**$ 257.5**	**$ 284.4**	**$ 269.8**
Non-operating revenues:										
Property taxes	$ 81.4	$ 74.7	$ 85.8	$ 89.0	$ 93.6	$ 96.8	$ 100.7	$ 105.0	$ 103.0	$ 117.9
Intergovernmental	-	-	-	0.03	0.04	0.01	0.9	3.7	9.6	5.7
Investment income	5.2	0.5	7.6	5.3	8.6	3.4	3.4	20.2	19.3	2.1
Other	11.7	6.5	4.5	9.9	20.4	30.2	9.8	9.0	10.4	10.7
Gain (loss) on disposal of capital assets	0.0	0.0	0.9	(4.1)	0.3	0.5	(16.7)	0.2	0.0	(0.8)
Total Non-operating Revenues	**$ 98.3**	**$ 81.7**	**$ 98.8**	**$ 100.1**	**$ 122.9**	**$ 130.9**	**$ 98.1**	**$ 138.0**	**$ 142.3**	**$ 135.7**
Non-operating Expenses:										
Interest expense	$ 0.1	$ 0.2	$ 0.6	$ 0.6	$ 0.6	$ 0.7	$ 0.7	$ 1.0	$ 2.0	$ 1.3
Total Non-operating Expenses	**$ 0.1**	**$ 0.2**	**$ 0.6**	**$ 0.6**	**$ 0.6**	**$ 0.7**	**$ 0.7**	**$ 1.0**	**$ 2.0**	**$ 1.3**
Income (Loss) Before Capital Contributions	**$ 32.2**	**$ 33.3**	**$ 51.0**	**$ 49.8**	**$ 30.3**	**$ 46.6**	**$ 1.5**	**$ 47.3**	**$ 33.8**	**$ 49.9**
Capital contributions	$ 12.4	$ 6.2	$ 11.0	$ 19.6	$ 13.0	$ 18.4	$ 12.6	$ 15.7	$ 18.0	$ 18.3
Change in net position	$ 44.6	$ 39.5	$ 62.0	$ 69.4	$ 43.3	$ 65.0	$ 14.1	$ 63.0	$ 51.8	$ 68.2
Total net position beginning of year	1,511.8	1,556.5	1,605.0	1,669.4	1,631.5	1,674.8	1,739.7	1,720.5	1,783.5	1,840.6
Restatements	-	9.0	2.4	(107.3)	-	-	(33.3)	-	5.30	-
Total Net Position End of Year	**$1,556.5**	**$1,605.0**	**$1,669.4**	**$1,631.5**	**$1,674.8**	**$1,739.7**	**$1,720.5**	**$1,783.5**	**$1,840.6**	**$1,908.7**
Percent Change	*2.95%*	*3.11%*	*4.01%*	*(2.27%)*	*2.65%*	*3.88%*	*(1.11%)*	*3.67%*	*3.10%*	*3.57%*

Notes:

[1] Prior to 2012 Meter and service fees were reported in Sales

[2] Prior to 2012 expenses were reported by function; beginning in 2012 expenses are reported by category; Pumping is included in Source of Supply

Allow for rounding differences

Summary of Changes in Net Position
Last Ten Fiscal Years
($000's)

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non-Operating Revenue Less Expenses	Income Before Capital Contributions	Capital Contributions	Restatements	Changes in Net Position
2011	$164.8	$195.9	-$31.1	$85.1	$54.0	$28.8	$0.0	$82.7
2012	154.7	220.6	(65.9)	98.2	32.2	12.4	-	44.6
2013	157.1	205.4	(48.3)	81.5	33.3	6.2	9.0	48.5
2014	161.4	208.6	(47.1)	98.2	51.0	11.0	(2.4)	59.7
2015	150.2	200.0	(49.7)	99.5	49.8	19.6	(107.3) [1]	(37.9)
2016	138.6	230.6	(92.0)	122.3	30.3	13.0	0.0	43.3
2017	159.3	242.9	(83.6)	130.2	46.6	18.4	0.0	65.0
2018	173.7	269.6	(95.9)	97.3	1.4	12.6	(33.3) [2]	(19.4)
2019	167.8	257.5	(89.7)	137.0	47.3	15.7	-	63.0
2020	177.9	284.4	(106.6)	140.4	33.8	18.0	5.3	57.1
2021	185.22	269.78	(84.56)	134.41	49.86	18.30	-	68.16

Notes:

[1] *Pursuant to GASB Statement No. 68, the District retrospectively applied the net pension liability as of June 30, 2014, in the amount of*

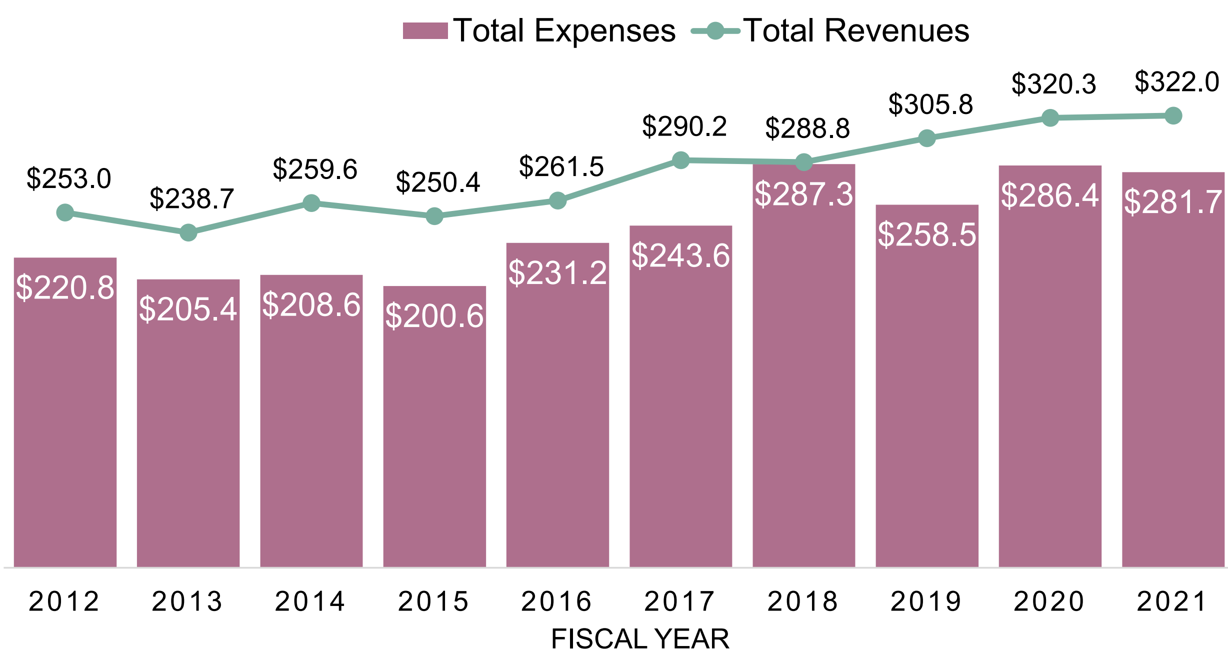
[2] *Pursuant to GASB Statement No. 75, the District applied the net postemployment benefits other than pension liability as of June 30, 2017, in the amount of $33,344,000.*

Allow for rounding differences

Total Revenues vs. Total Expenses
Last Ten Fiscal Years
($000's)

Fiscal Year	Total Revenues	Total Expenses	Excess of Revenues Over Expenses
2012	$ 253.0	$ 220.8	$ 32.2
2013	238.7	205.4	33.3
2014	259.6	208.6	51.0
2015	250.4	200.6	49.8
2016	261.5	231.2	30.3
2017	290.2	243.6	46.6
2018	288.8	287.3	1.4
2019	305.8	258.5	47.3
2020	320.3	286.4	33.9
2021	322.0	281.7	40.2

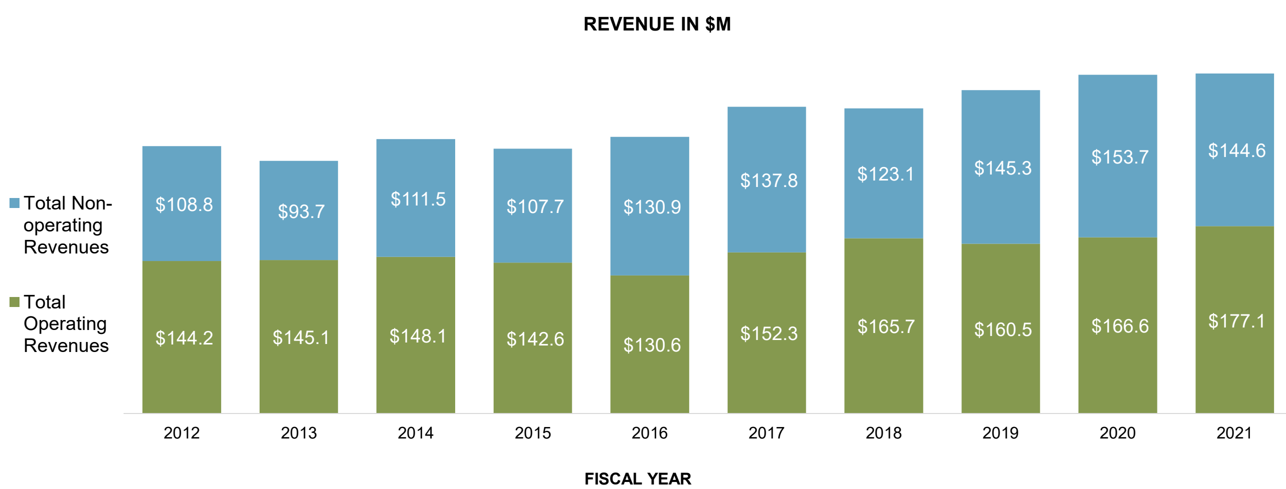
<u>Note:</u> *Allow for rounding differences*



Revenues by Source
Last Ten Fiscal Years
($000's)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating Revenues:										
Sales	$ 69.7	$ 69.6	$ 70.5	$ 65.4	$ 54.1	$ 72.8	$ 81.9	$ 77.6	$ 80.8	$ 90.3
Water & Sewer Availability	2.5	2.0	2.5	2.2	2.3	2.6	2.6	3.3	2.9	2.7
Meter & Service Fees	15.5	15.1	15.5	15.4	16.5	14.9	16.1	15.2	18.2	18.0
Sanitation Service Fees	37.3	37.5	38.1	38.3	38.5	39.1	39.4	39.9	39.9	39.6
Replenishment Charges	19.2	20.9	21.4	21.3	19.3	22.9	25.6	24.5	24.8	26.5
Total Operating Revenues	**$ 144.21**	**$ 145.09**	**$ 148.08**	**$ 142.63**	**$ 130.63**	**$ 152.35**	**$ 165.70**	**$ 160.50**	**$ 166.63**	**$ 177.12**
Non-operating Revenues:										
Property Taxes	$ 81.4	$ 74.7	$ 85.8	$ 89.0	$ 93.6	$ 96.8	$ 100.7	$ 105.0	$ 103.0	$ 117.9
Investment Income	5.2	0.5	7.6	5.3	8.6	3.4	3.4	20.2	19.3	2.1
Other Charges	22.2	18.6	18.1	13.4	28.7	37.7	18.9	20.2	31.4	24.6
Total Non-operating	**$ 108.80**	**$ 93.74**	**$ 111.53**	**$ 107.73**	**$ 130.90**	**$ 137.84**	**$ 123.05**	**$ 145.33**	**$ 153.71**	**$ 144.58**
Total Revenues	**$ 253.0**	**$ 238.8**	**$ 259.6**	**$ 250.4**	**$ 261.5**	**$ 290.2**	**$ 288.8**	**$ 305.8**	**$ 320.3**	**$ 321.7**

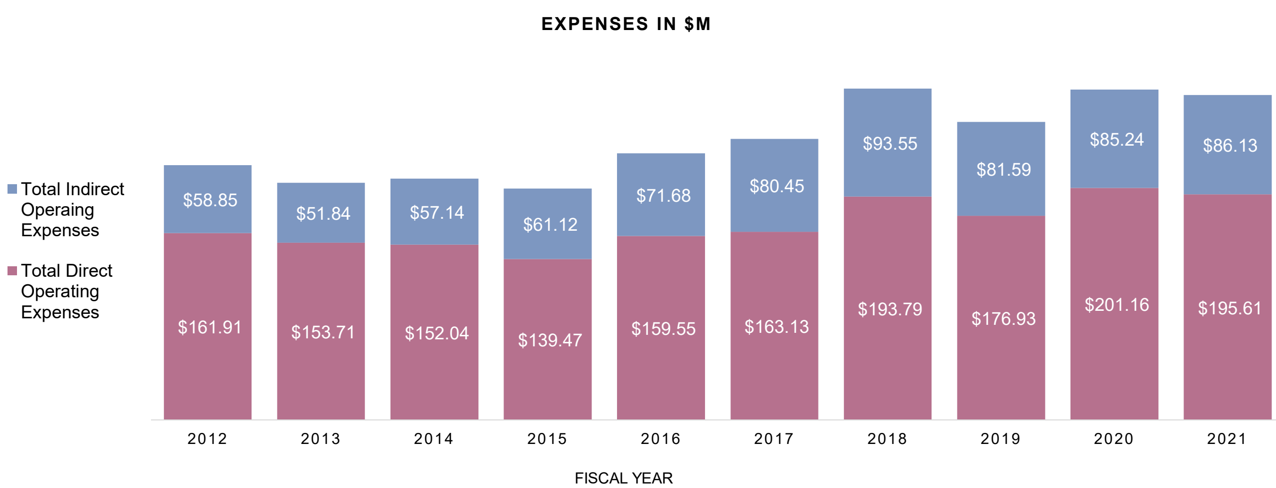
Notes:
Fiscal year 2011 and 2017 include payments from Imperial Irrigation Water District and insurance claims.
Allow for rounding differences



Expenses by Function
Last Ten Fiscal Years
($000's)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Direct Operating Expenses:										
Transmission & distribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Source of supply	-	-	-	-	-	-	-	-	-	-
Operations & maintenance	-	-	-	-	-	-	-	-	-	-
Wages & salaries	35.8	37.2	38.0	38.8	42.2	43.2	45.2	48.2	49.9	50.7
Benefits	19.4	19.2	19.2	20.3	17.3	22.8	27.2	26.9	29.0	30.6
Materials & supplies	11.4	11.6	12.3	12.7	11.7	12.0	12.5	15.0	15.0	13.2
Water purchases	67.3	53.3	53.7	42.1	63.8	59.5	80.4	60.8	78.8	70.0
Utilities	14.2	14.8	15.9	15.6	14.7	14.3	15.2	14.9	15.7	19.2
Contract services	14.0	17.6	13.0	9.9	9.9	11.4	13.3	11.2	12.8	11.8
Total Direct Operating Expenses	**$ 161.91**	**$ 153.71**	**$ 152.04**	**$ 139.47**	**$ 159.55**	**$ 163.13**	**$ 193.79**	**$ 176.93**	**$ 201.16**	**$ 195.61**
Indirect Operating Expenses:										
General & administrative	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Depreciation	34.6	35.1	36.2	35.8	36.6	46.9	38.7	40.4	43.6	47.1
Interest expense	0.1	0.2	0.6	0.6	0.6	0.7	0.7	1.0	2.0	1.3
Other	24.1	16.6	20.3	24.7	34.5	32.9	54.1	40.2	39.7	37.8
Total Indirect Operating Expenses	**$ 58.85**	**$ 51.84**	**$ 57.14**	**$ 61.12**	**$ 71.68**	**$ 80.45**	**$ 93.55**	**$ 81.59**	**$ 85.24**	**$ 86.13**
Total Expenses	**$ 220.8**	**$ 205.6**	**$ 209.2**	**$ 200.6**	**$ 231.2**	**$ 243.6**	**$ 287.3**	**$ 258.5**	**$ 286.4**	**$ 281.7**

Notes:
Beginning in 2009, pumping included with Source of supply
Beginning in 2012, reporting changed from function to expense category
Allow for rounding differences



Principal Property Taxpayers
Current Year and Ten Years Ago

Taxpayer	FY 2012 Taxable Assessed Value	FY 2012 Total District Taxable Assessed Value (%)	FY 2021 Taxable Assessed Value	FY 2021 Total District Taxable Assessed Value (%)
Garden of Champions LLC	$ 125,185,956.00	0.25%	$ 282,329,153	0.39%
Newage Desert Springs LLC	-	-	183,058,361	0.25
WEA Palm Desert	141,940,644	0.29	164,246,466	0.23
BRE Iconic LQR Owner LLC			145,436,246	0.20
Garden on El Paseo	-	-	143,883,860	0.20
WVC Rancho Mirage INC	94,035,130	0.19	143,029,361	0.20
Walmart/Sams	94,518,151	0.19	142,397,060	0.20
H E Indian Wells	-	-	126,581,511	0.18
Spectrum Pacific West LLC	112,097,669	0.23	108,831,391	0.15
PRU Desert Crossing	90,540,504	0.18	105,325,793	0.15
KSL Desert Resorts INC	151,877,857	0.31	-	-
DS Hotel LLC	138,255,385	0.28	-	-
T D Desert Development LP	102,072,845	0.21	-	-
River Retail	87,233,456	0.18	-	-
Total Top Ten Property Taxpayers	**$ 1,137,757,597**	**2.31%**	**$ 1,545,119,202**	**2.15%**

Source:
HDL Coren & Cone (Riverside County Assessor)

Direct and Overlapping Property Tax Rates[1]
Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
CVWD - State Water Project	0.08000	0.08000	0.10000	0.10000	0.10000	0.10000	0.10000	0.10000	0.10000	0.10000
Desert Community College District	0.01995	0.01995	0.01995	0.02325	0.02087	0.02036	0.04030	0.03978	0.03983	0.39470
Coachella Valley Unified School District	0.07487	0.07968	0.14919	0.14919	0.13218	0.16601	0.17609	0.14954	0.14876	0.14549
Desert Sands Unified School District	0.11467	0.11156	0.10954	0.10984	0.10915	0.08599	0.07251	0.07418	0.07381	0.73900
Palm Springs Unified School District	0.10451	0.09351	0.12961	0.10160	0.08978	0.11802	0.11146	0.10603	0.10542	0.10334
San Gorgonio Memorial Healthcare District	0.10365	0.11572	0.11896	0.11296	0.08143	0.08357	0.09052	0.08692	0.06990	0.06716
Desert Water Agency	0.08000	0.10000	0.10000	0.10000	0.10000	0.10000	0.10000	0.10000	0.10000	0.10000

Note:
[1] *Riverside County Portion only*

Source:
California Municipal Statistics, Inc.

Direct and Overlapping Debt

2020-2021 Assessed Valuation: $69,115,067,919

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/2021	% Applicable [1]	District's Share of Debt 6/30/21
Desert Community College District	$ 392,435,000	78.229%	$ 306,997,976
Imperial Community College District	122,502,769	0.247	302,582
Coachella Valley Unified School District	235,623,166	99.733	234,994,052
Desert Sands Unified School District	410,450,000	99.994	410,425,373
Palm Springs Unified School District	470,645,982	43.052	202,622,508
Other School Districts	22,946,154	Various	391,629
Healthcare Districts	106,715,000	Various	391,974
Coachella Valley Water District	**-**	**100**	**-**
Coachella Valley Water District, Assessment District No. 33	586,528	100	586,528
Coachella Valley Water District, Assessment District No. 68	945,000	100	945,000
Coachella Valley Water District, Assessment District No. 70	3,280,000	100	3,280,000
Other 1915 Act Bonds (Estimate)	58,760,367	100	58,760,367
Community Facilities Districts	85,368,000	100	85,368,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			**$ 1,305,065,989**
OVERLAPPING GENERAL FUND DEBT:			
Riverside County General Fund Obligations	$ 717,525,698	21.943%	$ 157,446,664
Riverside County Pension Obligation Bonds	881,575,000	21.943	193,444,002
Imperial County Certificates of Participation	5,655,000	2.759	156,021
Imperial County Pension Obligation Bonds	21,325,000	2.759	588,357
Imperial County Office of Education	7,122,176	2.759	196,501
Coachella Valley Unified School District Certificates of Participation	34,505,000	99.733	34,412,872
Desert Sands Unified School District Certificates of Participation	24,960,000	99.994	24,958,502
Brawley Union High School District Certificates of Participation	4,500,000	0.137	6,165
City of Cathedral City General Fund Obligations	2,284,000	81.642	1,864,703
City of Coachella General Fund and Pension Obligation Bonds	28,315,000	100.000	28,315,000
City of Desert Hot Springs General Fund Obligations	20,415,000	2.265	462,400
City of Indio General Fund and Judgment Obligations	48,125,000	100.000	48,125,000
City of Palm Springs General Fund Obligations and Pension Obligation Bonds	127,210,604	0.841	1,069,841
TOTAL GROSS GENERAL FUND DEBT			**$ 491,046,028**
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):	$1,085,329,433	Various	$906,221,759
TOTAL DIRECT DEBT			**$ 83,295,726**
TOTAL OVERLAPPING DEBT			$2,702,333,776
COMBINED TOTAL DEBT [2]			$ 2,785,629,502

Ratios to 2018-19 Assessed Valuation:	
Direct Debt	**13.08%**
Total Direct and Overlapping Tax and Assessment Debt	2.05%
Combined Total Debt	4.37%
Ratios to Redevelopment Incremental Valuation ($38,796,969,592)	
Total Overlapping Tax Increment Debt	2.34%

Notes:

[1] The percentage of overlapping debt applicable to the district is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the district divided by the overlapping district's total taxable assessed value.

[2] Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source:
California Municipal Statistics, Inc.

Total Assessed Value and Property Taxes Collected
Last Ten Fiscal Years
($000s)

Fiscal Year	Assessed Value	Percent Increase/ Decrease	Tax Collected	Total Direct Tax Rate[1]	Percent Increase/ Decrease
2012	$ 50,152,868	(1.93)	$ 81,404	0.002	11.10 [3]
2013	48,714,783	(2.87)	74,709	0.002	(8.23) [4]
2014	51,446,095	5.61	85,780	0.002	14.82
2015	54,254,424	5.46	89,017	0.002	3.77
2016	56,982,193	5.03	93,601	0.002	5.15
2017	59,083,482	3.69	96,755	0.002	3.37
2018	61,017,806	3.27	100,746	0.002	4.12
2019	63,700,378	4.40	104,852	0.002	4.08
2020	66,403,221	4.24	102,953	0.002	(1.81)
2021	68,717,124	3.48	117,936	0.002	12.48

Note:

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" of no more than 2%. With few exceptions, property is only re-assessed at the time that it is sold to a new owner. The assessed valuation data shown above, represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

[1] *Tax rates are per $1,000 of assessed value.*

[2] *Property tax revenue increased due to an increase in the levy for State Water Project.*

[3] *Property tax revenue increased due to the dissolution and distribution of the Redevelopment Agencies.*

[4] *Property tax revenue decreased due to overpayment by the Riverside County Treasurer in the prior year.*

Source:

County of Riverside, secured values only; HdL Coren & Cone

Computation of Legal Debt Margin
Last Ten Fiscal Years
($000s)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total assessed value	$ 50,152,868	$ 48,714,783	$ 51,446,095	$ 54,254,424	$ 56,982,193	$ 59,083,482	$ 61,017,806	$ 63,700,378	$ 66,403,221	$ 68,717,124
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	$ 12,538,217	$ 12,178,696	$ 12,861,524	$ 13,563,606	$ 14,245,548	$ 14,770,871	$ 15,254,452	$ 15,925,095	$ 16,600,805	$ 17,179,281
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Legal debt limit	$ 1,880,733	$ 1,826,804	$ 1,929,229	$ 2,034,541	$ 2,136,832	$ 2,215,631	$ 2,288,168	$ 2,388,764	$ 2,490,121	$ 2,576,892
Outstanding bonds chargeable to the limit	-	-	-	-	-	-	-	-	-	$ 42,890
Less: Amount reserved for debt	-	-	-	-	-	-	-	-	-	-
Net applicable to limit:	-	-	-	-	-	-	-	-	-	42,890
Legal Debt Margin	$ 1,880,733	$ 1,826,804	$ 1,929,229	$ 2,034,541	$ 2,136,832	$ 2,215,631	$ 2,288,168	$ 2,388,764	$ 2,490,121	$ 2,619,782
Total debt applicable to the limit as a percentage of debt limit	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	1.6644%

Note:
The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above, reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source:
HdL Coren & Cone

Ratio of Outstanding Debt by Type
Last Ten Fiscal Years
($000s)

Fiscal Year	Certificates of Participation	Contracts Payable	General Obligation Bonds	Other Long Term Debt	Total	Personal Income (%) [1]	Debt per Capita[2]
2012	$1,410	$288	$0	$0	$1,698	0.002	$4.83
2013	-	168	-	-	168	0.000	0.47
2014	-	96	-	-	96	0.000	0.26
2015	-	58	-	-	58	0.000	0.16
2016	-	34	-	-	34	0.000	0.09
2017	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-
2020	-	-	-	18,947	18,947	0.019	48.72
2021	42,890	-	-	28,908	71,798	0.069	182.69

Notes :

Details regarding the District's outstanding debt can be found in the notes to the basic financial statements.

[1] Riverside County total personal income for prior calendar year

[2] Riverside County total population for prior calendar year

Top Ten Domestic Water Customers
Current Year and Ten Years Ago

Fiscal Year 2021					
Ranking	Customer Type	Annual Consumption (AF)	% of Total All Domestic Customers	Annual Revenues	% of Total All Domestic Customers
1	Community Association	$ 289,243	0.71%	$ 457,052	0.67%
2	Community Association	216,348	0.53	353,703	0.52
3	Community Association	188,403	0.46	292,181	0.43
4	Community Association	176,716	0.43	266,411	0.39
5	Community Association	62,731	0.15	261,293	0.38
6	Community Association	149,153	0.37	241,972	0.36
7	Community Association	69,651	0.17	207,457	0.31
8	Community Association	118,910	0.29	205,733	0.30
9	Community Association	119,496	0.29	203,795	0.30
10	Community Association	91,723	0.23	192,378	0.28
	Total Top Ten Domestic Customers	**$ 1,482,374**	**2.93%**	**$ 2,681,975**	**3.28%**
	Total All Domestic Customers	**40,698,808**		**$ 67,998,271**	

Fiscal Year 2012					
Ranking	Customer Type	Annual Consumption (AF)	% of Total All Domestic Customers	Annual Revenues	% of Total All Domestic Customers
1	Community Association	$ 356,993	0.77%	$ 434,190	0.76%
2	Community Association	314,233	0.68	360,212	0.63
3	Community Association	258,792	0.56	303,135	0.53
4	*Community Association*	*254,341*	*0.55*	*289,972*	*0.51*
5	Community Association	204,327	0.44	277,173	0.48
6	Community Association	210,760	0.46	239,994	0.42
7	Community Association	203,529	0.44	227,954	0.40
8	Community Association	193,180	0.42	224,248	0.39
9	Community Association	170,269	0.37	190,702	0.33
10	Community Association	145,297	0.31	186,749	0.33
	Total Top Ten Domestic Customers	**$ 2,311,721**	**4.24%**	**$ 2,734,329**	**4.03%**
	Total All Domestic Customers	**46,286,072**		**$ 57,163,919**	

Top Ten Sanitation Customers
Current Year and Ten Years Ago

Fiscal Year 2021				
Ranking	**Customer Type**		**Annual Revenues**	**% of Total All Sanitation Customers**
1	Resort	$	191,166	0.48%
2	Resort		113,511	0.29
3	Mobile Homes		103,119	0.26
4	Resort		98,034	0.25
5	Mobile Homes		93,273	0.24
6	Resort		92,837	0.23
7	Resort		85,346	0.22
8	Resort		82,745	0.21
9	Resort		76,369	0.19
10	Mobile Homes		74,335	0.19
	Total Top Ten Sanitation Customers	**$**	**1,010,735**	**2.08%**
	Total All Sanitation Customers	**$**	**39,591,523**	

Fiscal Year 2012				
Ranking	**Customer Type**		**Annual Revenues**	**% of Total All Sanitation Customers**
1	Resort	$	177,190	0.47%
2	Resort		131,418	0.35
3	Resort		124,685	0.33
4	*Resort*		*122,842*	*0.33*
5	Resort		117,246	0.31
6	Resort		96,247	0.26
7	Mobile Homes		89,670	0.24
8	Resort		88,873	0.24
9	Mobile Homes		85,260	0.23
10	Mobile Homes		75,558	0.20
	Total Top Ten Sanitation Customers	**$**	**1,108,989**	**2.49%**
	Total All Sanitation Customers	**$**	**37,310,504**	

Top Ten Replenishment Customers
Current Year [1]

Ranking	East Whitewater Replenishment Customer Type	Annual Revenues		% of Total All Replenishment Customers
	Calendar Year 2020			
1	Coachella Valley Water District	$	1,808,829	23.27%
2	City of Indio/Indio Water Authority		1,312,133	16.88%
3	Agricultural Customer		854,621	10.99%
4	City of Coachella		476,223	6.13%
5	Agricultural Customer		423,548	5.45%
6	Myoma Dunes Water Company		263,182	3.39%
7	Agricultural Customer		196,106	2.52%
8	Agricultural Customer		114,418	1.47%
9	Agricultural Customer		95,865	1.23%
10	Agricultural Customer		95,773	1.23%
	Total Top Ten E. Replenishment Customers	**$**	**5,640,697**	**72.57%**
	Total All E. Replenishment Customers	**$**	**7,772,820**	

Ranking	West Whitewater Replenishment Customer Type	Annual Revenues		% of Total All Replenishment Customers
	Calendar Year 2020			
1	Coachella Valley Water District	$	9,958,811	58.73%
2	Resort/Country Club		716,412	4.22%
3	Resort/Country Club		350,685	2.07%
4	Resort/Country Club		345,192	2.04%
5	*Resort/Country Club*		*320,286*	*1.89%*
6	Resort/Country Club		244,805	1.44%
7	Resort/Country Club		231,993	1.37%
8	Resort/Country Club		229,893	1.36%
9	Resort/Country Club		201,139	1.19%
10	Resort/Country Club		196,460	1.16%
	Total Top Ten W. Replenishment Customers	**$**	**12,795,675**	**75.46%**
	Total All W. Replenishment Customers	**$**	**16,957,615**	

Ranking	Mission Creek Replenishment Customer Type	Annual Revenues		% of Total All Replenishment Customers
	Calendar Year 2020			
1	Coachella Valley Water District	$	431,198	68.35%
2	All Others		199,648	31.65%
	Total Top Ten Mission Creek Customers	**$**	**630,846**	**100.00%**
	Total All Mission Creek Customers	**$**	**630,846**	
	Total All Replenishment Customers	**$**	**25,361,281**	

Note:
[1] *Fiscal Year 2021 is the first year this data has been provided.*

Top Ten Canal Customers
Current Year and Ten Years Ago

Fiscal Year 2021					
Ranking	Customer Type	Annual Consumption (AF)	Percentage of Total All Canal Customers	Annual Revenues	% of Total All Canal Customers
1	CVWD Recharge	$ 38,123	10.85%	$ 1,308,381	7.03%
2	CVWD Recharge	24,434	6.95	838,578	4.50
3	Agriculture	4,015	1.14	137,778	0.74
4	Agriculture	2,212	0.63	75,916	0.41
5	Agriculture	1,853	0.53	63,585	0.34
6	Agriculture	1,585	0.45	54,390	0.29
7	Agriculture	1,547	0.44	53,096	0.29
8	Agriculture	1,527	0.43	52,390	0.28
9	Agriculture	1,466	0.42	50,317	0.27
10	Agriculture	1,446	0.41	49,623	0.27
	Total Top Ten Canal Customers	**$ 78,208**	**11.51%**	**$ 2,684,055**	**7.46%**
	Total All Canal Customers	**351,453**		**$ 18,622,208**	

Fiscal Year 2012					
Ranking	Customer Type	Annual Consumption (AF)	Percentage of Total All Canal Customers	Annual Revenues	% of Total All Canal Customers
1	CVWD Recharge	$ 32,295	10.26%	$ 2,389,830	20.53%
2	CVWD Recharge	1,701	0.54	125,896	1.08
3	CVWD Recharge	1,493	0.47	110,482	0.95
4	*Agriculture*	*3,059*	*0.97*	*83,966*	*0.72*
5	Agriculture	1,924	0.61	71,468	0.61
6	Agriculture	1,705	0.54	63,341	0.54
7	Agriculture	432	0.14	60,438	0.52
8	Agriculture	414	0.13	57,918	0.50
9	Agriculture	1,916	0.61	52,580	0.45
10	Agriculture	1,781	0.57	48,888	0.42
	Total Top Ten Canal Customers	**$ 46,720**	**4.68%**	**$ 3,064,807**	**6.00%**
	Total All Canal Customers	**314,756**		**$ 11,638,702**	

Principal Employers in the Coachella Valley
Current Year [1] and Ten Years Ago

Employer	CY 2012			CY 2021		
	Number of Employees	Rank	% of Total County Employment	Number of Employees	Rank	% of Total County Employment
Eisenhower Medical Center	2,517	1	0.003	3,965	1	0.39
Desert Sands Unified School District	2,403	2	0.003	3,225	2	0.32
Palm Springs Unified School District	2,000	4	0.003	3,152	3	0.31
Coachella Valley Unified School District	1,724	7	0.002	2,660	4	0.26
Aqua Caliente Band of Cahuilla Indians	2,403	3	0.003	2,312	5	0.23
JW Marriot Desert Springs Resort	1,100	10	0.001	2,304	6	0.23
Desert Regional Medical Center	1,750	6	0.002	2,221	7	0.22
La Quinta Resort and Club	1,235	8	0.002	1,500	8	0.15
Universal Protection Services	-	11		1,500	9	0.15
Fantasy Springs Casino	1,200	9	0.002	1202	10	0.12
Morongo Casino Resort & Spa	1,915	5	0.002	-	11	
Total	**16,332**		**0.021**	**24,041**		**2.380**

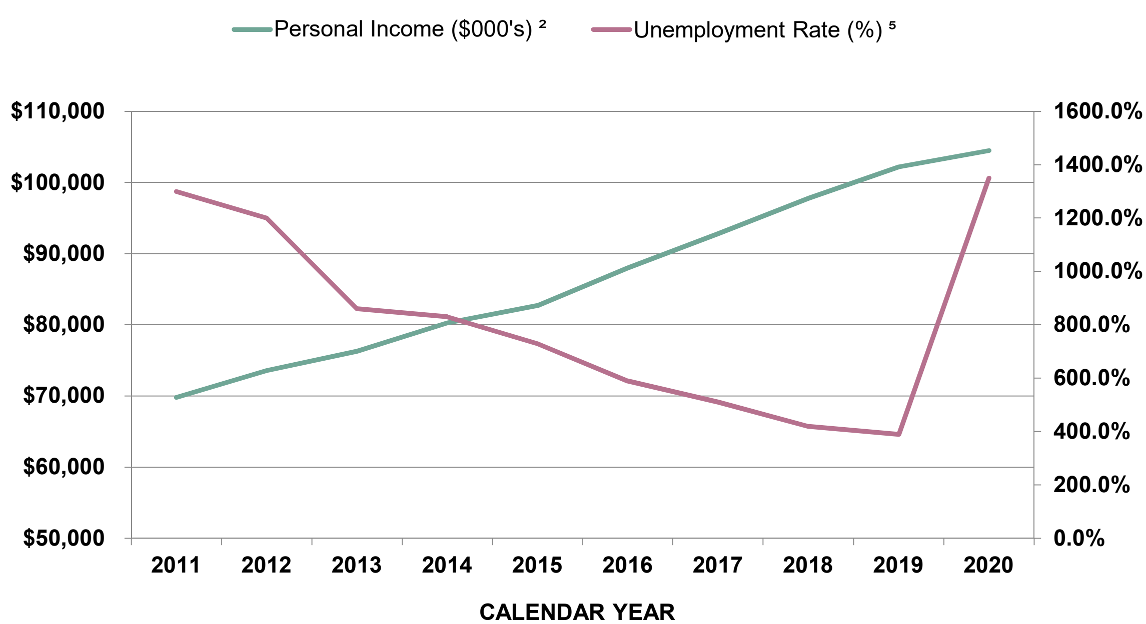
Note:
[1] Data for most current year available

Source:
County of Riverside Economic Development Agency; Riverside County Business and Community Services

Demographic and Economic Statistics
Riverside County
Last Ten Calendar Years

Calendar Year	Population [1]	Personal Income ($000's) [2]	Per Capita Personal Income [3]	Median House Value [4]	Unemployment Rate (%) [5]
2011	2,239,620	$69,800	$32,841	$178,744	13.0
2012	2,255,059	73,600	33,534	190,000	12.0
2013	2,279,967	76,300	34,142	237,457	8.6
2014	2,308,441	80,300	34,989	297,000	8.3
2015	2,317,924	82,700	35,495	312,700	7.3
2016	2,348,213	88,000	37,260	329,600	5.9
2017	2,423,266	92,800	37,888	276,300	5.1
2018	2,450,758	97,800	38,494	304,500	4.2
2019	2,470,546	102,200	39,019	330,600	3.9
2020	2,418,185	104,500	42,147	350,100	13.5

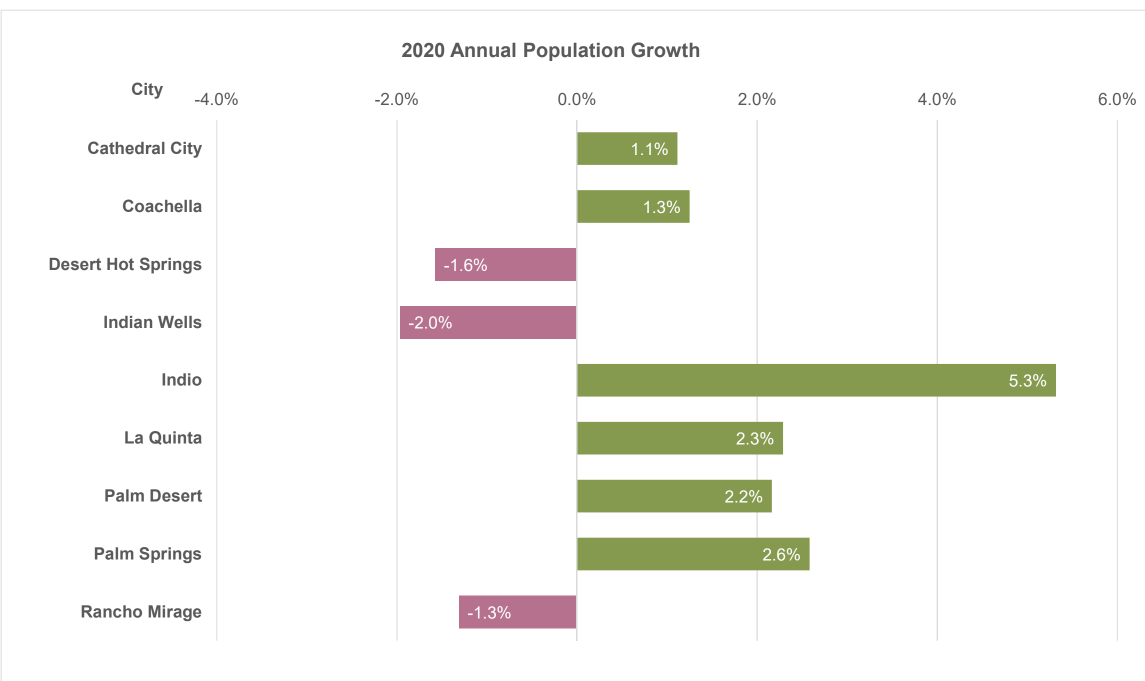
Source:
1 & 4 - U.S. Census Bureau
2 & 3 - Riverside County Economic Forecast 2010-2019 History, 2017-2050 Forecast
5 - U.S. Department of Labor, Bureau of Labor Statistics



Demographic Statistics
Population of Major Cities in the Coachella Valley
Last Ten Calendar Years

Calendar Year	Cathedral City	Coachella	Desert Hot Springs	Indian Wells	Indio	La Quinta	Palm Desert	Palm Springs	Rancho Mirage	Total
2011 [2]	51,604	41,517	27,393	5,012	77,168	37,784	48,957	44,943	17,454	351,832
2012 [2]	52,485	42,426	27,973	5,103	79,185	38,100	48,924	45,326	17,583	357,105
2013 [2]	53,163	43,676	28,385	5,199	83,450	38,156	48,282	45,465	17,685	363,461
2014 [2]	53,480	44,614	28,605	5,265	84,655	38,720	48,494	45,818	17,783	367,434
2015 [2]	53,859	45,001	28,794	5,336	86,683	39,311	48,835	46,204	17,920	371,943
2016 [2]	54,040	45,135	28,885	5,375	87,382	40,176	50,154	46,866	18,093	376,106
2017 [2]	54,296	45,273	29,347	5,549	86,632	40,605	52,058	47,157	18,579	379,496
2018 [3]	54,902	45,839	28,885	5,440	91,240	41,535	53,185	48,375	18,336	387,737
2019 [3]	55,007	45,713	28,878	5,470	91,765	41,748	53,275	48,518	18,528	388,902
2020 [1]	55,678	46,564	29,611	5,544	91,919	42,271	53,524	48,929	18,954	392,994
Annual Growth Percent	1.2%	1.9%	2.5%	1.4%	0.2%	1.3%	0.5%	0.8%	2.3%	1.1%

Source:
[1] *State of California, Department of Finance, Demographic Research Unit*
E-1 Population Estimates for Cities, Counties and the State, 2001-2010 with Census counts, Sacramento, CA
[2] *State of California, Department of Finance, Demographic Research Unit*
E-4 Population Estimates for Cities, Counties and the State, 2011-2018 with Census counts, Sacramento, CA
[3] *US Census Bureau Population Estimates 2019*



Operating Indicators by Function
Last Ten Calendar Years

Fund	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Domestic water										
Population served	286,240	303,846	304,701	318,217	318,217	290,000	290,000	290,000	300,000	300,000
Total well capacity (MGD)	249	245	240	240	231	234	232	236	244	244
Active meters	107,349	107,544	108,050	108,599	109,167	107,861	106,717	109,714	110,138	110,899
Average daily demand (MGD)	92	92	92	90	75	72	77	79	76	80
Total water delivered (AF)	102,805	103,429	103,552	101,302	83,869	80,835	86,303	87,959	84,974	88,911
Irrigation water										
Total irrigable acres	78,530	66,227	75,144	76,354	76,456	76,411	76,428	77,101	76,364	77,103
Active accounts	1,145	1,145	1,224	1,224	1,190	1,263	1,267	1,263	1,277	1,305
Total water delivered (AF)	265,270	278,398	274,399	334,638	327,010	342,507	333,160	338,094	335,760	343,941
Average daily demand (AF)	727	777	760	917	903	903	913	913	914	942
Wastewater collection										
Population served	260,700	264,316	270,686	272,357	272,982	248,404	256,173	252,803	254,420	262,217
Active accounts	91,673	90,344	92,774	93,797	93,969	94,532	94,269	96,206	94,937	96,932
Average daily flow (MGD)	18	18	17	17	17	16	17	17	17	17
Nonpotable water										
Active accounts	16	17	18	19	21	19	24	24	24	24
Recycled Water Delivered (AF)	7,848	8,170	9,092	9,624	9,505	9,120	8,157	10,129	9,049	9,141

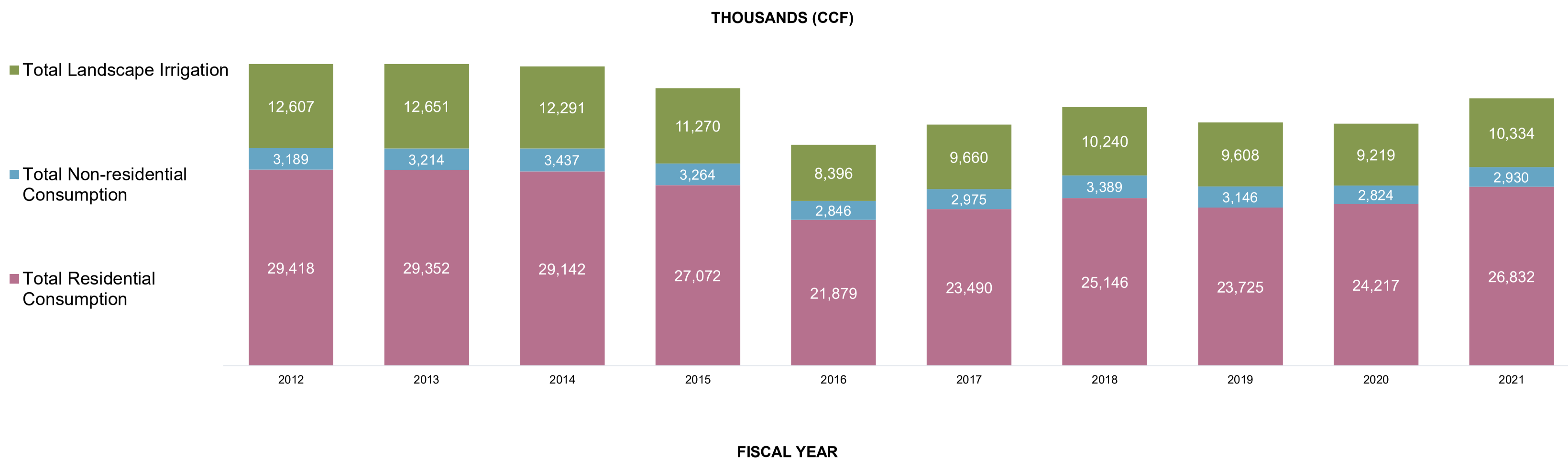
Notes:
AF - Acre Feet
MGD - Million Gallons Per Day
N/A - Not Applicable

Source: Coachella Valley Water District Annual Review

Total Domestic Consumption by Customer Class
Last Ten Fiscal Years
(CCF 000s)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Single family residential	26,191	26,139	25,939	24,014	19,221	20,758	22,321	21,001	21,451	23,854
Duplex - triplex	549	534	530	497	401	404	421	406	403	436
Multi-dwelling	499	495	505	476	413	425	425	445	421	435
Apartments	931	944	940	905	805	831	848	830	844	914
Mobile home/trailer parks	1,247	1,239	1,229	1,181	1,039	1,072	1,132	1,042	1,099	1,193
Total Residential Consumption	29,418	29,352	29,142	27,072	21,879	23,489	25,146	23,725	24,217	26,832
Hotels/motels	399	437	420	420	376	397	440	422	352	303
Commercial	823	1,256	1,256	1,199	1,079	1,113	1,131	1,101	986	940
Business	1,230	800	810	779	687	666	648	631	598	700
Temporary construction meters	297	271	489	432	355	339	626	494	420	509
Public agency	440	450	461	435	348	460	544	499	469	478
Total Non-Residential Consumption	3,189	3,214	3,437	3,264	2,846	2,975	3,389	3,146	2,824	2,930
Landscape irrigation	12,607	12,651	12,291	11,270	8,396	9,660	10,240	9,608	9,219	10,334
Total Consumption	**45,213**	**45,216**	**44,870**	**41,606**	**33,121**	**36,124**	**38,775**	**36,478**	**36,260**	**40,096**

Note: Consumption is listed by class per CCF (hundred cubic feet) of water



Rate Summary
Last Ten Fiscal Years

Fund	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Domestic Water [1]	$ 1.12	$ 1.12	$ 1.12	$ 1.12	$ 1.12	$ 1.32	$ 1.32	$ 1.32	$ 1.37	$ 1.37
Sanitation [2]	24.50	24.50	24.50	24.50	24.50	24.50	24.62	24.62	24.62	24.62
Canal [3]	27.45	28.95	28.95	28.95	28.95	33.48	34.32	34.32	34.32	34.32
West Whitewater Replenishment	107.57	107.57	110.26	110.26	112.00	128.80	143.80	143.80	143.80	143.80
East Whitewater Replenishment [4]	31.00	38.00	45.00	52.00	59.00	66.00	66.00	66.00	66.00	66.00
Mission Creek Replenishment [4]	98.73	98.73	98.73	98.73	112.00	123.20	135.52	135.52	135.52	135.52

<u>Notes:</u> *These rates represent the rates for the largest enterprise revenue sources of the District*

[1] *Domestic water rates are the consumption charge for tier 2 per hundred cubic feet (CCF)*

[2] *Sanitation rates are the monthly ESU charge and account service fee for homeowners*

[3] *Canal rates are the consumption charges per acre-foot which is equal to 325,850 gallons*

[4] *Recharge rates are charged on a per acre-foot basis to all well owners who produce greater than 25 acre-feet per year*

Capital Asset Statistics by Function
Last Ten Calendar Years

	Unit of Measure	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Domestic water											
Active wells		102	100	96	96	92	94	93	95	97	97
Distribution reservoirs		59	59	60	61	61	61	62	63	64	64
Storage capacity	MG	134	134	135	135	135	135	142	143	153	153
Distribution piping systems	Miles	1,986	1,986	1,993	1,996	1,993	1,993	2,004	2,015	2,024	2,025
Canal water											
Reservoirs		2	2	2	2	2	2	2	2	1	2
Storage capacity	AF	1,301	1,301	1,301	1,301	1,301	1,301	1,301	1,301	1,301	1,361
Distribution system	Miles	485	485	485	485	485	435	485	485	485	485
Pumping plants		17	16	16	16	16	16	16	16	16	16
Length of canal	Miles	123	123	123	123	123	123	123	123	123	123
Agriculture drainage											
District open drains	Miles	21	21	21	21	21	21	21	21	21	21
District pipe drains	Miles	166	166	166	166	166	166	166	166	166	166
On farm drains	Miles	2,298	2,298	2,298	2,298	2,298	2,298	2,298	2,298	2,298	2,298
Stormwater protection											
Number of channels		16	16	16	16	16	16	16	16	17	17
Length of Whitewater River ch	Miles	49	49	49	49	49	49	49	49	50	50
Length of all channels	Miles	134	134	134	134	134	134	134	134	169	169
Wastewater collection											
Reclamation plants		6	6	6	6	6	5	5	5	5	5
Total daily plant capacity	MGD	34	34	34	34	34	33	33	33	33	33
Collection piping system	Miles	1,086	1,088	1,095	1,129	1,129	1,129	1,129	1,243	1,160	1,159
Recycled water											
Plants producing recycled water		3	3	3	3	3	2	2	2	2	2
Total daily capacity	MGD	18	18	18	18	18	18	18	18	18	18
Distribution piping systems	Miles	16	27	27	30	30	30	31	31	31	31
Groundwater management											
Recharge facilities		4	4	4	3	3	3	3	4	4	4
Recharge from imported water	AF	290,869	313,389	64,190	43,912	38,298	73,194	429,856	165,100	282,998	175,491

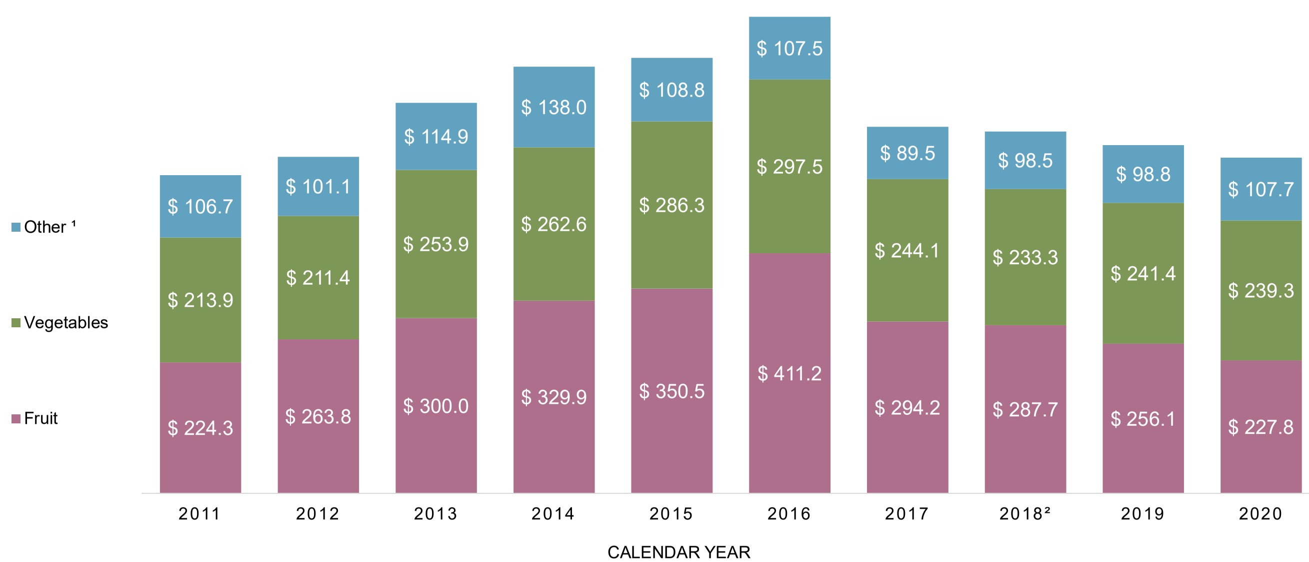
MGD - Million gallons per day
MG - Million gallons
AF - Acre-feet
Source : Coachella Valley Water District Annual Review

Farm Production by Crop
Last Ten Calendar Years

Calendar Year	Fruit			Vegetables			Other [1]			Total	
	Production Value ($000s)	Acreage	Yield (Tons)	Production Value ($000s)	Acreage	Yield (Tons)	Production Value ($000s)	Acreage	Yield (Tons)	Total Value ($000s)	Total Acreage
2011	$224,342	25,926	182,684	$213,904	25,906	394,841	$106,735	11,077	827,422	$544,981	62,909
2012	263,806	23,657	199,417	211,400	27,165	412,258	101,071	12,615	1,128,039	576,277	63,437
2013	299,959	24,477	230,630	253,905	26,764	547,706	114,881	12,004	750,857	668,745	63,245
2014	329,914	24,367	214,602	262,618	26,510	659,768	137,955	12,104	789,976	730,487	62,981
2015	350,538	23,417	207,588	286,348	26,332	554,724	108,769	12,218	797,316	745,655	61,967
2016	411,173	27,735	401,712	297,473	27,145	522,248	107,537	12,601	790,993	816,183	67,481
2017	294,177	22,069	52,431	244,101	27,929	212,723	89,505	12,135	799,002	627,783	62,133
2018[2]	287,747	21,702	108,436	233,342	24,466	805,164	98,499	11,983	802,366	619,588	58,151
2019	256,059	21,754	1,369,750	241,394	25,993	939,593	98,824	12,284	566,259	596,277	60,031
2020	227,795	22,211	931,032	239,340	24,846	1,229,456	107,736	12,044	571,233	574,871	59,101

Notes:
[1] *Includes forage crops, cereal crops, nurseries, fish farms, golf courses, and turf farms.*
[2] *2018 Total Value and Total Acreage updated*
Source: *Coachella Valley Water District 2020-2021 Crop Report*

PRODUCTION VALUE
($000S)



Full-time Equivalent Employees
by Department
Last Ten Fiscal Years (Actual)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Administration[1]	35	36	36	37	41	41	41.5	42.5	43	42
Engineering	66	69	44	44	42	45	47	47	52	49
Environmental[2]	-	-	24	25	27	25	29	28.5	26.5	27.5
Finance	27	25	26.5	26.5	28	27	26	28	27	29
Human Resources & Risk Management	11	8	9	9	9	10	10	10.5	9.5	9.5
Information Systems[3,4]	-	-	13	13	14	15	15	15	16	17
Operations[6,8]	142	146	150	150	153	158	174	177	179	181
Service[1, 7]	91	94	79	82	84	83	84	84	52	54
Facilities and Maintenance[5, 7, 8]	121	121	123	124	121	127	120	121	138	136
Total	**493**	**499**	**504.5**	**510.5**	**519**	**531**	**546.5**	**553.5**	**543**	**545**

Notes:

[1] *Conservation was established as a part of the Communication Department during FY 2014 - Previously included in Service - Now included in General Manager / Administration.*

[2] *Environmental Services established as a separate department in FY 2014 - Previously included in Engineering.*

[3] *Information Systems established as a separate department in FY 2014 - Previously included in General Manager / Administration.*

[4] *Geographic Information Systems established as a part of Information Systems during FY 2014 - Previously included in Engineering.*

[5] *Trades and Support was renamed the Facilities & Maintenance Department in FY 2017*

[6] *Mechanical Division established as part of Operations FY 2018, previously in Facilities & Maintenance*

[7] *Zanjero Division established as part of Facilities & Maintenance FY 2019, previously in Service*

[8] *Control Operator Division established as part of Operations FY 2019, previously in Service*

February 18, 2022

Corey McCullough
Montague DeRose and Associates, LLC
2801 Townsgate Road, Suite 221
Westlake Village, CA 91361

COACHELLA VALLEY WATER DISTRICT

Fiscal Year Ended 6/30	Assessed Valuation (1)	Tax on Secured Property (2)	Delinquencies at June 30 (3) Amount	Percent	Tax Rate Per $100 Assessed Valuation Agency Rate	City of Palm Desert Typical Total Rate
2003	$27,873,986,912	$ 5,600,253.56	$ 148,149.68	2.65%	0.02080	1.14890
2004	31,007,578,120	6,204,429.25	121,112.90	1.95	0.02080	1.14700
2005	34,689,838,224	7,010,229.60	165,232.40	2.36	0.02080	1.16345
2006	40,849,315,754	8,297,735.25	232,316.42	2.80	0.02080	1.14269
2007	49,369,258,966	10,081,434.09	455,568.32	4.52	0.02080	1.13248
2008	57,138,070,411	22,027,814.70	1,200,899.03	5.45	0.04000	1.13786
2009	59,452,782,695	22,833,708.14	1,343,206.18	5.88	0.04000	1.13985
2010	55,401,982,267	32,082,602.97	1,468,110.58	4.58	0.06000	1.16107
2011	52,031,861,265	39,999,488.67	1,241,962.32	3.10	0.08000	1.20031
2012	49,864,967,996	38,402,778.42	855,692.61	2.23	0.08000	1.21462
2013	49,462,284,058	38,275,020.93	687,383.14	1.80	0.08000	1.21151
2014	51,168,171,341	49,401,338.75	791,186.87	1.60	0.10000	1.22949
2015	53,975,107,674	52,398,688.57	720,706.93	1.38	0.10000	1.23309
2016	56,681,572,546	55,133,156.86	793,827.66	1.44	0.10000	1.23002
2017	58,765,758,045	57,235,443.25	709,989.58	1.24	0.10000	1.20635
2018	60,682,916,422	59,209,283.00	642,240.40	1.08	0.10000	1.21281
2019	63,700,378,093	62,350,839.24	1,106,535.17	1.77	0.10000	1.21396
2020	66,403,221,015	64,802,071.34	1,584,913.21	2.45	0.10000	1.21364
2021	69,115,067,919	66,991,047.26	1,079,082.31	1.61	0.10000	1.21337
2022	72,376,086,875	will be available at end of fiscal year			0.11000	1.22450

Direct and Overlapping Bonded Debt at December 31, 2021:

Total Gross Direct Debt	$0
Less: Supported Debt	0
Total Net Direct Debt	$0
Total Gross Overlapping Tax and Assessment Debt	$1,343,566,856
Less: Supported Debt	0
Total Net Overlapping Tax and Assessment Debt	$1,343,566,856
Total Gross Overlapping General Fund Debt	$484,819,696
Less: Supported Debt	0
Total Net Overlapping General Fund Debt	$484,819,696
Total Gross Overlapping Tax Increment Debt	$854,595,404
Less: Supported Debt	0
Total Net Overlapping Tax Increment Debt	$854,595,404
Gross Direct and Overlapping Bonded Debt	$2,682,981,956
Net Direct and Overlapping Bonded Debt	$2,682,981,956

Ratios to Assessed Valuation at December 31, 2021:

Gross Direct Debt	0.00%
Net Direct Debt	0.00%
Gross Direct and Overlapping Tax and Assessment Debt	1.86%
Net Direct and Overlapping Tax And Assessment Debt	1.86%
Gross Direct and Overlapping Bonded Debt	3.71%
Net Direct and Overlapping Bonded Debt	3.71%

(1) Assessed Valuations are based on 100% of cash value beginning in 1981-82, rather than 25% as in previous years. The assessed valuations include state-reimbursable exemptions and include redevelopment incremental valuations. Beginning in 1988-89, assessed valuations exclude unitary utility valuations.
(2) Excludes tax levy on inventories and other unsecured property.
(3) Riverside County portion only

KD:($350)