DEPARTMENT OF WATER RESOURCES

STATE WATER RESOURCES DEVELOPMENT SYSTEM

An Enterprise Fund of the State of California

Annual Comprehensive Financial Report for the fiscal years ended June 30, 2020 and 2019

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NATURAL RESOURCES AGENCY
Wade Crowfoot, Secretary for Natural Resources

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INTRODUCTORY SECTION

April 29, 2021

To the Citizens of the State of California:

We are pleased to present the Annual Comprehensive Financial Report (Financial Report) of the State Water Resources Development System (the System) for the fiscal years ended June 30, 2020 and 2019, along with the Independent Auditor's Report. The Financial Report has been prepared by the California Department of Water Resources (DWR) in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with DWR management. We believe that the data, as presented, is accurate in all material respects; that its presentation fairly shows the financial position and the results of the System's operations as measured by the financial activity of its various funds; and that the included disclosures will provide the reader with an understanding of the System's financial affairs.

This Financial Report was prepared using the financial reporting requirements as prescribed by GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB 34), as amended. This GASB Statement requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion & Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

THE REPORTING ENTITY AND ITS SERVICES

Reporting Entity

The System operates as an Enterprise fund of the State of California administered by the California Department of Water Resources (DWR)[1]. DWR operates within the Natural Resources Agency of the State of California, and is responsible for the planning, construction, and operation of the System. The System includes the State Water Project (SWP), the Davis-Grunsky Act Program, and the San Joaquin Drainage Implementation Program.

DWR was established in 1956 by an act of the State Legislature that combined the functions of the Water Project Authority and certain responsibilities of the Department of Public Works' former Division of Water Resources. At present, DWR employs 3,118 full-time staff throughout the State, of which approximately 2,363 are allocated to the System. The Director of DWR oversees the Department's activities, with the assistance of a Chief Deputy Director and eight Deputy Directors. The Director, Chief Deputy Director, Deputy Director for the State Water Project, and Chief Counsel are each appointed by the Governor.

DWR's operations, with respect to the SWP, are accounted for and conducted under Segments[2] consisting of special funds established by the California Water Code. These Segments are (a) the State Water Resources Development Bond Fund (Bond Fund), which was formed when the voters of the State of California passed the Burns-Porter Act in 1960; and (b) the Central Valley Project Construction Fund (Construction Fund) and the Central Valley Project Revenue Fund (Revenue Fund), which were enabled under California's Central Valley Project Act of 1933.

DWR's operations, with respect to the System, are separate and apart from DWR's operations that are primarily funded by State General Fund appropriations and from DWR's Power Supply Program.

Services

The System encompasses dams, reservoirs, pumping plants, power plants, aqueducts, and pipelines owned[3] and operated by the State of California. The System was developed in order to deliver water to areas of need, throughout the State, for domestic, industrial, and agricultural purposes, as well as to provide flood control, recreation, fish and wildlife enhancement, hydroelectric power, and other benefits. DWR is responsible for the planning, construction, and operation of the System. All 647 miles of the initially planned aqueduct system have been completed. The 443-mile main stem of the California Aqueduct runs from a point near Stockton southward to a terminus in Riverside County. The dependable annual water supply available for delivery by the existing System varies yearly depending on hydrologic conditions and regulatory mandates.

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[1] See the accompanying MD&A for more on Enterprise Funds

[2] See the accompanying MD&A for more on the System's Segments

[3] Certain assets are owned jointly by the State and the United States Bureau of Reclamation. See *Joint-Use Facilities*

Joint-Use Facilities

Portions of the System consist of facilities developed and used jointly with the Federal Central Valley Water Project (FCVP) operated by the U.S. Bureau of Reclamation (USBR). In addition, both projects have primary sources of water north of the Sacramento-San Joaquin Delta (Delta), transport water across the Delta and draw water from the southern edge of the Delta. The FCVP, like the System, provides water for irrigation in the Central Valley, urban water supply, water quality, flood control, power, recreation, and fish and wildlife enhancement. Capital costs, for the jointly developed facilities, are shared approximately 55 percent State and 45 percent Federal.

In 1986, the System and USBR entered into a Coordinated Operation Agreement (COA) under which the System and the FCVP coordinate operations, including releases from upstream reservoirs and pumping from the Delta. The COA permits increase operational efficiency of both projects, ensures that each project receives an equitable share of available surplus water and provides for sharing of responsibilities in meeting certain Delta water quality standards.

The Water Supply Contracts

DWR has entered into Water Supply Contracts with 29 local public agencies (Water Contractors), which provide for DWR to recover substantially all System costs. The Water Contractors are principally located in the San Francisco Bay Area, the Central Coast, the Central Valley, and Southern California, and their service areas encompass approximately 25 percent of the State's land area and approximately 69 percent of its population.

Payments by the Water Contractors under the Water Supply Contracts provide for the operation, maintenance, planning, and capital costs, including interest, of the SWP. The Water Contractors may request up to a maximum annual aggregate amount totaling 4,172,786 acre-feet of water from the System. This maximum does not assure delivery of that amount of water, but rather provides the basis for proportional allocation of available supplies and certain costs among the Water Contractors.

Generally, the existing Water Supply Contracts are to remain in effect with varying termination dates ranging between 2035 and 2042 (depending upon when an individual contract was first signed) or until all bonds issued to finance construction costs of SWP facilities have been repaid (currently fiscal 2036), whichever period is longer. Under its Water Supply Contract, each Water Contractor may request water deliveries from the SWP up to a maximum specified annual amount, and agrees to pay its allocated share of the costs of gathering, storing, conveying, and delivering water. Generally, DWR's costs of providing the facilities of the SWP, including interest, are payable by the Water Contractors whether or not water is delivered. If a Water Contractor defaults under their Water Supply Contract, DWR may, upon six months' notice, suspend water deliveries to that Water Contractor. During such period, the Water Contractor remains obligated to make all payments required by the Water Supply Contract. If a Water Contractor fails or is unable to raise sufficient funds, by other means, to make contract payments, the Water Contractor is required, by the contract, to levy a tax or assessment sufficient for such purpose.

DWR and the affected Water Contractors have entered into an Off-Aqueduct Power Facilities Amendment, East Branch Enlargement Amendment, Water System Revenue Bond Amendment, Coastal Branch Extension Amendment, East Branch Extension Amendment, and a South Bay Aqueduct Enlargement Amendment to the Water Supply Contracts for the purpose of financing certain Water System Projects. These Amendments established procedures to provide for the payment of construction costs financed with Revenue Bonds by establishing separate subcategories of charges to produce the revenues required to pay all of the annual financing costs, including coverage, of the Bonds allocable to such Amendment Projects. If any Water Contractor defaults on payment under any of these Amendments, other than the Coastal Branch Extension Amendment, East Branch Extension Amendment, and the South Bay Aqueduct Enlargement Amendment, the shortfall may be collected from non-defaulting affected Water Contractors, subject to certain limitations.

In December 1994, representatives of DWR and certain Water Contractors adopted a set of principles pursuant to which additional amendments to the Water Supply Contracts have since been negotiated. This amendment is known as the "Monterey Amendment." The Monterey Amendment includes provisions relating to the allocation of water, the transfer of the land and related assets of the Kern Fan Element, the operation of certain SWP reservoirs, transfers of the annual Table A amounts, other water transfers, the creation of and limitations on a Department reserve for operation, maintenance and replacement costs, and the description of facilities that may be financed with revenue bonds. In addition, the Monterey Amendment provides for the reduction of annual Water Supply Contract charges.

ECONOMIC OVERVIEW

A Macroeconomic View

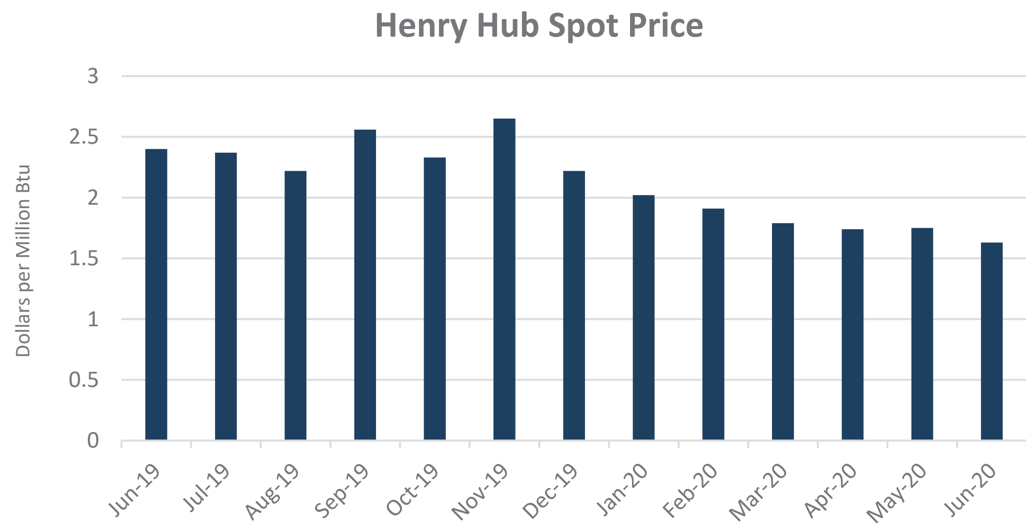
Under normal circumstances, the Department's day-to-day operations are not materially impacted by fluctuations in global or national economic conditions. Generally, macroeconomic trends can affect market interest rates and energy costs, which in turn can impact investment income earned on financial assets, borrowing costs, and water transportation costs. Significant changes in economic conditions also can affect the availability and cost of bank credit products and other sources of capital relied on by the Department from time to time.

During the fiscal year ended June 30, 2020, financial market conditions shifted from being relatively stable and favorable in the first half of the year to being extremely volatile in March and April as spread of the COVID-19 pandemic impacted the markets. By the end of the fiscal year, U.S. financial markets had largely stabilized and were functioning normally, due in large part to unprecedented governmental monetary and fiscal support. At the time of the publication of this Financial Report, world, national and regional impacts from the pandemic continue to alter the operating and financial landscape for the Department and the businesses and residents of California. The following economic overview primarily focuses on various economic metrices during the period covered by the Financial Report (fiscal year ended June 30, 2020) but also includes commentary regarding the ongoing impacts on the financial markets that have resulted from COVID-19-related restrictions on public interaction and their impact on businesses and the residents of California. Even with the availability of new COVID-19 vaccines, the duration and full impact of these restrictions are still unknown as the situation surrounding the pandemic continues to evolve.

During the fiscal year ended June 30, 2020, the U.S. economy had positive growth in the first calendar quarter of 0.3%. In the second quarter, growth dropped precipitously to a change of -9% as COVID-19 accelerated throughout the country. The second half of the calendar year saw declines of 2.8% and 2.4% as businesses and individuals adapted to the new conditions and government support took effect. However, economic restrictions continued to take their toll.[4] The Federal Reserve Bank took unprecedented actions to support the financial markets in 2020, including lowering the target fed funds borrowing rate from 1.50 - 1.75% at the end of 2019 to 0-0.25% at two emergency meetings in March 2020. With the worst of the pandemic possibly in the rear-view mirror, economic growth is expected to normalize in coming years. After a U.S. Real GDP decline of about 2.4% in 2020, growth of about 3.7% is expected in 2021.[5] As of April 15, 2021, the forecasted probability of a recession in the next 12 months was 6.3%.[6]

In energy markets, the Henry Hub natural gas spot price averaged $2.10 per million British thermal units (MMBtu) during fiscal year 2020 and averaged $2.04 per MMBtu for calendar year 2020. It is projected that Henry Hub spot prices will average $3.04 per MMBtu for calendar year 2021.[7] As of April 5, 2021, the Henry Hub natural gas spot price was $2.43.

[4] US Bureau of Economic Analysis
[5] Congressional Budget Office
[6] Federal Reserve Bank of New York
[7] US Energy Information Administration



California Economy

According to an update by the UCLA Anderson School of Management published in March 2021, the California economy is poised to recover significantly in calendar year 2021 as the impact of the pandemic subsides.

The state's unemployment rate for Q1 2021 is projected to be 7.7%, with an average for the year at 6.8%. The broader U.S. saw unemployment rates of 6.7% in Q4 2020, with expectations of improvement to 5.2% by Q4 2021. California's unemployment rate is projected to decline further in future years, reaching averages of 5.1% and 4.1% for 2022 and 2023.[8] In the last quarter of 2020, California's total personal income fell 1.71% quarter-over-quarter, versus a reduction in U.S. personal income of 1.77%.[9] In fiscal year 2020, California's all urban consumer annualized price index rose 1.67%, compared with a 2.98% rise for fiscal year 2019.[10] California's median home price hit $699,000 in February 2021, down slightly from highs in late 2020. February's prices were up 20.6% from a year ago.[11]

The State reported in the 2021-22 Governor's Budget that the General Fund balance for June 2021 is projected to be $12.203 billion, falling to $6.058 billion a year later. The Governor's Budget for fiscal year 2021-22 reports that revenues are expected to be $158.370 billion, compared to revenue of $137.719 billion in the 2020-21 State Budget.[12]

For the second consecutive year, the Internal Revenue Service has extended the April 15th deadline for tax filing and California has followed suit.[13]

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[8] UCLA Anderson School of Management Forecasts
[9] Federal Reserve Bank of St. Louis
[10] State of California Department of Industrial Relations
[11] California Association of Realtors
[12] State of California Department of Finance
[13] California State Controller, California Fiscal Focus, April 2021

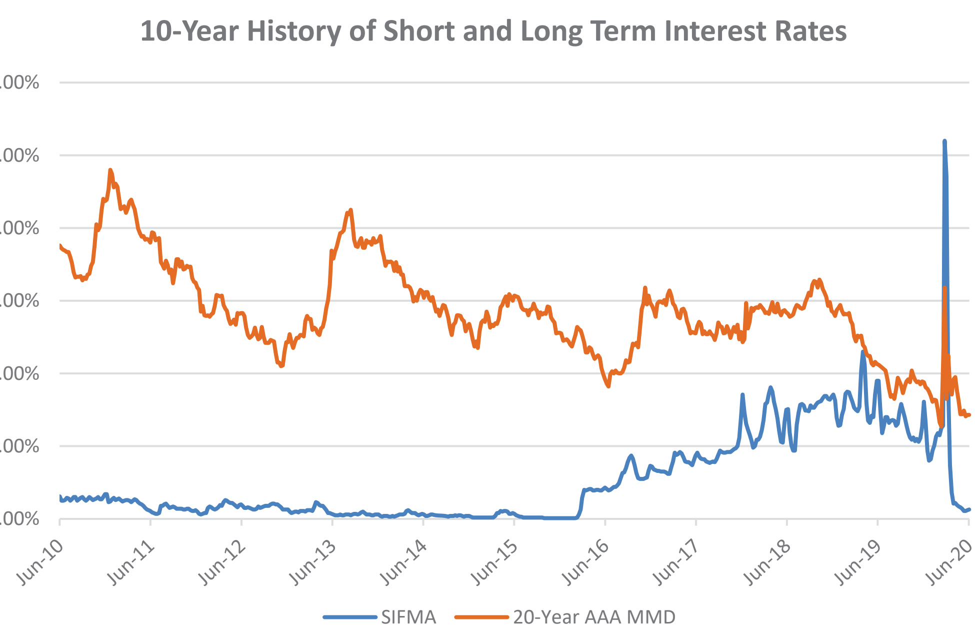
Interest Rates

Long-term tax-exempt interest rates declined again during fiscal year 2020, but with significant COVID-19-related volatility along the way. As of June 30, 2020, the 20-year "AAA" tax-exempt borrowing rate was approximately 1.43%, versus 2.12% as of June 30, 2019. The rate briefly rose to over 3% in March 2020 as the municipal bond markets reacted to the pandemic but normalized soon thereafter.

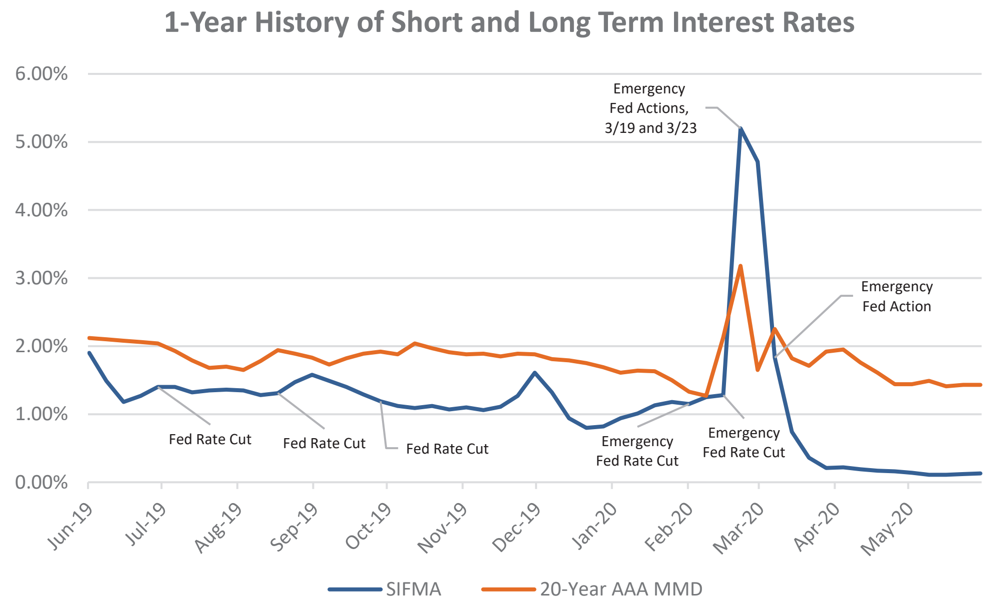
Variable rate tax-exempt rates at fiscal year-end declined to near 0% as the Federal Reserve made several rate cuts to lower the Federal Funds rate to 0-0.25%, and introduced programs designed to provide liquidity to the financial markets and financial institutions. As of June 30, 2020, variable rate tax-exempt rates were 0.13%, versus 1.90% a year earlier.[14]

In the fiscal year ended June 30, 2020, the Department did not sell any long-term bond issues.

Subsequent to the end of fiscal year 2020, the Department sold two long-term bond issues. In August of 2020, the Department issued its tax-exempt $544,210,000 Central Valley Project Water System Revenue Bonds, Series BB with a final maturity of 2035, a weighted average maturity of 9.6 years and an average borrowing cost of 1.18% and its taxable $515,150,000 Central Valley Project Water System Revenue Bonds, Series BC with a final maturity of 2035, a weighted average maturity of 8.4 years and an average borrowing cost of 1.41%.



[14] Thompson-Reuters TM3



STATE WATER PROJECT

State Water Project Capital Projects

Since the State Water Project began construction in 1960, its original scope has been modified and expanded to address the needs of the growing population as well as commercial, industrial and agricultural demands for water in California. The following table shows the projects that have been undertaken as part of the State Water Project and the amounts that have been spent, as of April 26, 2021, for each project and each's project's estimated future capital expenditures.

ESTIMATED CAPITAL FINANCING FROM WATER SYSTEM REVENUE BONDS FOR EXISTING WATER SYSTEM REVENUE PROJECTS
(in Millions)

Water System Project	Capital Expenditures Series A through BD & BE	Estimated Future Capital Expenditures [1]	Total Capital Expenditures [5]
Power plants:			
Small Hydro Project	$ 46.6	$ 0.0	$ 46.6
Pyramid Hydroelectric Project	74.4	0	74.4
Alamo Project	30.4	0	30.4
Bottle Rock Facilities [2]	80.2	0	80.2
South Geysers Project [3]	40.9	0	40.9
Reid Gardner Project [4]	176.2	0	176.2
East Branch Enlargement – Phase I	453	0	453
Additional East Branch Improvements	124.1	0	124.1
East Branch Enlargement – Phase II	7.9	0.2	8.1
Delta Pumping Plant Completion	73.6	0	73.6
Suisun Marsh Environmental Facilities	37.2	0	37.2
San Bernardino Tunnel Intake Structure	29.3	0	29.3
San Luis Rock Quarry	4.5	0	4.5
Castle Rock–Lakeville Transmission Line	6.9	0	6.9
Midway-Wheeler Ridge Transmission Line	10.1	0	10.1
Kern Water Bank	37	0	37
Vista del Lago Visitor Center	9	0	9
North Bay Aqueduct–Phase II	87.1	0	87.1
North Bay Aqueduct Improvements – Terminal Tanks	7.4	6.1 [6]	13.5
North Bay Aqueduct Alternate Intake	0	0	0
Project Monitor and Control System	71.5	0	71.5
SWP Communications System Replacement [5]	38.4	0.9	39.3
Arroyo Pasajero Program	4.9	0.2	5.1
Hyatt Pump-Turbine Refurbishment	17.9	4.6 [6]	22.5
Edmonston Pump Replacement [5]	24.2	14.9 [6]	39.1
Delta Facilities Program	356.5	396.1	752.6
Tehachapi East Afterbay [5]	70.7	11.3	82
Perris Dam Remediation [5]	135.1	113.5	248.6
Thermalito Powerplant Cleanup and Reconstruction [7]	266.1	4	270.2
Oroville Dam Spillways Response, Recovery and Restoration [7]	450.9	162.4	613.3
Oroville Dam Safety Comprehensive Needs Assessment [7]	1.9	13.4	15.3
FERC Relicensing – State Water Project [7]	34.4	65.6	100
Facilities Reconstruction and Improvement Project	750.5	2,294.00	3,044.40
Project Planning Costs	112.8	36.2	149
Coastal Branch – Phase II	491.3	0	491.3
East Branch Extension – Phase I	126	0	126
East Branch Extension – Phase I Improvements [5]	38.6	0.8 [6]	39.4
East Branch Extension – Phase II [5]	270.5	0	270.5
South Bay Aqueduct Enlargement and Improvement [5]	272.6	1.5	274.1
Total Water System Projects [8]	**$4,870.60**	**$3,105.20**	**$7,975.80**

(1) The projections contained in this table have been prepared by the Department's management for management purposes on the basis of certain assumptions, and consistent with certain requirements of the Water Supply Contracts. The projections are the responsibility of the Department.

(2) Sold by the Department in 2001. (See "WATER SYSTEM PROJECTS - Project Descriptions - *Bottle Rock Facilities*")

(3) Sold by the Department in 2004. (See "WATER SYSTEM PROJECTS - Project Descriptions - *South Geysers Project*")

(4) The Department's ownership interest terminated in 2013. (See "WATER SYSTEM PROJECTS - Project Descriptions - *Reid Gardner Project*")

(5) The original Bond Anticipation Bonds ("BABs") for East Branch Extension - Phase I Improvements and East Branch Extension - Phase II exceeded the projected expenditures. $44.5 million of the proceeds of the Series AE Refunding of the BABs was redistributed from East Branch Extension - Phase I Improvements and East Branch Extension - Phase II to Communications System Replacement, Edmonston Pump Replacement, Tehachapi East Afterbay, Perris Dam Remediation, and South Bay Aqueduct

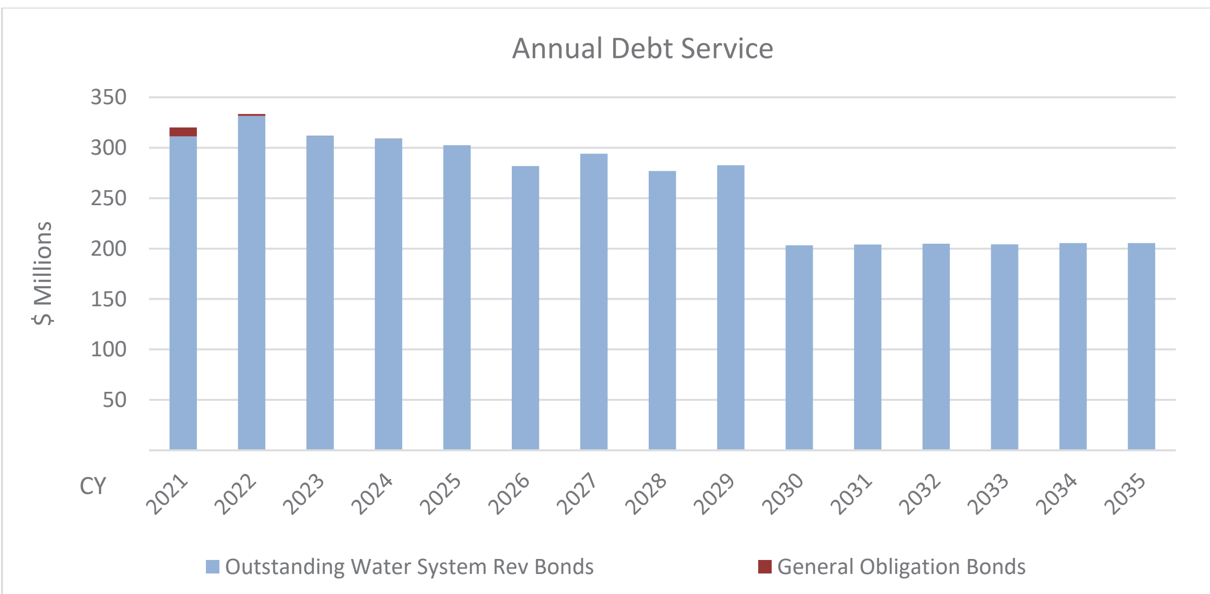
(6) Projects are completed. Amounts are treated as "Estimated Future Capital Expenditures" pending reallocation.

(7) These projects are each a project authorized under the Resolution as part of the Facilities Reconstruction and Improvement Project, the Department has decided to show these projects individually due to the estimated aggregate principal amount.

(8) Totals may not sum due to rounding.

State Water Project Debt Profile

The Department currently has $4 billion of total debt outstanding. These amounts include revenue bonds, general obligation bonds, commercial paper, and SB 84 loan. The debt has a final maturity of December 1, 2035. The State Water Contractors are responsible for the payment of debt service on the bonds and are billed annually for their share of the debt obligation. The Department has generally structured each new money issuance of bonds with level annual debt service payments. However, from 2021 to the final maturity of the Department's bonds in 2035, annual debt service payments on existing long-term debt will peak in 2022 at approximately $333 million and gradually decline to approximately $205 million.



State Water Project Credit Ratings

The Department's Water System Revenue Bond credit is rated AAA (highest possible rating) by Standard & Poor's and Aa1 (second to highest possible rating) by Moody's Investor's Service. The Water System Revenue Bond credit rating is not tied to or impacted by the State of California's general obligation bond ratings or the Department's $11 billion in Power Supply Revenue Bonds sold in 2002 to finance power for the state's investor owned utilities during the 2000-2001 energy crisis are rated separately.

Oroville Dam Spillway Emergency Repairs

A steady barrage of storms in early 2017 led to the wettest January and February in 110 years of Feather River hydrologic records. While releases from the Oroville Dam were being made to accommodate these extraordinary conditions, a section of the main spillway chute was damaged. When the emergency spillway was activated, erosion occurred on the slope downstream of the emergency spillway crest structure. California Governor Edmund G. Brown issued four Proclamations of a State of Emergency between January 23, 2017 and March 7, 2017 addressing areas of flooding and potential flooding, throughout the State.

On February 12, 2017, concern regarding the potential risk to the emergency spillway crest structure prompted the Butte County Sheriff to issue an evacuation order for approximately 188,000 people living in Oroville and other downstream communities. The Department successfully dropped the water level of the lake while crews worked 24 hours a day to repair erosion areas, place large rocks and concrete, remove eroded debris, construct or improve access roads, and begin the design for reconstruction efforts. The evacuation order was lifted on February 14, 2017.

Due to the magnitude of the project, repair of the main and emergency spillways was completed over multiple phases. To ensure public safety, the Department set and achieved a goal of November 1, 2017, to reconstruct the main spillway to handle flows of 100,000 cubic feet per second. In March 2018, the Department completed construction of a cut-off wall 750 feet downhill of the emergency spillway, which will prevent uphill erosion beyond the wall if the emergency spillway is ever used again. In spring of 2018, work on the main spillway ramped back up and the spillway was returned to operational status at its original design capacity in December 2018. At the emergency spillway, the Department constructed a splash pad that was completed in November 2018 and a buttress that was completed in March 2019. These two features are designed to bolster the integrity of the emergency spillway and the hillside downstream. In April 2019, the main spillway was successfully operated for the first time since its reconstruction. Major civil construction activities were completed in early 2020, and site rehabilitation and revegetation activities will continue through at least 2024.

Members of the U.S. Army Corps of Engineers, Federal Energy Regulatory Commission, the Division of Safety of Dams, as well as dam experts on a board of consultants were actively engaged with the Department throughout the major civil construction and design portion (through mid-2020) of this project.

On April 1, 2017, former President Trump issued a Federal Major Disaster Declaration for areas in California affected by the severe storms and flooding, which will continue to provide for a federal contribution to the costs of the Department’s emergency response activities and to the repair and replacement work at Oroville Dam. It was envisioned that costs associated with the recovery and restoration efforts at the Oroville Dam spillways would be approximately $1.1 billion, with up to 75% expected to be reimbursed by the Federal Government. In March 2019, the Federal Emergency Management Agency (FEMA) informed the Department that it did not consider the following costs to be eligible for reimbursement through its public assistance program: (i) approximately $214 million in recovery costs (with a $161 million federal cost share) for the upper portion of the main spillway and (ii) approximately $290 million in costs (with a $218 million federal cost share) for the recovery of the emergency spillway. The Department appealed FEMA’s determination and provided additional information to support the Department’s assertion that these costs should be eligible for reimbursement. FEMA responded to the Department’s appeal in February 2020, finding that the costs associated with the upper portion of the main spillway are eligible for reimbursement, whereas the costs associated with the emergency spillway remain ineligible for reimbursement. In May 2020, the California Office of Emergency Services filed with FEMA, on behalf of the Department, an application for hazard mitigation grant program funding for these costs associated with the emergency spillway that are not being reimbursed through FEMA's public assistance program.

In September 2020, the Department updated its cost estimate for work associated with the recovery and restoration efforts at the Oroville Dam spillways to $1.186 billion. Through ongoing discussions with FEMA, it has been determined that $68 million of this total will not be eligible for a FEMA cost share. As of February 2021, the Department had received $234 million in federal reimbursement. Based on the Department's discussions with FEMA, the Department expects FEMA to provide an additional $377 million through its Public Assistance program. The amount of federal cost share for the work associated with the Oroville Dam's emergency spillway provided through the federal Hazard Mitigation Grant Program is more uncertain and is currently estimated at approximately $100 million. On February 3, 2021, the Department was notified that FEMA had made an initial determination that the work at the emergency spillway would not be eligible for funding through the federal Hazard Mitigation Grant Program. The Department is currently developing its appeal of this decision. These amounts are based on preliminary estimates and may be materially revised through the project close-out period.

The following table summarizes the current, approximate amounts and status of the costs and FEMA reimbursements for the Oroville Dam spillways restoration efforts described above. The table also shows the approximate portion of costs of such repair and replacement that is currently expected to be financed long-term with Bonds (assuming all FEMA reimbursements described above and in the following chart are received) and paid by the Contractors under the Water Supply Contracts

Costs incurred through September 30, 2020	$1.125 billion
Costs expected from October 1, 2020 through 2024	$ 61 million
Total costs expected through 2024..	$1.186 billion
FEMA reimbursements to date	$ 234 million
Expected future FEMA reimbursements (in years 2021-2024)	$ 377 million
Amount expected to be financed with Water System Revenue Bonds..	$ 575 million
Total sources (preliminary) expected through 2024	$1.186 billion

The costs for the repair and replacement work at Oroville Dam were and are being financed with the proceeds of Notes, such costs that are not reimbursed by FEMA are expected to be financed long-term with Bonds. The Department does not believe the costs arising from this project will materially impact the Department's operations or ability to pay debt service on Bonds.

STATE WATER CONTRACTORS

Contractor Share of Payments

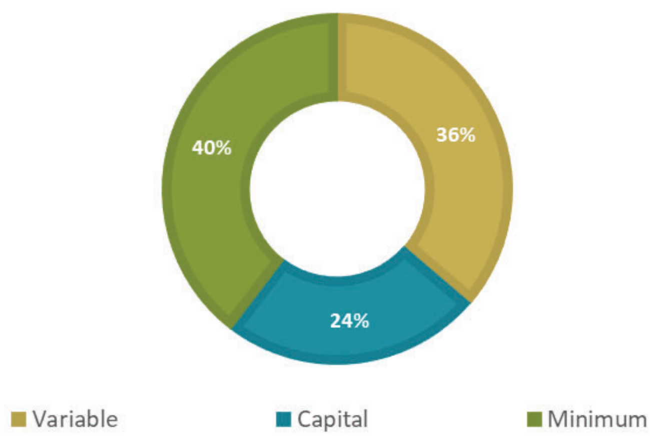
The State Water Contractors are billed each July for projected operating and capital costs for the upcoming calendar year. These Annual Statements of Charges include three types of charges:

- Capital (Repay Construction, Major Replacement/Refurbishment Costs)
- Minimum (Repay O&M and Non-Capital Replacement Costs)
- Variable (Repay Power Costs)

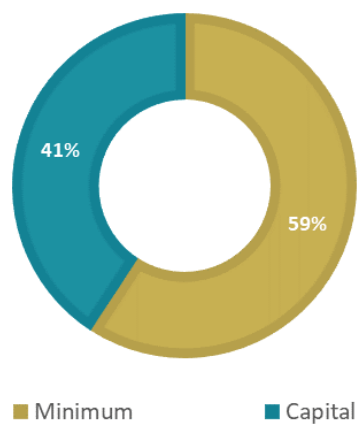
The capital, minimum and variable charges are applied in the following five main areas:

- Transportation - Capital, Minimum, Variable
- Conservation - Capital & Minimum
- Off-Aqueduct Power Facilities
- Water System Revenue Bond Surcharge
- Separate Bond Charges (East Branch Enlargement, East Branch Extension, Coastal Branch Extension, South Bay Aqueduct Enlargement, RAS)

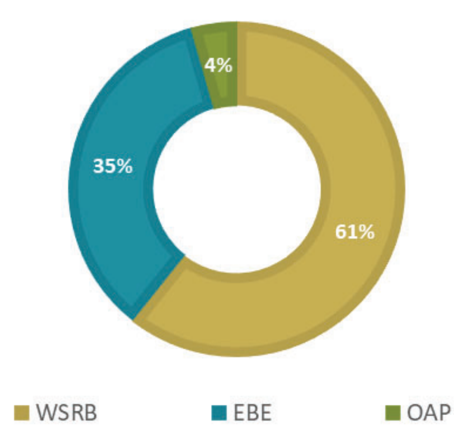
TRANSPORTATION CHARGES



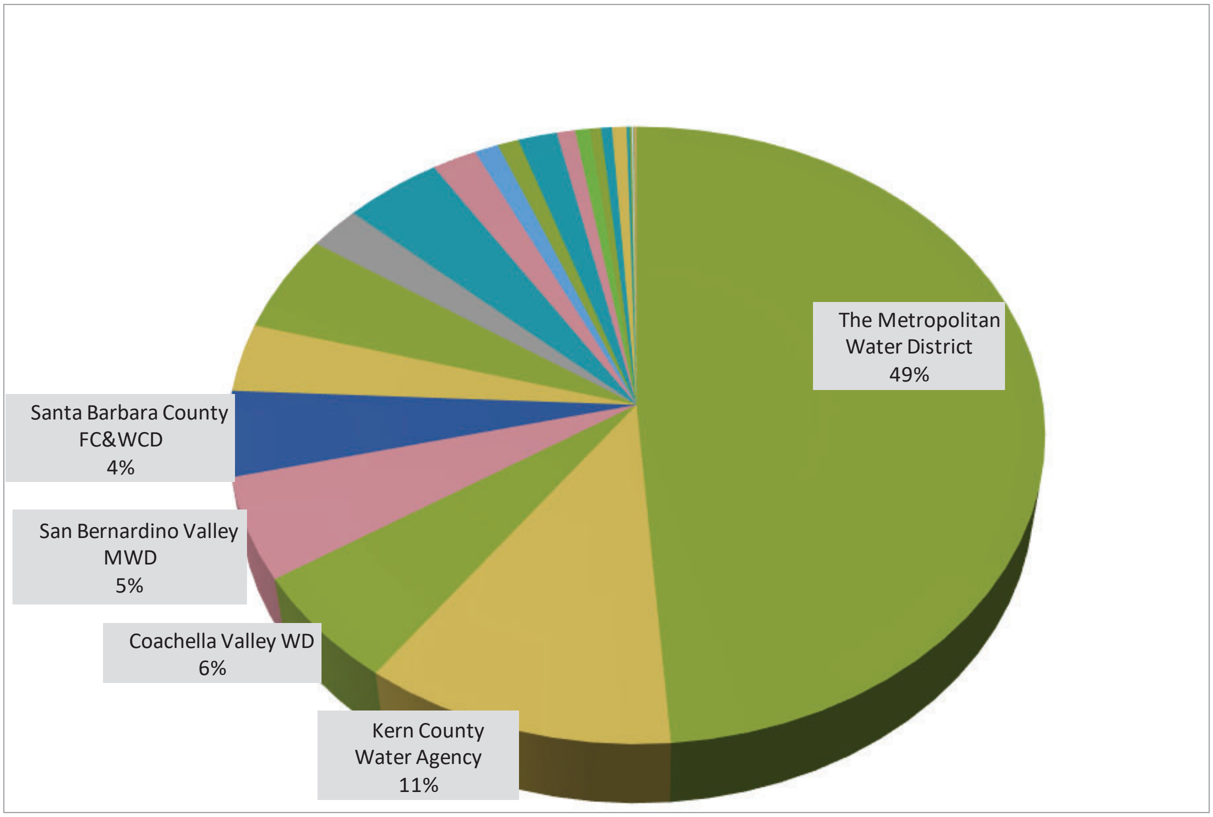
CONSERVATION CHARGES



OFF AQUEDUCT POWER FACILITIES CHARGES



The 29 State Water Contractors pay for the costs of the State Water Project through a combination of monthly and semi-annual charges. In 2020, five of the Water Contractors have accounted for more than 75 percent of water system revenues.



The percentage of total revenue collected by the Department from each Water Contractor varies significantly from the percentage of water the Water Contractor may be eligible to receive based on what is referred to as Table A. Table A is contained in the Long-Term Water Supply Contracts executed by the Department with each of the 29 State Water Contractors and details the maximum amount of water that each Water Contractor is entitled to request from the Department. The Water Contractors make their requests by October 1 for water to be delivered in the upcoming calendar year. Below are the Table A shares of water each Water Agency may request. Municipal and Industrial Contractors represent 76% of the Water Contractors' share of the Table A water supply, while Agricultural Contractors represent 24%.

Maximum Table A Amounts
(in acre-feet)

Upper Feather River	
County of Butte	27,500
Plumas County Flood Control & Water Conservation District	2,700
City of Yuba	9,600
Subtotal	**39,800**
North Bay Area	
Napa County Flood Control & Water Conservation District	29,025
Solano County Water Agency	47,756
Subtotal	**76,781**
South Bay Area	
Alameda County Flood Control & Water Conservation District, Zone 7	80,619
Alameda County Water District	42,000
Santa Clara Valley Water District	100,000
Subtotal	**222,619**
San Joaquin Valley	
Oak Flat Water District	5,700
County of Kings	9,305
Dudley Ridge Water District	45,350
Empire West Side Irrigation District	3,000
Kern County Water Agency	982,730
Tulare Lake Basin Water Storage District	87,471
Subtotal	**1,133,556**
Central Coast	
San Luis Obispo County Flood Control & Water Conservation District	25,000
Santa Barbara County Flood Control & Water Conservation District	45,486
Subtotal	**70,486**
Southern California	
Antelope Valley-East Kern Water Agency	144,844
Castaic Lake Water Agency	95,200
Coachella Valley Water District	138,350
Crestline-Lake Arrowhead Water Agency	5,800
Desert Water Agency	55,750
Littlerock Creek Irrigation District	2,300
The Metropolitan Water District of Southern California	1,911,500
Mojave Water Agency	85,800
Palmdale Water District	21,300
San Bernardino Valley Municipal Water District	102,600
San Gabriel Valley Municipal Water District	28,800
San Gorgonio Pass Water Agency	17,300
Ventura County Watershed Protection District	20,000
Subtotal	**2,629,544**
Total State Water Project (in acre-feet)	**4,172,786**

MAJOR INITIATIVES AND ACHIEVEMENTS

Water Supply Contract Extension

In May 2013, DWR and the Water Contractors began negotiations in a public forum to develop contract amendments to extend the term and change certain financial provisions of the Water Supply Contracts. In June 2014, the negotiators for DWR and the Water Contractors reached a general agreement on principles for such an amendment. DWR and 25 of the 29 Water Contractors have signed the Agreement in Principle (AIP). The County of Butte, Plumas County Flood Control and Water Conservation District, San Luis Obispo Flood Control and Water Conservation District, and the Santa Barbara Flood Control and Water Conservation District have not signed the AIP.

Currently, subject to individual elections for continued service by each Water Contractor, the Water Supply Contracts are to remain in effect for the longest of 75 years, December 31, 2035, or until all bonds issued to finance construction costs of SWP facilities have been repaid, whichever period is longest. No Bonds have been sold with a maturity date later than December 1, 2035. The 75-year term provision currently results in the Water Supply Contracts having varying termination dates that range between December 31, 2035 and 2042, subject to the aforementioned election.

A contract extension amendment has now been prepared based on the AIP. Under the amendment, the term of the Water Supply Contract for each Water Contractor that signs the amendment would be extended until December 31, 2085. Also under the amendment, certain provisions that provide for charges to the Water Contractors for capital costs and certain other costs, currently made on an amortized basis, would be amended to provide for charges to the Contractors on an annual “pay-as-you-go” basis to provide the revenues needed by DWR to make payments each year. The current provisions authorizing DWR to charge the Water Contractors annually for the full amount of the required annual debt service and coverage on the Bonds will continue. Other provisions addressed in the amendment would provide for, among other things, an increase in DWR’s operating reserves; a mechanism for financing capital projects, using System funds, and recovering those costs with interest from the Water Contractors; establishment of an account to pay for certain System expenses not chargeable to the Water Contractors; and the establishment of a Finance Committee consisting of DWR and Water Contractor representatives to serve as a forum for discussions and to provide a channel for recommendations to the Director of DWR concerning financial policies of the System.

As required by statute, on September 11, 2018, the Department of Water Resources (DWR) presented the terms of the proposed contract extension amendment in an informational hearing to the Legislature’s Joint Legislative Budget Committee. With regard to the required environmental review pursuant to the California Environmental Quality Act (CEQA), in August 2016, DWR released, for public comment, a draft Environmental Impact Report (EIR) for the proposed contract extension amendment. The Director of DWR certified and released the final EIR in November 2018.

On December 11, 2018, the Director of DWR approved the contract extension amendment project under CEQA and executed the amendment with Metropolitan. As of March 15, 2021, twenty-two Water Contractors have executed the extension amendment with the Department. Under the terms of the extension amendment, the amendment will only take effect as to all signing Water Contractors when (1) 24 Water Contractors, with an aggregate maximum Table A amount exceeding 3,950,000-acre feet, have executed the amendment and (2) all pending litigation addressing the amendment has been resolved, unless either of these conditions is waived by the Department and the Water Contractors that have signed the amendment.

Three lawsuits are now pending that address the amendment, and those lawsuits are discussed in Note 10.

Renewable Energy

In accordance with the Renewable Energy Procurement Plan, that has been revised to meet Senate Bill (SB) 100's zero-emissions energy by 2045, DWR has achieved it procurement targets thru 2020. The System plans to procure approximately 1,080 GWh's of renewable energy by 2030. Purchase agreements for such power include:

- A 20-year contract with RE Camelot Solar Photovoltaic Project[15] for the purchase of 45 megawatt (MW) of solar photovoltaic energy and associated capacity bundled with Renewable Energy Credits from their facility located in southeastern Kern County. The RE Camelot Plant is expected to deliver 125,000 MWh's of annual generation.
- A 20-year contract for 85 MW from Solverde 1, LLC whose facility, built near Lancaster in northern Los Angeles County, is expected to deliver 230,000 MWh's of annual generation.
- A 20-year contract for 9.5 MW with Solar Star California XLIV, LLC for a facility built at the Pearblossom power plant. This Pearblossom facility includes an additional 10-year option to extend and is expected to deliver 27,400 MWh's of annual generation.

OTHER FINANCIAL INFORMATION

Internal Controls

In developing and evaluating the System'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 the safeguarding of assets against loss from unauthorized use or disposition, and 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 should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. We believe that the System's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

[15] Owned and operated by Dominion Solar Holdings, Inc.

COVID-19 Pandemic

DWR was faced with the COVID-19 pandemic like the rest of the world and with this unprecedented public health crisis DWR had to quickly adapt to a new working environment. DWR quickly implemented emergency telework provisions to allow employees to telework if their job allowed, created processes and procedures that provided electronic routing and quick approvals, and expanded technology tools and capabilities to allow employees to effectively telework. DWR went from approximately 100 teleworkers to over 2200 in one month, and currently still has over 1800 active teleworkers today. DWR acted quickly and provided the flexibility and relief for its employees who had to manage many other challenges while working in a new telework environment.

Financial Management Enhancements Program

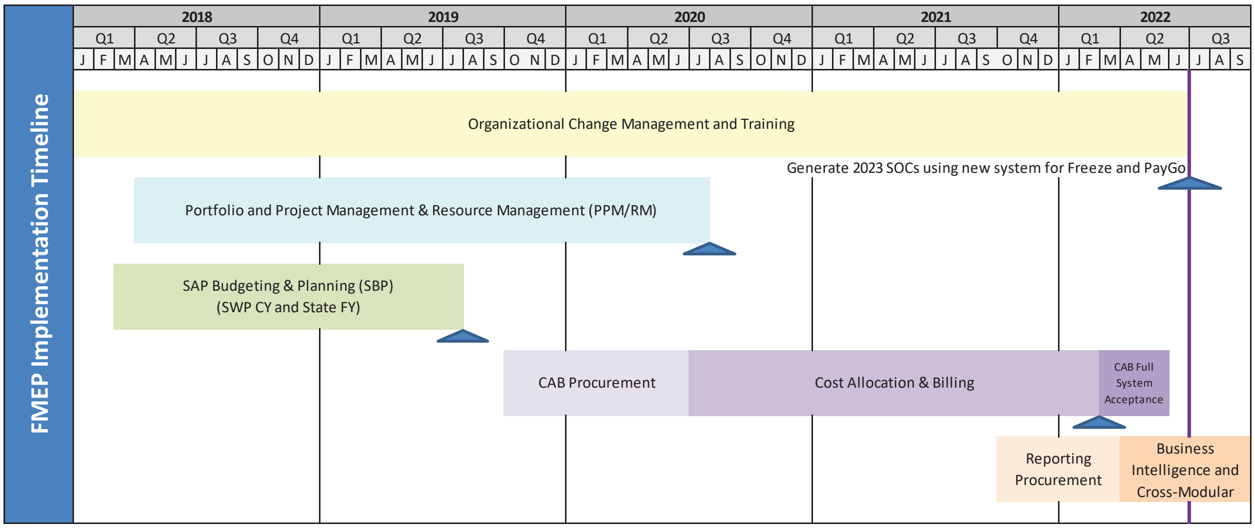
DWR initiated Financial Management Enhancements Program (FMEP) to analyze and assess its State Water Project organizational, budgeting, billing, and financial processes and reporting needs. DWR used a staged approach to implement the end-to-end business solution. Stage 1 produced high-level solution alternatives to meet the goals for SWP financial management, and in Stage 2, DWR selected the solution. DWR is currently in Stage 3, which implements the end-to-end business solution (solution). The solution includes three technology tools, Portfolio and Project Management/Resource Management (PPM/RM), SAP Budgeting and Planning (SBP), and Cost Allocation and Billing (CAB).

PPM/RM and SBP were developed to integrate the State and State Water Project planning and budgeting processes. Together, they work to create a single planning and budgeting solution that allows SWP and DWR to plan for project and program activity costs, prepare the State Budget, and prepare the B-132 Cost Projections used in the preparation of the Statements of Charges.

CAB will enhance the existing billing processes, replace certain components of the existing Utility Cost Accounting and Billing System (UCABS) and Cost Allocation and Repayment Analysis (CARA) system, and add new billing methodologies by automating the manual processes for integrating B-132 Cost Projection data and Debt Service and incorporating the requirements for the new Pay-As-You-Go calculation method into the billing process.

The end-to-end business solution described above also includes an overarching Organizational Change Management (OCM) and Training effort that spans the technology implementation. The OCM/Training team has been coordinating the sustained training efforts for the two systems that have already gone into production, PPM/RM and SBP. PPM/RM sustained training is offered quarterly, and SBP sustained training is offered yearly before the State budget planning cycle starts. The CAB implementation started on July 1, 2020, and system go live is expected by March 2022. This will enable the 2023 Statements of Charges to be produced by the new system by July 2022.

The following graphic shows the overall technology implementation plan for FMEP:



INDEPENDENT AUDIT

The System requires an annual audit of its financial records. These records, represented in the Financial Report, have been audited with an unmodified opinion by a certified public accounting firm, Eide Bailly, LLP. The Independent Auditor’s Report on our current financial statements is presented in the Financial Section.

AWARDS and ACKNOWLEDGMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the System for its Financial Report for the fiscal year ended June 30, 2019. This was the fourth consecutive year that the System has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the System published an easily readable and efficiently organized Financial Report. This report satisfies both Generally Accepted Accounting Principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that our current 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.

We would like to express our appreciation to the entire staff of the Fiscal Services Division and the State Water Project Analysis Office, whose professionalism, dedication, and efficiency are responsible for the preparation of this report. We would also like to thank Eide Bailly, LLP for their invaluable professional support in the preparation of the Financial Report.

Respectfully submitted,

Ted Craddock	Vinay Narjit Singh Behl, CPA	Lisa Toms
SWP Deputy Director	Comptroller & Chief Financial Officer Chief, Division of Fiscal Services	Accounting Administrator III

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

California State Water Resources Development System

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

Independent Auditor's Report

To the Director of the State of California
Department of Water Resources
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the State Water Resources Development System (System), an enterprise fund of the State of California, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the System'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 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 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 respective financial position of the System, as of June 30, 2020 and 2019, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Individual Fund Financial Statements
As disclosed in Note 1 to the financial statements, the financial statements present only the System and do not purport to, and do not, present fairly the financial position of the State of California as of June 30, 2020 and 2019, and the changes in its financial positions and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of the System's proportionate share of the net pension liability, schedule of the System's pension contributions, schedule of the System's proportionate share of the net other-post employment benefits (OPEB) liability, and schedule of the System's OPEB contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The introductory section, calculation of the adequacy of debt service coverage for the Central Valley Project revenue bonds, and the statistical section is presented for purposes of additional analysis and is not a required part of the financial statements.

The calculation of the adequacy of debt service coverage for the Central Valley Project revenue bonds 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. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the calculation of the adequacy of debt service coverage for the Central Valley Project revenue bonds is fairly stated, in all material respects, in relation to the financial statements taken 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 April 29, 2021, on our consideration of the System'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 System'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 System's internal control over financial reporting and compliance.

Eide Bailly LLP

Sacramento, California
April 29, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Management's Discussion and Analysis *(Required Supplementary Information)*

This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities for the fiscal years ended June 30, 2020 and 2019, and to identify any significant changes in the financial position of the State Water Resources Development System (System), which is administered by the California Department of Water Resources (DWR). Readers are encouraged to consider the information presented in conjunction with the financial statements as a whole, which follow Management's Discussion and Analysis. This discussion and analysis and the financial statements do not relate to DWR's other governmental and proprietary funds. The System includes the State Water Project (SWP), the Davis-Grunsky Act Program, and the San Joaquin Drainage Implementation Program.

Financial Highlights

- During fiscal 2020 and 2019, the System recorded an increase in total assets of $250 million and $810.3 million, respectively, on total operating revenues of $1,135 million and $1,150 million, respectively.

- Deferred inflows of resources for capital costs increased by $140.3 million to an ending balance of $1,244.5 million in fiscal 2020 compared to $1,104.2 million in fiscal 2019. The increase is primarily due to net revenues collected for principal payments of previous costs incurred to construct Utility Plant in Service (UPIS) assets.

- Deferred inflows of resources for capital costs increased by $264.7 million to an ending balance of $1,104.2 million in fiscal 2019 compared to $839.5 million in fiscal 2018. The increase is primarily due to net revenues collected for principal payments of previous costs incurred to construct Utility Plant in Service (UPIS) assets.

- On April 27, 2020, the System received an approximately $6.8 million FEMA disaster grant, included in other revenues, to reimburse the System for costs associated with the Oroville Dam Spillway Recovery and Restoration Project.

- On January 6, 2020, the System received an approximately $138.4 million FEMA disaster grant (accrued as of June 30, 2019), included in other revenues, to reimburse the System for costs associated with the Oroville Dam Spillway Recovery and Restoration Project.

- On December 12, 2019, the System received an approximately $15.9 million FEMA disaster grant (accrued as of June 30, 2019), included in other revenues, to reimburse the System for costs associated with the Oroville Dam Spillway Recovery and Restoration Project.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the System's basic financial statements. The System's basic financial statements are comprised of three components: 1) Financial Statements, 2) Notes to the Financial Statements, and 3) Other Information.

Financial Statements

The System is accounted for as an enterprise fund. Enterprise funds account for the acquisition, operation and maintenance of governmental facilities and services that are entirely or predominantly self-supported by user charges. These financial statements report information using accounting methods similar (although not identical) to those used by private sector companies. The Statements of Net Position includes all the assets, liabilities, deferred outflows and inflows of resources, and net position. The Statements of Revenues, Expenses and Changes in Net Position reports all of the revenues and expenses incurred during the fiscal year presented. The Statements of Cash Flows reports the cash inflows and outflows classified by operating, investing, noncapital financing, and capital and related financing activities during the reporting period presented.

The Financial Statements can be found on pages 45 - 50 of this report.

Notes to the Financial Statements

The notes to the financial statements communicate certain information required by Generally Accepted Accounting Principles (GAAP). The notes to the financial statements can be found on pages 52 - 98 of this report.

Required Supplementary Information (RSI) and Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information related to the pension and other postemployment benefits plans and certain supplementary information concerning the System's adequacy of debt service coverage. RSI and Supplementary information can be found on pages 99 - 105 of this report.

Financial Analysis

The SWP is considered a regulated entity, as such, rates are permitted to be set at levels intended to recover the estimated costs of providing regulated services or products, including the cost of capital. If revenues intended to cover some costs are provided before costs are incurred, those revenues are reported as deferred inflows of resources and recognized as revenue when the associated costs are incurred. If regulation provides assurance that incurred costs will be recovered in the future, those costs are capitalized as receivables and recovered through future billings.

Condensed Statements of Net Position

	June 30, 2020	June 30, 2019	June 30, 2018	% Change 2020-2019	% Change 2019-2018
	(amounts in thousands)				
Assets					
Other assets	$ 2,826,388	$ 2,868,819	$ 2,613,180	-1.5%	9.8%
Total utility plant	5,813,417	5,520,962	4,966,257	5.3%	11.2%
Total assets	8,639,805	8,389,781	7,579,437	3.0%	10.7%
Total deferred outflows of resources	309,206	296,601	401,026	4.2%	-26.0%
Total assets and deferred outflows of resources	$ 8,949,011	$ 8,686,382	$ 7,980,463	3.0%	8.8%
Liabilities					
Other liabilities	$ 807,701	$ 732,168	$ 639,296	10.3%	14.5%
Noncurrent liabilities	5,404,262	5,298,865	5,077,345	2.0%	4.4%
Total liabilities	6,211,963	6,031,033	5,716,641	3.0%	5.5%
Total deferred inflows of resources	1,600,156	1,489,000	1,069,784	7.5%	39.2%
Net position					
Net investment in capital assets	890,438	783,286	942,618	13.7%	-16.9%
Restricted	246,454	383,063	251,420	-35.7%	52.4%
Total net position	1,136,892	1,166,349	1,194,038	-2.5%	-2.3%
Total liabilities, deferred inflows of resources, and net position	$ 8,949,011	$ 8,686,382	$ 7,980,463	3.0%	8.8%

* Certain amounts have been reclassified from amounts previously reported to conform with the current year presentation.

The largest portion of the System's current fiscal year net position is investments in capital assets, including but not limited to land, improvements, buildings, machinery, and equipment. Investments in capital assets are reflected net of accumulated depreciation less any outstanding related debt used to construct or acquire those assets. The main use of these capital assets is to provide water delivery and storage, flood control, recreation, fish and wildlife enhancement, and hydroelectric power. There was an increase in capital assets of $292.5 million, primarily due to the construction of the Oroville Dam Spillway Recovery and Restoration Project and the Facilities Reconstruction and Improvement Project. This increase was offset by an increase of $185.3 million in debt related to capital assets and increases in capital costs relating to the timing difference between capital revenue recovered and the depreciation expense recognition. This resulted in an overall increase in net investment in capital assets of $107.2 million. Although the System's investments in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, mainly contractual billings to the Water Contractors, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of the System's current fiscal year net position represents restricted net position, which are resources subject to external restrictions on how they may be used.

The following table reflects how the System recognized revenues and expenses during the year:

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	Fiscal Year Ended June 30,				
	2020	2019	2018	% Change 2020-2019	% Change 2019-2018
	(amounts in thousands)				
Operating revenues:					
Water supply	$ 1,040,036	$ 1,010,751	$ 1,076,238	2.9%	-6.1%
Power sales	49,435	96,308	88,148	-48.7%	9.3%
Federal and State reimbursements	45,719	42,593	42,127	7.3%	1.1%
Total operating revenues	1,135,190	1,149,652	1,206,513	-1.3%	-4.7%
Operating expenses:					
Operations and maintenance	617,236	645,191	555,163	-4.3%	16.2%
Purchased power	243,120	290,908	342,115	-16.4%	-15.0%
Depreciation and amortization	105,345	94,191	80,101	11.8%	17.6%
Operating expenses recovered, net	(139,779)	(151,926)	(64,454)	-8.0%	135.7%
Total operating expenses	825,922	878,364	912,925	-6.0%	-3.8%
Income from operations	309,268	271,288	293,588	14.0%	-7.6%
Nonoperating revenues/expenses:					
Capital revenues recovered (deferred), net	(221,600)	(334,870)	(294,864)	-33.8%	13.6%
Interest expense	(110,158)	(116,481)	(105,429)	-5.4%	10.5%
Investment income (loss), net	19,811	22,482	15,353	-11.9%	46.4%
Other revenues (expenses), net	(26,778)	129,892	42,493	-120.6%	205.7%
Total nonoperating revenues/expenses	(338,725)	(298,977)	(342,447)	13.3%	-12.7%
Change in net position	(29,457)	(27,689)	(48,859)	6.4%	-43.3%
Net position, beginning of year	1,166,349	1,194,038	1,242,897	-2.3%	-3.9%
Net position, end of year	$ 1,136,892	$ 1,166,349	$ 1,194,038	-2.5%	-2.3%

* Certain amounts have been reclassified from amounts previously reported to conform with the current year presentation.

The System recognized a decrease in net position in fiscal 2020 of $29.5 million compared to a decrease of $27.7 million in fiscal 2019. The components of the decreases are shown in the table below:

Net Position

	2020	2019
	(amounts in thousands)	
Capital cost in excess of revenue	$ 9,768	$ (6,040)
Suspended costs	(20,698)	(6,777)
Recreation minimum	(18,846)	(25,497)
Recreation depreciation	(3,162)	(2,404)
Bad debt	(14,439)	(13,025)
Interest and other miscelleanous	17,920	26,054
Change in net position	$ (29,457)	$ (27,689)

Revenues

Operating Revenues

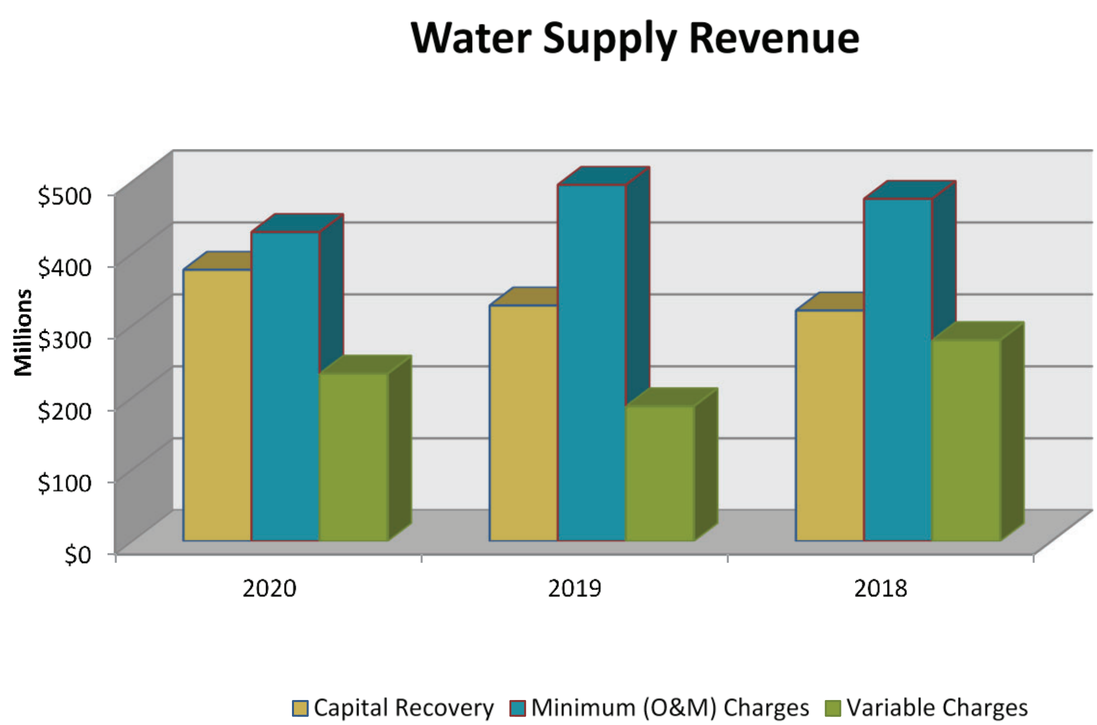
The decrease of $14.5 million in operating revenues for fiscal 2020 is attributable to a decrease of $46.9 million in power sales primarily due to less forward energy purchase contracts, and a temporary outage in the Lodi Energy Center, which resulted in less energy generated. This decrease was offset by an increase of $29.3 million in water supply revenues mainly due to an increase in water rate and an increase of $3.1 million in federal and state reimbursements.

The decrease of $56.9 million in operating revenues for fiscal 2019 was attributable to a decrease of $65.5 million in water supply revenue billings primarily due to decreased water deliveries. This decrease was offset by an increase in power sales revenue of $8.1 million and an increase of $500 thousand in federal reimbursements.

Water Supply Revenue

The largest portion of revenues, approximately 91.62%, comes from Water Supply Revenue. In fiscal 2020, the System generated $1,040 million in water supply revenue, compared to $1,010.8 million in fiscal 2019, and $1,076.2 million in fiscal 2018.

The following table shows a comparative breakdown of the components of water supply revenue for fiscal years 2020, 2019, and 2018:



Expenses

Operating Expenses

Total operating expenses decreased by $52.4 million for fiscal 2020 to a total of $826 million. The decrease is primarily due to the timing difference between recovery and recognition of operating costs and decreased power purchases.

Total operating expenses decreased by $34.6 million for fiscal 2019 to a total of $878.4 million. The decrease was primarily due to the timing difference between recovery and recognition of operating costs and decreased power purchases.

Operations and Maintenance Expenses

The total operations and maintenance expenses decrease of $28 million in fiscal 2020 was mostly attributed to a $22.5 million decrease in consultant and professional services, waste removal, and general costs and a decrease of $5.5 million in water supply.

The increase in operations and maintenance expenses of $90 million in fiscal 2019 was mostly attributed to the following factors: $53 million increase in litigation cost related to the Oroville Dam Spillway; $24 million increase in consultant and professional services, facilities security, and waste removal cost; and $13 million increase in bad debt expense.

Purchased Power

Decreased water deliveries generally result in decreased purchased power. In fiscal 2020, purchased power decreased by $47.8 million to a total of $243 million. This decrease was not due to decreased water deliveries. Primary factors that contributed to decreased purchases were additional bilateral energy purchased in fiscal 2019 to hedge against potential energy price increases, and decreases in the megawatt hour (MWh) rate. The average monthly MWh rate decreased from $40.75 in fiscal 2019 to $29.08 in fiscal 2020.

In fiscal 2019, purchased power decreased by $51.2 million to a total of $291 million. This was mainly due to water deliveries decreased from 3.1 million acre-feet in fiscal 2018 to 2.4 million acre-feet in 2019, a decrease of 0.70 million acre-feet or 22.47%. The decrease in water deliveries resulted in decreased pumping demand.

Operating and Maintenance Expense Recovered (Deferred)

Operating and maintenance expense recovered (deferred) represents an adjustment for the timing difference between operations and maintenance (O&M) costs recovered as per the Water Supply Contracts and the incurrence of such O&M costs. Operating and maintenance expense recovered (deferred) decreased by $12.1 million in fiscal 2020. This is due to a $26 million decrease in power purchases offset by a $13.9 million increase in suspended cost.

In fiscal 2019, operating and maintenance expense recovered increased by $87.5 million. This was due mainly to the difference noted in the Operations and Maintenance expenses section.

Capital Revenues Deferred

Capital revenues deferred represents an adjustment for the timing difference between capital revenue recovered as per the Water Supply Contracts and the depreciation expense recognition of such capital assets and their associated financing costs. Capital revenues deferred decreased by $113.3 million in fiscal 2020. This is due primarily to the normal-course timing difference as described and a reduction in FEMA disaster grant to reimburse the System for costs associated with the Oroville Dam Spillway Recovery and Restoration Project.

In fiscal 2019, capital revenues deferred increased by $40 million in fiscal 2019. This was due primarily to the normal-course timing difference as described.

Interest Expense

Interest expense for fiscal 2020 decreased by $6.3 million from $116.4 million in fiscal 2019 to $110.1 million in fiscal 2020. The $6.3 million decrease was attributable to a decline in interest rates from Commercial Paper borrowings as well as an increase in the scheduled annual amortization of premium.

Interest expense for fiscal 2019 increased by $11 million from $105.4 million in fiscal 2018 to $116.4 million in fiscal 2019. The $11 million increase was attributable to the new issuances of Revenue Bonds Series AZ and BA, interest accrued for the SB 84 Loan, as well as the increase in interest from Commercial Paper borrowings.

Capital Assets and Debt Administration

Capital Assets

Investments in capital assets include utility plant and equipment, land, construction work in progress (CWIP), land use rights, computer software, other intangible assets, and general. The increase in the System's investment in capital assets for fiscal 2020 was $292.5 million (including $8.8 million of capitalized interest) and for fiscal 2019 was $554.7 million (including $28.1 million of capitalized interest), an increase of 5.30% and 11.17%, respectively. Additional details of capital assets are contained in Note 4.

The System's investment in capital assets is presented below:

Capital Assets

	Balance (in thousands)		
	2020	2019	2018
Nondepreciable Utility Plant	$ 2,253,757	$ 2,379,198	$ 1,926,901
Depreciable Utility Plant	5,938,956	5,418,274	5,224,850
Total Utility Plant	8,192,713	7,797,472	7,151,751
Less Accumulated depreciation / amortization	(2,379,296)	(2,276,510)	(2,185,494)
Utility Plant, Net	$ 5,813,417	$ 5,520,962	$ 4,966,257

Long-Term Debt

The System's total debt increased $32.2 million or 0.8% during fiscal 2020.This increase was comprised of the issuance of approximately $230.1 million in new debt, net of refundings, including premiums, offset by principal payments and amortization of premiums and discounts of $197.9 million. The change in debt included the issuance of $390.5 million of commercial paper notes, which was partially offset by a $160.4 million of FEMA disaster grant to reimburse the System for costs associated with the Oroville Dam Spillway Recovery and Restoration Project, bond principal payments and amortization of premium and discount of $194.5 million, and the SB 84 loan principal payment of $3.4 million. The most significant increase in debt was due to the issuance of commercial paper notes, which were used to continue financing the cost related to the Oroville Dam Spillway Recovery and Restoration Project. During fiscal 2019, the System's total debt increased by $436.9 million. This was comprised of new debt of $619.3 million, net of refundings, and principal payments and amortization of premiums and discounts of $182.4 million.

The System's long-term debt is presented below:

Long-Term Debt

	Balance (in thousands)		
	2020	2019	2018
Revenue Bonds	$ 3,045,468	$ 3,222,577	$ 2,869,007
General Obligation Bonds	10,685	28,090	54,065
Commercial Paper	920,107	689,984	580,672
SB 84 Loan	57,471	60,910	60,910
Total	4,033,731	4,001,561	3,564,654
Less current portion	(186,878)	(164,440)	(155,375)
Long-term portion	$ 3,846,853	$ 3,837,121	$ 3,409,279

Additional information on the System's long-term debt can be found in Notes 6 and 7 of this report.

Economic Factors

The Department of Water Resources (DWR) continues operations to maintain critical functions while modifying the way we work in the face of the current emergencies, like COVID-19 and fires statewide, to protect our staff and the public. DWR continues providing California its core services of water delivery, flood protection, dam safety, and infrastructure maintenance.

Following guidance from Gov. Gavin Newsom and California Department of Public Health (CDPH), DWR has made several changes due to COVID-19. To protect the health and safety of visitors and employees at DWR facilities, visitors and staff are advised to follow CDPH and local guidelines for social distancing. Stay six feet apart, wash your hands, and wear a face covering.

DWR continues to assess and monitor the effects that the ongoing COVID-19 outbreak and the measures taken by the State and local governments to slow the virus' spread have had and will have on the Department's finances and operations. DWR is utilizing financial tools to mitigate COVID-19 recessionary pressures, including pre-funding $250 million of future capital expenditures to bolster its financial flexibility. In December 2020, two vaccines were approved for emergency use in the United States and vaccinations began in California. A third vaccine was approved for emergency use in February 2021.

The SWP must enter the power market to facilitate the operation of the California aqueduct. Operations continue 24 hours a day, seven days a week, with constant coordination with other utilities, Water Contractors, the California Independent System Operator (CAISO), and SWP pumping and generating plants. The power market, controlled by CAISO, can have a material impact on the power sales revenues and power purchase expenses of the SWP.

Economics, climate changes, and new legislation have required the System to explore and include more renewable energy sources. In 2005, Executive Order S-3-05 was signed into law and in 2006 Assembly Bill (AB-32) was passed, requiring California to reduce its Green House Gas (GHG) emissions to 1990 levels by 2020. By 2050, GHG emission levels must be below 80% of 1990 levels.

As a result of these new laws, California will require a higher percentage of the System's pumping load to be served by renewable energy sources. By 2050, approximately 50% of the System pump load will need to be supplied by renewable energy. In fiscal 2015, the System began purchasing renewable energy under a purchase contract with Dominion Solar- RE Camelot, a 45 MW solar plant. The System is also under contract for solar energy purchases with Solverde 1 and Solar Star California XLIV, which came online near the end of calendar year 2016 and added an additional 95 MW of renewable power.

Every year, the SWP is confronted with factors that affect how the operation of the System is conducted. Some factors include plant or unit outages, environmental concerns, weather, fluctuations in natural gas prices, transmission line outages, and wildfires.

Increases or decreases in water allocations depend on water availability. Water allocations also depend heavily on reservoir storage and snowpack water content. Water deliveries increased from 2.43 million acre-feet in fiscal 2019 to 2.48 million acre-feet in fiscal 2020, an increase of 0.05 million acre-feet or 2%. Water allocation began at 75% in July 2019 and was decreased to 15% in January 2020. This significant entitlement reduction was primarily due to decreasing snowpack water content and warmer temperatures.

During fiscal year 2020, water levels at the SWP reservoirs began at or above their historical averages. While weather is very unpredictable, the Department is hopeful that upcoming storms in the next fiscal year will continue to build up snowpack water content in Northern California.

Requests for Information

This financial report is designed to provide a general overview of the System's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief, Enterprise Accounting Branch, 1416 Ninth Street Room 816, Sacramento, CA 95814.

FINANCIAL STATEMENTS

Statements of Net Position

(amounts in thousands)

	June 30, 2020	June 30, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 780,498	$ 708,971
Receivables:		
Interest on investments	3,238	5,037
Water supply and power billings, net	82,861	147,624
Due from federal and state governments, net	63,857	207,380
Due from others	-	7,664
Inventories	4,893	4,893
Total current assets	935,347	1,081,569
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents restricted for plant replacements	35,783	37,779
Cash and investments restricted for debt service	140,622	142,380
Cash and cash equivalents on deposit with revenue bond trustee	34,454	34,354
Total restricted assets	210,859	214,513
Amounts recoverable through future billings under long-term water supply contracts:		
Operations and maintenance expense	1,102,099	1,014,786
Unamortized project costs	184,727	184,727
Unbilled interest incurred on capital costs	225,664	267,071
Total amounts recoverable through future billings	1,512,490	1,466,584
Loans receivable from local water agencies	9,337	10,105
Advances to other state funds	158,355	96,048
Utility plant:		
Nondepreciable utility plant	322,093	300,865
Depreciable utility plant	5,938,956	5,418,274
Less accumulated depreciation/amortization	(2,379,296)	(2,276,510)
Net utility plant in service	3,881,753	3,442,629
Construction work in progress	1,931,664	2,078,333
Total utility plant	5,813,417	5,520,962
Total noncurrent assets	7,704,458	7,308,212
Total assets	8,639,805	8,389,781
Deferred outflows of resources		
Deferral of loss on refunding	128,978	138,932
Deferral of resources related to pensions	128,134	133,035
Deferral of resources related to OPEB	52,094	24,634
Total deferred outflows of resources	309,206	296,601
Total assets and deferred outflows of resources	$ 8,949,011	$ 8,686,382

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

Statements of Net Position (continued) (amounts in thousands)

	June 30, 2020	June 30, 2019
Liabilities		
Current liabilities:		
Current maturities of bonds	$ 176,370	$ 164,440
Accounts payable	207,040	172,753
Accrued compensated absences	16,873	16,578
Pollution remediation	9,611	10,358
SB 84 Loan	10,508	12,554
Accrued interest on long-term debt	11,223	15,329
Due to other state funds	93,183	50,821
Proceeds due to water contractors	282,893	289,335
Total current liabilities	807,701	732,168
Noncurrent liabilities:		
General obligation bonds, net of current portion	2,090	10,685
Revenue bonds, net of current portion	2,877,693	3,075,542
Commercial paper	920,107	689,984
Net pension liability	558,713	527,333
Net OPEB liability	805,535	771,286
SB 84 Loan	46,963	48,356
Claims liability	67,829	52,259
Accrued compensated absences, net of current portion	28,271	25,703
Pollution remediation, net of current portion	43,000	41,978
Unearned revenue - State and Federal capital recovery	15,875	16,468
Advances for plant replacements	38,186	39,271
Total noncurrent liabilities	5,404,262	5,298,865
Total liabilities	6,211,963	6,031,033
Deferred inflows of resources		
Operations and maintenance expense	3,387	1,731
Capital costs	1,244,549	1,104,215
Power sales credit due to Water Contractors	97,301	111,636
Deferral of resources related to pensions	35,478	40,444
Deferral of resources related to OPEB	219,441	230,974
Total deferred inflows of resources	1,600,156	1,489,000
Total liabilities and deferred inflows of resources	7,812,119	7,520,033
Net position:		
Net investment in capital assets	890,438	783,286
Restricted for:		
Debt service and plant replacements	210,859	214,513
SWP related activities	35,595	168,550
Total net position	1,136,892	1,166,349
Total liabilities, deferred inflows of resources, and net position	$ 8,949,011	$ 8,686,382

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

Statements of Revenues, Expenses, and Changes in Net Position
(amounts in thousands)

	Fiscal Year Ended June 30,	
	2020	**2019**
Operating revenues:		
Water supply	$ 1,040,036	$ 1,010,751
Power sales	49,435	96,308
Federal and State reimbursements	45,719	42,593
Total operating revenues	1,135,190	1,149,652
Operating expenses:		
Operations and maintenance	617,236	645,191
Purchased power	243,120	290,908
Depreciation and amortization	105,345	94,191
Operating expenses recovered, net	(139,779)	(151,926)
Total operating expenses	825,922	878,364
Income from operations	309,268	271,288
Nonoperating revenue (expenses):		
Capital revenues recovered (deferred), net	(221,600)	(334,870)
Interest expense	(110,158)	(116,481)
Investment income	19,811	22,482
Other revenues (expenses), net	(26,778)	129,892
Total nonoperating revenues (expenses)	(338,725)	(298,977)
Change in net position	(29,457)	(27,689)
Net position, beginning of year	1,166,349	1,194,038
Net position, end of year	$ 1,136,892	$ 1,166,349

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

Statements of Cash Flows *(amounts in thousands)*

	Fiscal Year Ended June 30, 2020	2019
Cash flows from operating activities:		
Receipts from customers	$ 1,349,148	$ 1,092,325
Payments to employees for services	(425,649)	(392,703)
Payments to suppliers	(378,525)	(478,709)
Other receipts (payments)	(26,836)	129,892
Net cash provided by operating activities	518,138	350,805
Cash flows from capital and related financing activities:		
Proceeds from issuance of revenue obligation bonds including premium	-	405,805
Principal payments on long-term debt	(164,440)	(155,375)
Commercial paper notes issued	390,527	585,075
Principal payments on commercial paper notes	(160,404)	(475,763)
Interest payments on long-term debt	(140,583)	(89,223)
Additions to utility plant and construction work in progress	(397,801)	(649,078)
Net cash used by capital and related financing activities	(472,701)	(378,559)
Cash flows from investing activities:		
Cash received from investment earnings	21,500	21,034
Proceeds of investments matured	152,265	252,618
Purchases of investments	(152,059)	(252,772)
Loan payments from local water agencies	769	819
Net cash provided by investing activities	22,475	21,699
Net increase (decrease) in cash and cash equivalents	67,912	(6,055)
Cash and cash equivalents, beginning of year	872,624	878,679
Cash and cash equivalents, end of year	$ 940,536	$ 872,624
Noncash capital and related financing activities:		
Amortization of bond premium/discount	$ 30,074	$ 27,287
Amortization of deferred loss on refunding	9,964	(10,302)
Principal retirements of long-term debt on proceeds received from issuance of Series AZ and Series AX & AY Water System Revenue Bonds for 2020 and 2019, respectively	-	109,080
Noncash capital and related financing activities:	$ 40,038	$ 126,065

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

Statements of Cash Flows (continued) (amounts in thousands)

	Fiscal Year Ended June 30,	
	2020	**2019**
Reconciliation to the statement of net position:		
Cash and cash equivalents	$ 780,498	$ 708,971
Restricted assets:		
Cash and cash equivalents restricted for plant replacements	35,783	37,779
Cash and cash equivalents restricted for debt service (net of $50,821 and $50,860 of U.S. Agency securities for 2020 and 2019, respectively)	89,801	91,520
Cash and cash equivalents on deposit with revenue bond trustee	34,454	34,354
Cash and cash equivalents	$ 940,536	$ 872,624

	2020	**2019**
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	$ 309,268	$ 271,288
Adjustment to reconcile income from operations to net cash provided by operating activities		
Depreciation expense	105,345	94,191
Other receipts	(26,836)	129,892
Other non current liabilities	11,439	72,646
(Increase) decrease in deferred charges and credits, net	(157,884)	18,369
Changes in assets and liabilities:		
(Increase) decrease in receivables	86,172	(45,123)
Decrease in inventories	-	545
(Increase) decrease in due from federal government	129,777	(166,769)
Increase (decrease) in accounts payable, accrued vacation, and pollution remediation	(4,311)	41,395
Increase (decrease) in pension & OPEB	34,249	(141,626)
Increase (decrease)in due to other state funds	37,361	(2,238)
Increase (decrease) in proceeds due to Water Contractors	(6,442)	78,235
Total adjustments	208,870	79,517
Net cash provided by operating activities	$ 518,138	$ 350,805

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

NOTES TO FINANCIAL STATEMENTS

1. Reporting Entity

The State Water Resources Development System (System), administered by the Department of Water Resources (DWR), includes the State Water Project (SWP), the Davis-Grunsky Act Program, and the San Joaquin Drainage Implementation Program. It was constructed as the result of initial legislation in 1951 and subsequent legislation in the 1960s providing various financing mechanisms. The funds of the System are a part of the primary government of the State of California and are reported as a proprietary fund and business-type activity (non-governmental cost funds) within the State of California's financial statements. The SWP is a system of dams, water storage facilities, aqueducts, pumping stations and electric generation facilities, which have been constructed for purposes of developing firm water supply and conveying water to areas of need within the State and providing flood control, recreation, fish and wildlife enhancement, and hydroelectric power. The System has entered into Water Supply Contracts with 29 customers (Water Contractors) in order to recover substantially all System costs. The 29 Water Contractors are principally located in the San Francisco Bay Area, the Central Coast, the Central Valley and Southern California and their service areas encompass approximately 25% of the State's land area and, approximately 69% of its population and 8% of the United States' entire population, including Puerto Rico.

The operations of the System are separate and distinct from other operations of the State of California. The accompanying financial statements only reflect the activity of the System and do not purport to, and do not, present fairly, the financial position of the State of California and the changes in its financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America. The System is accounted for as an enterprise fund comprised of two segments, the Burns-Porter Act and the Central Valley Project Act, and is financed and operated in a manner similar to that of a private business enterprise. The System uses the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

2. Summary of Significant Accounting Policies

DWR is a department within the California Natural Resources Agency of the State, and is responsible for the planning, construction, and operation of the System's SWP. The System's operating revenues include water supply, power sales, and Federal and State Reimbursements. Under the Water Supply Contracts, the Water Contractors are required to pay to the System amounts calculated and billed as operating revenues, thus returning to the System substantially all annual operating costs. These operating expenses are comprised of the costs of sales and services, depreciation and amortization of capital assets, power and transmission costs, and administrative expenses.

Revenues from the Water Contractors pledged to the payment of debt, and net investment income are related to capital and financing activities and are defined as non-operating revenues and expenses.

Utility Plant

Utility plant is recorded at historical cost. Historical cost includes labor, materials, and indirect items such as engineering, supervision, transportation, and interest on borrowed funds incurred during construction. Repairs, maintenance, and minor purchases of equipment are expensed as incurred.

Notes to Financial Statements (in thousands)

Depreciation

Depreciation is provided on a straight-line basis over the estimated useful lives of the various classes of utility plant, as follows:

Various Classes of Utility Plant	Estimated Useful Lives
Aqueducts	80 - 100 years
Dams and reservoirs	85 years
Environmental preservation and mitigation	50 years
Power plants	30 - 50 years
Pumping plants	30 - 40 years
Fish protection	35 - 36 years
Facilities	20 - 30 years
Equipment, computers, and vehicles	3 - 5 years
General	1 - 20 years

The System's intangible assets, consisting of software, land use and legal rights, costs associated with the Federal Energy Regulatory Commission (FERC) licenses, and compliance instruments are included in Utility Plant in Service (UPIS). Software costs are amortized on a straight-line basis over a five to ten-year useful life. Easements are land use rights and considered as either permanent or temporary. Permanent easements have an indefinite useful life and are non-depreciable while temporary easements are being amortized over a five-year useful life, unless otherwise specified in the purchase agreement.

A central element of California's Global Warming Solutions Act (AB 32) requires the System to obtain and surrender emission credits and allowances. Currently, these compliance instruments consist of Green House Gas (GHG) emission allowances for the System's share of compliance cost for the Lodi Energy Center (LEC). Since the economic benefit is not diminished until the credits are consumed, they will not be amortized. The credits will be included in UPIS and charged to expense as they are surrendered.

Cash and Cash Equivalents

Cash and cash equivalents, for purposes of the statement of cash flows, includes cash on hand, restricted cash for plant replacements, restricted cash for debt service, and restricted cash on deposit with revenue bond trustee. Such amounts include deposits in the State of California Pooled Money Investment Account (PMIA), Surplus Money Investment Fund (SMIF), and instruments with original maturities of three months or less. Cash and cash equivalents do not include U.S. Government and Agency securities with original maturities of more than three months.

Restricted Cash and Investments

Cash and cash equivalents on deposit with revenue bond trustee consists of debt service reserve funds held with a major national bank for the Series 1973 Devil Canyon – Castaic Facilities bonds and amounts held for Reid Gardner Unit 4 contingencies under the termination agreement.

Cash and cash equivalents with the State Treasurer for plant replacements and debt service are restricted as required by the provisions of the Water Supply Contracts and bond resolutions. Restricted funds consist of investments of the same type as those described below.

Cash and Investments

Cash not required for current use, including restricted cash, is invested in SMIF, which is stated at fair value. The weighted average to maturity of PMIA investments was 191 days as of June 30, 2020 and 173 days as of June 30, 2019. The State's total amount of deposits in SMIF was $55.7 billion as of June 30, 2020 and $43.2 billion as of June 30, 2019. The Pooled Money Investment Board (PMIB) has oversight responsibility for SMIF. The Board consists of three members as designated by state statute which shall consist of the State Controller, State Treasurer and Director of Finance. The value of the pool shares in SMIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the System's portion of the pool. PMIA funds are on deposit with the State's Centralized Treasury System and are not SEC-registered, but are managed in compliance with the California Government Code and State policy.

The State's Investment Policy for the PMIA, which is managed by the State Treasurer's Office, sets forth the permitted investment vehicles, liquidity parameters and maximum maturity of investments. These investments consist of U.S. government securities, securities of federally-sponsored agencies, U.S. corporate bonds, interest bearing time deposits in California banks, prime-rated commercial paper, bankers' acceptances, negotiable certificates of deposit, repurchase and reverse repurchase agreements. The PMIA policy limits the use of reverse repurchase agreements subject to limits of no more than 10% of PMIA. The PMIA does not invest in leveraged products or inverse floating rate securities.

The System is authorized by statute to invest in the same types of investment vehicles permitted by the State's Centralized Treasury System. U.S. Treasury and agency debt securities are carried at fair value. Because investing is not a core part of the System's mission, the Systems determines that the disclosure related to these investments only need to be disaggregated by major type. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, and it is determined from published data (quoted prices) provided by the exchanges, computerized pricing sources, the National Association of Securities Dealers' National Market System, securities custodians and other authoritative sources. Investments made by the System during the year ended June 30, 2020 are of a similar nature as those held at June 30, 2019.

Advances to Other State Funds

Advances to Other State Funds represent the System's advances to DWR's internal service fund that functions as a revolving working capital account for the System. The other Advances to Other State Funds represent the System's advances to the Department of General Services to fund the Rio Vista Science Center, a joint venture between DWR and the United States Fish and Wildlife Services, and to fund the Joint Operations Center.

Receivables

Receivables include amounts due from Water Contractors, organizations that purchase power from the System, Federal and State governments, accrued interest from financial institutions, and other miscellaneous customers.

Inventories

The System carries two types of inventories, operating supplies and fuel. The method of accounting used for operating supplies is first-in, first-out inventory valuation. Fuel station tanks are located throughout the System, and fuel inventory is accounted for using the moving average cost method. Components of inventories at June 30, 2020 and 2019 were as follows:

Notes to Financial Statements (in thousands)

Inventories		
	2020	2019
Operating supplies	$ 4,629	$ 4,608
Fuel	264	285
Total	$ 4,893	$ 4,893

Amounts Recoverable Through Future Billings

The System records unbilled costs as assets recoverable through future billings under the Water Supply Contracts. These costs include operations and maintenance costs and capital costs.

Unamortized project costs represent abandoned utility plant costs and certain research and development expenses that are recoverable through future billings to the Water Contractors under the terms of the Water Supply Contracts.

Unbilled interest incurred on unrecovered capital costs are classified as other long-term assets until billed under the terms of the Water Supply Contracts. Unbilled interest incurred represents the System's unrecovered interest since inception, recalculated annually at the System's cumulative weighted average cost of borrowing (Project Interest Rate). The System's Project Interest Rate was 4.61% for the years ended June 30, 2020 and 2019.

Regulated Operations

The System has the authority to establish the level of rates necessary to recover generally all System costs, including debt service. As a regulated entity, the System's financial statements are prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB). The System is considered to be a Regulated Operation pursuant to GASB Statement No. 62, which requires that the effects of the rate-making process are recorded in the financial statements. Accordingly, certain expenses and credits, normally reflected in the change in net position, as incurred, are recognized when included in rates and recovered from or refunded to customers, the state, and the federal government. The System records various regulatory assets and credits to reflect rate-making actions of management.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an expense/expenditure until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as revenue until that time.

<u>Deferred Outflows of Resources</u>

Deferral of loss on refunding represents the difference between the reacquisition price and the net carrying amount of the refunded debt. The unamortized balance of deferred loss on refunding was $129 million as of June 30, 2020 and $138.9 million as of June 30, 2019. The $9.9 million decrease is due to the scheduled annual amortization expense.

The System's allocated share of the deferred outflows of resources related to pensions was $128.1 million and $133 million as of June 30, 2020 and 2019, respectively. See Note 8 for additional information.

The System's allocated share of the deferred outflows of resources related to OPEB was $52.1 million and $24.6 million as of June 30, 2020 and 2019, respectively. See Note 9 for additional information.

Deferred Inflows of Resources

Deferred operations and maintenance expenses represent operations and maintenance revenues collected in excess of operations and maintenance expenses incurred resulting from specific terms of the Water Supply Contracts and timing differences. The System had an ending balance of $3.4 million and $1.7 million in deferred inflows of operations and maintenance expenses as of June 30, 2020 and 2019, respectively.

Since the capital component of revenue allows for the recovery of capital costs plus interest related to the construction of the System's facilities, these revenues are presented as deferred inflows of resources. As these facilities are depreciated over time, the deferred capital costs are recovered. The System had an ending balance of $1,244.5 million and $1,104.2 million in deferred inflows of capital costs as of June 30, 2020 and 2019, respectively.

The power sales credit due to Water Contractors arises from revenue collected for the power generated by the Hyatt-Thermalito Power Plant (HTPP). The power sales credit is amortized over time by a credit issued to the Water Contractors through the Delta Water Charge. The power sales credit decreased by $14.3 million to an ending balance of $97.3 million in fiscal 2020 compared to $111.6 million in fiscal 2019.

The System's allocated share of the deferred inflows of resources related to pensions was $35.5 million and $40.4 million as of June 30, 2020 and 2019, respectively. See Note 8 for additional information.

The System's allocated share of the deferred inflows of resources related to OPEB was $219.4 million and $231 million as of June 30, 2020 and 2019. See Note 9 for additional information.

Unearned Revenue – State and Federal Capital Recovery

Unearned revenue represents reimbursement payments made by the State and Federal governments for their share of the System's capital costs in excess of the related depreciation expense recognized in the statements of revenues, expenses, and changes in net position.

Advances for Plant Replacements

Advances for plant replacements represent billings under the terms of the Water Supply Contracts for future replacement of certain System assets. Receipts from such billings are restricted. Costs of plant replacements are charged to this reserve, as incurred.

Bond Issuance Discounts and Premiums

Bond issuance discounts and premiums are reflected as a reduction/increase to the carrying value of the bonds outstanding and are amortized over the lives of the related debt instruments.

Net Position

The System classifies its net position into two components: net investment in capital assets and restricted.

Net investment in capital assets includes utility plant in service, net of accumulated depreciation, construction work in progress, unamortized project costs, less debt related to capital assets, unearned revenue, and other assets and liabilities related to the recovery of utility plant. Net investment in capital assets were $890.4 million and $783.3 million at June 30, 2020 and 2019, respectively.

The restricted component of net position is for debt service and plant replacements, and State Water Project (SWP) related activities. Net position restricted for debt service represents reserves held by the System as required by its bond resolutions. Net position restricted for plant replacements represents reserves held by the System for future replacement of certain System's Assets. Net position restricted for SWP related activities represents the requirements of legislation that created the System and authorized the construction of the SWP, to use the System's net position solely in support of the SWP, the Davis-Grunsky Act Program, and the San Joaquin Drainage Implementation Program. Restricted net position totaled $246.5 million and $383.1 million at June 30, 2020 and 2019, respectively.

Revenues

The cost of providing services from the System is required to be recovered through user charges and other reimbursements. Under the terms of the Water Supply Contracts, the System granted the Water Contractors rate management reductions of approximately $40.5 million for the years ended June 30, 2020 and 2019. Rate management reductions are reductions in capital related billings to the Water Contractors.

Revenues under the Water Supply Contracts are recognized when billings are due and payable. The billings cover debt service requirements, an additional 25% of revenue bond debt service to satisfy certain bond covenants, current operations and maintenance costs, and under collections. The Water Supply Contracts provide that the 25% portion of the billings collected for the purpose of satisfying certain bond covenants be refunded in the subsequent year. These billings, which totaled $63.2 million and $58.9 million for the years ended June 30, 2020 and 2019, respectively, are included as Proceeds Due to Water Contractors as presented in the Supplementary Information Debt Service Coverage. The Water Contractors received bond cover refunds of $58.9 million and $56.3 million in the fiscal years 2020 and 2019, respectively.

Revenues from the sale of surplus power are recognized as the power is delivered.

The Federal government reimburses the System for certain operating and capital costs incurred by the System for flood control purposes. In addition, the Federal government reimburses the System for the Federal government's 39.90% share of the operating costs and 45% share of the capital costs of the San Luis joint use facilities and other water facilities. The State of California also reimburses the System for certain operating and capital costs incurred by the System for facilities located within the SWP. Revenue from the State and Federal government in excess of their share of the related depreciation expense is deferred until the related depreciation expense is recognized.

Compensated Absences

Compensated absences represent employees' vested unpaid vacation, annual leave, and other similar paid leave programs which are eligible for payment upon separation from state service. Unused sick-leave balances are not included in the compensated absences as they do not vest to employees.

Pensions

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 System's portion of the California Public Employees' Retirement System (CalPERS) pension plan and additions to or deductions from the plan's 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.

Other Postemployment Benefit (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 System's portion of the CalPERS OPEB plan and additions to or deductions from the plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Segments

The System has two segments, which are defined under governmental accounting standards, as an identifiable activity for which one or more revenue bonds or other revenue-backed debt instruments are outstanding:

1) Activities Allowed Under the Burns-Porter Act – This segment accounts for the costs to build, operate, and maintain the facilities financed by General Obligation (GO) bonds as authorized by the Burns-Porter Act. Transportation and conservation revenues from the Water Contractors are recorded in this segment as well as power sales and reimbursements from Federal and State governments and interest on investments. Expenses are limited to operations and maintenance of the SWP constructed with GO bond proceeds, power purchases, replacements, and debt service on the GO bonds.

2) Activities Allowed Under the Central Valley Project Act – This segment accounts for the costs to build, operate, and maintain the facilities financed by the Central Valley Project Water System revenue bonds. Capital and operating revenues from the Water Contractors for projects financed by revenue bond proceeds are recorded in this segment, as well as commercial paper sales, reimbursements from Federal and State governments for the San Luis Dam and Reservoir, Suisun Marsh, recreation costs, and interest on investments. Expenses are limited to the construction and operation of SWP facilities constructed with revenue bond proceeds and power facilities and debt service payments on the revenue bonds.

Reclassifications

Certain amounts presented in the prior years may have been reclassified in order to conform to the current year's presentation.

Notes to Financial Statements (in thousands)

Compliance and Accountability

Per the System's continuing disclosure certificates and continuing disclosure agreement, the System has an obligation to meet specific continuing disclosures. The System's annual report and notices of material events must be filed by the System with the Municipal Securities Rulemaking Board (the MSRB) within 270 days after the System's fiscal year end. The System had filed the annual report for fiscal 2020 on the date hereof, but the annual report did not include financial statements as required per the continuing disclosure certificates and continuing disclosure agreement. The System will file its 2020 financial statements promptly on the MSRB website upon its completion.

3. Interests in Jointly Owned Facilities

At June 30, 2020 and 2019, the System owned the following undivided interests in jointly-owned facilities:

Interests in Joint-Use Facilities

	Joint Party	% Owned by System	System's Portion Based on % Owned: Utility Plant/Construction Work in Progress 2020	Utility Plant/Construction Work in Progress 2019	Accum Depreciation 2020	Accum Depreciation 2019
San Luis Joint-Use Facilities	USBR	55%	$ 350,530	$ 298,126	$ 73,079	$ 64,782
SWP Hydropower Facilities License	LADWP	50%	$ 5,663	$ 4,696	$ -	$ -

The amounts above include the System's share of direct costs related to constructing the facilities. Each participant provides its own financing for the jointly-owned facility.

DWR is the operator of the San Luis Joint-Use Facilities. All of the operating expenses related to these facilities are included as operating expenses in the statement of revenues, expenses, and changes in net position. The Federal government is billed for its share of the operating expenses and these billings are included as operating revenues in the statement of revenues, expenses, and changes in net position.

Notes to Financial Statements (in thousands)

4. Utility Plant

The summarized activity of the System's utility plant during 2020 is presented below:

Utility Plant June 30, 2020

	Beginning Balance	Transfers and Additions	Transfers and Deletions	Ending Balance
Nondepreciable Utility Plant:				
Land	$ 188,965	$ 20,200	$ -	$ 209,165
Construction work in progress (CWIP)	2,078,333	365,939	(512,608)	1,931,664
Land use rights	12,460	5	-	12,465
Other intangible assets	99,440	1,618	(595)	100,463
Total nondepreciable utility plant	2,379,198	387,762	(513,203)	2,253,757
Depreciable Utility Plant:				
Aqueducts	2,182,663	12,597	-	2,195,260
Dams & reservoirs	818,899	178,544	-	997,443
Power plants	650,730	98,515	-	749,245
Pumping plants	1,025,608	-	(26,604)	999,004
Environmental preservation and mitigation	67,797	-	-	67,797
Fish protection	35,544	4,695	-	40,239
Facilities	304,796	185,530	-	490,326
Equipment and other depreciable assets	82,698	10,640	(2,600)	90,738
Computer software	27,349	34	-	27,383
Land use rights	272	-	-	272
Other intangible assets	12,005	-	-	12,005
General	209,913	59,331	-	269,244
Total depreciable utility plant	5,418,274	549,886	(29,204)	5,938,956
Less: accumulated depreciation and amortization				
Aqueducts	(665,869)	(25,005)	-	(690,874)
Dams & reservoirs	(399,877)	(10,312)	-	(410,189)
Power plants	(329,045)	(12,195)	-	(341,240)
Pumping plants	(627,856)	(15,583)	-	(643,439)
Environmental preservation and mitigation	(39,112)	(1,366)	-	(40,478)
Fish protection	(32,004)	(794)	-	(32,798)
Facilities	(49,327)	(12,055)	-	(61,382)
Equipment and other depreciable assets	(63,772)	(8,297)	2,559	(69,510)
Computer software	(25,784)	(619)	-	(26,403)
Land use rights	(272)	-	-	(272)
Other intangible assets	(7,207)	(1,199)	-	(8,406)
General	(36,385)	(17,920)	-	(54,305)
Total accumulated depreciation and amortization	(2,276,510)	(105,345)	2,559	(2,379,296)
Net depreciable plant	3,141,764	444,541	(26,645)	3,559,660
Total Utility Plant - net	$ 5,520,962	$ 832,303	$ (539,848)	$ 5,813,417

Notes to Financial Statements (in thousands)

The summarized activity of the System's utility plant during 2019 is presented below:

Utility Plant June 30, 2019

	Beginning Balance (As restated)	Transfers and Additions	Transfers and Deletions	Ending Balance
Nondepreciable Utility Plant:				
Land	$ 162,457	$ 26,508	$ -	$ 188,965
Construction work in progress (CWIP)	1,653,005	611,125	(185,797)	2,078,333
Land use rights	12,458	2	-	12,460
Other intangible assets	98,981	3,934	(3,475)	99,440
Total nondepreciable utility plant	1,926,901	641,569	(189,272)	2,379,198
Depreciable Utility Plant:				
Aqueducts	2,183,839	646	(1,822)	2,182,663
Dams & reservoirs	817,041	36	1,822	818,899
Power plants	523,529	127,201	-	650,730
Pumping plants	1,018,627	6,981	-	1,025,608
Environmental preservation and mitigation	67,797	-	-	67,797
Fish protection	35,544	-	-	35,544
Facilities	301,157	3,639	-	304,796
Equipment and other depreciable assets	75,214	10,662	(3,178)	82,698
Computer software	27,206	143	-	27,349
Land use rights	272	-	-	272
Other intangible assets	12,005	-	-	12,005
General	162,619	47,294	-	209,913
Total depreciable utility plant	5,224,850	196,602	(3,178)	5,418,274
Less: accumulated depreciation and amortization				
Aqueducts	(640,883)	(24,986)	-	(665,869)
Dams & reservoirs	(389,695)	(10,182)	-	(399,877)
Power plants	(317,132)	(11,913)	-	(329,045)
Pumping plants	(612,498)	(15,358)	-	(627,856)
Environmental preservation and mitigation	(37,746)	(1,366)	-	(39,112)
Fish protection	(31,275)	(729)	-	(32,004)
Facilities	(39,296)	(10,031)	-	(49,327)
Equipment and other depreciable assets	(59,731)	(7,216)	3,175	(63,772)
Computer software	(25,177)	(607)	-	(25,784)
Land use rights	(272)	-	-	(272)
Other intangible assets	(6,008)	(1,199)	-	(7,207)
General	(25,781)	(10,604)	-	(36,385)
Total accumulated depreciation and amortization	(2,185,494)	(94,191)	3,175	(2,276,510)
Net depreciable plant	3,039,356	102,411	(3)	3,141,764
Total Utility Plant - net	$ 4,966,257	$ 743,980	$ (189,275)	$ 5,520,962

Notes to Financial Statements (in thousands)

5. Investments

The System maintains cash deposits with the State's Surplus Money Investment Fund (SMIF), which is part of the Pooled Money Investment Account (PMIA). The State Treasurer manages the PMIA in accordance with various provisions of the California Water Code and the State's investment policies. The State Treasurer also acts as trustee for the System's revenue bonds, and manages the System's investments. Investment of the System's funds is administered in accordance with California Government Code, State's policies, and applicable provisions of the Central Valley Project Act bond resolutions.

The System follows GASB Statement No. 40, *Deposit and Investment Risk Disclosures.* This statement requires the disclosure of five types of risks: interest, credit, custodial, concentration, and foreign currency. Additional disclosures required by GASB No. 40 for cash deposits and investments within the State's centralized treasury system can be found in the State of California's Comprehensive Annual Financial Report.

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles (GAAP) and in accordance with GASB Statement No. 72. 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; and Level 3 inputs are significant unobservable inputs. Deposits and withdrawals are made on the basis of $1 and not fair value. Accordingly, the System's proportionate share of investments in the State Treasury at June 30, 2020 and 2019 of $906.1 million and $838.3 million, respectively, is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

The following is a summary of the System's cash and investments by percentage of total, their related credit ratings and by fair value measurement as of June 30, 2020:

Cash and Investments at June 30, 2020

			Maturities				Fair Value Measurement
	% of Total	Credit Rating (S&P)	Under 30 Days	31-180 Days	181-365 Days	6/30/2020	Using Quoted Prices in Active Markets for Identical Assets (Level1)
Investments by fair value level:							
US Treasury Notes	5%	AA+	$ -	$ 50,821	$ -	$ 50,821	$ 50,821
Total Investments by fair value level			$ -	$ 50,821	$ -	$ 50,821	$ 50,821
Investments not subject to fair value level:							
Surplus Money Investment Fund	91%	Not rated	-	-	906,082	906,082	
Cash and Investments held outside State Treasury:							
Money Market Funds	4%	AAA	34,454	-	-	34,454	
Total cash and investments			$ 34,454	$ 50,821	$ 906,082	$ 991,357	

Notes to Financial Statements (in thousands)

The following is a summary of the System's cash and investments by percentage of total, their related credit ratings and by fair value measurement as of June 30, 2019:

Cash and Investments at June 30, 2019							
			Maturities				Fair Value Measurement
	% of Total	Credit Rating (S&P)	Under 30 Days	31-180 Days	181-365 Days	6/30/2019	Using Quoted Prices in Active Markets for Identical Assets (Level1)
Investments by fair value level:							
Federal Home Loan Bank	6%	AA+	$ -	$ 50,860	$ -	$ 50,860	$ 50,860
Total Investments by fair value level			$ -	$ 50,860	$ -	$ 50,860	$ 50,860
Investments not subject to fair value level:							
Surplus Money Investment Fund	90%	Not rated	-	-	838,270	838,270	
Cash and Investments held outside State Treasury:							
Money Market Funds	4%	AAA	34,354	-	-	34,354	
Total cash and investments			$ 34,354	$ 50,860	$ 838,270	$ 923,484	

Interest Rate Risk: Interest rate risk is the risk that the value of fixed income securities will decline because of rising interest rates. The prices of fixed income securities with a longer time to maturity, measured by weighted average to maturity, tend to be more sensitive to changes in interest rates than those with a shorter duration. As of June 30, 2020 and 2019, the weighted average maturity of the investments contained in SMIF is approximately 191 days and 173 days, respectively.

Custodial Credit Risk: For deposits, custodial credit risk is 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 does 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. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Credit Risk: Credit risk is the risk that a debt issuer will fail to 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. PMIA funds are on deposit with the State's Centralized Treasury System and are managed in compliance with the California Government Code, according to a statement of investment policy discussed in Note 2. The PMIA is not rated.

Notes to Financial Statements (in thousands)

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an investor's holdings in a single issuer. The investment policy of the State Treasurer's Office contains no limitations on the amount that can be invested in any one issuer beyond those limitations stipulated in the California Government Code. As of June 30, 2020 and 2019, the System had investments contained in SMIF totaling 91% for both fiscal years. The System's PMIA investments totaled $906,082 and $838,270 for the fiscal years ended June 30, 2020 and 2019, respectively. Investments outside the State's Centralized Treasury System totaled $85,275 and $85,214 for the fiscal years ended June 30, 2020 and 2019, respectively.

Interest on deposits in PMIA varies with the rate of return of the underlying portfolio and averaged 1.934%, and 2.266% for the years ended June 30, 2020 and 2019, respectively. For the years ended June 30, 2020 and 2019, interest earned on the deposits with PMIA approximated $16.4 million and $18.8 million, respectively. Interest earned is included in the investment income line item on the statement of revenues, expenses, and changes in net position.

The U.S. Federal Agency Securities of $50.8 million and $50.9 million at June 30, 2020 and 2019, respectively, are valued using quoted market prices (Level 1 input). Income is comprised of interest, dividends, realized gains and losses, and unrealized gains and losses due to changes in the fair value of investments held at year-end.

6. Long-Term Debt

The following is a summary of changes in long-term debt for the years ended June 30, 2020 and 2019:

Long-Term Debt

	Revenue Bonds				General Obligation Bonds	Commercial Paper	SB 84 Loan	Total Long Term Debt
	Par Amount	Unamortized Discount	Unamortized Premium	Total Revenue Bonds	Par Amount	Par Amount	Loan Amount	
Balance at June 30, 2018	$ 2,507,860	$ (6)	$ 361,153	$ 2,869,007	$ 54,065	$ 580,672	$ 60,910	$ 3,564,654
Additions	514,885	-	104,452	619,337	-	585,075	-	1,204,412
Retirements	(109,080)	-	(313)	(109,393)	-	(475,763)	-	(585,156)
Amortization	-	1	(26,975)	(26,974)	-	-	-	(26,974)
Payments	(129,400)	-	-	(129,400)	(25,975)	-	-	(155,375)
Balance at June 30, 2019	2,784,265	(5)	438,317	3,222,577	28,090	689,984	60,910	4,001,561
Additions	-	-	-	-	-	390,527	-	390,527
Retirements	-	-	(28)	(28)	-	(160,404)	-	(160,432)
Amortization	-	1	(30,047)	(30,046)	-	-	-	(30,046)
Payments	(147,035)	-	-	(147,035)	(17,405)	-	(3,439)	(167,879)
Balance at June 30, 2020	2,637,230	(4)	408,242	3,045,468	10,685	920,107	57,471	4,033,731
Less current portion	(167,775)	-	-	(167,775)	(8,595)	-	(10,508)	(186,878)
Total Long-term Debt	$ 2,469,455	$ (4)	$ 408,242	$ 2,877,693	$ 2,090	$ 920,107	$ 46,963	$ 3,846,853

General Obligation Bonds

The Burns-Porter Act authorized the issuance of State Water Resources Development System (SWRDS) General Obligations (GO) Bonds in the amount of $1,750 million for construction of the System. This amount included $130 million to be set aside for financial assistance to local water agencies as provided in the Davis-Grunsky Act. The Burns-Porter Act also made a continuing appropriation of the California Water Fund, a fund unrelated to the System, to supplement the bond authorization. To the extent California Water Fund money was used for construction of the State water facilities in lieu of bond proceeds, an equal amount of bond authorization was set aside to be used only for the construction of additional facilities of the System that met certain requirements set forth in the Burns-Porter Act.

Under the Burns-Porter Act, revenues of the System, other than revenues attributable to facilities financed with Water System Revenue Bonds, are deposited in the California Water Resources Development Bond Fund and are to be used annually only for the following purposes and in the following order of priority:

1) To pay the maintenance, operation and replacement costs of the System,
2) To pay, or reimburse the General Fund of the State for, the principal of and interest on the SWRDS GO Bonds issued for the System as it becomes due,
3) To reimburse the California Water Fund for funds utilized from said fund for construction of the System (complete reimbursement has been made), and
4) To pay additional costs of the acquisition and construction of the System.

All such revenues are pledged for these uses and purposes for the benefit of the owners of the SWRDS GO Bonds.

As of June 30, 2020, the amount of the revenues pledged to repay the Burns-Porter Act SWRDS GO Bonds debt service is $11.3 million with payments through 2025. Principal and interest paid for the current year was $18.8 million and Burns-Porter Act water supply operating revenues were $763.2 million. As of June 30, 2019, the amount of the revenues pledged to repay the Burns-Porter Act SWRDS GO Bonds debt service was $30.1 million with payments through 2025. The prior amount stated as of June 30, 2019 for the revenues pledged to repay the Burns-Porter Act SWRDS GO Bonds debt service reflected only the principal amount of $28.1 million and excluded the interest portion of $2 million for payments through 2025. Principal and interest paid for 2019 was $28.4 million and Burns-Porter Act SWRDS water supply operating revenues were $764.4 million.

SWRDS GO Bonds of $168 million are authorized but un-issued as of June 30, 2020 and 2019, and may only be used for additional facilities, meeting certain requirements of the Burns-Porter Act.

Outstanding SWRDS GO Bonds include Series Q through Series S, which may be called at any time for early redemption. SWRDS GO Bonds Series X and Y do not have early redemption provisions.

Notes to Financial Statements (in thousands)

SWRDS GO Bonds consist of the following at June 30, 2020:

General Obligation Bonds

Fiscal Year of Issue	Series	Original Par Amount	Fixed Rates	Fiscal Year of Final Maturity	Amounts Outstanding 2020	Amounts Outstanding 2019
1970	N	$ 100,000	5.0%	2020	$ -	$ 4,500
1970	P	100,000	5.0%	2020	-	4,500
1971	Q	100,000	4.8%	2021	4,500	8,900
1971	R	50,000	4.8%	2021	2,250	4,450
1972	S	40,000	5.3%	2022	3,560	5,280
1994	X	2,000	4.8%	2024	200	250
1995	Y	1,400	7.0-7.1%	2025	175	210
Total General Obligation bond debt outstanding at par					10,685	28,090
Less current portion					(8,595)	(17,405)
Total Long-term General Obligation bond debt outstanding					$ 2,090	$ 10,685

Revenue Bonds

The Water System Revenue Bonds have been issued for the acquisition or construction of projects to provide water and power for the SWP. Under the statute pursuant to which Water System Revenue Bonds are issued, principal and interest on the bonds are secured by and payable solely from revenues attributable to the facilities financed by the bonds. These are primarily payments under the Water Supply Contracts between the System and Water Contractors.

As of June 30, 2020, the amount of the revenues pledged to repay the Water System Revenue Bonds debt service is $3,563.8 million with payments through fiscal 2036. Principal and interest paid for the current year was $270.4 million and CVP water supply operating revenues were $276.8 million. As of June 30, 2019, the amount of the revenues pledged to repay the Water System Revenue Bonds debt service were $3,838.4 million with payments through 2036. Principal and interest paid for the previous year was $242.5 million and CVP water supply operating revenues were $246.3 million.

The System's outstanding Water System Revenue Bonds contain a provision that in an event of default, and if after given a period of 60 days written notice by the Trustee, and the event of default continues, then the Trustee or the bondholders with at least 25 percent in the principal amount of outstanding Bonds are entitled to declare the outstanding amounts due immediately.

On April 24, 2019, the System issued tax-exempt, fixed-rate CVP Water System Revenue Bond, Series BA, with a par amount of $299.6 million and a premium of $70.3 million. This was achieved through a competitive sale to redeem $346 million of outstanding commercial paper notes. Bond proceeds were also used to pay the costs of issuance and fund both capitalized interest and the reserve account. The final maturity of the Series BA bonds will be 2035.

On October 18, 2018, the System issued tax-exempt, fixed rate CVP Water System Revenue Bond, Series AZ with a par amount of $215.3 million and a premium of $34.2 million. This was achieved through a negotiated sale to redeem $129.7 million of outstanding commercial paper notes and to current refund Series AF and AY. The System achieved an economic gain of $2.5 million, representing 2.26% savings of the refunded bonds. The final maturity of the Series AZ bonds will be 2035.

The System is subject to certain bond covenants, the most restrictive of which requires that the revenues in each year shall be at least equal to 1.25 times the debt service payable from revenues on all bonds outstanding in such year, plus operating costs, and the required funding of the debt service reserve account. The bonds are limited special obligations of the System; neither the principal nor any interest thereon constitutes a debt of the State. Certain bonds are redeemable prior to maturity at a redemption price of 100%.

Notes to Financial Statements (in thousands)

Water System Revenue Bonds consist of the following at June 30, 2020:

CVP Revenue Bonds

Fiscal Year of Issue	Series	Original Par Amount	Fixed Rates	Fiscal Year of Final Maturity	Fiscal Year of First Call Date	Amounts Outstanding 2020	Amounts Outstanding 2019
Devil Canyon-Castaic Facilities:							
1973	A&B	$ 139,165	5.3%	2023	1983	$ 24,720	$ 32,045
CVP Water System:							
1999	V	20,580	6.3%	2025	None	18,050	18,050
2010	AG	169,115	4.0%	2020	None	-	400
2011	AH	97,675	4.5-5.0%	2023	2021	12,570	15,600
2012	AI	92,275	5.0%	2026	2022	19,070	32,625
2012	AJ	216,930	4.0-5.0%	2030	2022	55,325	62,270
2012	AK	36,370	4.0-5.0%	2030	2022	7,880	8,815
2013	AL	105,875	5.0%	2030	2023	38,495	51,265
2013	AM	183,960	5.0%	2026	2023	104,555	124,570
2013	AN	49,525	5.0%	2030	2023	9,650	12,895
2013	AP	45,340	3.0-4.0%	2036	2023	11,090	12,700
2013	AQ	120,205	4.0-5.0%	2036	2023	40,600	42,580
2014	AR	161,445	4.0-5.0%	2036	2024	72,710	78,870
2015	AS	645,795	4.0-5.0%	2033	2025	606,540	627,380
2015	AT	149,245	Variable	2036	2022	149,245	149,245
2016	AU	109,275	Variable	2036	2020	109,275	109,275
2016	AV	106,530	4.0-5.0%	2036	2026	98,650	102,685
2017	AW	428,130	4.0-5.0%	2036	2027	411,930	424,975
2018	AX	350,670	5.0%	2036	2028	303,450	326,190
2018	AY	140,825	2.2-3.1%	2030	2018	35,325	36,945
2019	AZ	215,295	3.0-5.0%	2036	2029	208,510	215,295
2019	BA	299,590	5.0%	2036	2029	299,590	299,590
Total CVP Water System Revenue Bonds						2,612,510	2,752,220
Total revenue bond debt outstanding at par						2,637,230	2,784,265
Unamortized bond issuance premiums						408,242	438,317
Unamortized bond issuance discounts						(4)	(5)
Less current portion						(167,775)	(147,035)
Total long-term bond debt outstanding						$ 2,877,693	$ 3,075,542

Notes to Financial Statements (in thousands)

Future Debt Service Requirements

Future principal and interest payment requirements on the bonds are as follows at June 30, 2020:

Future Debt Service Requirements

	Revenue Bonds			General Obligation Bonds			All Bonds
Year	Principal	Interest*	Total	Principal	Interest	Total	Total
2021	$ 167,775	$ 119,405	$ 287,180	$ 8,595	$ 527	$ 9,122	$ 296,302
2022	171,645	111,297	282,942	1,885	109	1,994	284,936
2023	179,225	102,662	281,887	85	10	95	281,982
2024	167,315	93,426	260,741	85	5	90	260,831
2025	172,830	85,514	258,344	35	1	36	258,380
2026-2030	880,920	298,715	1,179,635	-	-	-	1,179,635
2031-2035	732,645	112,294	844,939	-	-	-	844,939
2036	164,875	3,306	168,181	-	-	-	168,181
	$ 2,637,230	$ 926,619	$ 3,563,849	$ 10,685	$ 652	$ 11,337	$ 3,575,186

*Includes variable rate bonds for Series AT and Series AU, which bear interest at a weekly rate. An assumed rate of 3.0% for Series AT and 2.85% for Series AU was used to project the variable portion of interest payments in this table. The interest rate still in effect was determined at issuance date using the Securities Industry and Financial Markets association (SIFMA) Swap 10 year average Index, plus an applicable basis point spread. The variable rate for the bonds as of June 30, 2020 was 0.50% for Series AT and 0.35% for Series AU.

SB 84 Loan

On July 10, 2017, the California Senate Bill 84 was enacted, an act to amend Sections 16475 and 16480.6 of, and to add Section 20825 to, the Government Code, relating to state employees' retirement. This bill would require the State Controller's Office (SCO) to transfer up to $6 billion from the Surplus Money Investment Fund and other funds in the Pooled Money Investment Account to the General Fund as a cash loan, the proceeds of which would supplement the state's employer contributions for the fiscal year 2018-2019. This bill would also require that repayment of the loan principal and the payment of interest be made from the General Fund and other funds and accounts that are required by law to fund the state's employer contribution to the Public Employees' Retirement Fund. The loan is to be fully repaid by June 30, 2030. The amount allocated to the System was $60.9 million and a payment of $3.4 million was made during fiscal year 2020. Future principal and interest payment requirements on the loan are as follows as of June 30, 2020:

Future Debt Service Requirements

	SB 84 Loan		
Year	Principal	Interest	Total
2021	$ 10,508	$ 761	$ 11,269
2022	9,486	1,783	11,269
2023	9,832	1,437	11,269
2024	10,232	1,037	11,269
2025	10,637	632	11,269
2026	6,776	2,204	8,980
	$ 57,471	$ 7,854	$ 65,325

Commercial Paper Notes

In March 1993, the System launched its commercial paper (CP) program to pay for Water System Capital costs relating to State Water System Projects. Pursuant to the original Resolution No. DWR-CP-1, adopted as of March 1, 1993, the Department authorized the issuance of CP Notes Series 1 in an aggregate amount not to exceed $150 million, limited to $139.7 million in principal and $10.3 million of accrued interest. To provide liquidity for the program, the Department entered into two separate credit agreements with two commercial banks on May 3, 2017. Pursuant to Resolution No. DWR-CP-5, adopted on May 1, 2017, the Department authorized the increase of the issuance of CP Notes Series 1 (Series 1) in an amount not to exceed $300 million in principal and $22.2 million in accrued interest. On the same date, pursuant to Resolution DWR-CP-Series 2-1, the Department authorized the issuance of new CP Notes Series 2 (Series 2), with a limit not to exceed $500 million in principal and $37 million in accrued interest. On February 1, 2018, pursuant to Resolution No. DWR-CP-Series 2-2, the Department authorized an additional increase of the issuance of Series 2 in an amount not to exceed $800 million in principal and $59.2 million in accrued interest. On October 18, 2018, pursuant to Resolution No. DWR-CP-6, the Department authorized an additional increase of the issuance of Series 1 in an amount not to exceed $600 million in principal and $44.4 million in accrued interest, to expand its total CP capacity to $1.4 billion in principal and $103.6 million in accrued interest. Proceeds of the Series 1 Notes are expected to be used to provide funds for the construction of certain Water System Projects, including a portion of the costs of the Oroville Dam Spillway Recovery and Restoration Projects. The Series 2 program was established to pay for cost relating to the Oroville Dam Spillway Recovery and Restoration Project.

The Department has two revolving credit agreements with two commercial banks supporting its $1.4 billion CP program. The Series 1 is supported by Bank of America, N.A (Bank of America) and the Series 2 by Wells Fargo Bank, National Association (Wells Fargo). The Series 1 expires on October 15, 2021 and Series 2 on February 25, 2021, but both can be extended for up to three years upon written request and approval of the banks. Both agreements require quarterly commitment fee payments on the first business day of each July, October, January and April. As of June 30, 2020, there were no borrowings with the banks under the current revolving credit agreements.

The Series 1 program, which was originally supported by a $150 million credit agreement with Bank of Montreal, was scheduled to expire on October 24, 2017, but was terminated early on May 4, 2017. Under the prior credit agreement, Bank of Montreal was obligated to provide $150 million, with principal limited to $139.7 million and $10.3 million of accrued interest. There were no borrowings with Bank of Montreal under this revolving credit agreement before it was terminated. Under the current credit agreement with Bank of America, which became effective on October 18, 2018, Bank of America is obligated to provide up to $600 million in principal at any one time and $44.4 million of accrued interest. For sizing purposes, accrued interest is calculated at 10% per annum for 270 days on a maximum principal commitment of $600 million.

The Series 2 is supported by a credit agreement with Wells Fargo. Under the original agreement dated May 4, 2017, Wells Fargo was obligated to provide up to $500 million in principal at any one time and up to $37 million of accrued interest. Under the current agreement dated February 26, 2018, Wells Fargo is obligated to provide up to $800 million of principal at any one time and $59.2 million of accrued interest. For sizing purposes, accrued interest is calculated at 10% per annum for 270 days on a maximum principal commitment of $800 million.

The System's outstanding CP Series 1 and Series 2 contain certain provisions that under certain events of default, the credit agreements supported by Bank of America and Wells Fargo, respectively, will terminate and amounts outstanding become immediately due and payable.

As of June 30, 2020, the amount of CP notes outstanding was $513.9 million for the Series 1, and $406.2 million for the Series 2. As of June 30, 2019, the amount outstanding for the Series 1 was $129.2 million, and $560.7 million for the Series 2. The weighted average rate for interest expense for the Series 1 Notes approximated 1.02% for the year ended June 30, 2020 and 1.59% for the year ended June 30, 2019. The weighted average rate for interest expense for the Series 2 Notes approximated 0.98% for the year ended June 30, 2020 and 1.58% for the year ended June 30, 2019. The System expects a significant portion of the Series 2 Notes to be paid with proceeds from the federal government as reimbursement for costs relating to the Oroville Dam Spillway Recovery and Restoration Project. The Department received approximately $161.1 million in federal reimbursements in fiscal 2020 and $ 3.8 million in fiscal 2019. Any CP outstanding remaining after all reimbursements have been received will be refunded with Revenue Bonds.

Proceeds from the sale of CP notes are used to finance Water System Projects prior to permanent financing from the sale of Water System Revenue Bonds. Proceeds from the Series 2 Notes are restricted to be used to provide funds for costs related to the Oroville Dam Spillway Recovery and Restoration Project (Oroville) and proceeds from the Series 1 Notes are restricted to be used to provide funds for costs related to all Water System projects, including Oroville. The liability has been classified as long-term as it is the System's policy to redeem the Commercial Paper outstanding with the issuance of Water System Revenue Bonds. The System's obligation to make debt service payments on Commercial Paper Notes is subordinate to its payment obligations with respect to the Water System Revenue Bonds and SWRDS GO Bonds.

The Water Supply Contracts, in their original form, provide for two charges to the Water Contractors: (a) a Delta Water Charge and (b) a Transportation Charge. These charges are computed to return to the State the costs of the facilities necessary to deliver water to the Water Contractors, including capital costs (with interest) and operation and maintenance costs, and expressly including in the case of the facilities to be financed with commercial paper and the related Water System Revenue Bonds, debt service and 1.25 debt service coverage requirements to be satisfied from revenues.

7. Bond Refundings and Defeasances

During the current fiscal year, the System did not issue any CVP Water System Revenue Bonds to refund portions of previous issuances. In fiscal 2019, the System issued tax-exempt CVP Water Systems Revenue Bonds Series AZ with an average yield of 2.59% to refund portions of Series AF and Series AY. Bond proceeds were used to refund bonds with a par amount of $109.1 million. In prior years, the Systems has defeased various bond issuances by depositing bonds proceeds in escrows and creating irrevocable trusts. The net proceeds from these refundings were used to purchase U.S. Treasury Securities, such as State and Local Government Series (SLGS) to meet the requirements of the refunded debt. Those securities were deposited in irrevocable escrow trust accounts with the State Treasurer acting as escrow 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 the System's basic financial statements. At June 30, 2020 and 2019, outstanding Water System

Revenue Bonds held in escrow trust accounts of $336.6 million and $504.5 million, respectively, are considered defeased.

In addition to GASB Statement No. 86, the System is required to disclose any remaining balance of previously defeased bonds that were defeased using its own existing resources. As of June 30, 2020, and 2019, the outstanding balance of bonds that were defeased using the System's own existing resources was $18.6 million and $20.4 million, respectively. The cash deposited to the escrow was invested in U.S. Treasury Securities – SLGS to comply with yield restrictions and arbitrage rebate provisions of the Internal Revenue Code. SLGS are direct obligations of the U.S. Government and are considered essentially risk-free.

On October 18, 2018, the Series AZ refunding was undertaken to take advantage of lower interest rates. This transaction resulted in cash flow savings of $3.05 million and economic gains (difference between the present values of the debt service payments on the old debt and new debt) of $2.47 million, or 2.26% of the refunded bonds. The refunding resulted in a difference between the book value of the old debt and the amount required to retire the debt of $146 thousand. This difference is considered a deferred gain on the refunding and is being amortized over the original remaining life of the old debt or the life of the new debt, whichever is less, using the straight-line method.

Amortization of all deferred refunding costs was approximately $9.9 million in fiscal 2020 and $10.3 million in fiscal 2019.

8. Retirement Plan

The State is a member of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer defined benefit pension plan. As an enterprise fund, the System is required under GASB 68 to report results pertaining to liability and asset information as of specific dates and within certain time frames. For this report, the following time frames apply:

- Valuation Date — June 30, 2018
- Measurement Date — June 30, 2019
- Measurement Period — July 1, 2018 to June 30, 2019

Plan Description

As a participant in the State of California's defined benefit pension plan, the System reports an allocated share of the total net pension liability reported by the State. Departments and agencies within the State of California, including the System, are in a cost-sharing arrangement in which all risks and costs are shared proportionately by participating State agencies. The System, for the most part has all its employees enrolled in the State Miscellaneous Plan. CalPERS functions as a common investment and administrative agent for participating public agencies within the State of California using the accrual basis of accounting. All state agencies are considered collectively to be a single employer, and the actuarial present value of vested and non-vested accumulated plan benefits attributable to the System's employees is determined as the System's percentage of the State as a single employer. Fiduciary net position available for benefits of the System's employees are also determined as the System's percentage of the State.

CalPERS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for CalPERS. CalPERS also issues the GASB 68 Accounting Valuation Report. Copies of these reports may be obtained by logging onto the CalPERS website at www.calpers.ca.gov.

Notes to Financial Statements (in thousands)

Benefits Provided and Employees Covered

CalPERS provides retirement benefits, survivor benefits, and death and disability benefits based upon employee's years of credited service, age, and final compensation. Vesting occurs after five years of credited service except for second tier benefits, which require ten years of credited service. Most employees who retire at or after age 50 with five or more years of service are entitled to a retirement benefit. New members with service credit beginning on or after January 1, 2013 must be at least age 52. Benefits are payable monthly for the remainder of their lives. Health care and dental benefits, described in Note 9, may be provided to members depending on the date hired and the years of credited service of a member. Several survivor benefit options that reduce a retiree's unmodified benefit are available. Benefit provisions and all other requirements are established by State statute.

Contributions

The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. 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 the 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of the plan members or employees. These rates reflect PERL Section 20683.2, which mandates that certain employees contribute more as of July 1, 2013. Furthermore, any reduction in employer contributions due to the increase in the employee contributions must be paid by the employer toward the unfunded liability. The System's total employer contributions were $69.6 million and $63.1 million for the fiscal years ended June 30, 2020 and 2019, respectively.

The following table shows the average active employee and the employer contribution rates for the State Miscellaneous and State Industrial plans applicable to the System as a percentage of annual pay for the measurement period ended June 30, 2019 and 2018:

Contribution Rates

	Measurement Dates			
	June 30, 2019		June 30, 2018	
	State Miscellaneous	State Industrial	State Miscellaneous	State Industrial
Average active employee rate	6.901%	7.969%	6.766%	7.890%
Employer rate of annual payroll	29.370%	20.431%	28.401%	20.408%
Total	36.271%	28.400%	35.167%	28.298%

Actuarial Methods and Assumptions

The net pension liability at June 30, 2020 and 2019 was measured as of June 30, 2019 and 2018, respectively, by rolling forward the total pension liability using an annual actuarial valuation as of June 30, 2018 and 2017, respectively.

Notes to Financial Statements (in thousands)

The total pension liabilities for the measurement dates of June 30, 2019 and 2018 were based on the following actuarial methods and assumptions:

Actuarial Methods and Assumptions		
Actuarial Cost Method:	Entry Age Normal in accordance with the requirements of GASB Statement No. 68	
Actuarial Assumptions:		
	Discount Rate	7.15% in 2019 and in 2018
	Inflation	2.50% in 2019 and in 2018
	Salary Increases	Varies by Entry Age and Service
	Investment Rate of Return:	7.15% in 2019 and in 2018, net of pension plan investment expense, but without reduction for administrative expenses; includes inflation
	Mortality Rate Table	Derived using CalPers' Membership Data for all Funds
	Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% in 2019 and contract COLA up to 2.00 in 2018, until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter in 2019 and 2018

The mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using the Society of Actuaries 90% of Scale MP 2016. For more details on this table, please refer to the 2017 CalPERS Experience Study and Review of Actuarial Assumptions report (Experience Study).

All other actuarial assumptions used in the June 30, 2018 and 2017 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 may be accessed on the CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2019 and 2018 measurement dates 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 of the Plans, the assets were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected discount rate of 7.15% at June 30, 2019 and 2018 measurement dates, was applied to all plans in the Public Employees Retirement Fund. CalPERS' approach for the cash flow projections are presented in the GASB 67 and 68 Crossover Testing Report, which may be obtained from the CalPERS' website.

The long-term expected rate of return on pension plan investments of 7.15% 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 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 fund's 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.

Notes to Financial Statements (in thousands)

The following table reflects expected real rate of return by asset class.

Long-Term Expected Rate of Return by Asset Class

Asset Class	Current Target Allocation	Real Return Year 1-10 [1]	Real Return Years 11+ [2]
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%
	100.0%		

[1] An expected inflation rate of 2.00% used for this period

[2] An expected inflation rate of 2.92% used for this period

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

The following presents the net pension liability of the System's proportionate share of the Plan as of the June 30, 2019 and 2018 measurement dates, calculated using the discount rate of 7.15% for both years, 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%) or 1 percentage-point higher (8.15%) than the current rate:

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

	Measurement Dates 2019	Measurement Dates 2018
Discount Rate -1%	6.15%	6.15%
Net Pension Liability	$ 796,105	$ 755,996
Current Discount Rate	7.15%	7.15%
Net Pension Liability	$ 558,713	$ 527,333
Discount Rate +1%	8.15%	8.15%
Net Pension Liability	$ 359,855	$ 335,709

Notes to Financial Statements (in thousands)

Pension Plans Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report and the State of California financial report.

Pension Liabilities, Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of June 30, 2020, and 2019, the System reported a net pension liability of $558.7 million and $527.3 million, respectively, for its proportionate share.

The net pension liability at June 30, 2020 and 2019 was measured as of June 30, 2019 and 2018, respectively, by rolling forward the total pension liability using an annual actuarial valuation as of June 30, 2018 and 2017, respectively. The System's proportion of the net pension liability was based on the System's pensionable compensation relative to the pensionable compensation of the State Miscellaneous plan members, as calculated by the State Controller's Office (SCO). The System's proportionate share of the net pension liability as of June 30, 2019 and 2018 was 1.6611% and 1.6786%, respectively.

For the year ended June 30, 2020 and 2019, the System recognized pension expense of $100.9 million and $83.8 million, respectively. At June 30, 2020 and 2019, the System has deferred outflows and deferred inflows of resources related to pensions as follows:

Deferred Outflows of Resources and Deferred Inflows of Resources

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
System contribution subsequent to the measurement date	$ 69,557	$ -	$ 63,075	$ -
Changes in proportion	5,722	(17,990)	11,287	(19,286)
Changes of assumptions	23,536	(11,720)	47,568	(17,484)
Differences between expected and actual experience	29,319	(1,607)	5,657	(3,674)
Net differences between projected and actual earnings on pension plan investments	-	(4,161)	5,448	-
Total	$ 128,134	$ (35,478)	$ 133,035	$ (40,444)

The System reported $69.6 million and $63.1 million as deferred outflows of resources related to contributions subsequent to the measurement date of June 30, 2019 and 2018, respectively, will be/was recognized as a reduction of the net pension liability in the fiscal years ended June 30, 2021 and 2020, respectively. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows:

Notes to Financial Statements (in thousands)

Amortization of Deferred Outflows/(Inflows)

Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2021	$ 27,696
2022	(7,595)
2023	1,718
2024	1,279
Total	$ 23,099

9. Postemployment Benefits Other Than Pensions

Plan Description and Benefits Provided

As a participant in the State of California's defined benefit other postemployment benefits plan, the System reports an allocated share of the total net OPEB liability reported by the State. Departments and agencies within the State, including the System, are in a cost-sharing arrangement in which all risks and costs are shared proportionately by participating State agencies. The State of California provides medical benefits to retired state employees and dependents through the California Public Employees' Retirement System (CalPERS) under the Public Employees' Medical and Hospital Care Act, and dental benefits under the State Employees' Dental Care Act. The State, and certain bargaining units and judicial employees (valuation groups) have agreed to prefund retiree healthcare benefits. Assets are held in separate accounts by valuation group within the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer defined benefit other postemployment benefits plan administered by CalPERS. Assets within each valuation group benefit retirees and dependents associated with that valuation group. CalPERS issues a publicly available annual comprehensive financial report that includes financial statements for its CERBT Fund. Copies of these reports may be obtained by visiting the CalPERS website at www.calpers.ca.gov.

To be eligible for these benefits, employees must retire after attaining certain age and length of service requirements. In accordance with the California Government Code, the State generally pays 100% of the health insurance premium cost for retirees, plus 90% of the additional premium required for dependents. The State generally pays all or a portion of the dental insurance premium cost for retirees, depending upon the completed years of credited state service at retirement and the coverage selected by the retiree.

As a participant in the State of California's defined benefit other postemployment plan, the System reports an allocated share of the total net OPEB liability reported by the State.

Contributions

The contribution requirements of plan members and the State are established and may be amended by the Legislature, and can be subject to collective bargaining. The State funds the cost of providing health and dental insurance to retirees primarily on a "pay-as-you-go" basis, with a modest amount of prefunding for members of certain bargaining units, and other funded plans. The System's allocated share of the contribution was $27.3 million and $23.9 million for fiscal years ended June 30, 2020 and 2019, respectively.

Notes to Financial Statements (in thousands)

Actuarial Methods and Assumptions

The net OPEB liability at June 30, 2020 and 2019 was measured as of June 30, 2019 and 2018, respectively, by rolling forward the total OPEB liability using an actuarial valuation as of June 30, 2019 and 2018, respectively.

The total OPEB liability for the measurement dates of June 30, 2019 and 2018 were based on the following actuarial methods and assumptions:

Actuarial Methods and Assumptions			
Actuarial Cost Method:	Entry age normal in accordance with the requirements of GASB Statement No. 75		
Actuarial Assumptions:			
	Discount Rate	Blended rate for each valuation group, consisting of 6.75% in 2019 and 7.00% in 2018, when assets are available to pay benefits, otherwise 20-year Municipal G.O. Bond AA Index rate of 3.13% in 2019 and 3.62% in 2018	
	Inflation	2.25% in 2019 and 2.5% in 2018	
	Salary Increases	Varies by entry age and service	
	Investment Rate of Return	6.75% in 2019 and 7.00% in 2018, net of OPEB plan investment expenses but without reduction for OPEB plan administrative expenses	
	Healthcare Cost Trend Rates	2019 valuation: Pre-Medicare coverage: Actual rates for 2020, increasing to 7.50% in 2021, then decreasing 0.50% per year to an ultimate rate of 4.5% for 2027 through 2036, then to 4.25% for 2037 and later years Post-Medicare coverage: Actual rates for 2020, increasing to 7.50% for 2021 then decreasing 0.50% per year to an ultimate rate of 4.50% for 2027 through 2036, then to 4.25% for 2037 and later years Dental coverage: 0.01% in 2020 and 4.50% for 2021 through 2036, then 4.25% thereafter	2018 valuation: Pre-Medicare coverage: Actual rates for 2019, increasing to 7.50% in 2020, then decreasing 0.50% per year to an ultimate rate of 4.50% for 2026 and later years Post-Medicare coverage: Actual rates for 2019, increasing to 8.0% for 2020 then decreasing 0.50% per year to an ultimate rate of 4.50% for 2027 and later years Dental coverage: 0.26% in 2019 and 4.50% thereafter
	Mortality Rate Table	Derived using CalPERS' membership data for all members	

The mortality table used was developed based on CalPERS’ specific data. The table includes 15 years of mortality improvements using the Society of Actuaries 90% Scale MP 2016. For more details on this table, refer to the 2017 CalPERS Experience Study and Review of Actuarial Assumptions report (Experience Study) for the period from 1997 to 2015. Other demographic assumptions used in the June 30, 2019 and 2018 valuations were also based on the results of the Experience Study, including updates to termination, disability, and retirement rates. The Experience Study report can be obtained from CalPERS’ website, at www.calpers.ca.gov.

Healthcare related assumptions such as plan participation, aging factors, adjustments for disabled members, and adjustments for children of current retirees and survivors are based on the State of California Retiree Health Benefits Program 2018 Experience Review performed by Gabriel, Roeder, Smith and Company (GRS) for the period from 2014 to 2018. Other healthcare assumptions such as member healthcare plan selection, coverage and continuance, select and ultimate healthcare cost trend rates, and per capita claim costs and expenses, are based on the most current information available. The GRS 2018 Experience Review is available at www.sco.ca.gov.

Discount Rate

The discount rate used to measure the total OPEB liability was based on a blended rate for each valuation group. The blended rate used to measure the June 30, 2019 and 2018 total OPEB liability consists of the 20-year Municipal G.O. Bond AA Index rate of 3.13% as of June 30, 2019 and 3.62% as of June 30, 2018, as reported by Fidelity Index, when prefunding assets are not available to pay benefits, and 6.75% and 7.00% at June 30, 2019 and 2018 measurement dates, respectively, when prefunding assets are available to pay benefits. The cash flow projections used to calculate the blended discount rates were developed assuming that prefunding agreements in which actuarially determined normal costs are shared between employees and the State will continue and that the required contributions will be made on time and as scheduled in future years. The prefunding agreements are subject to collective bargaining and legislative approval. Detailed information on the blended discount rates by valuation group is available in the State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2019 and 2018, on the State Controller's Office website, at www.SCO.ca.gov.

Notes to Financial Statements (in thousands)

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. Expected compound (geometric) real returns were calculated over a closed period. Based on separate expected real returns for the short-term (first 10 years) and the long-term (11-40 years), and an average inflation assumption of 2.25% and 2.50% at June 30, 2019 and 2018 measurement dates, respectively, a single expected nominal return rate of 6.75% and 7.00% at June 30, 2019 and 2018 measurement dates, respectively, was calculated for the combined short-term and long-term periods. If applied to expected cash flows during that period, the resulting present value of benefits is expected to be consistent with the present value of benefits that would be determined by applying the short and long-term expected rates to the same cash flows.

The following table reflects the long-term expected real rate of return by asset class:

Long-Term Expected Rate of Return by Asset Class

	Current Target Allocation		Real Return Year 1-10		Real Return Years 11+	
	Mesurement Dates					
Asset Class	2019	2018	2019 [1]	2018 [2]	2019 [3]	2018 [4]
Global Equity	59.0%	59.0%	4.80%	4.80%	5.98%	5.98%
Global Fixed Income	25.0%	25.0%	1.10%	1.10%	2.62%	2.62%
Treasury Inflation-Protected Securities	5.0%	5.0%	0.25%	25.00%	1.46%	1.46%
Real Estate Investment Trust	8.0%	8.0%	3.50%	3.50%	5.00%	5.00%
Commodities	3.0%	3.0%	1.50%	1.50%	2.87%	2.87%
	100.0%	100.0%				

[1] An expected inflation of 1.75% used for this period

[2] An expected inflation of 2.67% used for this period

[3] An expected inflation of 2.00% used for this period

[4] An expected inflation of 2.92% used for this period

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

The following presents the net OPEB liability of the System's proportionate share of the Plan as of the June 30, 2019 and 2018 measurement date, calculated using a blended discount rate that is one percentage point lower or one percentage point higher than the current rate:

Notes to Financial Statements (in thousands)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate		
	Measurement Dates	
Net OPEB Liablility	2019	2018
Blended Discount Rate -1%	$ 946,562	$ 904,585
Current Blended Discount Rate	805,535	771,286
Blended Discount Rate +1%	692,658	664,462

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

The following presents the net OPEB liability of the System's proportionate share of the 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 period ended June 30, 2019 and 2018:

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates		
	Measurement Dates	
Net OPEB Liability	2019	2018
Healthcare Cost Trend Rates -1%	$ 685,566	$ 676,894
Current Healthcare Cost Trend Rates	805,535	771,286
Healthcare Cost Trend Rates +1%	958,417	890,940

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued California Employer's Retiree Benefit Trust (CERBT) Fund financial reports.

OPEB Liabilities, OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

As of June 30, 2020 and 2019, the System reported a net OPEB liability of $805.5 million and $771.3 million, respectively, for its proportionate share.

For the measurement period ended June 30, 2019 and 2018, the net OPEB liability was measured by rolling forward the total OPEB liability using an actuarial valuation as of June 30, 2019 and 2018, respectively. The System's proportion of the net OPEB liability was based on the System's pay-as-you-go relative to the pay-as-you-go of all the valuation groups plan members, as calculated by the State Controller's Office. The System's proportionate share of the net OPEB liability as of June 30, 2019 and 2018 was 0.8763% and 0.9011%, respectively.

Notes to Financial Statements (in thousands)

For the years ended June 30, 2020 and 2019, the System recognized OPEB expense of $22.5 million and $28.2 million, respectively. At June 30, 2020 and 2019, the System has deferred outflows and deferred inflows of resources related to OPEB as follows:

Deferred Outflows of Resources and Deferred Inflows of Resources

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
System contribution subsequent to the measurement date	$ 27,272	$ -	$ 23,948	$ -
Net differences between actual and expected contributions	153	(1,608)	195	(2,010)
Differences in PAY GO contributions	-	-	491	(334)
Changes in proportion	-	(94,848)	-	(87,994)
Changes of assumptions	23,821	(65,852)	-	(84,565)
Differences between expected and actual experience	848	(57,039)	-	(56,009)
Net differences between projected and actual earnings on OPEB plan investments	-	(94)	-	(62)
Total	$ 52,094	$ (219,441)	$ 24,634	$ (230,974)

The System reported $27.3 million and $23.9 million as deferred outflows of resources related to contributions subsequent to the measurement date of June 30, 2019 and 2018, respectively, will be/was recognized as a reduction of the net OPEB liability in the fiscal years ended June 30, 2021 and 2020, respectively. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as expense as follows:

Amortization of Deferred Outflows/(Inflows)

Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2021	$ (21,382)
2022	(25,215)
2023	(36,614)
2024	(34,237)
2025	(35,055)
Thereafter	(42,117)
Total	$ (194,619)

Notes to Financial Statements (in thousands)

10. Commitments and Contingencies

Commitments

Construction

The System has entered into long-term construction contract commitments for the State Water Project facilities. The remaining value of contracts in process as of June 30, 2020 and 2019, were approximately $18.2 million and $75.5 million, respectively.

Power Transmission and Purchases

The System enters into contracts to purchase power as well as transmission service contracts to transmit power. Additionally, the System has expanded the power purchase portfolio to include solar energy and is exploring other potential renewable energies.

The System has long-term transmission service contracts with anticipated future payments of approximately $84.9 million over periods ranging from one to 22 years. Payments made under these contracts approximated $5.3 million for both years ended June 30, 2020 and 2019.

The System has long-term power purchase contracts with anticipated future payments of approximately $704 million, which includes operation and maintenance expense, over periods ranging from one to 47 years. The remaining amounts of fixed obligations under the long-term power contracts as of June 30, 2020, are as follows:

Fixed Obligations			
Year	Transmission	Power	Total
2021	$ 5,191	$ 45,709	$ 50,900
2022	5,191	43,753	48,944
2023	5,191	38,646	43,837
2024	5,191	38,646	43,837
2025	4,992	38,646	43,638
2026-2067	59,094	498,158	557,252
Total	$ 84,850	$ 703,558	$ 788,408

The System has a contract with the Kings River Conservation District (the District) which provides the System all power generated by the Pine Flat Power Plant Project (the Project). Under the contract, which expires in 2037, the System is obligated to pay fixed amounts each year to cover the debt service on bonds issued by the District to build the Project, operations and maintenance expenses, and a charge for power supplied. Debt service payments are to be made until all of the bonds issued by the District to finance the Project have been retired in fiscal 2019. As of June 30, 2019, all bonds have been fully redeemed. Payments to the District totaled approximately $13.7 million and $14.2 million during the years ended June 30, 2019, and 2018, respectively.

DWR entered into a Power Agreement with the Northern California Power Agency (NCPA) and other project participants in fiscal 2014 to participate in the Lodi Energy Center Project (LEC Project). The terms of the agreement provide that DWR pay for 33.5% of the construction and operating costs in exchange for receiving 33.5% of the power output of the

Notes to Financial Statements (in thousands)

LEC Project on a long-term basis. Participation in the LEC Project assists DWR in meeting SWP energy requirements, including the replacement of a portion of the energy previously provided by the Reid Gardner Project. NCPA issued revenue bonds for DWR's share of the costs to construct the power plant in Lodi, California in fiscal 2011. The Lodi Energy Center is one of the most efficient thermal-generating units in California, and will be economically dispatched before other older gas-fired units, resulting in power revenues that are sufficient to cover the operational costs and a portion of DWR's debt service on the bonds.

The amounts of the System's fixed obligations related to future principal and interest payments of the LEC Project's bonds as of June 30, 2019 are as follows:

LEC Bonds Fixed Obligations

Year	Total
2020	$ 9,209
2021	9,207
2022	9,209
2023	9,209
2024	9,211
2025-2029	46,038
2030-2034	46,039
2035	9,210
	$ 147,332

Market value information for certain power purchases, sales, and exchange contracts are disclosed at June 30, 2020 using forward market prices discounted at the prevailing risk-free interest rate. All purchase contracts were expired in fiscal 2019. The long-term energy purchase contracts involving energy delivered from Hoover Dam will expire in fiscal 2068; the Pine Flat Power Plants, Solar Star California XLIV and Solverde Solar energy purchase contracts will expire in fiscal 2037; Dominion Solar Holdings purchase contract will expire in fiscal 2035; and two purchase contracts with the Water Contractor, Metropolitan Water District of Southern California (Metropolitan), will expire in fiscal 2021 and 2023. An exchange agreement with the NCPA, operator of the Lodi Energy Center Project, commits DWR to purchase power on a long-term basis subject to the agreement, but has no explicit termination date.

Power purchase commitments extending beyond June 30, 2020 are as follows:

Energy Commitments 2020

	Number of Contracts	Total Capacity (MWh)	Value at June 30, 2020
Long-term energy purchases	8	461	(93,353)
Total			$ (93,353)

Notes to Financial Statements (in thousands)

Power purchase commitments extending beyond June 30, 2019 are as follows:

Energy Commitments 2019	Number of Contracts	Total Capacity (MWh)	Value at June 30, 2019
Long-term energy purchases	8	488	$ (181,940)
Total			$ (181,940)

Contingencies

Litigation and Claims

Monterey Amendment

In 1994, the System and certain Water Contractors adopted a set of principles pursuant to which additional amendments to the long-term water supply contracts have since been negotiated (Monterey Amendment). The Monterey Amendment includes provisions related to the transfer of land and related assets, known as the Kern Water Bank, to the Kern County Water Agency (KCWA) (one of the Water Contractors), the operation of certain System reservoirs, transfers of water allocations between Water Contractors, establishment of certain operating reserves, and the revision of calculating certain Water Contractor billings. The Monterey Amendment has been executed by the System and 27 of the 29 Water Contractors, who receive approximately 99% of water delivered annually and who pay approximately 99% of annual water supply revenues. Certain parties have disputed the Monterey Amendment by challenging the validity of the related Environmental Impact Report (EIR). While the courts have allowed the System to proceed with the implementation of the Monterey Amendment, the System was required to prepare a new EIR. The System completed the new Final EIR in February 2010 and filed its Notice of Determination in May 2010.

In June 2010, two Delta water agencies and several environmental organizations and individuals filed a lawsuit in Sacramento Superior Court challenging the System's California Environmental Quality Act (CEQA) compliance and the validity of the Monterey Amendment, including DWR's transfer of the Kern Fan Element to the KCWA. In July 2010, the same plaintiffs in the Sacramento Superior Court case filed a lawsuit in Kern County Superior Court challenging the transfer of the Kern Fan Element from KCWA to the Kern Water Bank Authority, a local joint powers agency which now has responsibility for the management of the Kern Fan Element and Kern Water Bank. In addition, in June 2010, two water districts in Kern County filed a separate lawsuit in Kern County Superior Court, primarily challenging the System's CEQA compliance with respect to the Kern Fan Element transfer from the System to KCWA. The two lawsuits filed in Kern County Superior Court were transferred to the Sacramento Superior Court. In December 2012, the System prevailed on its challenge to the plaintiffs' validation causes of action (including the validity of the Kern Fan Element transfer) on the grounds that they were not filed timely. This left only the plaintiffs' CEQA compliance challenge. After holding a hearing on the CEQA challenges in the remaining two cases, the trial court ruled that most of the EIR was adequate under CEQA, but that the EIR's discussion of impacts on continued use and operation of the Kern Water Bank was deficient.

In October 2014, the Court ordered the System, as the remedy for the deficiency, to provide additional environmental analysis on the impacts of the continued use and operation of the Kern Water Bank in a revised EIR and upon completion of the revised EIR, to determine whether to continue the use and operation of the Kern Water Bank by the Kern Water Bank Authority. The court limited its decision to the Kern Water Bank by ruling that only those portions of the revised EIR that are new or changed shall be subject to challenge under CEQA. In December 2014, one set of plaintiffs filed an appeal with the Court of Appeal regarding the trial court's final CEQA and validation decisions. In September 2016, the System issued the revised EIR in compliance with the trial court's decision. Shortly thereafter, one set of plaintiffs, as well as a new party, filed a new action challenging the revised EIR. The new action challenges the System's certification of the revised EIR and approval of the "Kern Water Bank Development and Continued Use and Operation" project. In October 2017, the trial court ruled in favor of the Department. In December 2017, the plaintiffs appealed that ruling. The appeal is pending. The System, however, does not believe that there will be any material adverse impact on the System's financial position or results from operations, even if these lawsuits are successful.

Other Claims by Water Contractors, Including Claims Concerning Charges for Recreation and Fish and Wildlife Enhancement

In accordance with the long-term water supply contracts, in December 2005, 27 Water Contractors and entities representing Water Contractors filed "Notices of Contest" with the System challenging the accuracy of various charges in the System's billings. One Water Contractor also filed a claim based on its Notice of Contest with the Victim Compensation and Government Claims Board. The System has been reviewing these Notices of Contest and investigating the items raised.

One item that has been determined to have merit, contested the System's practice of charging the Water Contractors for certain financing costs of the recreation and fish and wildlife enhancement portion of facilities financed with Water System Revenue Bonds. The System rectified the situation by restating past bills to provide appropriate credits back to the Water Contractors for the contested charges and taking other actions to pay for the costs of the recreation and fish and wildlife enhancement portion of System facilities with sources other than charges to the Water Contractors. Such actions included DWR entering into Tolling and Waiver Agreements in 2007 and 2008 with the 28 Contractors, which included certain waivers allowing DWR to resume issuing revenue bonds in May 2008. The Water Contractors that have signed the Tolling and Waiver Agreements have more than 99 per cent of the Table A amounts and make more than 99 percent of the annual Water Supply Contract payments.

In addition to waivers included in the 2007 and 2008 Tolling and Waiver Agreements, which helped to facilitate the resumption of the sale of System Revenue Bonds, the Tolling and Waiver Agreements, as amended, also tolls (i.e. suspends) until December 31, 2021 the running of the time period and statute of limitations for filing by the Water Contractors of (1) protests regarding the System's bills to the Water Contractors for the years 2007 through 2022, (2) claims arising from the System's revisions to prior year invoices that were made to adjust for improper charges to the Water Contractors for recreation and fish and wildlife enhancement costs, and (3) certain other specified claims. The Tolling and Waiver Agreements also tolled the running of the time period for bringing an action on the Victim Compensation and Government Claims Board claim regarding the 2006 invoice that was filed by one of the Water Contractors. In the meantime, the System and Water Contractors are continuing their efforts to resolve issues that are covered by the Tolling and Waiver

Agreements. One such issue was raised in an October 2019 letter the System received from the Metropolitan Water District of Southern California which asserted, among other items, that a provision in the Water Supply Contracts precludes the System from seeking reimbursement from the Water Contractors for their allocated share of claims and damages related to the control, carriage, handling, use, disposal or distribution of System water prior to the delivery of water to the Water Contractors. In the opinions of management and the System's legal counsel such allocated amounts have been properly included in past bills to the Water Contractors and will continue to be recoverable from the Water Contractors in the future under the long-term water supply contracts. However, no assurance can be given that the Water Contractors will not file additional Notices of Contest, claims and/or lawsuits with respect to the issues under discussion, or that the System's positions on the issues will prevail, once the Tolling and Waiver Agreements expire.

Federal Energy Regulatory Commission Proceedings

There are a number of proceedings pending before the Federal Energy Regulatory Commission (FERC) that may impact the cost of System operations. Some of these proceedings address requests from the California Independent System Operator (CAISO), investor-owned utilities, and others to increase or adjust rates or allocate responsibility for costs for transmission and other services provided to the System and other entities in California. The System is participating in these proceedings, since the outcome of these proceedings has the potential to increase the System's annual power costs. However, the System does not believe that any increased charges arising from these proceedings will materially impact the System's financial position or changes in financial position. Any increased charges will be passed through to the Water Contractors under the long-term water supply contracts in the form of higher operations charges.

2017 Oroville Dam Spillway Emergency and Feather River Flooding

Historical amounts of rainfall occurred in January and February 2017 causing widespread flooding throughout California, including in the Oroville and Feather River area. During the storms and rainfall, significant damage occurred to both the control spillway and emergency spillway at Oroville Dam. As a result, DWR operated the control spillway and Dam facilities to address this situation. In addition, because of a concern about the potential failure of the emergency spillway, the Butte County Sheriff issued an evacuation order for Oroville and the surrounding communities on February 12, 2017. The evacuation order was lifted on February 14, 2017. A number of claims and lawsuits have been filed as a result of these events.

Approximately 400 claims were filed with the Government Claims Program in the Department of General Services. This program was formerly a program within the Victims Compensation and Government Claims Board. Most of the claims were filed by individuals and businesses claiming damages resulting from their compliance with the February 12, 2017, Butte County Sheriff's evacuation order. The Government Claims Program rejected these claims, which required the claimants to file a lawsuit within six months of the rejection to pursue their claims in court.

Two separate class action lawsuits have been filed. The first is a class action on behalf of approximately 188,000 potential class members residing in areas along the Feather River, including Oroville, Marysville, and Yuba City. This suit alleges, among other things, that property values have decreased due to the proximity to the Oroville Dam and that other costs were incurred in complying with the emergency evacuation order. The other class action identifies three classes of plaintiffs: 1) the "Diminution Class," i.e., plaintiffs who allege diminution in property value; 2) the "Property Loss Class," i.e., plaintiffs who allege property loss; and 3) the "Business Loss Class," i.e., plaintiffs who allege lost business income. The coordination trial judge granted DWR's Motion to Defeat Class Certification. The plaintiffs in the first lawsuit filed an appeal. That appeal is pending. Plaintiffs in the second lawsuit did not appeal and are proceeding individually.

The City of Oroville and the County of Butte have each filed separate lawsuits seeking damages to reimburse each such public entity for costs and losses they claim they suffered as a result of the response and evacuation at Oroville. The lawsuit filed by the County of Butte has been settled.

Other lawsuits have been filed by agricultural land owners and other land owners whose property adjacent to the Feather River was flooded. These lawsuits allege, among other things, that DWR's operation of the Oroville Dam facilities caused damages to their property and agricultural crops. Trial is scheduled to begin May 10, 2021. A separate lawsuit filed by South Feather Water & Power Agency has been settled.

In addition, Pacific Gas and Electric Company filed a lawsuit seeking reimbursement and damages for costs it incurred to relocate electric facilities and to engineer and construct temporary electric facilities in the vicinity of Oroville Dam during the emergency.

The County of Butte District Attorney also filed a lawsuit seeking civil penalties of up to $51 billion for an alleged violation of the Fish and Game Code arising from the release of sediment into the Feather River during the emergency, which is being vigorously contested by the Department. In September 2020, the Department filed a motion for summary judgment. The court granted the Department's motion, finding that the District Attorney's complaint failed to state a claim. The final order was entered on January 5, 2021. The District Attorney has appealed. In June 2019, the Department received a letter from the State Water Contractors organization which asserted that a provision in the water supply contracts would preclude the Department from seeking reimbursement from the Water Contractors for their allocated share of any judgment or settlement amount in the Butte County lawsuit. In the opinions of management and the Department's legal counsel such allocated amounts, if incurred, would be recoverable from the Water Contractors under the long-term water supply contracts.

All of the above lawsuits have been coordinated for purposes of pre-trial activities and been transferred to the Sacramento County Superior Court. Discovery and depositions in the coordinated cases have been and are continuing to be conducted. Other pre-trial motions, including the motion to certify the class in the class action lawsuit and a motion to continue the trial date have, or will take place shortly. Unless otherwise noted above, the eventual outcome of these lawsuits is uncertain. The Department, however, continues to defend itself against these claims and lawsuits and believes they will not have a material adverse effect on its ability to continue to operate and maintain the System and pay its related liabilities.

Water Supply Contract Extension Litigation

As discussed on the transmittal letter, the Director of DWR approved the contract extension amendment project under CEQA and executed the amendment with Metropolitan on December 11, 2018 and as of March 15, 2021, twenty-two Contractors have executed the extension amendment with the Department.

On the same date that the Director executed the first contract extension amendment, December 11, 2018, the Department filed an action in Sacramento County Superior Court seeking to validate the contract extension amendment. In February 2019, four groups filed answers in the validation action in opposition to the Department's request to validate the amendment. One answer was filed by several environmental organizations; the second answer was filed by several other environmental organizations and an Indian Tribe; the third answer was filed by a number of counties and public water agencies, including the County of Butte and the Plumas County Flood Control and Water Conservation District, both of which are Contractors; and the fourth answer was filed by the South Delta Water Agency. Six Contractors have filed answers in support of the extension amendment.

All three cases – the validation action and the two environmental lawsuits – have been determined to be related and assigned to a single judge in the Sacramento Superior Court for all purposes. These cases are currently in the pre-trial stage.

General

The System, during the ordinary course of its operations, has been named in a number of additional suits and claims, several of which are still pending. In the opinions of management and the System's legal counsel, such legal actions will not have a material effect on the System's financial position or changes in financial position.

Water Supply Reliability, Delta Conservation and Infrastructure

In 2006, the Department, the Bureau, DFW, federal and state fish and wildlife agencies and the agencies that purchase water from the Department and the Bureau began a planning process to promote and improve the overall ecological health of the Delta and the species that inhabit the Delta and ensure water supply reliability for the Contractors.

This resulted in the proposed Bay Delta Conservation Plan (BDCP). In 2015, a change in permitting approach resulted in the BDCP transitioning to the California WaterFix, a proposed two-tunnel water conveyance facility authorized under different provisions of the ESA and CESA, not as part of a Habitat Conservation Plan or Natural Community Conservation Plan under federal and State law. A component of the large-scale environmental restoration in the Delta originally proposed in the BDCP would be implemented through a separate program designated as California EcoRestore (described in part below). In 2017, the Department approved California WaterFix, filed a validation action and worked towards obtaining relevant permits and authorizations necessary for construction and implementation. Several lawsuits ensued as a result of the California WaterFix approval and validation action and were consolidated in the Sacramento Superior Court.

In his first State of the State Address, delivered on February 12, 2019, Governor Gavin Newsom announced that he did not support California WaterFix and laid out a new direction for Delta conveyance and expressed his support for a revised project consisting of a single tunnel. On April 29, 2019, Governor Newsom issued Executive Order N-10-19, which detailed his new policy direction regarding water issues in the state, including Delta conveyance, and directed several state agencies to take action implementing his policies. The Department assessed the nature and extent of the actions necessary as a result of the Governor's statements and, beginning on May 2, 2019, took several actions in response.

The Department's actions included rescinding all project approvals for California WaterFix and withdrawing its Petition for Change in Points of Diversion and Rediversion and Application for Section 401 Certification of the Clean Water Act. This withdrawal ended the water rights hearing before the SWRCB. In July 2019, the Department and all plaintiffs filed requests for dismissal in the numerous lawsuits that had been filed regarding the California Waterfix following its approval. Plaintiffs and petitioners in these actions moved for fees and costs totaling over $13 million, which the trial court denied. Plaintiffs and petitioners have appealed, and briefing is currently expected to be completed in summer of 2021.

The Department has begun the environmental review, planning, design and engineering of a proposed single tunnel, smaller capacity project, consistent with Governor Newsom's direction. The Department issued a NOP of an EIR for the proposed project on January 15, 2020. As described in the NOP, the proposed Delta conveyance project includes constructing and operating new facilities in the Delta that would add to the existing State Water Project infrastructure. The new facilities would include intake structures on the Sacramento River and a tunnel to convey water to the existing pumping plants in the south Delta. The proposed Delta conveyance project would be operated in coordination with the existing south Delta pumping facilities, resulting in a system known as "dual conveyance" because there would be two complementary methods to divert and convey water.

Under the direction and authority of the Department, the Delta Conveyance Design and Construction Authority (the "DCA") is providing design and engineering support for the environmental review process. The DCA is also continuing to conduct a stakeholder engagement process with Delta communities to find ways to avoid or minimize local land use concerns and impacts through design and engineering.

On July 24, 2019, the Department and the Contractors began a public negotiation with the goal of reaching an agreement in principle with the Contractors on a conceptual approach to cost allocation and the related financial and water management matters related to this Delta conveyance facility. The negotiations concluded on April 30, 2020 with the announcement of such an agreement in principle that, if approved by the Department and the Contractors, would be the basis for amendment of the Water Supply Contracts. As of the date hereof, 18 Contractors have approved the agreement in principle.

Whether and/or the extent to which a conveyance system will be implemented, the final form of any implementation, the process and cost of any implementation, who would pay such costs and the scope and specifics of any conveyance system are all still under discussion with relevant stakeholders.

Pollution Remediation

Pollution remediation obligations are recorded by the System when an obligating event occurs, as defined in GASB Statement No. 49, and if a reasonable estimate of the remediation costs can be made. These liabilities are measured using either actual contract costs, where no change in cost is expected, or the estimated remediation costs, offset by estimated recoveries from other responsible parties and expenditures incurred to date. Estimated remediation costs are subject to change over time. Estimated costs are revised for updated technology, changes in potential responsible parties, results of environmental studies, changes in statutes or regulations, price fluctuations and other factors.

Notes to Financial Statements (in thousands)

Six different locations require pollution remediation, including previously-owned Reid Gardner Unit 4 in Nevada, Methyl Mercury Control programs in the Delta, and landfill sites at Banks Pumping Plant, Pearblossom O&M Center, Oroville Wildlife Area southwest of Oroville, and Del Valle Pumping Plant. In addition, the liability for pollution remediation includes the GHG emissions credits to be surrendered to California Air Resources Board (CARB).

The following table presents the pollution remediation liability for the years ended June 30, 2020 and 2019:

Pollution Remediation Liabilities

	2020	2019
Reid Gardner Power Plant	$ 24,132	$ 25,679
Delta Mercury Control Program	5,830	2,802
Green House Gas Emissions Credits	12,341	13,650
Banks Pumping Plant	5,946	5,929
Pearblossom O&M Center	2,482	2,433
Oroville Wildlife Area	1,375	1,348
Del Valle Pumping Plant	505	495
Total Liabilities	52,611	52,336
Less current portion	(9,611)	(10,358)
Total Long-term liabilities	$ 43,000	$ 41,978

Reid Gardner Power Plant

The Reid Gardner Power Plant ("RG"), located near Moapa, Nevada, was operated by Nevada Energy ("NVE") and consisted of four coal-powered generators—Units 1 through 4. DWR's ownership interest in Unit 4 of the Reid Gardner coal plant terminated in 2013, but the plant continued to generate electricity until early 2017. The remediation costs described below are being shared under an Environmental Agreement in proportion to DWR's ownership interest, executed along with the Termination Agreement between NVE and DWR, in 2013.

In February 2008, NVE entered into an Administrative Order on Consent ("AOC") with the Nevada Division of Environmental Protection ("NDEP"). Pursuant to the AOC, NVE agreed to undertake investigatory activities into various potential areas of contamination at RG and also to ultimately remediate groundwater, soils and other contamination at the RG facility, as needed, or mitigate adverse impacts. Groundwater and soils have been affected by certain constituents of concern associated with flue gas desulfurization effluent settlement in evaporation ponds. Since some of this contamination can be associated with the Unit No. 4 generation related facilities (such as the Unit 4 evaporation ponds) DWR has agreed to share the cost of NVE's investigatory activities, which may ultimately lead to the remediation measures prescribed by NDEP to NVE. These activities are projected to continue through at least 2032.

The System expended approximately $1.5 million in fiscal 2020 and $1.3 million in fiscal 2019. DWR expects to pay $4.5 million of the total estimated financial liability during fiscal 2021.

Delta Mercury Control Program

In June 2011, the State Water Resources Control Board ("SWRCB") adopted an amendment to the Sacramento-San Joaquin Delta Basin Plan regarding the control of methyl mercury in the Delta. The amendment, among other provisions, assigns certain responsibilities jointly to DWR (with regard to both the System and DWR's flood management programs), the Central Valley Flood Protection Board and the State Lands Commission to reduce methyl mercury in the open waters of the Delta. In addition, DWR and others are assigned certain responsibilities regarding the discharge of methyl mercury from wetland and other aquatic restoration and enhancement projects. Phase I of the Delta Mercury Control Program is ending and it is anticipated that DWR will be regulated in Phase II. The System expended approximately $1.6 million in fiscal 2020 and $1.3 million in fiscal 2019.

The State Water Resources Control Board ("SWRCB") is currently developing a statewide mercury regulation applicable to inland waters, including reservoirs. Once finalized, DWR will be responsible for meeting fish tissue and or water quality objectives statewide in DWR reservoirs identified by the regulation. Currently, nine DWR reservoirs have been identified by the SWRCB for regulation. However, there is insufficient information currently available to enable DWR to estimate the timing and magnitude or the System's share of potential compliance costs, if any, at this time.

Green House Gas Emissions Credits

The System is required to report and recognize the liability related to certain vintage years of the LEC Project under AB32. Each year the GHG allowances held in UPIS as an Intangible Asset, are evaluated and reported by the Power and Risk Analysis Office to CARB to be charged as pollution remediation expenses and a liability is recognized. The System's market analysis value of total compliance instruments to be surrendered is $12.3 million. The System surrendered $595 thousand and $3.5 million of compliance instruments under this program during fiscal 2020 and 2019, respectively.

Other Construction Sites

During the construction of the System, DWR created at least three landfill sites for construction debris and waste, including the Harvey O. Banks Pumping Plant and Intake Channel, Pearblossom Pumping Plant Enlargement, and Oroville Wildlife Area. The landfill sites are closed and monitored by DWR. Two of the sites are routinely inspected by county officials.

Evidence of burrowing has been detected at the Harvey O. Banks Pumping Plant. DWR is addressing the burrowing issue by constructing a new burrowing resistant. This project is in the design phase at this time, awaiting approval by CalRecycle and Contra Costa County. Construction is projected to go from March to October 2021. It should be noted that no hazardous substances or hazardous wastes are known to be part of the waste; at this time the landfill waste is believed to consist only of construction debris. The System expended approximately $100 thousand and $273 thousand during fiscal 2020 and 2019, respectively.

Remediation activities have not formally commenced at the other two sites, however, DWR expects such activities to occur in the future. DWR will continue to refine estimated remediation liabilities associated with these three sites.

Notes to Financial Statements (in thousands)

During the 1990s, DWR noted waste and debris at a fourth site, the Del Valle Pumping Plant, to be eroding from the bank of Arroyo Valle Creek and into the channel. Initial clean-up of surface debris was conducted in the spring of 1996 followed by slope stability, waste removal, and erosion control construction in July 1996. The site is listed as a closed landfill subject to periodic inspection by the Alameda County Department of Public Health, and DWR was identified as the responsible party for maintenance. Recent communication between Alameda County and Delta Field Division indicates potential regulatory action could occur soon. DWR will continue to refine the estimated remediation liability associated with this site.

11. Self-Insurance

The System is self-insured for all completed facilities of the SWP. The System is also self-insured for workers' compensation, general liability and other risks. All workers' compensation claims and other losses are on a pay-as-you-go basis. The Water Supply Contracts provide for recovery of such losses from the Water Contractors. Additionally, the CVP act and the related bond resolutions authorize the issuance of additional bonds, payable from available revenues or federal reimbursements under the National Disaster Act, for the purpose of providing funds for emergency repairs to power projects or water system projects necessitated by natural disasters, provided that certain conditions are met.

DWR has purchased automobile insurance for its fleet of vehicles through the California Department of General Services, Office of Risk & Insurance Management, and certain amounts are assessed to the System while some amounts may be directly charged for those vehicles owned specifically by the System.

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. Claims liabilities are calculated considering the effect of recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. The following table presents the claim liabilities for the year ended June 30, 2020 and 2019:

Unpaid Claims Liabilities

	2020	2019
Unpaid claims, beginning	$ 52,259	$ -
Incurred claims	27,000	52,259
Claims payments and adjustments	(11,430)	-
Unpaid claims, ending	$ 67,829	$ 52,259

12. Economic Dependency

The System's water supply revenue is generally derived from the 29 Water Contractors. The highest percentage of water supply revenues came from the Metropolitan Water District of Southern California. The following table shows total water supply revenues billed to Water Contractors including cover, refunds, and adjustments which exceeded 5% of the total water supply revenues sold by the System

Notes to Financial Statements (in thousands)

Water Supply Revenues

	2020	% Total	2019	% Total
The Metropolitan Water District	$ 566,211	48.78%	$ 565,123	51.28%
Kern County Water Agency	130,728	11.26%	119,531	10.85%
Coachella Valley Water District	68,276	5.88%	-	-
San Bernardino Valley MWD	62,090	5.35%	71,409	6.48%

The System sold power to 9 and 13 power entities during the years ended June 30, 2020 and 2019, respectively. The highest percentage of power revenues came from the California Independent System Operator (CAISO). The following table shows power sales to entities which exceeded 5% of the total power sold by the System:

Power Sales

	2020	% Total	2019	% Total
California Independent System Operator	$ 30,559	61.82%	$ 56,472	58.64%
Northern California Power Agency	14,275	28.88%	26,843	27.87%
Western Area Power Administration	-	-	8,116	8.43%

Similarly, the System purchased power from 14 and 19 power entities during the years ended June 30, 2020 and 2019, respectively. The highest percentage of power provided to the System came from the CAISO. The following table shows power purchases from entities which exceeded 5% of the total power purchased by the System:

Power Purchases

	2020	% Total	2019	% Total
California Independent System Operator	$ 172,834	71.09%	$ 191,047	65.67%
Northern California Power Agency	26,904	11.07%	33,899	11.65%
Kings River Conservation District	-	-	15,939	5.48%

Notes to Financial Statements (in thousands)

13. Segment Information

The table below presents the condensed statement of net position, the statement of revenues, expenses and changes in net position and the statement of cash flows for the System's two segments, as of and for the years ended June 30, 2020 and 2019.

Segment

	2020			2019		
	Activities Allowed Under			Activities Allowed Under		
	Burns-Porter Act	Central Valley Project Act	Total	Burns-Porter Act	Central Valley Project Act	Total
Condensed Statement of Net Position:						
Assets						
Current assets	$ 472,906	$ 462,441	$ 935,347	$ 565,345	$ 516,224	$ 1,081,569
Other assets	1,649,032	242,009	1,891,041	1,542,850	244,400	1,787,250
Capital assets	1,086,632	4,726,785	5,813,417	1,047,674	4,473,288	5,520,962
Total assets	3,208,570	5,431,235	8,639,805	3,155,869	5,233,912	8,389,781
Deferred outflows of resources	180,228	128,978	309,206	157,669	138,932	296,601
Total assets and deferred outflows of resources	$ 3,388,798	$ 5,560,213	$ 8,949,011	$ 3,313,538	$ 5,372,844	$ 8,686,382
Liabilities						
Current liabilities	$ 208,167	$ 599,534	$ 807,701	$ 217,901	$ 514,267	$ 732,168
Noncurrent liabilities	1,570,955	3,833,307	5,404,262	1,496,592	3,802,273	5,298,865
Total liabilities	1,779,122	4,432,841	6,211,963	1,714,493	4,316,540	6,031,033
Deferred inflows of resources	1,025,367	574,789	1,600,156	956,908	532,092	1,489,000
Total liabilities and deferred inflows of resources	2,804,489	5,007,630	7,812,119	2,671,401	4,848,632	7,520,033
Net position						
Net investment in capital assets	565,192	325,246	890,438	608,195	175,091	783,286
Restricted	19,117	227,337	246,454	33,942	349,121	383,063
Total net position	584,309	552,583	1,136,892	642,137	524,212	1,166,349
Total liabilities, deferred inflows of resources, and net position	$ 3,388,798	$ 5,560,213	$ 8,949,011	$ 3,313,538	$ 5,372,844	$ 8,686,382
Condensed Statement of Revenues, Expenses and Changes in Net Position:						
Operating revenues						
Water supply	$ 797,864	$ 242,172	$ 1,040,036	$ 764,413	$ 246,338	$ 1,010,751
Power sales	49,416	19	49,435	96,272	36	96,308
Federal and State reimbursements	25,030	20,689	45,719	21,497	21,096	42,593
	872,310	262,880	1,135,190	882,182	267,470	1,149,652
Depreciation and amortization	(24,257)	(81,088)	(105,345)	(21,827)	(72,364)	(94,191)
Other operating expense	(680,662)	(39,915)	(720,577)	(734,362)	(49,811)	(784,173)
Income from operations	167,391	141,877	309,268	125,993	145,295	271,288
Nonoperating revenues/expenses						
Capital revenues recovered (deferred), net	(180,632)	(40,968)	(221,600)	(145,938)	(188,932)	(334,870)
Interest expense	132	(110,290)	(110,158)	(5,800)	(110,681)	(116,481)
Transfers In/(Out)	(52,379)	52,379	-	(27,928)	27,928	-
Investment income (loss), net	7,659	12,152	19,811	9,755	12,727	22,482
Other revenues (expenses), net	-	(26,778)	(26,778)	-	129,892	129,892
Total nonoperating revenues/expenses	(225,220)	(113,505)	(338,725)	(169,911)	(129,066)	(298,977)
Increase (decrease) in net position	(57,829)	28,372	(29,457)	(43,918)	16,229	(27,689)
Net position, beginning of year, as restated	642,136	524,213	1,166,349	686,054	507,984	1,194,038
Net position, end of year	$ 584,307	$ 552,585	$ 1,136,892	$ 642,136	$ 524,213	$ 1,166,349
Condensed Statement of Cash Flows:						
Net cash provided by (used in)						
Operating activities	$ 99,955	$ 418,183	$ 518,138	$ 153,757	$ 197,048	$ 350,805
Capital and related financing activities	(142,119)	(330,582)	(472,701)	(159,133)	(219,426)	(378,559)
Investing activities	9,564	12,911	22,475	9,939	11,760	21,699
Net (decrease) increase in cash and cash equivalents	(32,600)	100,512	67,912	4,563	(10,618)	(6,055)
Cash and equivalents, beginning of year	459,242	413,382	872,624	454,679	424,000	878,679
Cash and equivalents, end of year	$ 426,642	$ 513,894	$ 940,536	$ 459,242	$ 413,382	$ 872,624

14. New Governmental Accounting Standards

GASB Statement No. 84

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. 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. The requirements of GASB No. 84 are effective for fiscal 2020 and thereafter. It has been determined that GASB No. 84 did not impact the System.

GASB Statement No. 87

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. The requirements of GASB No. 87 are effective for fiscal year 2021 and thereafter. The System is currently evaluating the impact this Statement will have on its financial statements.

GASB Statement No. 89

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. The requirements of GASB No. 89 are effective for fiscal year 2021 and thereafter. The System is currently evaluating the impact this Statement will have on its financial statements.

GASB Statement No. 90

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests.* The objectives of this Statement are 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. The requirements of GASB No. 90 are effective for fiscal year 2020 and thereafter. It has been determined that GASB No. 90 did not impact the System.

GASB Statement No. 91

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. The requirements of GASB No. 91 are effective for fiscal year 2022 and thereafter. The System is currently evaluating the impact this Statement will have on its financial statements.

GASB Statement No. 92

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020.* 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. The requirements of GASB No. 92 are effective for fiscal year 2021 and thereafter. The System is currently evaluating the impact this Statement will have on its financial statements.

GASB Statement No. 93

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates.* The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate. The requirements of GASB No. 93 are effective for fiscal year 2021 and thereafter. The System is currently evaluating the impact this Statement will have on its financial statements.

GASB Statement No. 94

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The requirements of GASB No. 94 are effective for fiscal year 2023 and thereafter. The System is currently evaluating the impact this Statement will have on its financial statements.

GASB Statement No. 95

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The requirements of GASB No. 95 are effective for fiscal year 2020 and thereafter. The System has implemented certain items in connection with GASB No. 95 in fiscal 2020.

GASB Statement No. 96

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements.* The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information arrangements (SBITAs) for government end users. The requirements of GASB No. 96 are effective for fiscal year 2023 and thereafter. The System is currently evaluating the impact this Statement will have on its financial statements.

GASB Statement No. 97

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* 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. The requirements of GASB No. 97 are effective for fiscal year 2022 and thereafter. The System is currently evaluating the impact this Statement will have on its financial statements.

15. Subsequent Events

On August 6, 2020, the System issued its CVP Revenue Bonds Series BB (Tax Exempt) and its CVP Revenue Bonds Series BC (Federally Taxable) with par amounts of $544.2 million and $515.2 million, respectively. This was achieved through a negotiated sale to redeem $319 million of commercial paper notes, pre-funded $250 million for future water systems projects, and to refund Series AH, AI, AJ, AK, AL, AM, AN, AP, AQ, AR, AS, AU, and AW. The Series BB was issued with a premium of $188.5 million and the Series BC was issued at par. The System achieved a net present value savings of $47.3 million, representing 8.6% savings of the refunded bonds. The Series BB and BC Bonds were issued using a fixed rate structure and the final maturity of these bonds will be 2035.

On February 1, 2021, the System restructured its commercial paper (CP) Program for Series 2 and authorized the issuance of two new CP Notes, Series 3 and Series 4. The System entered into a credit agreement with JPMorgan Chase Bank, National Association (the Bank). The credit agreement became effective on February 11, 2021, and initially expires on February 9, 2024, subject to extension or termination. Pursuant to the credit agreement, the Bank has agreed to provide a revolving line of credit up to $859,178,083, which consists of $800 million in principal and $59.2 million in accrued interest.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the System's Proportionate Share of the Net Pension Liability

Last 10 Years* (in thousands)

Fiscal Year	2020	2019	2018	2017	2016	2015
The System's proportion of the net pension liability	1.6611%	1.6786%	1.7268%	1.6813%	1.7191%	1.6927%
The System's proportionate share of the net pension liability	$ 558,713	$ 527,333	$ 630,912	$ 556,748	$ 485,502	$ 426,935
The System's covered payroll	$ 211,364	$ 206,175	$ 194,340	$ 188,680	$ 181,151	$ 164,571
The System's proportionate share of the net pension liability as a percentage of their covered payroll	264.34%	255.77%	324.64%	295.08%	268.01%	259.42%
Plan fiduciary net position as a percentage of the total pension liability	71.34%	71.83%	66.42%	66.81%	70.68%	73.05%
Measurement date:	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

* - Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

Schedule of the System's Pension Contributions

Last 10 Years* (in thousands)

Fiscal Year	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 69,557	$ 63,075	$ 58,265	$ 51,594	$ 47,978	$ 44,393
Contributions in relation to the contractually required contribution	69,557	63,075	119,175	51,594	47,978	44,393
Contribution deficiency (excess)	$ -	$ -	$ (60,910)	$ -	$ -	$ -
System's covered payroll	$ 220,400	$ 211,364	$ 206,175	$ 194,340	$ 188,680	$ 181,151
Contributions as a percentage of covered payroll	31.56%	29.84%	57.80%	26.55%	25.43%	24.51%

* - Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

Schedule of the System's Proportionate Share of the Net OPEB Liability

Last 10 Years* (in thousands)

Fiscal Year	2020	2019	2018
The System's proportion of the net OPEB liability	0.8763%	0.9011%	1.0031%
The System's proportionate share of the OPEB liability	$ 805,535	$ 771,286	$ 912,912
The System's covered payroll	$ 211,364	$ 206,175	$ 194,340
The System's proportionate share of the OPEB liability as a percentage of their covered payroll	381.11%	374.09%	469.75%
Plan fiduciary net position as a percentage of the total OPEB liability	1.693%	1.011%	0.546%
Measurement date:	June 30, 2019	June 30, 2018	June 30, 2017

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

Schedule of the System's OPEB Contributions

Last 10 Years* (in thousands)

Fiscal Year	2020	2019	2018
Actuarially determined contribution	$ 38,491	$ 40,950	$ 44,788
Contributions in relation to the actuarially determined contribution	27,272	23,948	21,016
Contribution deficiency (excess)	$ 11,219	$ 17,002	$ 23,772
System's covered payroll	$ 220,400	$ 211,364	$ 206,175
Contributions as a percentage of covered payroll	12.37%	11.33%	10.19%

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

SUPPLEMENTARY INFORMATION

Calculation of Adequacy of Debt Service Coverage for the Central Valley Project Revenue Bonds

Debt Service Coverage	*(amounts in thousands)*	
	2020	2019
Water supply revenues, Central Valley Project Act	$ 276,795	$ 246,338
Add: Cover Collected as Proceeds Due To Water Contractors	63,224	58,967
Less: Devil Canyon Castaic Revenues	(22,404)	(21,878)
Revenues not available for Debt Service	(4,748)	(11,255)
Net CVP revenues available for debt service	312,867	272,172
Principal and interest for revenue bonds	$ 240,714	$ 211,558
Debt service coverage	130.0%	128.7%

Note: Section 805 of the general bond resolution for the Central Valley Project (CVP) Water System Revenue Bonds states, "The total amount of Revenues receivable under all Water Supply Contracts in any Year shall be the sum of (A) 1.36 times the Annual Debt Service for such Year to be paid from the Revenue Fund, plus (B) the amount estimated by DWR, pursuant to Section 605, to be required from the Revenue Fund in such Year to provide for Water System Operating Expenses…"

The Supplementary Information, Calculation of Adequacy of Debt Service Coverage, for the Central Valley Project (CVP) Revenue Bonds is based on $276.8 million in fiscal 2020 and $246.3 million in fiscal 2019, respectively in Water Supply Revenues of the System's (CVP) segment.

In fiscal 2020, the revenues include: an increase of $63.2 million in refundable proceeds, a decrease of $22.4 million for principal and interest payments for the Devil Canyon Castaic Facilities Bonds (DCC) since the DCC General Bond resolution does not require cover to be collected for these bonds, and a decrease of $4.8 million in miscellaneous revenue not available for debt service.

In fiscal 2019, the revenues include: an increase of $59 million in refundable proceeds, a decrease of $21.9 million for principal and interest payments for the Devil Canyon Castaic Facilities Bonds (DCC) since the DCC General Bond resolution does not require cover to be collected for these bonds, and a decrease of $11.3 million in miscellaneous revenue not available for debt service.

STATISTICAL SECTION

STATISTICAL SECTION

This part of the California State Water Resources Development System's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures say about the government's overall financial health.

Contents | **Page**

Financial Trends

These schedules contain trend information to help the reader understand how the System's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader access the System's two most significant local revenue sources, water supply and power sales.

Debt Capacity

These schedules present information to help the reader access the affordability of the System's current levels of outstanding debt and the System's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the System's financial activities take place.

Operating Information

These schedules contain service and infrastructure date to help the reader understand how the information in the System's financial report relates to the services the System provides and the activities it performs.

Schedule of Changes in Net Position (Unaudited)

Last Ten Fiscal Years (in thousands)

	2011	2012	2013	2014
OPERATING REVENUES:				
Water supply	$ 874,748	$ 860,891	$ 931,808	$ 789,370
Power sales	193,154	148,360	146,277	131,952
Federal and State reimbursements	28,294	36,561	52,397	52,186
Total operating revenues	**1,096,196**	**1,045,812**	**1,130,482**	**973,508**
OPERATING EXPENSES:				
Operations and maintenance	428,559	526,402	545,413	557,209
Purchased power	342,446	271,377	258,899	241,444
Depreciation and amortization expense	100,257	87,400	85,236	68,896
Operating expenses recovered (deferred), net	118,325	67,063	22,261	-
Total operating expense	**989,587**	**952,242**	**911,809**	**867,549**
NET OPERATING INCOME (LOSS)	**106,609**	**93,570**	**218,673**	**105,959**
NONOPERATING REVENUES (EXPENSES):				
Capital revenues recovered (deferred), net	22,812	43,834	(174,356)	(42,934)
Interest expense	(134,996)	(107,770)	(53,492)	(115,499)
Other revenues (expenses), net	5,575	(29,634)	9,175	52,474
Total nonoperating revenues (expenses)	**(106,609)**	**(93,570)**	**(218,673)**	**(105,959)**
CHANGE IN NET POSITION	$ -	$ -	$ -	$ -

Source: State Water Resources Development System

Schedule of Changes in Net Position (Unaudited)

Last Ten Fiscal Years (in thousands)

2015	2016	2017	2018	2019	2020
$ 883,538	$ 948,105	$ 1,082,587	$ 1,076,238	$ 1,010,751	$ 1,040,036
91,780	71,236	85,089	88,148	96,308	49,435
44,060	67,309	55,664	42,127	42,593	45,719
1,019,378	**1,086,650**	**1,223,340**	**1,206,513**	**1,149,652**	**1,135,190**
404,627	511,926	544,925	555,163	645,191	617,236
202,780	219,661	339,993	342,115	290,908	243,120
81,495	77,170	77,265	80,101	94,191	105,345
-	65,004	57,066	(64,454)	(151,926)	(139,779)
688,902	**873,761**	**1,019,249**	**912,925**	**878,364**	**825,922**
330,476	**212,889**	**204,091**	**293,588**	**271,288**	**309,268**
(243,945)	(118,510)	(130,147)	(294,864)	(334,870)	(221,600)
(96,082)	(106,978)	(105,768)	(105,429)	(116,481)	(110,158)
9,551	12,599	31,824	57,846	152,374	(6,967)
(330,476)	**(212,889)**	**(204,091)**	**(342,447)**	**(298,977)**	**(338,725)**
$ -	$ -	$ -	$ (48,859)	$ (27,689)	$ (29,457)

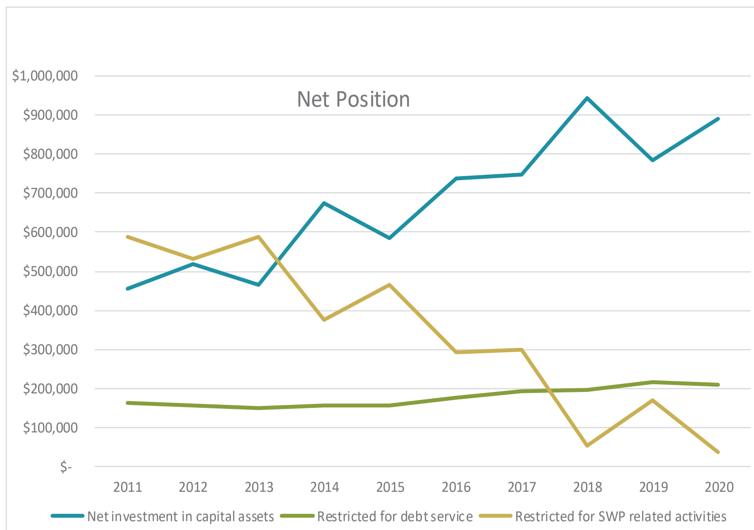
Source: State Water Resources Development System

Schedule of Net Position by Component (Unaudited)

Last Ten Fiscal Years (in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
NET POSITION										
Net investment in capital assets	$ 455,265	$ 516,670	$ 466,348	$ 674,336	$ 585,309	$ 736,203	$ 748,439	$ 942,618	$ 783,286	$ 890,438
Restricted for:										
Debt service and plant replacements	162,056	156,913	150,825	155,116	155,857	177,330	193,889	197,363	214,513	210,859
SWP related activities	588,107	531,845	588,255	375,976	464,262	291,895	300,569	54,057	168,550	35,595
TOTAL NET POSITION	**$ 1,205,428**	**$ 1,205,428**	**$ 1,205,428**	**$ 1,205,428**	**$ 1,205,428**	**$ 1,205,428**	**$ 1,242,897**	**$ 1,194,038**	**$ 1,166,349**	**$ 1,136,892**

Source: State Water Resources Development System



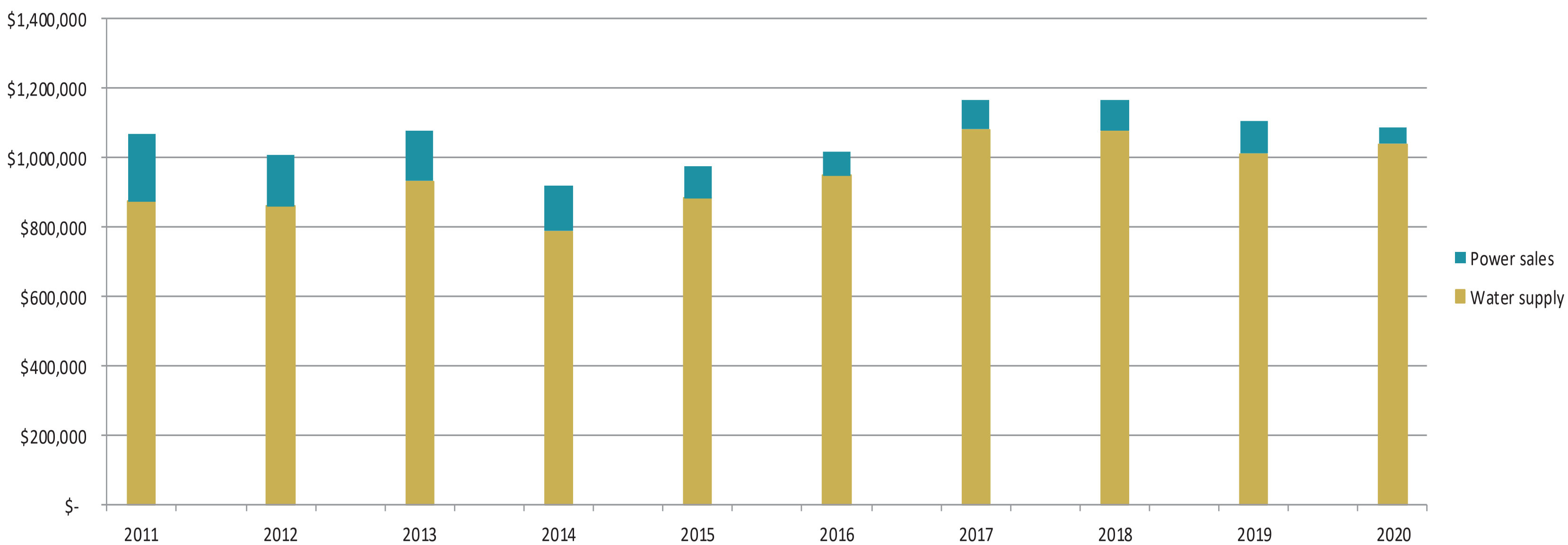
Schedule of Significant Revenues By Source (Unaudited)

Last Ten Fiscal Years (in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating Revenues by Source										
Water supply	$ 874,748	$ 860,891	$ 931,808	$ 789,370	$ 883,538	$ 948,105	$ 1,082,587	$ 1,076,238	$ 1,010,751	$ 1,040,036
Power sales	193,154	148,360	146,277	131,952	91,780	71,236	85,089	88,148	96,308	49,435
TOTAL	**$ 1,067,902**	**$ 1,009,251**	**$ 1,078,085**	**$ 921,322**	**$ 975,318**	**$ 1,019,341**	**$ 1,167,676**	**$ 1,164,386**	**$ 1,107,059**	**$ 1,089,471**

Source: State Water Resources Development System

Operating Revenues by Source



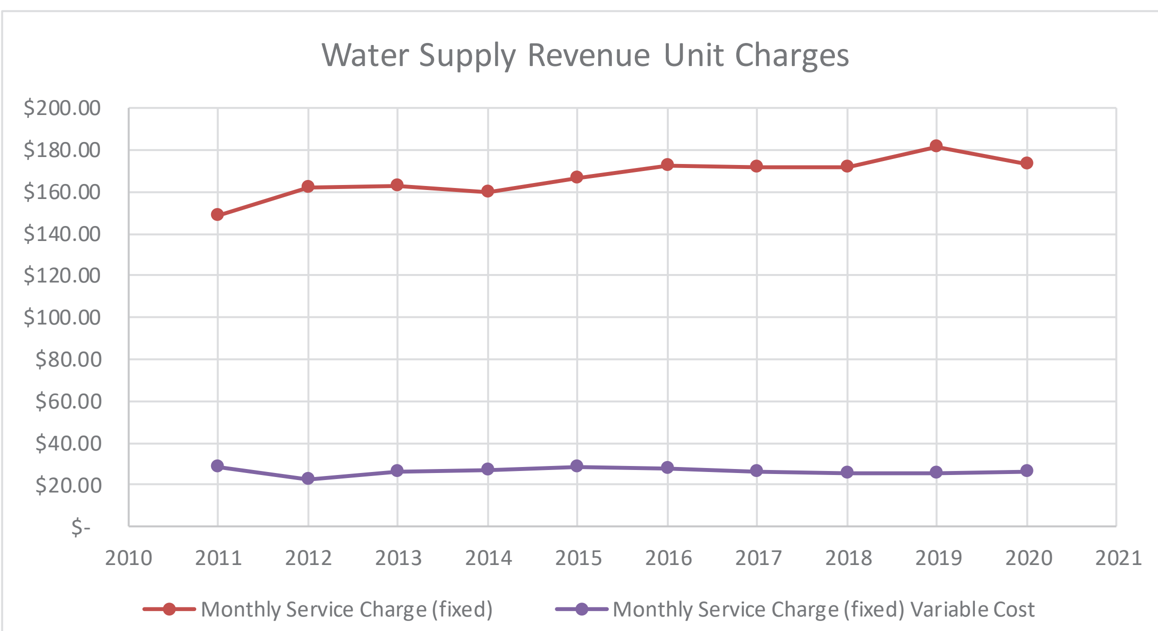
Summary of Schedule of Water and Power Sales Rates (Unaudited)

Last Ten Years

	Water Supply[a]	
Year[b]	Monthly Service Charge	Variable Cost
2011	$ 148.48	$ 28.33
2012	162.20	22.45
2013	162.64	26.36
2014	159.89	26.79
2015	166.37	28.21
2016	172.81	27.52
2017	171.99	26.34
2018	172.07	25.33
2019	181.06	25.78
2020	173.24	25.98

Source: State Water Project Analysis Office Bulletin 132-xx Table B-24

a) Hypothetical charges, which, if assessed on all Table A of Bulletin 132 water delivered to date, all surplus water delivered prior to May 1, 1973, and all Table A water estimated to be delivered during the remainder of the project repayment period (Table B-5B of Bulletin 132), would provide a sum at the end of the period financially equivalent to all Transportation Charge and Delta Water Charge payments required under a water supply contract, considering interest at the Project Interest Rate, 4.610 percent per annum.
b) Numbers reflect amounts on a Calendar Year basis



Largest Distribution Water Revenue Accounts (Unaudited)

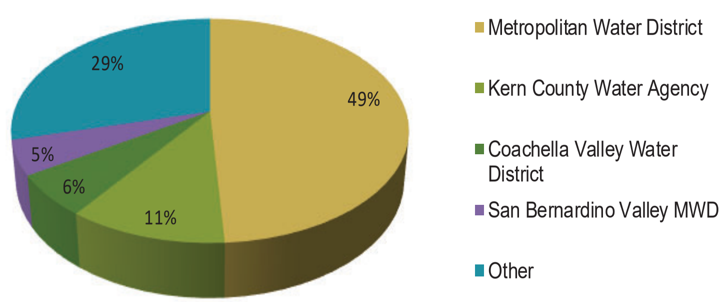
Current Year and Nine Years Prior

	FY 2020				FY 2011		
Customer	Annual Water Sales	Rank	Percentage of Total[a]	Customer	Annual Water Sales	Rank	Percentage of Total[a]
THE METROPOLITAN WATER DISTRICT	$ 566,211,422	1	49%	THE METROPOLITAN WATER DISTRICT	$ 481,111,400	1	55%
KERN COUNTY WA - AG	130,727,913	2	11%	KERN COUNTY WA - AG	87,474,800	2	10%
COACHELLA VALLEY WATER DISTRICT	68,275,586	3	6%				
SAN BERNARDINO VALLEY MWD	62,089,920	4	5%				
Subtotal	$ 827,304,841		71%	Subtotal	$ 568,586,200		65%
Total Water Sales	$ 1,040,035,860				$ 874,748,000		

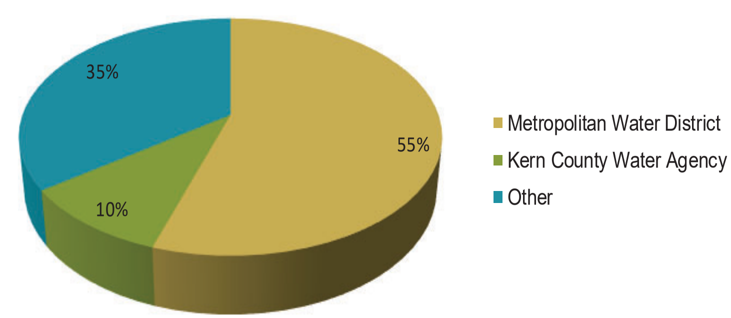
Source: State Water Resources Development System

a) Percentage of total is based on total revenues billed under the water supply contracts

FY 2020



FY 2011

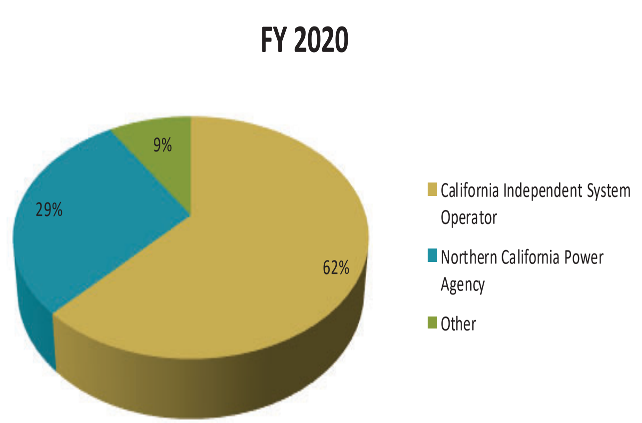


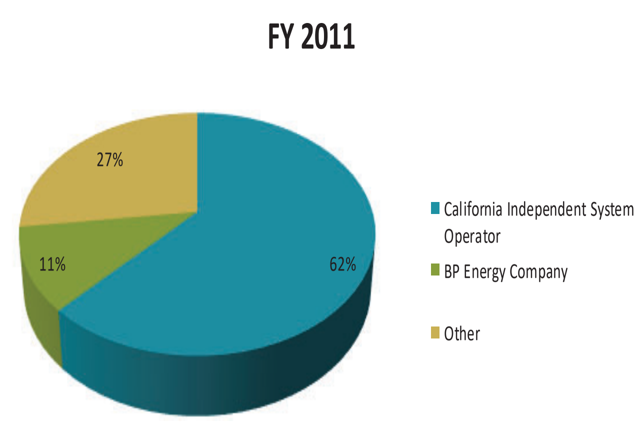
Largest Distribution Power Sales Revenue Accounts (Unaudited)

Current Year and Nine Years Prior

	FY 2020				FY 2011		
Customer	**Annual Revenues**	**Rank**	**Percentage of Total**	**Customer**	**Annual Revenues**	**Rank**	**Percentage of Total**
CALIFORNIA INDEPENDENT SYSTEM OPERATOR	$ 30,558,794	1	62%	CALIFORNIA INDEPENDENT SYSTEM OPERATOR	$ 119,755,356	1	62%
NORTHERN CALIFORNIA POWER AGENCY	14,274,608	2	29%	BP ENERGY COMPANY	21,246,918	2	11%
Subtotal	$ 44,833,402		91%	Subtotal	$ 141,002,274		73%
Total Power Sales	$ 49,435,077			Total Power Sales	$ 193,153,800		

Source: State Water Resources Development System



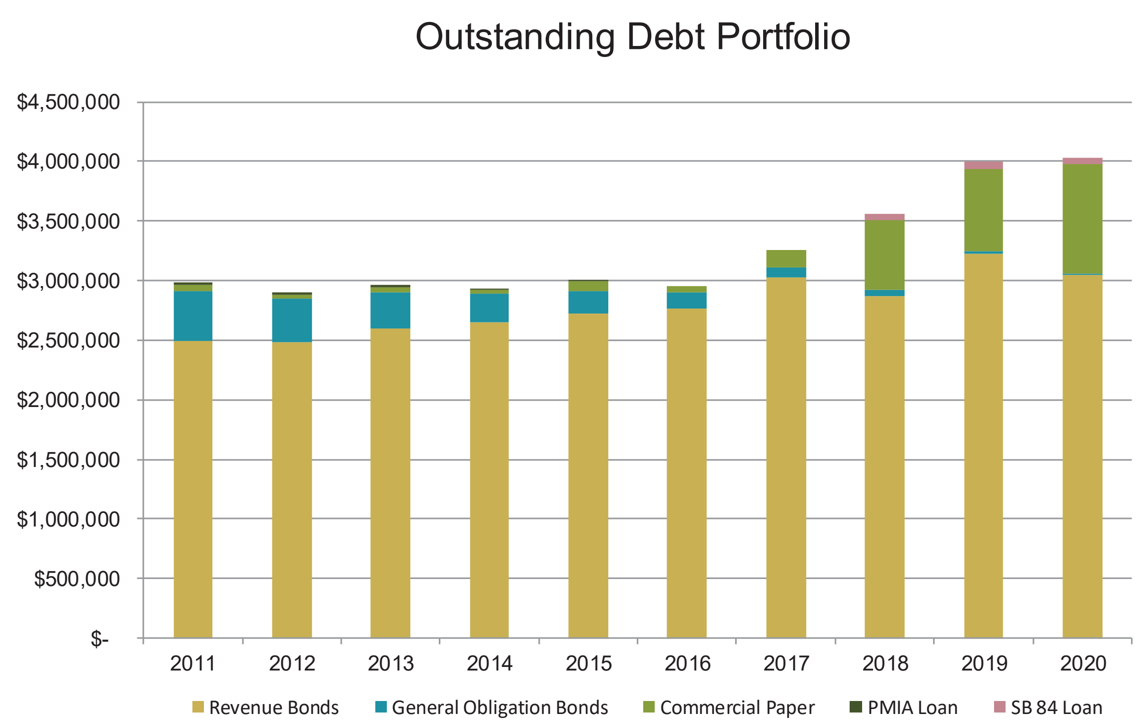


Schedule of Ratios of Outstanding Debt by Type (Unaudited)

Last Ten Fiscal Years (in thousands)

Fiscal Year	Revenue Bonds	General Obligation Bonds	Commercial Paper	PMIA Loan	SB 84 Loan	Total
2011	$ 2,491,854	$ 420,540	$ 54,578	$ 21,055	$ -	$ 2,988,027
2012	2,487,737	362,375	28,783	18,052	-	2,896,947
2013	2,594,459	302,920	50,505	14,896	-	2,962,780
2014	2,647,814	241,835	36,136	11,579	-	2,937,364
2015	2,724,008	184,960	87,900	8,094	-	3,004,962
2016	2,770,888	135,045	42,776	-	-	2,948,709
2017	3,026,368	88,300	147,165	-	-	3,261,833
2018	2,869,007	54,065	580,672	-	60,910	3,564,654
2019	3,222,577	28,090	689,984	-	60,910	4,001,561
2020	3,045,468	10,685	920,107	-	57,471	4,033,731

Source: State Water Resources Development System



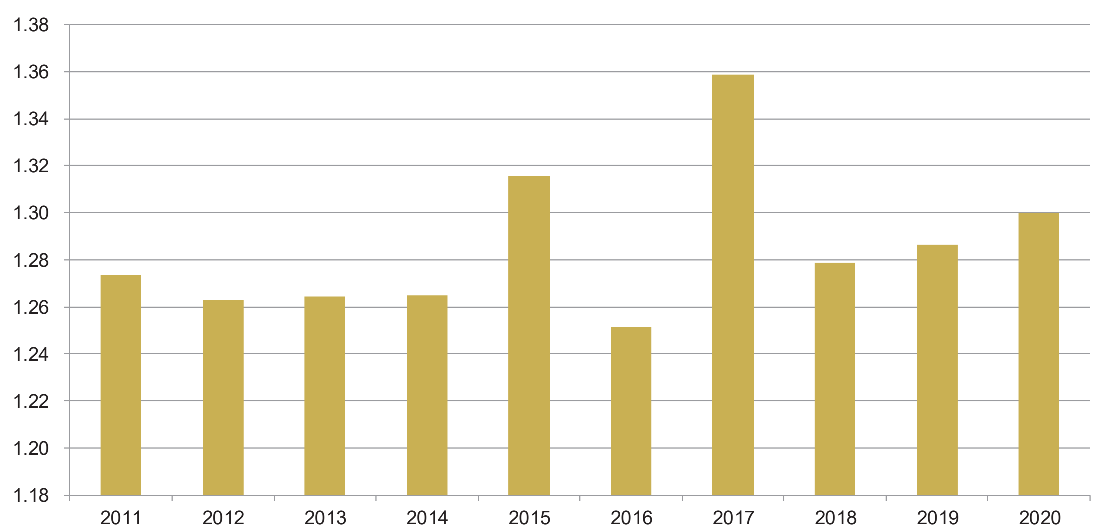
Schedule of Debt Service Coverage (Unaudited)

Last Ten Fiscal Years (in thousands)

					Debt Service Requirements			
Fiscal Year	Water Supply Revenues	Cover Collected for Debt Service	Revenues Not Available for Debt Service	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
2011	$ 320,631	$ 55,542	$ 96,016	$ 280,157	$ 104,535	$ 115,439	$ 219,974	1.27
2012	307,438	56,385	85,448	278,375	111,555	108,900	220,455	1.26
2013	372,748	54,677	156,404	271,021	119,280	95,098	214,378	1.26
2014	281,461	51,786	72,829	260,418	109,610	96,313	205,923	1.26
2015	225,899	54,316	26,405	253,810	110,105	82,819	192,924	1.32
2016	255,106	57,779	28,325	284,560	130,095	97,255	227,350	1.25
2017	241,117	56,321	26,248	271,190	128,035	71,584	199,619	1.36
2018	235,540	56,305	26,681	265,164	132,050	75,291	207,341	1.28
2019	246,338	58,967	33,133	272,172	122,490	89,068	211,558	1.29
2020	276,795	63,224	27,152	312,867	139,710	101,004	240,714	1.30

Source: State Water Resources Development System

Debt Coverage Ratio



Schedule of Demographic and Economic Indicators (Unaudited)

Last Ten Years

Year	Population (in thousands)	Personal Income (in millions)	Per Capita Personal Income	Unemployment Rate
2010	37,339	$ 1,583,447	$ 42,399	12.1%
2011	37,679	1,691,003	44,844	11.7%
2012	38,044	1,812,315	47,600	10.4%
2013	38,375	1,849,505	48,115	8.9%
2014	38,737	1,939,528	49,976	7.5%
2015	39,093	2,061,149	52,644	6.2%
2016	39,250	2,197,492	55,987	5.4%
2017	39,537	2,303,870	58,272	4.8%
2018	39,557	2,475,727	62,586	4.4%
2019	39,512	2,633,926	66,661	4.2%

1 - Source: Economic Research Unit, California Department of Finance

2 - Note: 2020 information is not available and therefore not presented

Schedule of California Number of Employees By Industry (Unaudited)

	2010	2011	2012	2013	2014
Agriculture, Forestry, Fishing, Hunting	440,265	449,614	463,476	463,169	467,923
Mining	25,011	27,016	28,475	27,986	29,142
Utilities	57,175	58,199	59,160	58,240	57,829
Construction	562,922	580,550	609,365	656,000	691,811
Manufacturing	1,250,589	1,257,097	1,264,017	1,265,860	1,283,779
Wholesale Trade	647,193	661,757	679,339	702,319	713,642
Retail Trade	1,496,821	1,522,619	1,553,812	1,587,467	1,615,557
Transportation and Warehousing	397,932	404,582	415,488	433,112	455,070
Information	429,065	425,193	426,056	445,121	459,781
Finance and Insurance	509,852	512,160	522,529	520,579	514,826
Real Estate and Rental and Leasing	248,452	247,476	253,154	260,584	265,335
Services	6,063,638	6,216,242	6,519,084	6,809,757	7,056,066
Nonclassifiable Establishments (3)	44,336	58,663	59,443	36,808	63,478
Federal, State and Local Government	2,302,160	2,276,153	2,260,320	2,276,164	2,317,813
Total for all Industries	**14,475,411**	**14,697,321**	**15,113,718**	**15,543,166**	**15,992,052**

	2015	2016	2017	2018	2019
Agriculture, Forestry, Fishing, Hunting	471,566	474,766	473,554	475,503	478,758
Mining	25,668	21,218	20,130	20,545	20,133
Utilities	57,577	58,008	57,766	56,571	56,499
Construction	748,872	789,841	830,446	880,556	908,159
Manufacturing	1,303,651	1,304,915	1,318,709	1,337,213	1,333,653
Wholesale Trade	719,576	718,853	723,984	701,831	694,166
Retail Trade	1,645,332	1,654,247	1,670,450	1,673,554	1,643,399
Transportation and Warehousing	488,428	517,790	553,571	592,578	635,648
Information	486,838	517,275	526,390	542,792	562,689
Finance and Insurance	523,933	540,844	544,423	541,035	540,286
Real Estate and Rental and Leasing	271,617	278,001	285,957	296,584	305,824
Services	7,247,138	7,442,898	7,630,490	7,888,061	8,077,285
Nonclassifiable Establishments (3)	102,851	119,680	82,201	12,948	1,543
Federal, State and Local Government	2,388,336	2,434,565	2,346,343	2,366,731	2,390,055
Total for all Industries	**16,481,383**	**16,872,901**	**17,064,414**	**17,386,502**	**17,648,097**

(1) Source: California Employment Development Department

(2) The industry data provided are intended to provide similar alternative information regarding the concentration of employment in various sectors of the California Economy. Due to confidentiality issues, the names of the top individual employers are not available.

(3) Note: Businesses are designated as "Nonclassifiable Establishments" when there is insufficient information to determine the appropriate industry classification.

(4) Note: 2020 information is not available and therefore not presented

Definitions of Terms and Source Notes: www.labormarketinfo.edd.ca.gov

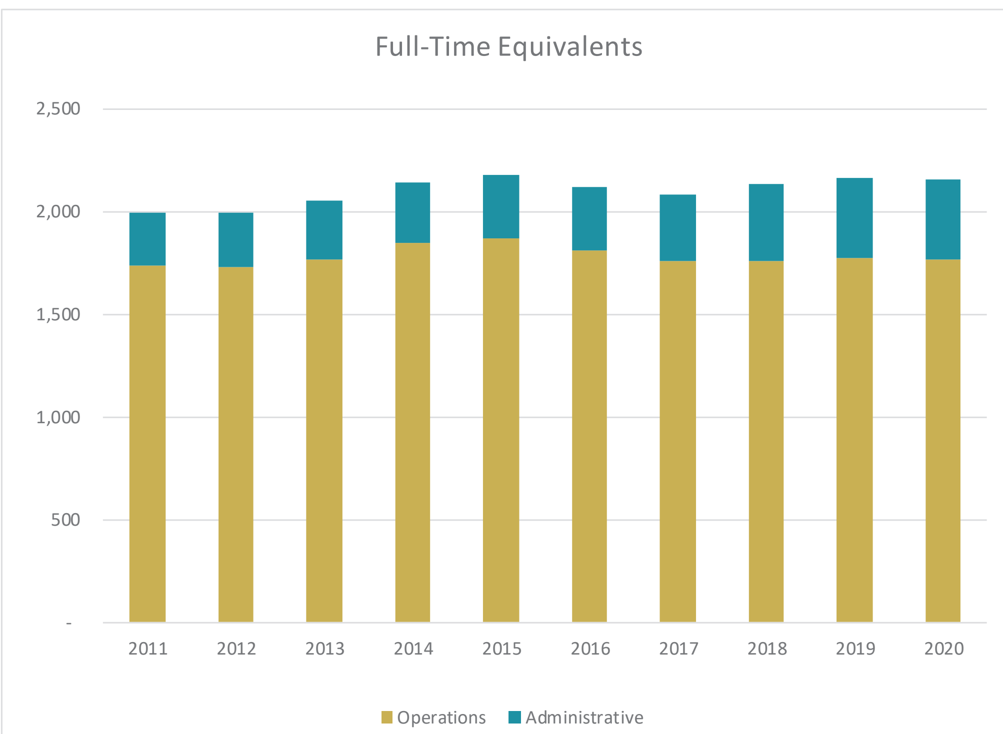
Schedule of Full-Time Equivalent Employees by Function (Unaudited)

Last Ten Fiscal Years

	Full-Time Equivalents by Function as of June 30,[1]									
Function	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Field Operations	862	872	863	920	934	899	904	910	886	870
Engineering	328	329	337	330	324	280	283	286	294	287
Operations and Maintenance	318	295	338	348	355	388	381	390	413	408
Environmental Services	123	128	129	135	132	129	127	126	127	140
Flood Management	62	68	65	65	67	60	10	10	8	9
Safety of Dams	2	2	2	2	2	2	2	-	-	-
Power Management	38	38	35	47	52	53	53	35	48	49
Operations Total	**1,733**	**1,732**	**1,769**	**1,847**	**1,866**	**1,811**	**1,760**	**1,757**	**1,776**	**1,763**
Executive	43	51	56	63	71	77	78	90	99	104
Finance and Accounting	69	72	72	69	75	69	70	74	72	72
Technology Services	93	79	99	104	105	107	110	110	111	110
Communications	27	26	27	24	27	27	29	26	27	29
Legal	28	31	30	30	31	31	33	33	33	33
Human Resources	-	-	-	-	-	-	-	46	44	44
Administrative Total	**260**	**259**	**284**	**290**	**309**	**311**	**320**	**379**	**386**	**392**
Grand Total	**1,993**	**1,991**	**2,053**	**2,137**	**2,175**	**2,122**	**2,080**	**2,136**	**2,162**	**2,155**

1 - Excludes Retired Annuitants; FTEs calculated using the most recently available allocation factors

Source: California Department of Water Resources



Operating and Capital Indicators (Unaudited)

Last Ten Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019[a]
Water										
Water Deliveries (AF)	3,788,118	4,687,030	4,010,749	3,405,691	2,017,124	2,108,876	3,344,756	4,783,208	3,157,728	4,169,976
Percentage of Requested Water Delivered	50%	80%	65%	35%	5%	20%	60%	85%	35%	75%
Gross Area Served (Acres)	25,091,780	25,091,780	23,509,885	23,847,530	23,527,540	23,514,148	23,514,148	23,514,604	23,513,897	23,513,897
Estimated Population Served[3]	21,462,843	26,324,019	26,201,400	26,267,499	26,520,624	26,876,859	26,926,556	27,214,361	27,209,404	27,336,310
Statewide Precipitation (% of Avg)[1]	107%	136%	77%	79%	56%	74%	105%	164%	73%	131%
Statewide Snowpack (% of Apr 1 Avg)	106%	165%	54%	47%	33%	5%	86%	163%	54%	175%
Statewide River Runoff (% of Avg)[1]	93%	146%	62%	60%	35%	46%	97%	217%	68%	137%
Total Storage (% of Average)[2]	103%	130%	97%	79%	57%	54%	82%	120%	99%	124%
Total Storage (% of Capacity)[2]	60%	76%	56%	46%	33%	31%	47%	68%	56%	71%
Total Miles of Aqueducts	705	705	705	705	705	705	705	705	705	705
Number of Storage Facilities	20	20	20	20	20	20	20	20	22	22
Gross Storage Capacity (AF)	6,761,600	6,761,600	6,761,600	6,761,600	6,761,600	6,761,600	6,761,700	6,761,700	6,762,567	6,762,567
Number of Pumping Plants	23	23	23	23	23	23	23	23	24	24
Number of Pumps	162	162	162	162	162	162	162	162	177	177
Power										
Energy Generated (Mwh)	3,920,000	4,846,000	4,198,000	3,068,539	1,132,659	1,274,706	3,075,218	4,519,141	2,551,901	4,470,674
Energy Purchased (Mwh)	5,081,000	4,895,000	3,741,000	3,604,135	1,691,424	2,780,643	4,108,601	5,378,979	3,646,253	3,643,139
Energy Sold (Mwh)	1,814,000	1,192,000	533,000	936,975	33,000	566,891	579,934	243,590	471,188	398,420
Net Power Consumption (Mwh)	7,187,000	8,549,000	7,406,000	5,735,699	2,791,083	3,488,458	6,603,883	9,654,529	5,726,966	7,715,393
Number of Power Plants	10	10	10	10	9	9	9	9	9	9
Number of Power Generating Units	37	37	37	37	36	36	36	36	36	36

Note: *Unless otherwise noted, amounts are reported on a calendar year basis*

Source: *State Water Project Analysis Office Annual Bulletin 132*

1 - Measured in Water Years, which run from October of the prior year to September of the reported year
2 - Measured at the end of the Water Year
3 - Contains duplicate values. Some areas that are in two or more Contractor areas are included in each Contractor's total.
4 - Based on snow sensor network on April 1
a - Amounts for these years are preliminary and subject to change

Legend
AF- Acre Feet
Mwh- Megawatt Hours

Capital Assets, Net (in thousands) (Unaudited)

Last Ten Fiscal Years

	2011	2012	2013	2014	2015
Nondepreciable Utility Plant					
Land	$ 136,129	$ 136,129	$ 136,797	$ 137,033	$ 141,874
Construction work in progress	366,975	408,072	528,836	438,244	611,900
Land use rights	11,005	11,250	11,549	11,583	11,630
Other intangible assets	81,976	88,930	100,064	103,740	103,445
Total Nondepreciable Utility Plant	**596,085**	**644,381**	**777,246**	**690,600**	**868,849**
Depreciable Utility Plant					
Aqueducts	2,057,437	2,064,208	2,071,255	2,167,237	2,169,352
Dams & reservoirs	781,110	781,202	781,408	781,408	708,303
Power plants	910,100	906,554	911,703	466,358	441,202
Pumping plants	787,008	829,344	836,655	836,814	826,704
Environmental preservation and mitigation	67,797	67,797	67,797	67,797	67,797
Fish protection	33,934	33,934	33,934	33,934	33,934
Facilities	64,810	65,820	66,230	246,397	254,741
Equipment	67,996	70,593	71,819	75,705	77,384
Computer software	23,629	24,162	24,501	24,529	24,531
Land use rights	-	272	272	272	272
Other intangible assets	-	-	11,995	11,995	12,005
General	5,964	6,491	39,579	61,310	62,262
Total Depreciable Utility Plant	**4,799,785**	**4,850,377**	**4,917,148**	**4,773,756**	**4,678,487**
Less Accumulated Depreciation/Amortization	**(2,194,406)**	**(2,281,806)**	**(2,366,429)**	**(1,994,695)**	**(2,014,654)**
Total Utility Plant, Net	**$ 3,201,464**	**$ 3,212,952**	**$ 3,327,965**	**$ 3,469,661**	**$ 3,532,682**

Source: State Water Resources Development System

Capital Assets, Net (in thousands) (Unaudited)

Last Ten Fiscal Years

	2016	2017	2018	2019	2020
Nondepreciable Utility Plant					
Land	$ 147,681	$ 156,934	$ 162,457	$ 188,965	$ 209,165
Construction work in progress	769,871	1,340,586	1,653,005	2,078,333	1,931,664
Land use rights	11,760	11,767	12,458	12,460	12,465
Other intangible assets	100,123	99,240	98,981	99,440	100,463
Total Nondepreciable Utility Plant	**1,029,435**	**1,608,527**	**1,926,901**	**2,379,198**	**2,253,757**
Depreciable Utility Plant					
Aqueducts	2,171,981	2,126,713	2,183,839	2,182,663	2,195,260
Dams & reservoirs	708,303	729,521	817,041	818,899	997,443
Power plants	470,818	477,044	523,529	650,730	749,245
Pumping plants	838,880	850,475	1,018,627	1,025,608	999,004
Environmental preservation and mitigation	67,797	67,797	67,797	67,797	67,797
Fish protection	35,544	35,544	35,544	35,544	40,239
Facilities	271,965	298,295	301,157	304,796	490,326
Equipment	79,229	82,526	75,214	82,698	90,738
Computer software	24,717	27,108	27,206	27,349	27,383
Land use rights	272	272	272	272	272
Other intangible assets	12,005	12,005	12,005	12,005	12,005
General	73,053	119,562	162,619	209,913	269,244
Total Depreciable Utility Plant	**4,754,564**	**4,826,862**	**5,224,850**	**5,418,274**	**5,938,956**
Less Accumulated Depreciation/Amortization	**(2,084,676)**	**(2,117,138)**	**(2,185,494)**	**(2,276,510)**	**(2,379,296)**
Total Utility Plant, Net	**$ 3,699,323**	**$ 4,318,251**	**$ 4,966,257**	**$ 5,520,962**	**$ 5,813,417**

Source: State Water Resources Development System

DEPARTMENT OF WATER RESOURCES
STATE OF CALIFORNIA