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Annual Financial Report



Silicon Valley Clean Water *A Joint Exercise of Powers Authority*

For the year ended June 30, 2021



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SILICON VALLEY CLEAN WATER

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2021**

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Silicon Valley Clean Water
Basic Financial Statements
Table of Contents
For the Fiscal Year Ended June 30, 2021

Independent Auditor’s Report	1 - 3
Management’s Discussion and Analysis	7 - 18
Basic Financial Statements:	
Statement of Net Position	20
Statement of Activities and Changes in Net Position	21
Statement of Cash Flows	22
Notes to Financial Statements	23 - 47
Required Supplementary Information:	
Schedule of Contributions - CalPERS	50
Proportionate Share of Net Pension Liability	51
Schedule of OPEB Contributions	52
Schedule of Net OPEB Liability.....	53
Supplementary Information:	
Combining Schedule of Net Position - Enterprise Funds	56 - 57
Combining Schedule of Activities and Changes in Net Position - Enterprise Funds	58 - 59
Combining Schedule of Cash Flows - Enterprise Funds	60 - 61
Analysis of Net Position – Supplemental Schedule (Unaudited)	62 - 63
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	
	67 - 68

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INDEPENDENT AUDITOR'S REPORT

To the Commission of Silicon Valley Clean Water
Redwood City, California

Report on the Financial Statements

We have audited the accompanying financial statements of Silicon Valley Clean Water ("SVCW"), California, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise SVCW's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. 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 SVCW'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 SVCW's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Report on Summarized Comparative Information

We have previously audited SVCW's June 30, 2020 financial statements, and we expressed unmodified audit opinion on those audited financial statements in our report dated October 15, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 2020 is consistent, in all material responses, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SVCW's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. This information, except for Schedule of Analysis of Net Position-Supplemental Schedule I, 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 Supplementary information, except for Schedule of analysis of Net Position, is fairly stated in all material respects in relation to the financial statements as a whole.

The Schedule of Analysis of Net Position has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2021, on our consideration of SVCW's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SVCW's internal control over financial reporting and compliance.

Maze & Associates

October 15, 2021
Pleasant Hill, California

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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Silicon Valley Clean Water
Management's Discussion and Analysis
June 30, 2021

Silicon Valley Clean Water (the "Authority", or "SVCW") has issued its financial statements for the fiscal year ended June 30, 2021 in conformity with the format prescribed by the provisions of Government Accounting Standards Board Statement 34 (GASB 34). The Management of SVCW presents the following narrative overview and analysis of the financial activities, with comparative data for the prior fiscal year. The Management's Discussion and Analysis (MD&A) section is an overview of SVCW's financial activities and is an integral part of the accompanying Basic Financial Statements. This information should be read in conjunction with the audited financial statements that follow this section.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

SVCW recognizes revenues and expenses on a full accrual basis; revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred. The basic financial statements are comprised of two components: Financial Statements and Notes to the Financial Statements. The Financial Statements report information about SVCW accounting using methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities and include:

- The *Statement of Net Position* presents SVCW assets and liabilities, with the difference between the two reported as *net position*. This statement provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the SVCW. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SVCW is improving or deteriorating.
- The *Statement of Activities and Changes in Net Position* accounts for revenues and expenses and reflects the results of SVCW operations over the course of the fiscal year. This statement can be used as an indicator of the extent to which SVCW recovers its costs through charges.
- The final required Financial Statement is the *Statement of Cash Flows*, with the primary purpose of providing information about SVCW's cash receipts and cash payments during the reporting period. In addition to cash receipts and payments, this statement illustrates net changes in cash resulting from operations and investments. It also answers questions about the sources and uses of cash and describes the change in cash balance during the reporting period.

The Notes to the Financial Statements provide information not displayed on the face of the financial statements but essential to a full understanding by readers.

ORGANIZATION AND BUSINESS

SVCW is a joint exercise of powers authority that provides wastewater transmission, treatment, and effluent disposal to the cities of Belmont, Redwood City, and San Carlos, as well as to the West Bay Sanitary District (collectively, the "Members"), all of which are located in the northern part of Silicon Valley between the cities of San Francisco and San Jose. SVCW's wastewater treatment plant is located in the City of Redwood City and serves more than 225,000 people and businesses located predominantly in San Mateo County, California. SVCW operates in a robust Bay Area economy with a customer base that includes technology companies like Oracle Corporation, EA Sports, and Facebook; it is also home to an expanding biotech industry.

Silicon Valley Clean Water
Management’s Discussion and Analysis
June 30, 2021

SVCW owns and operates a regional wastewater treatment plant with an average dry weather flow permit capacity of 29 million gallons per day, an approximately nine-mile influent force main pipeline that conveys wastewater from the Members to SVCW’s treatment plant, five wastewater pump stations, and a 1.25-mile effluent disposal pipeline that discharges treated effluent into the San Francisco Bay. SVCW also provides recycled water to the City of Redwood City.

A four-member “Commission” consisting of one appointed member from each of the Members’ governing bodies governs SVCW. Voting is proportional to the Members’ respective ownership interests in SVCW’s wastewater system. A proportionally-weighted vote of at least three-fourths of the total Commission votes is required to adopt or amend bylaws, rules, and regulations; to adopt or modify any budget; to approve any capital costs, materials and construction contracts, appropriations, or transfers of more than \$50,000; to employ the manager and certain consultants; to sell or dispose of property; and to approve other designated items. Other actions of the Commission must be approved by a majority of total possible votes. Any amendment of the Joint Powers Agreement requires the concurrence of all Members and must also be approved by a 4/5 vote by each Members’ governing body.

The Joint Powers Agreement sets forth how SVCW’s operating and capital costs are allocated to the Members. Operating costs are allocated to each Member based on a three-year average of each Member’s annual pro-rata share of total wastewater flow and strength loadings as measured by biological oxygen demand (“BOD”) and suspended solids (“SS”). As a result, the Budget for fiscal year 2020-21 allocates operating and maintenance costs to the Members as follows:

- City of Redwood City 48.9%
- West Bay Sanitary District 25.9%
- City of San Carlos 13.5%
- City of Belmont 11.7%

Capital costs are allocated per Members’ share of capacity owned in various components of the wastewater system as established in the Joint Powers Agreement. All SVCW capital improvement expenditures are allocated as follows:

- City of Redwood City 48.57%
- West Bay Sanitary District 26.84%
- City of San Carlos 15.14%
- City of Belmont 9.45%

The following table shows a history of average daily wastewater flow conveyed to SVCW from each Member for the last five fiscal years.

<u>Member</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Redwood City	7.8	7.2	7.7	7.1	7.0
West Bay	3.9	3.4	3.5	2.8	2.3
San Carlos	2.7	2.0	2.2	1.7	1.6
<u>Belmont</u>	<u>2.0</u>	<u>1.6</u>	<u>1.8</u>	<u>1.5</u>	<u>1.3</u>
Total	16.4	14.2	15.2	13.1	12.2

Silicon Valley Clean Water
Management's Discussion and Analysis
June 30, 2021

FINANCIAL ANALYSIS

An important question about SVCW finances is “Is SVCW as a whole better off or worse off as a result of the year’s activities?” The Statement of Net Position and the Statement of Activities and Changes in Net Position report information about SVCW’s activities in a way that will help answer this question. These two statements report the net position of SVCW and changes in them to measure the financial health of the organization. Over time, increases or decreases in net position are an indicator of whether its financial health is improving or deteriorating. However, it is important to keep these indicators in context with other non-financial factors such as changes in economic conditions, population growth, climate, zoning, or the regulatory environment.

SVCW’s fiscal year 2020-21 operating revenues and expenses were comparable both to the prior fiscal year as well as to the 2020-21 Budget. The most noteworthy changes compared to the prior year were certain debt activities necessary to fund ongoing capital improvements. This is consistent with cash expenditures of \$150.2 million for capital improvement construction. SVCW is amidst construction on the largest project in its history, the Regional Environmental Sewer Conveyance Upgrade (RESCU). The RESCU program is anticipated to be completed in 2023 and includes a gravity pipeline tunnel, front-of-plant receiving and pretreatment facilities, and improvements to pump stations.

The Capital Improvement Program is largely funded through long-term borrowings and, to a lesser extent, member agency cash contributions. As of June 30, 2021, outstanding long-term principal was \$590.3 million, a net increase of \$37.7 million after a new issuance of the 2021 Refunding Wastewater Revenue Bonds as well as \$29.3 million drawn from the Authority’s line of credit. State Revolving Fund (SRF) loan balances decreased by \$9.5 million after principal repayments one loan was refinanced through the 2021 Refunding Bonds.

The SVCW Commission has established reserve policies to protect its fiscal solvency. As of June 30, 2021, cash reserves totaled \$36.2 million including an Operating Reserve, a Capital Improvement Program Reserve, and a Stage 2 Capacity Reserve. Of this amount, the Authority has restricted \$3.4 million as required by SRF loan agreements.

FINANCIAL HIGHLIGHTS

- SVCW net position increased during fiscal year 2020-21 by \$3.2 million (2.6%) from the previous year.
- Total assets increased by \$32.0 million (4.5%) during the fiscal year. Construction in progress increased by a net \$137.8 million due to ongoing construction related to the RESCU program. Cash and investments decreased by \$107.5 million compared to previous year, as 2019 Wastewater Revenue Notes proceeds were spent. Depreciable capital assets increased by \$1.6 million as construction projects were completed and reclassified from Construction in Progress to Capital Assets.
- Total liabilities increased by \$45.6 million (7.7%) during the fiscal year. SVCW issued 2021 Refunding Wastewater Revenue Bonds increasing Long Term Debt by \$8.4 million, which defeased 2014 and 2015 Wastewater Revenue Bonds and one SWRCB loan. SVCW also had an outstanding balance of \$29.3 million from its line of credit used on RESCU construction. Net pension liabilities increased by \$1.6 million in response to changes in SVCW proportions and lower investment returns during the fiscal year 2019-20 measurement period. Accounts Payable increased \$9.1 million due to the timing of invoice payments for construction projects. The above items were slightly offset by a

Silicon Valley Clean Water
Management's Discussion and Analysis
June 30, 2021

\$1.7 million decrease in Accrued Interest Payable from 2021 Refunding Wastewater Revenue Bonds, and a \$963.9 thousand decrease in OPEB liability.

- Operating revenues, including cash contributions for capital programs and Capacity Reserves, decreased by \$8.9 million (14.2%) from the previous year. While Members' contributions towards operations expense slightly increased, cash-in-lieu-of financing contributions decreased by \$8.2 million as in 2020-21 Members opted to participate in debt issuances rather than contribute cash. Stage 2 Capacity Reserve contributions were approximately \$507.3 thousand below the previous year.
- Total expenses ended the fiscal year at \$52.6 million, a \$453.9 thousand decrease (0.9%) compared to the prior year. Operating expenses were \$378.7 thousand less than prior year as, during a year affected by the COVID-19 pandemic, the Authority experienced personnel vacancies, decreased chemical usage, and a reduction in contractual services incurred. Non-operating expense decreased \$1.8 million (11.7%) as interest expense declined after issuance of 2021 Refunding Wastewater Revenue Bonds. Depreciation increased by \$1.7 million as capital projects were placed into service.

NET POSITION

A summary of SVCW's Statement of Net Position is presented in Table 1, which indicates a \$3.2 million (2.6%) increase in SVCW's net position from fiscal year 2020-21. Significant changes during the fiscal year included:

- Current and other assets decreased by \$107.3 million (60.0%), as cash proceeds were spent on construction.
- Restricted assets decreased by \$54.0 thousand (1.3%). This reflects removal of the cash reserve required by the now-repaid administration and plant control building loan and the establishment in January 2021 of a new Section 115 trust to prefund employer contributions towards the CalPERS defined benefit pension system.
- Capital assets, net of depreciation, increased by \$139.4 million (26.7%) as significant construction on RESCU continued and other capital projects were placed into service during the fiscal year.
- Total SVCW liabilities increased by \$45.6 million (7.7%). The most significant change was the \$20.6 million increase in bonds payable as SVCW took advantage of lower interest rates to refund outstanding debts; as well as a \$20.0 million increase in notes payable associated with draws from a line of credit. Other changes in liabilities were due to timing of accounts payable.
- Deferred Outflows and Deferred Inflows represent changes in the components of Authority's pension liability, Other Post-Employment Benefits (OPEB), and deferred loss on defeasance. The most significant change in deferred outflows was the impact of the defeasance of 2014 and 2015 Wastewater Revenue Bonds.

Silicon Valley Clean Water
Management's Discussion and Analysis
June 30, 2021

TABLE 1
Condensed Statement of Net Position

	Fiscal Year 2021	Fiscal Year 2020	\$ Higher / (Lower)	% Higher / (Lower)
Current and other assets	\$ 71,440,903	\$ 178,782,960	\$ (107,342,057)	(60.0%)
Restricted assets	4,102,710	4,156,730	(54,020)	(1.3%)
Capital assets	660,589,743	521,219,751	139,369,992	26.7%
Total Assets	736,133,356	704,159,441	31,973,915	4.5%
Deferred Outflows	28,637,273	11,547,297	17,089,976	148.0%
Total Liabilities	636,863,272	591,228,059	45,635,213	7.7%
Deferred Inflows	1,624,556	1,366,694	257,862	18.9%
Net investment in capital assets	132,721,095	107,641,792	25,079,303	23.3%
Restricted	4,102,710	4,156,730	(54,020)	(1.3%)
Unrestricted	(10,541,004)	11,313,463	(21,854,467)	(193.2%)
Total Net Position	\$ 126,282,801	\$ 123,111,985	\$ 3,170,816	2.6%

Table 2 below summarizes activities associated with all construction-related funds. Members contributed to build cash reserves, to fund short-term capital projects, and to finance CIP construction.

As part of continued expenditures on its Capital Improvement Program, SVCW spent \$150.2 million on capital projects during fiscal year 2020-21. Notable expenditures included repair of an effluent pipe as well as RESCU-related construction.

TABLE 2
Construction Fund Activity

	Capital Improvement Program Reserve (13 Fund)	Revenue- Funded Capital Program (14 Fund)	Operating Reserve (17 Fund)	Stage 2 Capacity Reserve (15 Fund)	Capital Improvement Program Construction (20 Fund)	Totals
Member contributions	\$ 1,500,012	\$ 1,295,496	\$ 24,876	\$ 428,633	\$ 23,640,993	\$ 26,890,010
Operating income	-	6,809	-	-	-	6,809
Interest Earnings	(36,061)	-	8,885	(39,182)	600,037	533,679
Total Revenue	\$ 1,463,951	\$ 1,302,305	\$ 33,761	\$ 389,451	\$ 24,241,030	\$ 27,430,498
Cash to construction	\$ -	\$ 2,023,415	\$ -	\$ -	\$ 148,164,507	\$ 150,187,922

Silicon Valley Clean Water
Management's Discussion and Analysis
June 30, 2021

While the Statement of Net Position shows the change in financial position from year to year, the Statement of Activities and Changes in Net Position (Table 3 below) addresses the nature and source of the changes. Total 2020-21 revenues decreased from the prior year by \$15.6 million (21.9%), of which Operating Revenues decreased by \$8.9 million (14.2%) as Stage 2 capacity collections and debt service cash contributions declined. Non-operating Revenues decreased by \$6.7 million (80.4%), consistent with the decline in the amount of project proceeds invested after significant construction resulted in a corresponding decrease in investment returns.

Fiscal year 2020-21 total expenses decreased by \$453.9 thousand (0.9%) over the prior year, which included changes in several key expenditures:

- Depreciation expense increased by \$1.7 million (18.9%) after completed capital projects were placed into service during the year.
- Operating expenses decreased by \$378.7 thousand (1.3%) as the COVID-19 pandemic affected the organization. SVCW sustained personnel vacancies, a temporary suspension of certain outside services, and reduced training.
- Non-operating expenses decreased \$1.8 million (11.7%) as debt was refinanced to take advantage of lower interest rates.

TABLE 3
Condensed Statements of Activities and Changes in Net Position

	Fiscal Year 2021	Fiscal Year 2020	\$ Higher / (Lower)	% Higher / (Lower)
Operating revenues	\$ 54,106,188	\$ 63,024,743	\$ (8,918,555)	(14.2%)
Non-operating revenues	1,639,320	8,354,342	(6,715,022)	(80.4%)
Total Revenues	55,745,508	71,379,085	(15,633,577)	(21.9%)
Depreciation expense	10,750,080	9,041,764	1,708,316	18.9%
Operating expense	28,342,091	28,720,766	(378,675)	(1.3%)
Non-operating expense	13,482,521	15,266,019	(1,783,498)	(11.7%)
Total Expenses	52,574,692	53,028,549	(453,857)	(0.9%)
Changes in Net Position	3,170,816	18,350,536	(15,179,720)	(82.7%)
Beginning net position	123,111,985	104,761,449	18,350,536	17.5%
Beginning net position - adjusted	123,111,985	104,761,449	18,350,536	17.5%
Ending Net Position	\$ 126,282,801	\$ 123,111,985	\$ 3,170,816	2.6%

Silicon Valley Clean Water
Management's Discussion and Analysis
June 30, 2021

BUDGETARY HIGHLIGHTS

The SVCW Commission adopts an annual Operating Fund budget that provides for current activities and establishes a short-term spending plan aligned with SVCW financial goals. Budgets are prepared on the accrual basis of accounting. Table 4 below compares actual and budgeted expenditures for the Operating Fund during the year ended June 30, 2021.

TABLE 4
FY 2020-2021 Actual vs Budget

	<u>Actual</u>	<u>Budget</u>	<u>\$ Higher/ (Lower)</u>	<u>% Higher/ (Lower)</u>
Member Contributions	\$ 26,628,984	\$ 26,628,984	\$ -	-
Source Control Revenue	55,926	87,500	(31,574)	(36.1%)
Stormwater Revenue	49,957	154,000	(104,043)	(67.6%)
Other Revenue	300,274	583,000	(282,726)	(48.5%)
Total Operating Revenue	<u>27,035,141</u>	<u>27,453,484</u>	<u>(418,343)</u>	<u>(1.5%)</u>
Operations	9,643,976	10,554,300	(910,324)	(8.6%)
Maintenance	7,059,037	6,835,021	224,016	3.3%
Laboratory	2,144,255	1,890,060	254,195	13.4%
Environmental Services	909,922	1,044,663	(134,741)	(12.9%)
Engineering	1,104,169	990,110	114,059	11.5%
Information Services	1,784,330	1,718,814	65,516	3.8%
Safety	473,830	534,072	(60,242)	(11.3%)
Administration	4,458,016	4,161,444	296,572	7.1%
Depreciation	10,750,080	10,750,080	-	-
Total Operating Expenses	<u>38,327,615</u>	<u>38,478,564</u>	<u>(150,949)</u>	<u>(0.4%)</u>
Operating Income/(Loss)	<u>\$ (11,292,474)</u>	<u>\$ (11,025,080)</u>	<u>\$ (267,394)</u>	<u>(2.4%)</u>

Inclusive of \$10.8 million in depreciation, SVCW reported an Operating Fund loss of \$11.3 million, which was \$267.4 thousand (2.4%) more than budgeted. Of note, certain revenues like source control, stormwater, and laboratory services were affected by the COVID-19 pandemic as activities were suspended. Total expenses were \$151.0 thousand (0.4%) less than budgeted, which similarly reflects personnel vacancies and a temporary decline in activity. Specific variances by Division include:

- Source Control and Other Revenue were affected by the COVID-19 pandemic particularly restaurant grease programs, stormwater monitoring, and laboratory services.

Silicon Valley Clean Water
Management's Discussion and Analysis
June 30, 2021

- Operations expenses were lower than budget by \$910.3 thousand (8.6%) due to less polymer usage from changes in dewatering parameters and less electricity consumption.
- Maintenance expenses were higher than budget by \$224.0 thousand (3.3%). The division operated more industrial services to address maintenance work deferred during the pandemic.
- Laboratory Services expenses were \$254.2 thousand (13.4%) higher than budget, due to increased permit fees and water compliance memberships.
- Environmental Services expenses were \$134.7 thousand (12.9%) below budget due to a vacancy not filled until the end of the fiscal year.
- Engineering expenses were \$114.1 thousand (11.5%) higher than budget after incurring pension liability adjustments and allocating non-capitalized projects to the operating fund.
- The Information Services Division expenses were \$65.5 thousand (3.8%) more than budget. Additional supplies for laptop, software, and licenses were purchased for use during the pandemic.
- The Safety Division expenses were below budget by \$60.2 thousand (11.3%) as during the pandemic period many training classes were deferred. Additionally, SVCW did not incur hazardous waste cleanup costs that had been budgeted.
- The Administration Division incurred costs not anticipated in the Budget and ended the fiscal year \$296.6 thousand (7.1%) above budget. In addition to pension liability adjustments, accounting incurred more professional services after delays to its payroll software implementation.

Silicon Valley Clean Water
Management's Discussion and Analysis
June 30, 2021

CAPITAL ASSETS

SVCW has a Long-Range Capital Improvement Program to improve existing facilities, build new facilities, rehabilitate assets, repair or replace infrastructure, preserve assets, enhance safety and security, and perform needed maintenance. Significant investments in infrastructure have included replacement of significant lengths of the influent conveyance pipe, modernization of electronic control systems for activated sludge handling, and upgrades of electrical systems. SVCW is in construction of its RESCU program to replace an existing force main with a gravity pipeline and construct essential pretreatment facilities.

Consistent with the Capital Improvement Program, the Commission approved these and other capital improvements to protect public health, the environment, and agency facilities. Table 5 below provides a summary of SVCW capital assets and shows how, at the ends of fiscal years 2019-20 and 2020-21, Net Property Plant & Equipment (PP&E) was \$179.6 million and \$181.2 million, respectively. Additional information about SVCW's capital acquisitions and construction is presented in Note 5 to the financial statements.

TABLE 5
Capital Assets

	Balance at June 30, 2020	Additions	Retirements	Adjustments & Transfers	Balance at June 30, 2021
Land	\$ 1,282,081	\$ -	\$ -	\$ -	\$ 1,282,081
Buildings & Structures	85,666,408		-	1,275,446	86,941,854
Pipelines	66,670,883		-	2,892,871	69,563,754
Pump Stations	8,621,991		-	333,494	8,955,485
Machines & Equipment	124,453,940		(251,729)	7,868,975	132,071,186
Total PP&E, Cost	286,695,303	-	(251,729)	12,370,786	298,814,360
Accum. Depreciation	107,059,736	10,750,080	(183,879)	-	117,625,937
Total PP&E, Net	\$ 179,635,567	\$ (10,750,080)	\$ (67,850)	\$ 12,370,786	\$ 181,188,423
Construction in Progress:					
Stage 2 Capacity	\$ 2,934,618	\$ -	\$ -	\$ -	\$ 2,934,618
General	338,649,566	150,187,922	-	(12,370,786)	476,466,702
Total CIP	\$ 341,584,184	\$ 150,187,922	\$ -	\$ (12,370,786)	\$ 479,401,320

LONG TERM DEBT

Including a Line of Credit but excluding Unamortized Premium on outstanding Bonds and Notes, SVCW had total long-term debt outstanding of \$556.4 million as of June 30, 2021, a \$40.4 million increase from June 30, 2020. Components of SVCW's long-term debt liability as of June 30, 2021 include \$487.0 million of Wastewater Revenue Bonds and Notes (excluding unamortized premiums of \$34.0 million), and Notes Payable obligations to the California Clean Water State Revolving Fund for approximately \$69.4 million.

Silicon Valley Clean Water
Management's Discussion and Analysis
June 30, 2021

When SVCW credit ratings were assigned in December 2020, Moody's maintained its Wastewater Revenue Bonds rating of Aa2, and Standard & Poor's (S&P) Ratings Services separately affirmed its 'AA' long-term rating with a stable outlook. More recently, in August 2021 Moody's assigned a Aa2 rating to two Water Infrastructure Finance and Innovation Act (WIFIA) agreements and an Aa3 to associated Wastewater Revenue Notes Series 2021A and 2021B. For the same transactions, S&P assigned an A+ rating.

Wastewater Revenue Bonds

As of June 30, 2021, SVCW has \$487.0 million outstanding in Wastewater Revenue Bonds and Notes par value, the proceeds for which are used to acquire and construct wastewater system improvements. These Bonds and Notes are limited obligations of SVCW, payable solely from and secured solely by the revenues pledged under the Indenture, consisting primarily of payments made by the City of Redwood, the City of San Carlos, West Bay Sanitary District, and the City of Belmont (the "Participating Members"). Table 6 below shows the total Bonds and Notes outstanding for the fiscal years ended June 30, 2020 and 2021:

TABLE 6
Wastewater Revenue Bonds/Notes

Bonds/Notes	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds/Notes Outstanding July 01, 2020	Issued (Redeemed)	Bonds/Notes Outstanding June 30, 2021
2014 Revenue Bond	2014	2044	3-5%	\$ 60,000,000	\$ 53,860,000	\$(53,860,000)	\$ -
2015 Revenue Bond	2015	2045	2-5%	70,200,000	67,025,000	(67,025,000)	-
2018 Revenue Bond	2018	2049	3.125-5%	140,955,000	136,250,000	(2,360,000)	133,890,000
2019 Revenue Notes	2019	2024	3%	209,300,000	209,300,000	-	209,300,000
2021 Refunding Bond, Series A	2021	2046	0.177-2.973%	137,010,000	-	137,010,000	137,010,000
2021 Refunding Bond, Series B	2021	2033	4-5%	6,825,000	-	6,825,000	6,825,000
Total Wastewater Revenue Bonds/Notes				\$624,290,000	\$ 466,435,000	\$ 20,590,000	\$487,025,000

State Water Resources Control Board Loan

SVCW has financed certain projects by entering into separate sale-repurchase agreements with the State Water Resources Control Board (SWRCB). Combined, the principal due on currently outstanding agreements totaled \$40.0 million as of June 30, 2021. The project funds, together with all accrued interest, are repaid in annual installments commencing one year after the completion of construction.

In March 2012, SVCW entered into an agreement with the SWRCB for up to \$35.4 million for certain improvements to the wastewater treatment plant phase 1. The total outstanding balance as of June 30, 2021 totaled \$26.0 million and the final payment is scheduled October 31, 2036.

In February 2016, SVCW entered into an SWRCB agreement for up to \$14.0 million to plan improvements to its conveyance system. As of June 30, 2021, SVCW had incurred the full \$14.0

Silicon Valley Clean Water
Management's Discussion and Analysis
June 30, 2021

million in expenditures under this project. SVCW intends to restructure this agreement to terms consistent with other RESCU construction agreements.

Line of Credit

In May 2015, SVCW entered into a \$30.0 million line of credit with Wells Fargo Bank to finance a portion of the costs of acquisition and construction of capital improvements. In June 2018, the agreement was extended through May 31, 2021 with an accordion feature to increase the available balance to \$65.0 million. In June 2021, the agreement was again amended to extend through May 31, 2024 and to increase the available credit balance to a maximum of \$115.0 million. Advances on the line of credit provide for an interest rate based on either a fixed per annum rate of interest equal to the LIBOR rate plus the Applicable LIBOR Rate Margin, or a variable per annum rate of interest equal to the Base Rate plus the Applicable Base Rate Margin. SVCW had \$29.3 million outstanding on the line of credit at June 30, 2021.

More detailed information about SVCW's long-term debt, Notes Payable, and Line of Credit is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The approved Operating Budget for fiscal year 2021-22 recommends expenditures based on a prioritization of needs, goals and objectives; it also anticipates external cost pressures and provides a roadmap to meet the needs of the community in the coming fiscal year. The Budget considered ordinary inflationary pressures, and incorporated savings from operational improvements. Personnel costs are relatively unchanged in terms of staffing levels, though adjusted to incorporate terms of a Memorandum of Understanding (MOU) between SVCW and the International Union of Operating Engineers Stationary Local 39, AFL-CIO. This MOU expires on June 30, 2023.

Each Member Agency has proactively raised sewer rates to support its allocable share of funding requirements for SVCW's operations and Capital Improvement Program, as well to meet their own operating and capital needs.

Table 7 compares the fiscal year 2021-22 Operating Fund Budget to the fiscal year 2020-21 actual results. Total 2021-22 Operating Revenues are anticipated to increase \$1.3 million (4.9%) from prior year actual revenues as Members provide for increased operating costs. Additionally, for Source Control Revenue and Other Revenues, SVCW implemented a stormwater program, recognized increased deliveries of food grease, and raised its rates charged for laboratory and source control services.

Total 2021-22 Operating Expenses are anticipated to increase \$890.0 thousand (2.3%) from prior year actual expenditures. The largest increase over 2020-21 actual expenditures is from deferred repair services, material purchases, training and conferences caused by the COVID-19 pandemic.

Silicon Valley Clean Water
Management's Discussion and Analysis
June 30, 2021

TABLE 7
FY 2021-2022 Budget vs FY 2020-2021 Actual

	<u>FY 2021-2022</u> <u>Budget</u>	<u>FY 2020-2021</u> <u>Actual</u>	<u>\$ Increase /</u> <u>(Decrease)</u>	<u>% Increase /</u> <u>(Decrease)</u>
Member Contributions	\$ 27,612,513	\$ 26,628,984	\$ 983,529	3.7%
Source Control Revenue	90,000	55,926	34,074	60.9%
Stormwater Revenue	118,000	49,957	68,043	136.2%
Other Revenues	547,000	300,274	246,726	82.2%
Total Operating Revenue	<u>28,367,513</u>	<u>27,035,141</u>	<u>1,332,372</u>	<u>4.9%</u>
Operations	10,809,897	9,643,976	1,165,921	12.1%
Maintenance	7,246,589	7,059,037	187,552	2.7%
Laboratory	1,798,210	2,144,255	(346,045)	(16.1%)
Environmental Services	993,719	909,922	83,797	9.2%
Engineering	1,392,615	1,104,169	288,446	26.1%
Information Services	1,976,351	1,784,330	192,021	10.8%
Safety	492,106	473,830	18,276	3.9%
Administration	3,758,027	4,458,016	(699,989)	(15.7%)
Depreciation	10,750,080	10,750,080	-	-
Total Operating Expenses	<u>39,217,594</u>	<u>38,327,615</u>	<u>889,979</u>	<u>2.3%</u>
Operating Income/(Loss)	<u>\$ (10,850,081)</u>	<u>\$ (11,292,474)</u>	<u>\$ 442,393</u>	<u>3.9%</u>

CONTACTING SILICON VALLEY CLEAN WATER MANAGEMENT

This financial report is designed to provide SVCW officers, investors, stakeholders, and other interested parties with a general overview of SVCW's financial condition. If you have any questions about this report or need additional financial information, please contact the offices of the Manager or the Chief Financial Officer at Silicon Valley Clean Water, (650) 832-6261, 1400 Radio Road, Redwood City, CA, 94065.

BASIC FINANCIAL STATEMENTS

Silicon Valley Clean Water

Statement of Net Position

June 30, 2021

(With Comparative Totals as of June 30, 2020)

Assets	2021	2020
Current Assets:		
Cash and investments	\$ 67,686,891	\$ 175,208,430
Cash restricted for debt service	3,414,229	4,156,730
Cash restricted for pension benefits	688,481	-
Accounts receivable	1,181,029	1,568,509
Interest receivable	269	18,931
Employee notes receivable	9,332	18,145
Inventory	1,900,320	1,865,149
Prepaid expenses	158,296	103,796
Total Current Assets	75,038,847	182,939,690
Noncurrent Assets:		
Net OPEB asset	504,766	-
Capital assets:		
Depreciable capital assets - net	179,906,342	178,353,486
Non depreciable capital assets:		
Land	1,282,081	1,282,081
Construction in progress:		
Stage 2	2,934,618	2,934,618
General	476,466,702	338,649,566
Total capital assets - net	660,589,743	521,219,751
Total Noncurrent Assets	661,094,509	521,219,751
Total Assets	\$ 736,133,356	\$ 704,159,441
Deferred Outflows of Resources		
Pension related	\$ 4,317,629	\$ 4,466,528
OPEB related	1,705,753	2,302,975
Deferred Loss on Defeasance	22,613,891	4,777,794
Total Deferred Outflows of Resources	\$ 28,637,273	\$ 11,547,297
Liabilities		
Current Liabilities:		
Accounts payable	\$ 21,293,874	\$ 12,221,582
Accrued payroll and employee benefits	1,205,694	1,064,043
Accrued interest payable	5,514,957	7,220,362
Unearned revenue	615,631	918,892
Compensated absences due within one year	1,254,487	1,135,408
Long term debt due within one year	14,505,126	11,703,598
Total Current Liabilities	44,389,769	34,263,886
Long term debt due in more than one year	575,827,114	540,947,145
Net pension liabilities	16,646,389	15,053,146
Net OPEB liabilities	-	963,883
Total Liabilities	\$ 636,863,272	\$ 591,228,059
Deferred inflows of Resources		
Pension related	\$ 929,303	\$ 1,366,694
OPEB related	695,253	-
Total Deferred Inflows of Resources	\$ 1,624,556	\$ 1,366,694
Net Position		
Net Investment in Capital Assets	\$ 132,721,095	\$ 107,641,792
Restricted for:		
Debt service	3,414,229	4,156,730
Pension benefits	688,481	-
Unrestricted	(10,541,004)	11,313,463
Total Net Position	\$ 126,282,801	\$ 123,111,985

The notes to basic financial statements are an integral part of this statement

Silicon Valley Clean Water
Statement of Activities and Changes in Net Position
For the Fiscal Year Ended June 30, 2021
(With Comparative Totals for the Fiscal Year Ended June 30, 2020)

	2021	2020
Operating Revenues:		
Member contributions for services	\$ 26,803,212	\$ 25,452,719
Member contributions for cash reserves	3,249,017	3,672,832
Member contributions for debt service	18,903,715	20,488,973
Member contributions for cash in-lieu-of financing	4,737,278	12,969,079
Source control charges	105,883	61,964
Miscellaneous revenues	307,083	379,176
Total operating revenues	<u>54,106,188</u>	<u>63,024,743</u>
Operating Expenses:		
Operations	9,759,757	10,178,096
Maintenance	7,079,907	6,838,650
Laboratory	2,162,490	1,990,912
Environmental services	909,922	1,051,499
Engineering	1,104,176	886,211
Information services	1,784,330	1,650,921
Safety	473,830	451,704
Administration	5,067,679	5,672,773
Depreciation	10,750,080	9,041,764
Total operating expenses	<u>39,092,171</u>	<u>37,762,530</u>
Operating Income (Loss)	<u>15,014,017</u>	<u>25,262,213</u>
Nonoperating Revenues (Expenses):		
Grants	231,302	217,655
Other revenue (expense)	822,878	763,713
Interest by fund:		
Operations fund	24,460	187,022
Stage 2 capacity fund	224,013	325,638
Capital improvement reserve fund	321,398	553,691
Operating reserve fund	51,340	77,908
Capital improvement fund	1,859,205	3,369,063
Net increase (decrease) in fair value of investments	(1,895,276)	2,859,652
Interest expense	(17,309,944)	(19,603,899)
Premium amortization	3,819,573	4,167,599
Gain (loss) on disposal of fixed assets	7,850	170,281
Total nonoperating revenues (expenses)	<u>(11,843,201)</u>	<u>(6,911,677)</u>
Change in Net Position	3,170,816	18,350,536
Beginning Net Position	<u>123,111,985</u>	<u>104,761,449</u>
Ending Net Position	<u>\$ 126,282,801</u>	<u>\$ 123,111,985</u>

The notes to basic financial statements are an integral part of this statement

Silicon Valley Clean Water
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021
(With Comparative Totals for the Fiscal Year Ended June 30, 2020)

	2021	2020
Cash Flows from Operating Activities:		
Cash received from member agencies	\$ 54,182,578	\$ 62,529,029
Cash paid to suppliers for goods and services and employees for services	(36,183,923)	(35,435,112)
Other cash received (paid)	412,966	441,140
Net Cash Provided (Used) by Operating Activities	<u>18,411,621</u>	<u>27,535,057</u>
Cash Flows from Capital and Related Financing Activities:		
Cash received from member agencies other than for services	822,878	763,713
Cash received from grants	231,302	217,655
Interest paid on capital debt	(19,015,348)	(19,603,899)
Principal paid on capital debt	(133,089,522)	(7,427,870)
Proceeds from long-term debt	174,590,592	225,428,658
Cash received on the sale of capital assets	75,700	170,281
Purchases and construction of capital assets	(150,187,922)	(135,556,331)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(126,572,320)</u>	<u>63,992,207</u>
Cash Flows from Investing Activities:		
Noncash equivalent investments	(55,743,878)	-
Investment income	585,140	8,201,540
Net Cash Provided (Used) by Investing Activities	<u>(55,158,738)</u>	<u>8,201,540</u>
Net Increase (Decrease) in Cash and Investment	(163,319,437)	99,728,804
Cash and Cash Equivalents, Beginning	179,365,160	79,636,356
Cash and Cash Equivalents, Ending	<u>\$ 16,045,723</u>	<u>\$ 179,365,160</u>
Reconciliation of Operating Income (Loss) to Cash Flows Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ 15,014,017	\$ 25,262,213
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	10,750,080	9,041,764
Net change in:		
Accounts receivable	406,142	866,933
Employee notes receivable	8,813	1,705
Inventory	(35,171)	230,141
Prepaid expenses	(54,500)	319,529
Deferred outflows of resources for benefits	(17,089,976)	(5,936,163)
Accounts payable	9,072,292	(5,635,254)
Accrued payroll and employee benefits	385,324	2,617,365
Unearned revenue	(303,262)	646,988
Deferred inflows of resources for benefits	257,862	119,836
Net Cash Provided (Used) by Operating Activities	<u>\$ 18,411,621</u>	<u>\$ 27,535,057</u>
Reconciliation of Cash and Cash Equivalents:		
Cash and investments	\$ 71,789,601	\$ 179,365,160
Less: investments with original maturities in excess of three months	(55,743,878)	-
Cash and Cash Equivalents	<u>\$ 16,045,723</u>	<u>\$ 1,035,079</u>

The notes to basic financial statements are an integral part of this statement

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2021

NOTE 1 - NATURE OF ORGANIZATION

Silicon Valley Clean Water (SVCW, or “the Authority”), formerly South Bayside System Authority, was founded in 1975 as the successor to the Strategic Consolidation Sewerage Plan. SVCW took title to all property of the Strategic Consolidation Sewerage Plan and now maintains and operates sanitary sewerage pumping, transmission and outfall facilities that were constructed. In addition, SVCW has constructed and is operating sewerage treatment plant facilities. The members of SVCW are the Cities of Belmont, Redwood City, San Carlos, and the West Bay Sanitary District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting

All activities of SVCW are accounted for within enterprise funds. SVCW's financial statements include a Statement of Net Position, a Statement of Activities and Changes in Net Position and a Statement of Cash Flows.

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

Deferred outflows of resources are a consumption of net assets by SVCW that is applicable to a future reporting period. For example, prepaid items and deferred charges. Deferred inflows of resources are an acquisition of net assets by SVCW that is applicable to a future reporting period. For example, unearned revenue and advance collections.

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows from unearned revenue.

SVCW applies all applicable GASB pronouncements for certain accounting and financial reporting guidance. In December of 2010, GASB issued *GASB No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. This includes pronouncements by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions (APB), and the Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure, unless those pronouncements conflict with or contradict with GASB pronouncements.

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2021

Statement of Net Position

The statement of net position is designed to display the financial position of SVCW. SVCW's net position is classified into three categories as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position, as applicable.

- Restricted - This component of net position consists of constraints placed on assets use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law and regulations of other governments, and reduced by liabilities and deferred inflows of resources related to those assets. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation.
- Unrestricted - This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. SVCW first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Statement of Activities and Changes in Net Position

The Statement of Activities and Changes in Net Position is the operating statement for proprietary funds. This statement distinguishes between operating and non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income. Operating revenues in the enterprise funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Budgets and Budgetary Accounting

SVCW adopted a one-year budget which provides for the general operations of SVCW. Budgets are prepared on the accrual basis of accounting. Project-length financial plans are adopted for all capital projects.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash represents balances that can be readily withdrawn without substantial notice or penalty. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of three months or less.

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2021

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No.3)*, certain disclosure requirements for deposits and investment risks were made in the areas of interest rate risk and credit risk. The credit risk disclosures include the following components: overall credit risk, custodial credit risk and concentrations of credit risk. In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

Investments

SVCW participates in various investments, including investment of its own cash reserves as well as an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF). LAIF invests a portion of the pooled funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, the structured notes and asset-backed securities are subject to market risk as to change in interest rates.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

Receivables

Receivables include amounts due from member assessments, services performed for other agencies. All receivables are current and reported net of an allowance for uncollectible accounts. The allowance for uncollectible accounts was zero as of June 30, 2021.

Inventories

Inventories are valued using the first in, first out (FIFO) method. Inventories are recorded as expenses when consumed rather than when purchased.

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2021

Capital Assets

Property, plant, and equipment purchased after June 30, 1992, are stated at cost. Prior acquisitions are stated at their appraised value as of June 30, 1992. Property, plant, and equipment contributed to SVCW are stated at estimated fair value at the time of contribution. SVCW policy has set the capitalization threshold for reporting capital assets at \$20,000, with a minimum useful life of five years. Depreciation is computed using the straight-line method over the estimated useful lives of the assets generally as outlined by the State Controller's Report on Fixed Assets. The purpose of depreciation is to spread the cost of plant and equipment equitably among all customers over the life of these assets, so that each customer's bill includes a pro rata share of the cost of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of plant and equipment cost.

Depreciation of all plant and equipment in service is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the statement of net position as a reduction in the book value of the capital assets.

SVCW has assigned the useful lives listed below to plant and equipment:

Buildings and Structures	50-70
Pipelines	35
Pump Stations	7-25
Machinery and Equipment	5-10

Compensated Absences

SVCW has a policy whereby an employee can accumulate unused vacation up to a maximum of twice an employee's annual vacation entitlement. Compensated absences are recorded as a liability when accrued. Accumulated vacation is computed using current employee accumulated vacation hours at current pay rates. SVCW does not offer payment for sick leave at termination or retirement.

Pensions

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

Other Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, financial transactions (deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense information about the fiduciary net position of SVCW's Retiree Benefit Plan (the OPEB Plan), and additions to/deductions from the OPEB Plan's fiduciary net position) have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2021

Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. As described in Footnote 12, management has chosen to disclose certain debt agreements that were executed subsequent to June 30, 2021.

Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Upcoming New Accounting Pronouncements

GASB issued Statement No. 87, Leases

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the fiscal year ending June 30, 2022. The Authority does not believe this statement will have a significant impact on the Authority's financial statements.

GASB Statement No. 91, Conduit Debt Obligation

GASB Statement No. 91 – In May 2019, GASB Issued Statement No. 91, Conduit Debt Obligation. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement also addresses arrangements - often characterized as leases - that are associated with conduit debt obligations. This Statement is effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The Authority has not yet determined its effect on the financial statements.

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2021

NOTE 3 - CASH AND INVESTMENTS

Credit Risk

SVCW's cash and investments consisted of the following as of June 30, 2021 and 2020:

Cash and Investments	June 30, 2021	June 30, 2020	Investment Rating	Input Level
Cash:				
Demand deposits	\$ 778,897	\$ 1,401,735	n/a	n/a
Cash on hand	1,000	1,000	n/a	n/a
Total Cash	779,897	1,402,735		
Investments:				
US Treasuries	33,227,686	121,111,359	AA+	1
US Government Agencies	12,007,313	14,648,587	AA+	1
			AA+/AA-/A+/A-/BBB+	
Asset Backed Securities/Corporate bonds	7,654,640	7,840,027	AAA/NR	1
Municipal bonds/notes	1,873,050	486,493	AAA/AA+/AA/A+/NR	1
Supranationals	358,016	125,856	AAA	1
Money Market Funds	2,930,690	17,651,968	AAAm	2
California Asset Management Program	12,748,262	15,833,933	AAAm	n/a
Local Agency Investment Fund	210,047	264,202	Not rated	n/a
Total Investments	71,009,704	177,962,425		
Total Cash and Investments	\$ 71,789,601	\$ 179,365,160		

Interest Rate Risk

The following is a summary of the Authority's investments by maturity as of June 30, 2021:

Maturity	June 30, 2021	June 30, 2020
0-1 years	\$ 24,395,143	\$ 92,798,291
1-2 years	8,079,552	37,717,648
2-3 years	10,697,281	14,546,971
3-5 years	17,276,207	14,513,163
Over 5 years	10,561,521	18,386,352
Total Investments	\$ 71,009,704	\$ 177,962,425

Cash Deposits

Interest bearing bank balances are insured up to \$250,000 per bank by the Federal Deposit Insurance Company ("FDIC"). SVCW's cash in bank exceeded the insured limit as of June 30, 2021. All SVCW's deposits with financial institutions were held in collateralized accounts.

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2021

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

Collateral and Categorization Requirements

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

Restricted Cash

SVCW's restricted cash consisted of \$4,102,710 in cash and investments as of June 30, 2021, held by trustees or fiscal agent, \$3,414,229 of which was pledged for the payment or security of bonds and \$688,481 of which are restricted for the Section 115 Pension Trust.

Local Agency Investment Fund

SVCW is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Authority reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are maintained on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. On June 30, 2021, the investments matured in an average of 291 days.

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2021

Investment Policy

SVCW's investment guidelines as defined by its written investment policy were approved by the Commission, who also establishes its implementation and direction. Monthly, the Board ratifies the investments that have been made. SVCW's investment policy follows the California Government Code which authorizes SVCW to invest in the following:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum % of Portfolio	SVCW Maximum Investment in Single Issuer
Local Agency Municipal Bonds	5 years	A, A1	30%	5%
U.S. Treasury Obligations	5 years*	None	None	100%
State of California and Other State Obligations	5 years*	A	30%	5%
CA Local Agency Obligations	5 years*	None	30%	5%
U.S. Agency Securities	5 years*	None	None	100%
Bankers Acceptances	180 days	None	40%	None
Commercial Paper (pooled)	270 days	A1 / P1	15%	None
Commercial Paper (non-pooled)	270 days	A1 / P1	15%	None
Negotiable Certificates of Deposit	5 years	A, A-1	15%	5%
Non-Negotiable Certificates of Deposit	5 years	None	None	None
Placement Service Deposits	5 years	None	30% (A)	None
Placement Service Certificates of Deposit	5 years	None	30% (A)	None
Medium Term Corporate Notes	5 years	A	30%	30%
Money Market Mutual Funds	N/A	AAA	20%	20%
Collateralized Bank Deposits	5 years	None	50%	100%
Mortgage Pass-Through and Asset-Backed Securities	5 years	AAA	10%	None
County Pooled Investment Funds	N/A	None	None	None
Joint Powers Authority Pool	N/A	Multiple	None	100%
California Local Agency Investment Fund	N/A	None	None	\$75M
Voluntary Investment Program Fund	N/A	None	None	None
Supranational Obligations (B)	5 years	AA	15%	15%
Public Bank Obligations	5 years	None	None	None

(A) 30% maximum % of portfolio is for deposits and certificates of deposit combined.

(B) Only those obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IADB)

* Investments with maturities in excess of 5 years authorized during SVCW Commissioner's Meeting on June 17, 2019. Longer-term securities is only for U.S. Treasury, U.S. Agency Securities, and State/Local Agency Obligations and shall have a maximum remaining average life of ten years or less.

**U.S. Treasuries, U.S. Agencies, and State/Local Agency obligations measure maximum maturity as average remaining maturity at time of purchase.*

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2021

Risk Disclosures

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

- *Interest Rate Risk* - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. To limit loss exposure due to Interest Rate Risk, the investment policy limits the length of maturity of investments.
- *Credit Risk* - Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. To limit loss exposure due to Credit Risk, the investment policy limits purchase of investments to those rated A-1 by Standard & Poor's or P-1 by Moody's Investors Service.
- *Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, SVCW's deposits may not be returned to it. Or, in the case of investments, the risk of loss of the investment due failure, impairment or malfeasance of the third party whose name in which the investment is held and who has physical possession of the instrument. In order to limit loss exposure due to Custodial Credit Risk, the investment policy requires all securities be received and delivered using the standard delivery versus payment (DVP) procedure, and all securities be held by a third-party bank or trust department under the terms of a custody or trustee agreement. None of SVCW's investments were subject to custodial credit risk.
- *Concentration of Credit Risk* - See the chart above for SVCW's limitations on the amount that can be invested in any one issuer. As of June 30, 2021, 17% of SVCW's cash was invested in California Asset Management Program (CAMP), 17% in agencies, 11% in asset-backed securities and corporate bonds, 4% in money market accounts, 47% in U.S. treasuries, and 3% in LAIF and municipal bonds and notes.

NOTE 4 - EMPLOYEE NOTES RECEIVABLE

All full-time and part-time SVCW employees are eligible to obtain an interest-free loan to purchase a computer or certain tools. All requests for loans must be approved by the Department Manager and Human Resources Director. Repayment of these loans is handled through payroll deductions which are amortized over a two-year period. Employees must pay off any outstanding balance of their loans upon ending employment with SVCW. As of June 30, 2021, and 2020, outstanding balances for notes receivable were \$9,332 and \$18,145, respectively.

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2021

NOTE 5 - CAPITAL ASSETS (PROPERTY, PLANT AND EQUIPMENT)

SVCW's capital assets consisted of the following as of June 30, 2021:

Capital Assets	Balance July 1, 2020	Additions	Retirements	Adjustments/ Transfer	Balance June 30, 2021
Non-depreciable:					
Land	\$ 1,282,081	\$ -	\$ -	\$ -	\$ 1,282,081
Construction in Progress					
Stage 2	2,934,618	-	-	-	2,934,618
General	338,649,566	150,187,922	-	(12,370,786)	476,466,702
Total Non-Depreciable	342,866,265	150,187,922	-	(12,370,786)	480,683,401
Depreciable:					
Buildings and structures	85,666,408	-	-	1,275,446	86,941,854
Pipelines	66,670,883	-	-	2,892,871	69,563,754
Pump station	8,621,991	-	-	333,494	8,955,485
Machinery and equipment	124,453,940	-	(251,729)	7,868,975	132,071,186
Total Depreciable	285,413,222	-	(251,729)	12,370,786	297,532,279
Less Accumulated Depreciation for:					
Buildings and structures	(43,471,943)	(2,623,153)	-	-	(46,095,096)
Pipelines	(13,521,865)	(1,910,726)	-	-	(15,432,591)
Pump station	(6,032,816)	(207,334)	-	-	(6,240,150)
Machinery and equipment	(44,033,112)	(6,008,867)	183,879	-	(49,858,100)
Total Accumulated Depreciation	(107,059,736)	(10,750,080)	183,879	-	(117,625,937)
Total Depreciable PPE - Net	178,353,486	(10,750,080)	(67,850)	12,370,786	179,906,342
Total PPE - Net	\$ 521,219,751	\$ 139,437,842	\$ (67,850)	\$ -	\$ 660,589,743

Depreciation expense for the year ended June 30, 2021, and 2020 was \$10,750,080 and \$9,041,764, respectively.

NOTE 6 - NONCURRENT LIABILITIES

SVCW's noncurrent liabilities consisted of the following as of June 30, 2021:

Description	Balance July 01, 2020	Additions	Deductions	Balance June 30, 2021	Due Within One Year
Wastewater Revenue Bonds/Notes	\$ 466,435,000	\$ 143,835,000	\$ 123,245,000	\$ 487,025,000	\$ 9,145,000
Unamortized Premium	36,672,367	1,455,592	4,167,600	33,960,359	3,940,873
Note Payable (Direct Borrowing)	49,543,376	29,300,000	9,496,495	69,346,881	1,419,253
Net OPEB Liability (Asset)	963,883	-	1,468,649	(504,766)	-
Net Pension Obligation	15,053,146	1,593,243	-	16,646,389	-
Compensated Absences	1,135,408	119,079	-	1,254,487	1,254,487
Total Noncurrent Liabilities	\$ 569,803,180	\$ 176,302,914	\$ 138,377,744	\$ 607,728,350	\$ 15,759,613

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2021

Long-Term Debt

SVCW's long-term debt included the following bonds and notes, as of June 30, 2021:

<i>Bonds/Notes</i>	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds/Notes		Bonds/Notes	
					Outstanding July 01, 2020	Issued	Retirements	Outstanding June 30, 2021
2014 Bond	2014	2044	3-5%	\$ 60,000,000	\$ 53,860,000	\$ -	\$ 53,860,000	\$ -
2015 Bond	2015	2045	2-5%	70,200,000	67,025,000	-	67,025,000	-
2018 Bond	2018	2049	3.125-5%	140,955,000	136,250,000	-	2,360,000	\$133,890,000
2019 Notes Series A	2019	2024	3%	209,300,000	209,300,000	-	-	209,300,000
2021 Bond Series A	2021	2046	0.177-2.973%	137,010,000	-	137,010,000	-	137,010,000
2021 Bond Series B	2021	2033	4-5%	6,825,000	-	6,825,000	-	6,825,000
Total Wastewater Revenue Bonds/Notes				\$ 624,290,000	\$ 466,435,000	\$ 143,835,000	\$ 123,245,000	\$ 487,025,000

2014 Wastewater Revenue Bonds

In March 2014, SVCW issued \$60,000,000 of Revenue Bonds. The Bonds were issued to finance the acquisition and construction of capital improvements to SVCW's wastewater system and pay costs of issuing the Bonds. The Bonds are limited obligations of SVCW which are payable solely from and secured solely by the revenues pledged under the indenture, consisting primarily of payments made by the City of Redwood, the City of San Carlos, and the West Bay Sanitary District (the "Participating Members"). Annual principal and interest payments on the bonds are expected to require less than 10 percent of net revenues. In March 2021, proceeds from the 2021 Wastewater Refunding Revenue Bonds (described below) were used to refund \$60,000,000 of the 2014 Wastewater Revenue Bonds and \$70,200,000 of the 2015 Wastewater Revenue Bonds.

2015 Wastewater Revenue Bonds

Wastewater Revenue Bonds in the amount of \$70,200,000 were executed on November 24, 2015. The funds were used to refund the Authority's current outstanding Wastewater Revenue Bonds captioned 2008 Wastewater Revenue Bonds and 2009 Build America Bonds, and to finance certain improvements to the Authority's wastewater treatment system. In conjunction with the issuance of the 2015 Wastewater Revenue Bonds and in accordance with the Authority's refunding plan, \$53,246,823 was deposited with an escrow agent to provide for payment when due of all principal and interest with respect to the 2008 and 2009 refunded Bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$703,660. The difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized over the useful life of the refunded bonds using the straight-line method. For financial reporting purposes, the refunded portion of the debt is considered defeased and therefore removed as a liability from these financial statements. Interest is payable semi-annually on February 1st and August 1st of each year while principal payments are made on August 1st of each year commencing 2016, with interest rates ranging from 2% to 5%. These wastewater revenue bonds are secured by a pledge of Member revenues. In March 2021, proceeds from the 2021 Wastewater Refunding Revenue Bonds (described below) were used to refund \$60,000,000 of the 2014 Wastewater Revenue Bonds and \$70,200,000 of the 2015 Wastewater Revenue Bonds.

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2021

2018 Wastewater Revenue Bonds

In February 2018, SVCW issued \$140,955,000 in Revenue Bonds. The Bonds were issued to finance the acquisition and construction of capital improvements to SVCW's wastewater system and pay costs of issuing the Bonds. The Bonds are limited obligations of SVCW which are payable solely from and secured solely by the revenues pledged under the indenture, consisting primarily of payments made by the City of Redwood, the City of San Carlos, and the West Bay Sanitary District (the "Participating Members"). Annual principal and interest payments on the bonds are expected to require less than 10 percent of net revenues.

2019 Series A Wastewater Revenue Notes

In August 2019, SVCW issued \$209,300,000 in Revenue Notes. The Notes were issued to provide interim financing for the acquisition and construction of capital improvements to SVCW's wastewater system, capitalize interest on the Notes through maturity and pay costs of issuing the Notes. Concurrently, SVCW executed a WIFIA (Water Infrastructure Finance and Innovation Act) Loan Agreement with the United States Environmental Protection Agency (EPA) to finance these capital improvements. Proceeds of the WIFIA Loan are expected to be used by the Authority to pay the 2019 Notes at maturity or to optionally redeem all or a portion of the 2019 Notes to their maturity. The Notes are limited obligations of SVCW which are payable solely from and secured solely by the revenues pledged under the indenture, consisting of payments made by the City of Redwood, the City of San Carlos, the City of Belmont and the West Bay Sanitary District (the "Participating Members"). Total principal amount will be due at maturity on March 1, 2024. Interest payments are payable semi-annually on March 1 and September 1.

2021 Wastewater Refunding Revenue Bonds

In March 2021, SVCW issued 2021 Wastewater Revenue Refunding Bonds in the amount of \$143,835,000 comprised of \$137,010,000 Series A Taxable Bonds and \$6,825,000 Series B Tax-Exempt Bonds. The proceeds from the 2021 Series A Bonds were used to refund the outstanding portion of the 2014 and 2015 Wastewater Revenue Bonds, and to pay the costs of issuance of the Series A Bonds. The proceeds from the 2021 Series B Bonds were used to refund the outstanding loan with the State Water Resources Control Board (SWRCB) for the construction of an administrative and plant control building, and to pay the costs of issuance of the Series B Bonds. The Bonds are limited obligations of SVCW which are payable solely from and secured solely by the revenues pledged under the indenture, consisting primarily of payments made by the City of Redwood, the City of San Carlos, and the West Bay Sanitary District (the "Participating Members"). Principal payments are payable annually on August 1, commencing on August 1, 2021. Interest on the 2021 Bonds will be paid semiannually on August 1 and February 1 of each year, commencing on August 1, 2021. The refinancing resulted in a net present value savings to SVCW in the debt services of \$14,747,351.

The 2014, 2015, 2018 Wastewater Revenue Bonds, 2019 Wastewater Revenue Notes and 2021 Wastewater Refunding Revenue Bonds Series A and B are general obligations of SVCW, payable solely from pledges of wastewater revenues from participating SVCW member agencies. The bonds and 2019 Notes covenants contain events of default that require the revenue of SVCW to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of SVCW to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by SVCW; or if any court or competent jurisdiction shall assume custody or control of SVCW. No such events occurred during the fiscal year ending June 30, 2021.

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2021

Long-term Debt Service

The debt service requirements for the bonds as of June 30, 2021, were as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2022	\$ 9,145,000	\$ 14,106,106	\$ 23,251,106
2023	8,950,000	14,301,729	23,251,729
2024	218,415,000	14,130,234	232,545,234
2025	9,310,000	7,663,647	16,973,647
2026	9,505,000	7,449,624	16,954,624
2027-2031	50,910,000	33,156,115	84,066,115
2032-2036	53,935,000	25,261,205	79,196,205
2037-2041	57,605,000	16,958,235	74,563,235
2042-2046	46,995,000	8,086,032	55,081,032
2047-2051	22,255,000	1,204,813	23,459,813
Total	<u>\$ 487,025,000</u>	<u>\$ 142,317,740</u>	<u>\$ 629,342,740</u>

SWRCB Notes Payable (Direct Borrowing)

SVCW has financed multiple projects by entering into three separate sale-repurchase agreements with the State Water Resources Control Board (SWRCB). Combined, these notes payable totaled \$40,046,881 as of June 30, 2021. The project funds, together with all accrued interest, are repaid in annual installments commencing one year after the completion of construction.

In August 2011, SVCW secured SWRCB funding for the construction of an administration and plant control building. The SWRCB reimbursed SVCW for project-related expenditures as incurred. In March 2021, proceeds from the 2021 Wastewater Refunding Revenue Bonds (described above) were used to refund this outstanding loan.

In March 2012, SVCW entered a similar agreement with the SWRCB for up to \$35,385,953 for certain improvements to the wastewater treatment plant. The SWRCB reimbursed SVCW for project-related expenditures as incurred, and the outstanding liability was \$26,046,881 as of June 30, 2021. This amount will be repaid by October 2036.

In February 2016, SVCW entered a similar agreement with the SWRCB for up to \$14,000,000 to plan and design certain improvements to the conveyance system. This planning was completed on August 1, 2019, and the total incurred expenditures will either be repaid by September 2030 or combined into a subsequent construction loan. In July 2020, an amendment was executed to reschedule the completion date until August 1, 2020, and expenditures to be repaid by September 2031. An additional amendment is being executed in October 2021 that will again reschedule the completion date to April 15, 2024, and the payment commencement date to October 15, 2024. As currently amended, the planning loan will be paid through 2034. SVCW is anticipating another amendment to restructure this SRF Planning Loan over a 30-year term. The SWRCB reimbursed SVCW for project-related expenditures as incurred, and the outstanding liability was \$14,000,000 as of June 30, 2021.

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2021

The following summarizes the scheduled future debt service requirements for the SWRCB loans as of June 30, 2021:

Fiscal Year	Principal	Interest to Maturity	Total
2022	\$ 1,419,253	\$ 468,844	\$ 1,888,097
2023	1,444,800	443,297	\$ 1,888,097
2024	1,470,806	417,291	\$ 1,888,097
2025	2,799,412	614,816	\$ 3,414,229
2026	2,847,198	567,031	\$ 3,414,229
2027-2031	14,981,910	2,089,234	\$ 17,071,144
2032-2036	13,228,790	790,091	\$ 14,018,881
2037-2037	1,854,712	33,385	\$ 1,888,097
Total	\$ 40,046,881	\$ 5,423,990	\$ 45,470,871

Line of Credit (Direct Borrowing)

In May 2015, SVCW entered into a \$30,000,000 line of credit with Wells Fargo Bank to finance a portion of the costs of acquisition and construction of capital improvements. In June 2018, the agreement was extended through May 31, 2021, with an accordion feature to increase the available balance to \$65,000,000. In June 2021, the agreement was again amended to extend through May 31, 2024, and to increase the available credit balance to a maximum of \$115,000,000. Advances on the line of credit provide for an interest rate based on either a fixed per annum rate of interest equal to the LIBOR rate plus the Applicable LIBOR Rate Margin, or a variable per annum rate of interest equal to the Base Rate plus the Applicable Base Rate Margin. SVCW had \$29,300,000 outstanding on the line of credit on June 30, 2021.

WIFIA Loan (Direct Borrowing)

In July 2019, SVCW entered into a Water Infrastructure Finance and Innovation Act (WIFIA) loan agreement with the United States Environmental Protection Agency (U.S. EPA) for an amount up to \$218,000,000, which is intended to be drawn upon on March 1, 2024. The loan proceeds will be used to refund the 2019 Series A Wastewater Notes, which was used to finance of the acquisition and construction of capital improvements to SVCW's wastewater system. The loan is payable solely from and secured solely by the revenues pledged under the indenture, consisting of payments made by the City of Redwood, the City of San Carlos, the City of Belmont and the West Bay Sanitary District (the "Participating Members"). Principal payment is due annually on March 1. Interest payments are due semi-annually on March 1 and September 1. On November 17, 2020, SVCW and the United States Environmental Protection Agency re-executed the 2019 WIFIA Loan Agreement in order to reduce the interest rate on its \$218 million WIFIA loan. The interest rate was reduced from 2.40% to 1.41%.

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2021

NOTE 7 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Due-to/from

Interfund receivables and payables as of June 30, 2021, were as follows:

Fund Description	Due From	Due To
Operations	\$ 39,066,697	\$ 643,493
Capital Improvement Program	-	36,439,078
Recycled Water	-	59,762
Self Insurance	186,780	-
Construction Stage 2	888,017	-
Capital Improvements	1,425,658	-
Capital Improvement Program Reserve	-	7,654,474
Operating Reserve	3,229,655	-
Totals	<u>\$ 44,796,807</u>	<u>\$ 44,796,807</u>

Interfund Transfers

Interfund transfers consist of transfers from funds receiving revenue to funds through which the resources are to be expended and transfers of capital assets upon completion of construction. Interfund transfers for the June 30, 2021, fiscal year were as follows:

Fund Description	Transfers In	Transfers Out
Operations	\$ 12,370,786	\$ -
Capital Improvement Program	-	6,841,927
Capital Improvements	-	5,528,859
Totals	<u>\$ 12,370,786</u>	<u>\$ 12,370,786</u>

NOTE 8 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plans

Plan Description - All qualified permanent and probationary employees are eligible to participate in the Agency's Miscellaneous Employee Pension Plans (the Plans); cost-sharing multiple employers defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Agency resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2021

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

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

	Miscellaneous		
	Tier 1	Tier 2	PEPRA
	Prior to July 1, 2011	July 1, 2011 - December 31, 2012	On/After January 1, 2013
Membership date			
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life	Monthly for Life
Retirement age	55	60	62
Monthly benefits as a % of eligible compensation	1.426% to 2.418%	1.092% to 2.418%	1.000% to 2.500%
Required employee contribution rates	7.000%	7.000%	6.750%
Required employer contribution rates	11.031%	8.794%	7.732%

Employees Covered - On June 30, 2021, the following employees were covered by the benefit terms for the Plans:

	Miscellaneous
Active	84
Transferred	16
Separated	27
Retired	86
Total	213

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rates are 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 Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2021, SVCW contributed \$2,051,581 into the Plans.

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

As of June 30, 2021, the Agency reported net pension liabilities for its proportionate shares of the net pension liability was \$16,646,389.

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2021

The Agency's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020, using standard update procedures. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The Agency's proportionate share of the net pension liability for the Plans as of June 30, 2020 and 2021 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Proportion - June 30, 2020	0.14690%	0.00000%	0.14690%
Proportion - June 30, 2021	0.15299%	0.00000%	0.15299%
Change - Increase/(Decrease)	<u>0.00609%</u>	<u>0.00000%</u>	<u>0.00609%</u>

For the year ended June 30, 2021, the Agency recognized pension expense of \$3,356,332. On June 30, 2021, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions or other inputs	\$ -	\$ (118,729)
Difference between Expected and Actual Experience	857,838	-
Differences between Projected and Actual Investments Earnings	494,507	-
Change in proportion and differences between employer contributions and proportionate share of contributions	-	(810,574)
Change in Employer's Proportion	913,703	-
Pension Contributions Made Subsequent to Measurement Date	2,051,581	-
Total	<u>\$ 4,317,629</u>	<u>\$ (929,303)</u>

The Agency reported \$2,051,581 as deferred outflows of resources related to contributions after the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	<u>Annual Amortization</u>
2022	\$ 246,962
2023	471,950
2024	380,653
2025	237,180
Total	<u>\$ 1,336,745</u>

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2021

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

	Miscellaneous
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level percent of payroll
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation Rate	2.50%
Payroll Growth	2.50% (1)
Projected Salary Increase	3.75% - 15.25%
Cost of Living Adjustments	2.75%
Investment Rate of Return	7.00%
Mortality	Derived using CalPERS' membership data for all funds (2)
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter

(1) Plus "across the board" real salary increases of 0.5% per year

(2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale 'MP-2016 published by the Society of Actuaries.

Discount Rate - The discount rate used to measure the total pension liability was 7.15 percent for the Plan. The projection of cash flows used to determine the discount rate for the Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS considered both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2021

The table below reflects the long-term expected real rates of return by asset class.

<u>Asset Class (a)</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10 (b)</u>	<u>Real Return Years 11+ (c)</u>
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
Total	<u>100%</u>		

(a) In the CalPER's Comprehensive Annual Financial Report, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.00% used for this period.

(c) An expected inflation of 2.92% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount

Rate - The following presents the Agency's proportionate share of the net pension liability for the Plans, calculated using the discount rate for the Plans, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	\$ 26,303,849
Current Discount Rate	7.15%
Net Pension Liability	\$ 16,646,389
1% Increase	8.15%
Net Pension Liability	\$ 8,666,733

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

SVCW's Retiree Healthcare Plan (the Plan) is a single employer defined benefit healthcare plan administered by SVCW. The plan provides healthcare benefits to eligible retirees and their dependents. Benefit provisions are established and may be amended through agreements and memorandums of understanding between SVCW, its management employees, and unions representing SVCW employees.

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2021

SVCW joined the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer plan administered by CALPERS, consisting of an aggregation of single-employer plans in the fiscal year 2010-11. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94229-2703. (This CERBT paragraph is newly added. Please provide highlighted information)

Benefits

Following is a description of the current retiree benefit plan. The following table describes benefits available to those hired prior to January 30, 2011. Employees hired on or after this date are entitled only to statutory minimum benefits under sections of the Government Code collectively known as PEMHCA (Public Employees' Medical and Hospital Care Act).

	All Non- Represented Employees	Operating Engineers
Benefits Provided:	Medical Only	Medical Only
Duration of Benefits:	Lifetime	Lifetime
Required Services:	Retirement under CaPERS	Retirement under CaPERS
Minimum Age:	Retirement under CaPERS	Retirement under CaPERS
Dependent Coverage:	Yes	Yes
Contribution Percentage:	100% to cap	100% to cap
Cap:	Bay Area Kaiser Rate	Bay Area Kaiser Rate

Employees Covered by Benefit Terms

On June 30, 2020 (the valuation date), the benefit terms covered the following employees:

Active employees	79
Inactive employees	43
Total employees	122

Contributions

The Authority makes contributions based on an actuarially determined rate and are approved by the authority of the Authority's Board. Total contributions during the year were \$342,773. Total contributions included in the measurement period were \$1,016,333. The actuarially determined contribution for the measurement period was \$513,353. The Authority's contributions were 2.50% of payroll during the fiscal year ended June 30, 2021. Employees are not required to contribute to the plan.

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2021

Actuarial Assumptions

The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	June 30, 2020
Measurement Date:	June 30, 2020
Actuarial Cost Method:	Entry-Age Normal Cost Method
Amortization Period:	20 years
Asset Valuation Method:	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.75%
Salary Increases	2.75%
Healthcare Trend Rate	4.00%
Investment Rate of Return	7.00%
Mortality	2017 CalPERS Active Mortality for Miscellaneous and School Employees
Retirement	Hired 2012 and earlier: Rx PA Misc 2% @ 55, min age 50 Hired 2013 and later: Rx PA Misc 2% @ 62, min age 52

Discount Rate

The projection of cash flows used to determine the discount rate assumed that the Authority contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to cover all future OPEB payments. Therefore, the discount rate was set to be equal to the long-term expected rate of return which was applied to all periods of projected benefit payments to determine the total OPEB liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Percentage of Portfolio</u>	<u>Long-Term Expected Rate of Return</u>
All Equities	59.00%	7.795%
All Fixed Income	25.00%	4.500%
Real Estate Investment Trusts	8.00%	7.500%
All Commodities	3.00%	7.795%
Treasury Inflation-Protected Securities (TIPS)	5.00%	3.250%
Total	<u>100.00%</u>	

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2021

Net OPEB Liability

The Authority's net OPEB liability was measured as of June 30, 2020 (measurement date), and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020 (valuation date) for the fiscal year ended June 30, 2021 (reporting date). The Changes in Assumptions is to recognize the Implied Subsidy associated with future medical premiums, which increased SVCW's actuarial accrued liability. The following summarizes the changes in the net OPEB liability during the year ended June 30, 2021:

Fiscal Year Ended June 30, 2021 (Measurement Date June 30, 2020)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2020	\$ 8,657,166	\$ 7,693,283	\$ 963,883
Service cost	85,101	-	85,101
Interest in Total OPEB Liability	591,376	-	591,376
Employer contributions to trust	-	678,000	(678,000)
Employer contributions as benefit payments	-	421,253	(421,253)
Expected investment income	-	562,126	(562,126)
Administrative expenses	-	(3,831)	3,831
Benefit payments	(421,253)	(421,253)	-
Investment Gain/Losses	-	(280,330)	280,330
Experience Gains/Losses	(247,302)	-	(247,302)
Changes in Assumptions	(438,887)	-	(438,887)
Expected Minus Benefit Payments	(81,719)	-	(81,719)
Net changes	(512,684)	955,965	(1,468,649)
Balance at June 30, 2021	\$ 8,144,482	\$ 8,649,248	\$ (504,766)
Covered Employee Payroll at Measurement Date	\$ 13,063,649		
Total OPEB Liability as a % of covered Employee payroll	62.34%		
Plan Fid. Net Position as a % of Total OPEB Liability	106.20%		
Service cost as a % of covered Employee payroll	0.65%		
Net OPEB Liability as a % of covered payroll	-3.86%		

Deferred Inflows and Outflows of Resources

On June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 396,750	\$ (289,379)
Change in assumptions	713,421	(386,009)
Difference between actual and expected earnings	252,809	(19,865)
OPEB contribution subsequent to measurement date	342,773	-
Totals	\$ 1,705,753	\$ (695,253)

The total \$342,773 reported as deferred outflows of resources related to OPEB was from Authority contributions subsequent to the measurement date and before the end of the fiscal year and will be included as a reduction of the net OPEB liability in the year ended June 30, 2021.

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2021

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2021:

Service cost	\$	85,101
Interest in TOL		591,376
Expected investment income		(562,126)
Difference between actual and expected earnings		55,217
Other (PPA of FNP, Per Actuary)		76,120
Administrative expenses		3,831
OPEB Expense	\$	<u>249,519</u>

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2021:

Net OPEB liability ending	\$	(504,766)
Net OPEB liability beginning		<u>(963,883)</u>
Change in net OPEB liability		(1,468,649)
Employer contributions and implicit subsidy		<u>2,385,895</u>
OPEB Expense	\$	<u>249,519</u>

Sensitivity to Changes in the Discount Rate

The net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher, is as follows:

	Discount Rate		
	6.0%	7.0%	8.0%
	(1% Decrease)	(Current Rate)	(1% Increase)
Net OPEB Liability (Asset)	\$ 422,717	\$ (504,766)	\$ (1,280,277)

Sensitivity to Changes in the Healthcare Cost Trend Rates

The net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	Trend Rate		
	3.0%	4.0%	5.0%
	(1% Decrease)	(Current Rate)	(1% Increase)
Net OPEB Liability (Asset)	\$ (1,405,195)	\$ (504,766)	\$ 588,576

Silicon Valley Clean Water
Notes to Financial Statements
June 30, 2021

NOTE 10 - RISK MANAGEMENT

The Authority is exposed to various risks of loss including theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority is a member of the California Sanitation Risk Management Authority (“CSRMA”), a public entity risk pool currently operating as a common risk management and insurance program for 58 member entities. CSRMA’s purpose is to spread adverse effects of losses among the member entities and to purchase excess insurance as a group to reduce costs. CSRMA is governed by a board comprised of one representative from each member agency. The CSRMA board controls the operations of CSRMA including selection of management and approval of operating budgets, independent of any influence by member entities.

The following table summarizes the insurance coverage currently maintained by the Authority:

Coverage	Per Occurrence Limits	Deductible/Retention
Pooled Liability	\$15,500,000	\$25,000
Pooled Liability Excess Liability	10,000,000	None
Property Insurance	36,000,000	100,000
Public Entity Pollution Liability	25,000,000	250,000
Cyber Liability	2,000,000	250,000
Public Official Bond	100,000	None
Crime Insurance Policy	5,000,000	2,500
Workers' Compensation Employer's Liability	750,000	None
Excess Workers' Compensation Employer's Liability	Statutory	None
Deadly Weapons Response	500,000	None
Boiler & Machinery	10,000,000	Per schedule

The contributions made to each risk pool equal the ratio of their respective payrolls to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after retrospective rating. CSRMA's audited financial statements may be obtained by writing them at c/o Alliant Insurance Services, 100 Pine Street, 11th Floor, San Francisco, CA 94111.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

SVCW is at risk to be a defendant in various lawsuits which arise in the normal course of business. The final disposition of these legal actions and claims was not determinable. However, in the opinion of management, the outcome of any litigation of these matters will not have a material effect on the financial position or changes in net position of the SVCW.

SVCW had outstanding construction contract commitments on capital projects totaling \$104,664,481 on June 30, 2021.

SVCW has an operating lease with San Mateo County for use of real property to facilitate construction activities for the 63" Forcemain Reliability Improvement Project. The rent was \$97,300 month to month with five option years totaling \$5,838,000. A 2021 amendment increased the rent to \$103,000 monthly, effective July 1, 2019, with a yearly increase of 3%, with four automatic renewal options for additional one-year periods.

SVCW also has a lease with West Bay Sanitary District for \$300,000 per year subject to annual CPI increases, for a Flow Equalization facility. Rent expense was \$1,679,763 during the year for two lease agreements.

NOTE 12 – SUBSEQUENT EVENTS

Gravity Pipeline State Revolving Fund Loan

In July 2021, SVCW executed an Installment Sale Agreement with the SWRCB for up to \$59,605,263 to be used towards construction of its Gravity Pipeline project. The SWRCB will reimburse SVCW for project-related expenditures as incurred. The construction completion date is October 2023 and repayment to the SWRCB is scheduled to begin October 15, 2024, and will end October 15, 2053.

Pump Station Improvements State Revolving Fund Loan

In July 2021, SVCW entered into an Installment-Sale agreement with the SWRCB for up to \$57,763,158 to be used towards construction of its Pump Stations Improvement project. The SWRCB will reimburse SVCW for project-related expenditures as incurred. The construction completion date is October 2023 and repayment to the SWRCB is scheduled to commence October 15, 2024, and will end October 15, 2053.

Front of Plant State Revolving Fund Loan

In September 2021, SVCW entered into an Installment Sale agreement with the SWRCB for up to \$51,631,579 to be used towards construction of its Front of Plant project which includes a receiving lift station, headworks, influent connector pipe, and civil site work. The SWRCB will reimburse SVCW for project-related expenditures as incurred. The construction completion date is October 2023 and repayment to the SWRCB is scheduled to commence October 15, 2024, and will end October 15, 2053.

WIFIA Loan, Regional Environmental Sewer Conveyance Upgrade

On August 26, 2021, SVCW entered into a new WIFIA loan with the U.S. EPA for an amount up to \$68,904,163 which will become available on March 1, 2024. The loan proceeds will be used to refund the 2021 Series A Wastewater Notes, the proceeds from which were used to finance the construction of the Authority's Regional Environmental Sewer Conveyance Upgrade project. The WIFIA loan is payable solely from and secured solely by revenues pledged under the indenture, consisting of payments made by the City of Redwood, the City of San Carlos, the City of Belmont and the West Bay Sanitary District (the "Participating Members"). Principal payment is due annually on March 1. Interest payments are due semi-annually on March 1 and September 1.

WIFIA Loan, Wastewater Treatment Plant Improvements

On August 26, 2021, SVCW entered into a new WIFIA loan with the U.S. EPA for an amount up to \$73,840,436 which will become available on March 1, 2026. The loan proceeds will be used to refund the 2021 Series B Wastewater Notes, the proceeds from which were used to finance the construction of wastewater improvement projects. The WIFIA loan is payable solely from and secured solely by revenues pledged under the indenture, consisting of payments made by the City of Redwood, the City of San Carlos, the City of Belmont and the West Bay Sanitary District (the "Participating Members"). Principal payment is due annually on March 1. Interest payments are due semi-annually on March 1 and September 1.

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REQUIRED SUPPLEMENTARY INFORMATION

**SILICON VALLEY CLEAN WATER
Cost-Sharing Multiple Employer Defined Benefit Retirement Plan
As of fiscal year ending June 30, 2021
SCHEDULE OF CONTRIBUTIONS
Last 10 Years***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 2,051,581	\$ 1,916,618	\$ 1,612,511	\$ 1,470,709	\$ 1,251,217	\$ 1,130,159	\$ 1,033,248
Contributions in relation to the actuarially determined contributions	<u>2,051,581</u>	<u>1,916,618</u>	<u>1,612,511</u>	<u>1,470,709</u>	<u>1,251,217</u>	<u>1,130,159</u>	<u>1,033,248</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 12,293,195	\$ 11,799,491	\$ 11,073,314	\$ 11,882,052	\$ 10,137,714	\$ 9,454,067	\$ 9,115,942
Contributions as a percentage of covered-employee payroll	16.69%	16.24%	14.56%	12.38%	12.34%	11.95%	11.33%

Notes to Schedule

Valuation Date:

June 30, 2019

Assumptions Used:

Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll and Direct Rate Smoothing
30 year Amortization Period
Inflation Assumed at 2.50%
Investment Rate of Returns set at 7.00%
CalPERS mortality table using 15 years of membership data for all funds

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

SILICON VALLEY CLEAN WATER
Cost-Sharing Multiple Employer Defined Benefit Retirement Plan
As of fiscal year ending June 30, 2021
PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last 10 Fiscal Years¹

Miscellaneous Plan

Fiscal Year Ended	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of Net Pension Liability	0.39464%	0.37591%	0.35840%	0.34911%	0.33211%	0.30498%	0.32474%
Proportionate Share of Net Pension Liability	\$16,646,389	\$15,053,146	\$13,507,192	\$13,762,187	\$11,536,951	\$8,367,040	\$8,025,843
Covered Payroll	\$11,799,491	\$11,073,314	\$11,882,052	\$10,137,714	\$9,454,067	\$9,115,492	\$8,842,027
Proportionate Share of NPL as a % of Covered Payroll	141.08%	135.94%	113.68%	135.75%	122.03%	91.79%	90.77%
Plan's Fiduciary Net Position as a % of the TPL	75.10%	75.26%	76.53%	77.31%	78.40%	83.30%	83.03%

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

Silicon Valley Clean Water
 Single Employer Plan
 Schedule of OPEB Contributions
 For the Fiscal Year Ended June 30, 2021

	Fiscal Year Ended June 30,			
	2018	2019	2020	2021
Actuarially determined contribution (ADC)	\$ 135,456	\$ 74,614	\$ 502,972	\$ 513,353
Less: actual contribution in relation to ADC	(763,957)	(841,064)	(1,016,333)	(342,773)
Contribution deficiency (excess)	<u>\$ (628,501)</u>	<u>\$ (766,450)</u>	<u>\$ (513,361)</u>	<u>\$ 170,580</u>
Covered payroll for the fiscal year	\$ 11,176,980	\$ 12,259,105	\$ 13,063,649	\$ 13,715,063
Contributions as a percentage of covered payroll	6.84%	6.86%	7.78%	2.50%

Notes to Schedule:

Assumptions and Methods

Valuation Date:	June 30, 2020
Measurement Date:	June 30, 2020
Actuarial Cost Method:	Entry-Age Normal Cost
Amortization Period:	20 years
Asset Valuation Method:	Level percentage of payroll, closed

Actuarial Assumptions:

Discount Rate	7.00%
Inflation	2.75%
Salary Increases	2.75%
Healthcare Trend Rate	4.00%
Investment Rate of Return	7.00%
Mortality	2017 CalPERS Active Mortality for Miscellaneous and School Employees
Retirement	Hired 2012 and earlier: Rx PA Misc 2% @ 55, min age 50 Hired 2013 and later: Rx PA Misc 2% @ 62, min age 52

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

Silicon Valley Clean Water
Single Employer Plan
Schedule of Net OPEB Liability
For the Fiscal Year Ended June 30, 2021

	Fiscal Year Ended June 30,			
	2018	2019	2020	2021
Total OPEB liability				
Service cost	\$ 36,426	\$ 37,428	\$ 38,457	\$ 85,101
Interest	461,630	473,085	484,027	591,376
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	-	516,978	(329,021)
Changes of assumptions	-	-	929,611	(438,887)
Benefit payments	(328,838)	(341,991)	(391,064)	(421,523)
Expected Minus Actual Benefit	-	-		
Net change in Total OPEB Liability	169,218	168,522	1,578,009	(512,954)
Total OPEB Liability - beginning	6,741,417	6,910,635	7,079,157	8,657,166
Total OPEB Liability - ending	<u>\$ 6,910,635</u>	<u>\$ 7,079,157</u>	<u>\$ 8,657,166</u>	<u>\$ 8,144,212</u>
Plan fiduciary net position				
Employer contributions	\$ 748,838	\$ 763,957	\$ 841,064	\$ 1,016,333
Employer implicit subsidy	-	-	-	82,920
Employee contributions	-	-	-	-
Net investment income	547,183	477,679	444,164	281,796
Difference between estimated and actual earnings	-	-	-	-
Benefit payments	(328,838)	(341,991)	(391,064)	(421,523)
Implicit subsidy fulfilled	-	-	-	-
Other	-	4,017	-	(1,966)
Administrative expense	(4,578)	(11,080)	(1,501)	(3,831)
Net change in plan fiduciary net position	962,605	892,582	892,663	953,729
Plan fiduciary net position - beginning	4,947,399	5,910,004	6,802,586	7,695,249
Plan fiduciary net position - ending	<u>\$ 5,910,004</u>	<u>\$ 6,802,586</u>	<u>\$ 7,695,249</u>	<u>\$ 8,648,978</u>
Net OPEB liability (asset)	\$ 1,000,631	\$ 276,571	\$ 961,917	\$ (504,766)
Plan fiduciary net position as a percentage of the total OPEB liability	85.52%	96%	89%	106%
Covered employee payroll for the plan	\$ 11,176,980	\$ 12,259,105	\$ 13,063,649	\$ 13,715,063
Net OPEB Liability as a percentage of covered Employee payroll	8.95%	2.26%	7.36%	-3.68%
Total OPEB Liability as a percentage of covered Employee payroll	61.83%	57.75%	66.27%	59.38%

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

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SUPPLEMENTARY INFORMATION

Silicon Valley Clean Water
Combining Schedule of Net Position
Enterprise Funds
June 30, 2021

Assets	Capital Improvement Program			
	Operating Reserve	Program Reserve	Capital Improvements	Construction Stage 2
Current Assets:				
Cash and investments	\$ 3,859,860	\$ 15,032,344	\$ -	\$ 14,641,151
Cash restricted for debt service	-	3,414,229	-	-
Cash restricted for pension benefits	-	-	-	-
Accounts receivable	197	11,813	10,202	428,632
Interest receivable	-	-	-	-
Employee notes receivable	-	-	-	-
Due from other funds	3,229,655	-	1,425,658	888,017
Inventory	-	-	-	-
Prepaid expenses	-	-	-	-
Total Current Assets	7,089,712	18,458,386	1,435,860	15,957,800
Noncurrent Assets:				
Net OPEB asset	-	-	-	-
Capital assets:				
Depreciable capital assets - net	-	-	-	-
Non depreciable capital assets:				
Land	-	-	-	-
Construction in progress:				
Stage 2	-	-	-	2,934,618
General	-	-	3,406,314	-
Total capital assets - net	-	-	3,406,314	2,934,618
Total Noncurrent Assets	-	-	3,406,314	2,934,618
Total Assets	\$ 7,089,712	\$ 18,458,386	\$ 4,842,174	\$ 18,892,418
Deferred Outflows of Resources				
Pension adjustments	\$ -	\$ -	\$ -	\$ -
OPEB adjustments	-	-	-	-
Deferred Loss on Defeasance	-	-	-	-
Total Deferred Outflows of Resources	\$ -	\$ -	\$ -	\$ -
Liabilities				
Current Liabilities:				
Accounts payable	\$ 279	\$ 1,301	\$ 32,447	\$ 1,047
Accrued payroll and employee benefits	-	-	-	-
Accrued interest payable	-	-	-	-
Due to other funds	-	7,654,474	-	-
Unearned revenue	1	40,983	30,687	-
Compensated absences due within one year	-	-	-	-
Noncurrent liabilities due within one year	-	-	-	-
Total Current Liabilities	280	7,696,758	63,134	1,047
Long term debt due in more than one year	-	-	-	-
Net pension liabilities	-	-	-	-
Total Liabilities	\$ 280	\$ 7,696,758	\$ 63,134	\$ 1,047
Deferred inflows of Resources				
Pension adjustments	\$ -	\$ -	\$ -	\$ -
OPEB adjustments	-	-	-	-
Total Deferred Inflows of Resources	\$ -	\$ -	\$ -	\$ -
Net Position				
Net Investment in Capital Assets	\$ -	\$ -	\$ 3,406,314	\$ 2,934,618
Restricted for:				
Debt service	-	3,414,229	-	-
Pension benefits	-	-	-	-
Unrestricted	7,089,432	7,347,399	1,372,726	15,956,753
Total Net Position	\$ 7,089,432	\$ 10,761,628	\$ 4,779,040	\$ 18,891,371

(Continued)

Silicon Valley Clean Water
Combining Schedule of Net Position
Enterprise Funds
June 30, 2021

Assets	Self Insurance	Recycled Water	Capital Improvement Program	Operation	Total
Current Assets:					
Cash and investments	\$ -	\$ -	\$ 33,163,592	\$ 989,944	\$ 67,686,891
Cash restricted for debt service	-	-	-	-	3,414,229
Cash restricted for pension benefits	-	-	-	688,481	688,481
Accounts receivable	-	131,010	-	599,175	1,181,029
Interest receivable	-	-	-	269	269
Employee notes receivable	-	-	-	9,332	9,332
Due from other funds	186,780	-	-	39,066,697	44,796,807
Inventory	-	-	-	1,900,320	1,900,320
Prepaid expenses	-	-	644	157,652	158,296
Total Current Assets	<u>186,780</u>	<u>131,010</u>	<u>33,164,236</u>	<u>43,411,870</u>	<u>119,835,654</u>
Noncurrent Assets:					
Net OPEB asset	-	-	-	504,766	504,766
Capital assets:					
Depreciable capital assets - net	-	-	-	179,906,342	179,906,342
Non depreciable capital assets:					
Land	-	-	-	1,282,081	1,282,081
Construction in progress:					
Stage 2	-	-	-	-	2,934,618
General	-	-	473,060,388	-	476,466,702
Total capital assets - net	<u>-</u>	<u>-</u>	<u>473,060,388</u>	<u>181,188,423</u>	<u>660,589,743</u>
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>473,060,388</u>	<u>181,693,189</u>	<u>661,094,509</u>
Total Assets	<u>\$ 186,780</u>	<u>\$ 131,010</u>	<u>\$ 506,224,624</u>	<u>\$ 225,105,059</u>	<u>\$ 780,930,163</u>
Deferred Outflows of Resources					
Pension adjustments	\$ -	\$ -	\$ -	\$ 4,317,629	\$ 4,317,629
OPEB adjustments	-	-	-	1,705,753	1,705,753
Deferred Loss on Defeasance	-	-	22,613,891	-	22,613,891
Total Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,613,891</u>	<u>\$ 6,023,382</u>	<u>\$ 28,637,273</u>
Liabilities					
Current Liabilities:					
Accounts payable	\$ -	\$ 182	\$ 20,565,102	\$ 693,516	\$ 21,293,874
Accrued payroll and employee benefits	-	9	-	1,205,685	1,205,694
Accrued interest payable	-	-	5,514,957	-	5,514,957
Due to other funds	-	59,762	36,439,078	643,493	44,796,807
Unearned revenue	-	-	-	543,960	615,631
Compensated absences due within one year	-	-	-	1,254,487	1,254,487
Noncurrent liabilities due within one year	-	-	14,505,126	-	14,505,126
Total Current Liabilities	<u>-</u>	<u>59,953</u>	<u>77,024,263</u>	<u>4,341,141</u>	<u>89,186,576</u>
Long term debt due in more than one year	-	-	546,527,114	29,300,000	575,827,114
Net pension liabilities	-	-	-	16,646,389	16,646,389
Total Liabilities	<u>\$ -</u>	<u>\$ 59,953</u>	<u>\$ 623,551,377</u>	<u>\$ 50,287,530</u>	<u>\$ 681,660,079</u>
Deferred inflows of Resources					
Pension adjustments	\$ -	\$ -	\$ -	\$ 929,303	\$ 929,303
OPEB adjustments	-	-	-	695,253	695,253
Total Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,624,556</u>	<u>\$ 1,624,556</u>
Net Position					
Net Investment in Capital Assets	\$ -	\$ -	\$ (54,808,260)	\$ 181,188,423	\$ 132,721,095
Restricted for:					
Debt service	-	-	-	-	3,414,229
Pension benefits	-	-	-	688,481	688,481
Unrestricted	186,780	71,057	(39,904,602)	(2,660,549)	(10,541,004)
Total Net Position	<u>\$ 186,780</u>	<u>\$ 71,057</u>	<u>\$ (94,712,862)</u>	<u>\$ 179,216,355</u>	<u>\$ 126,282,801</u>

(Concluded)

Silicon Valley Clean Water
Combining Schedule of Activities and Changes in Net Position
Enterprise Funds
For the Fiscal Year Ended June 30, 2021

	Operating Reserve	Capital Improvement Program Reserve	Capital Improvements	Construction Stage 2
Operating Revenues:				
Member contributions for services	\$ -	\$ -	\$ -	\$ -
Member contributions for cash reserves	24,876	1,500,012	1,295,496	428,633
Member contributions for debt service	-	-	-	-
Member contributions for Capital Improvements	-	-	-	-
Source control charges	-	-	-	-
Miscellaneous revenues	-	-	6,809	-
Total operating revenues	<u>24,876</u>	<u>1,500,012</u>	<u>1,302,305</u>	<u>428,633</u>
Operating Expenses:				
Operations	-	-	-	-
Maintenance	-	-	423	-
Laboratory	-	-	-	-
Environmental services	-	-	-	-
Engineering	-	-	-	-
Information services	-	-	-	-
Safety	-	-	-	-
Administration	3,459	15,954	-	12,199
Claims paid	-	-	-	-
Depreciation	-	-	-	-
Total operating expenses	<u>3,459</u>	<u>15,954</u>	<u>423</u>	<u>12,199</u>
Operating Income (Loss)	<u>21,417</u>	<u>1,484,058</u>	<u>1,301,882</u>	<u>416,434</u>
Nonoperating Revenues (Expenses):				
Grants	-	-	-	-
Other revenue (expense)	-	-	-	-
Interest Income:				
Operations fund	-	-	-	-
Stage 2 capacity fund	-	-	-	224,013
Capital improvement reserve fund	-	321,398	-	-
Operating reserve fund	51,340	-	-	-
Capital improvement fund	-	-	-	-
Net increase (decrease) in fair value of investments	(42,455)	(357,459)	-	(263,195)
Interest expense	-	-	-	-
Premium amortization	-	-	-	-
Gain (loss) on disposal of fixed assets	-	-	-	-
Total nonoperating revenues (expenses)	<u>8,885</u>	<u>(36,061)</u>	<u>-</u>	<u>(39,182)</u>
Income (Loss) Before Transfers	30,302	1,447,997	1,301,882	377,252
Transfers In	-	-	-	-
Transfers Out	-	-	(5,528,859)	-
Change in Net Position	30,302	1,447,997	(4,226,977)	377,252
Beginning Net Position	<u>7,059,130</u>	<u>9,313,631</u>	<u>9,006,017</u>	<u>18,514,119</u>
Ending Net Position	<u>\$ 7,089,432</u>	<u>\$ 10,761,628</u>	<u>\$ 4,779,040</u>	<u>\$ 18,891,371</u>

(Continued)

Silicon Valley Clean Water
Combining Schedule of Activities and Changes in Net Position
Enterprise Funds
For the Fiscal Year Ended June 30, 2021

	Self Insurance	Recycled Water	Capital Improvement Program	Operation	Total
Operating Revenues:					
Member contributions for services	\$ -	\$ 174,228	\$ -	\$ 26,628,984	\$ 26,803,212
Member contributions for cash reserves	-	-	-	-	3,249,017
Member contributions for debt service	-	-	18,903,715	-	18,903,715
Member contributions for Capital Improvements	-	-	4,737,278	-	4,737,278
Source control charges	-	-	-	105,883	105,883
Miscellaneous revenues	-	-	-	300,274	307,083
Total operating revenues	-	174,228	23,640,993	27,035,141	54,106,188
Operating Expenses:					
Operations	-	115,781	-	9,643,976	9,759,757
Maintenance	-	20,447	-	7,059,037	7,079,907
Laboratory	-	18,235	-	2,144,255	2,162,490
Environmental services	-	-	-	909,922	909,922
Engineering	-	-	7	1,104,169	1,104,176
Information services	-	-	-	1,784,330	1,784,330
Safety	-	-	-	473,830	473,830
Administration	-	-	578,051	4,458,016	5,067,679
Claims paid	-	-	-	-	-
Depreciation	-	-	-	10,750,080	10,750,080
Total operating expenses	-	154,463	578,058	38,327,615	39,092,171
Operating Income (Loss)	-	19,765	23,062,935	(11,292,474)	15,014,017
Nonoperating Revenues (Expenses):					
Grants	-	-	-	231,302	231,302
Other revenue (expense)	-	-	-	822,878	822,878
Interest Income:					
Operations fund	-	-	-	24,460	24,460
Stage 2 capacity fund	-	-	-	-	224,013
Capital improvement reserve fund	-	-	-	-	321,398
Operating reserve fund	-	-	-	-	51,340
Capital improvement fund	-	-	1,859,205	-	1,859,205
Net increase (decrease) in fair value of investments	-	-	(1,259,168)	27,001	(1,895,276)
Interest expense	-	-	(17,309,944)	-	(17,309,944)
Premium amortization	-	-	3,819,573	-	3,819,573
Gain (loss) on disposal of fixed assets	-	-	-	7,850	7,850
Total nonoperating revenues (expenses)	-	-	(12,890,334)	1,113,491	(11,843,201)
Income (Loss) Before Transfers	-	19,765	10,172,601	(10,178,983)	3,170,816
Transfers In	-	-	-	12,370,786	12,370,786
Transfers Out	-	-	(6,841,927)	-	(12,370,786)
Change in Net Position	-	19,765	3,330,674	2,191,803	3,170,816
Beginning Net Position	186,780	51,292	(98,043,536)	177,024,552	123,111,985
Ending Net Position	\$ 186,780	\$ 71,057	\$ (94,712,862)	\$ 179,216,355	\$ 126,282,801

(Concluded)

Silicon Valley Clean Water
Combining Schedule of Cash Flows
Enterprise Funds

For the Fiscal Year Ended June 30, 2021

	Operating Reserve	Capital Improvement Program Reserve	Capital Improvements	Construction Stage 2
Cash Flows from Operating Activities:				
Cash received from member agencies	\$ 24,876	\$ 1,500,012	\$ 1,295,496	\$ 917,989
Cash paid to suppliers for goods and services and employees for services	(3,715)	(22,971)	(377,802)	(12,199)
Other cash received (paid)	-	-	6,809	-
Net Cash Provided (Used) by Operating Activities	<u>21,161</u>	<u>1,477,041</u>	<u>924,503</u>	<u>905,790</u>
Cash Flows from Capital and Related Financing Activities:				
Cash received from member agencies other than for services	-	-	-	-
Cash received from grants	-	-	-	-
Contributions (to) from other funds	3,173	(4,028,235)	1,098,912	9,572
Interest paid on capital debt	-	-	-	-
Principal paid on capital debt	-	-	-	-
Proceeds from long-term debt	-	-	-	-
Cash received on sale of capital assets	-	-	-	-
Purchases and construction of capital assets	-	-	(2,023,415)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>3,173</u>	<u>(4,028,235)</u>	<u>(924,503)</u>	<u>9,572</u>
Cash Flows from Investing Activities:				
Noncash equivalent investments	(3,846,273)	(18,022,996)	-	(14,492,103)
Investment income	8,886	(36,061)	-	(39,182)
Net Cash Provided (Used) by Investing Activities	<u>(3,837,387)</u>	<u>(18,059,057)</u>	<u>-</u>	<u>(14,531,285)</u>
Net Increase (Decrease) in Cash and Investment	(3,813,053)	(20,610,251)	-	(13,615,923)
Cash and Cash Equivalents, Beginning	3,826,640	21,033,828	-	13,764,971
Cash and Cash Equivalents, Ending	<u>\$ 13,587</u>	<u>\$ 423,577</u>	<u>\$ -</u>	<u>\$ 149,048</u>
Reconciliation of Operating Income (Loss) to Cash Flows Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 21,417	\$ 1,484,058	\$ 1,301,882	\$ 416,434
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	-	-	-
Net change in:				
Accounts receivable	218	(3,938)	3,062	488,309
Employee notes receivable	-	-	-	-
Inventory	-	-	-	-
Prepaid expenses	-	-	-	-
Deferred outflows of resources for benefits	-	-	-	-
Accounts payable	279	1,301	(371,950)	1,047
Accrued payroll and employee benefits	-	-	-	-
Unearned revenue	(753)	(4,380)	(8,491)	-
Deferred inflows of resources for benefits	-	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 21,161</u>	<u>\$ 1,477,041</u>	<u>\$ 924,503</u>	<u>\$ 905,790</u>
Reconciliation of Cash and Cash Equivalents:				
Cash and investments	\$ 3,859,860	\$ 18,446,573	\$ -	\$ 14,641,151
Less: investments with original maturities in excess of three months	(3,846,273)	(18,022,996)	-	(14,492,103)
Cash and Cash Equivalents	<u>\$ 13,587</u>	<u>\$ 423,577</u>	<u>\$ -</u>	<u>\$ 149,048</u>
Noncash Transactions:				
Changes in fair values of investments	\$ (42,455)	\$ (357,459)	\$ -	\$ (263,195)
Noncash transfers of capital assets	\$ -	\$ -	\$ (5,528,859)	\$ -

(Continued)

Silicon Valley Clean Water
Combining Schedule of Cash Flows
Enterprise Funds

For the Fiscal Year Ended June 30, 2021

	Self Insurance	Recycled Water	Capital Improvement Program	Operation	Total
Cash Flows from Operating Activities:					
Cash received from member agencies	\$ -	\$ 174,228	\$ 23,640,993	\$ 26,628,984	\$ 54,182,578
Cash paid to suppliers for goods and services and employees for services	-	(221,839)	(8,600,135)	(26,945,262)	(36,183,923)
Other cash received (paid)	-	-	-	406,157	412,966
Net Cash Provided (Used) by Operating Activities	-	(47,611)	15,040,858	89,879	18,411,621
Cash Flows from Capital and Related Financing Activities:					
Cash received from member agencies other than for services	-	-	-	822,878	822,878
Cash received from grants	-	-	-	231,302	231,302
Contributions (to) from other funds	-	47,611	33,428,699	(30,559,732)	-
Interest paid on capital debt	-	-	(19,015,348)	-	(19,015,348)
Principal paid on capital debt	-	-	(133,089,522)	-	(133,089,522)
Proceeds from long-term debt	-	-	145,290,592	29,300,000	174,590,592
Cash received on sale of capital assets	-	-	-	75,700	75,700
Purchases and construction of capital assets	-	-	(148,164,507)	-	(150,187,922)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	47,611	(121,550,086)	(129,852)	(126,572,320)
Cash Flows from Investing Activities:					
Noncash equivalent investments	-	-	(18,759,331)	(623,175)	(55,743,878)
Investment income	-	-	600,036	51,461	585,140
Net Cash Provided (Used) by Investing Activities	-	-	(18,159,295)	(571,714)	(55,158,738)
Net Increase (Decrease) in Cash and Investment	-	-	(124,668,523)	(611,687)	(163,319,437)
Cash and Cash Equivalents, Beginning	-	-	139,072,784	1,666,937	179,365,160
Cash and Cash Equivalents, Ending	\$ -	\$ -	\$ 14,404,261	\$ 1,055,250	\$ 16,045,723
Reconciliation of Operating Income (Loss) to Cash Flows Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ -	\$ 19,765	\$ 23,062,935	\$ (11,292,474)	\$ 15,014,017
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	-	-	-	10,750,080	10,750,080
Net change in:					
Accounts receivable	-	(67,567)	-	(13,942)	406,142
Employee notes receivable	-	-	-	8,813	8,813
Inventory	-	-	-	(35,171)	(35,171)
Prepaid expenses	-	-	(644)	(53,856)	(54,500)
Deferred outflows of resources for benefits	-	-	(17,836,097)	746,121	(17,089,976)
Accounts payable	-	182	9,814,664	(373,231)	9,072,292
Accrued payroll and employee benefits	-	9	-	385,315	385,324
Unearned revenue	-	-	-	(289,638)	(303,262)
Deferred inflows of resources for benefits	-	-	-	257,862	257,862
Net Cash Provided (Used) by Operating Activities	\$ -	\$ (47,611)	\$ 15,040,858	\$ 89,879	\$ 18,411,621
Reconciliation of Cash and Cash Equivalents:					
Cash and investments	\$ -	\$ -	\$ 33,163,592	\$ 1,678,425	\$ 71,789,601
Less: investments with original maturities in excess of three months	-	-	(18,759,331)	(623,175)	(55,743,878)
Cash and Cash Equivalents	\$ -	\$ -	\$ 14,404,261	\$ 1,055,250	\$ 16,045,723
Noncash Transactions:					
Changes in fair values of investments	\$ -	\$ -	\$ (1,259,168)	\$ 27,001	\$ (1,895,276)
Noncash transfers of capital assets	\$ -	\$ -	\$ (6,841,927)	\$ 12,370,786	\$ -

(Concluded)

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Silicon Valley Clean Water
 Analysis of Net Position
 Supplemental Schedule
 For the Year Ended June 30, 2021

Fund / Location	Belmont	Redwood City	San Carlos	West Bay Sanitary District	Total
Operations (Fund 18)					
Balance at June 30, 2020	\$ 16,076,806	\$ 85,759,289	\$ 25,576,464	\$ 48,498,470	\$ 175,911,029
Member Agency Contributions	3,119,640	13,023,504	3,602,304	6,883,536	26,628,984
Other Miscellaneous Revenue	45,583	220,177	54,511	85,887	406,157
Grant Revenue	25,959	125,388	31,043	48,912	231,302
Unrealized Gain / (Loss) on Investments	(143)	(691)	(171)	(269)	(1,274)
Interest Income	2,734	12,520	3,061	6,145	24,459
Capitalized Projects Transferred from other Funds	1,169,039	6,008,491	1,872,937	3,320,319	12,370,786
Gain / (Loss) on Asset Disposal	742	3,813	1,188	2,107	7,850
Operating & Maintenance Costs	(2,958,479)	(14,671,280)	(3,780,759)	(5,923,285)	(27,333,803)
Depreciation Expenditures	(1,015,883)	(5,221,314)	(1,627,562)	(2,885,321)	(10,750,080)
Balance at June 30, 2021	<u>\$ 16,465,997</u>	<u>\$ 85,259,896</u>	<u>\$ 25,733,016</u>	<u>\$ 50,036,500</u>	<u>\$ 177,495,410</u>
Retiree Medical Health Benefits Reserve (Fund 12)					
Balance at June 30, 2020	\$ 135,672	\$ 534,796	\$ 227,421	\$ 215,632	\$ 1,113,520
Contributions to Fund 12	-	-	-	-	-
Expenditures	(27,131)	(131,051)	(32,445)	(51,121)	(241,748)
Balance at June 30, 2021	<u>\$ 108,541</u>	<u>\$ 403,745</u>	<u>\$ 194,976</u>	<u>\$ 164,511</u>	<u>\$ 871,772</u>
Section 115 Pension Benefits Reserve (Fund 32)					
Balance at June 30, 2020	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions to Fund 32	92,351	446,080	110,439	174,008	822,878
Unrealized Gain / (Loss) on Investment	2,735	13,211	3,271	5,154	24,371
Interest Income	438	2,116	524	826	3,904
Fees	(222)	(1,072)	(265)	(418)	(1,978)
Balance at June 30, 2021	<u>\$ 95,302</u>	<u>\$ 460,336</u>	<u>\$ 113,968</u>	<u>\$ 179,569</u>	<u>\$ 849,175</u>
Capital Improvement Program Reserve (Fund 13)					
Balance at June 30, 2020	\$ 880,128	\$ 4,523,613	\$ 1,410,098	\$ 2,499,793	\$ 9,313,631
Member Contributions - Replacement Reserve	141,756	728,556	227,100	402,600	1,500,012
Change in Fair Value, Unrealized Gain/(Loss)	(33,780)	(173,618)	(54,119)	(95,942)	(357,459)
Fees	(1,508)	(7,749)	(2,415)	(4,282)	(15,954)
Interest Income	30,372	156,103	48,660	86,263	321,398
Balance at June 30, 2021	<u>\$ 1,016,969</u>	<u>\$ 5,226,905</u>	<u>\$ 1,629,323</u>	<u>\$ 2,888,432</u>	<u>\$ 10,761,627</u>
Construction Stage 2 (Fund 15)					
Balance at June 30, 2020	\$ 648,475	\$ 10,251,251	\$ 3,473,598	\$ 4,140,797	\$ 18,514,121
Member Purchases of Capacity	-	371,182	57,451	-	428,633
Interest Income	21,169	108,803	33,916	60,125	224,013
Interest / (Unrealized Loss) Investments	(24,872)	(127,834)	(39,848)	(70,642)	(263,195)
Fees	(1,153)	(5,926)	(1,847)	(3,275)	(12,201)
Capitalized Projects Transferred to Fund 18	-	-	-	-	-
Balance at June 30, 2021	<u>\$ 643,619</u>	<u>\$ 10,597,477</u>	<u>\$ 3,523,270</u>	<u>\$ 4,127,006</u>	<u>\$ 18,891,372</u>

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Silicon Valley Clean Water
Analysis of Net Position
Supplemental Schedule
For the Year Ended June 30, 2021

Fund / Location	Belmont	Redwood City	San Carlos	West Bay Sanitary District	Total	
Self Insurance (Fund 16)						
Balance at June 30, 2020	\$ 19,639	\$ 75,631	\$ 34,110	\$ 57,399	\$ 186,780	
Expenses / Claims	-	-	-	-	-	
Balance at June 30, 2021	<u>\$ 19,639</u>	<u>\$ 75,631</u>	<u>\$ 34,110</u>	<u>\$ 57,399</u>	<u>\$ 186,780</u>	
Operating & Capital Reserve (Fund 17)						
Balance at June 30, 2020	\$ 794,928	\$ 3,480,778	\$ 909,719	\$ 1,873,705	\$ 7,059,130	
Member Contributions	2,352	12,084	3,768	6,672	24,876	
Unrealized Gain / (Loss) on Investment	(4,765)	(23,015)	(5,698)	(8,978)	(42,455)	
Fees	(388)	(1,875)	(464)	(731)	(3,459)	
Interest Income	5,762	27,831	6,890	10,857	51,340	
Balance at June 30, 2021	<u>\$ 797,889</u>	<u>\$ 3,495,804</u>	<u>\$ 914,215</u>	<u>\$ 1,881,524</u>	<u>\$ 7,089,432</u>	
Revenue-Funded Capital Improvements (Fund 14)						
Balance at June 30, 2020	\$ 909,254	\$ 4,459,594	\$ 1,125,091	\$ 2,512,078	\$ 9,006,017	
Member Contributions - Pay go capital projects	122,424	629,220	196,140	347,712	1,295,496	
Miscellaneous Revenue	643	3,307	1,031	1,828	6,809	
Project Expenditures not yet transferred to Fund 18	(40)	(205)	(64)	(114)	(423)	
Capitalized Projects transferred to Fund 18	(522,477)	(2,685,367)	(837,069)	(1,483,946)	(5,528,859)	
Balance at June 30, 2021	<u>\$ 509,804</u>	<u>\$ 2,406,549</u>	<u>\$ 485,129</u>	<u>\$ 1,377,558</u>	<u>\$ 4,779,040</u>	
Recycled Water (Fund 19)						
Balance at June 30, 2020	\$ -	\$ 51,292	\$ -	\$ -	\$ 51,292	
RWC Recycled Water O&M Contributions	-	174,228	-	-	174,228	
RWC Recycled Water O&M Expenditures	-	(154,464)	-	-	(154,464)	
Balance at June 30, 2021	<u>\$ -</u>	<u>\$ 71,056</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,056</u>	
Plant Capital Improvement Program (Fund 20)						
Balance at June 30, 2020	21,247,758	(64,624,971)	(23,908,485)	(30,757,837)	\$ (98,043,536)	
Member Contributions	4,915,703	10,344,942	3,279,891	5,100,457	23,640,994	
Unrealized Gain / (Loss) on Investments	(45,782)	(650,882)	(202,893)	(359,612)	(1,259,168)	
Interest on Trustee Reserves	65,690	964,527	300,652	528,331	1,859,202	
Capitalized Projects Transferred to Fund 18	(646,562)	(3,323,124)	(1,035,868)	(1,836,373)	(6,841,927)	
Interest Expense, Direct	(284,660)	(9,833,869)	(3,122,094)	(5,040,394)	(18,281,017)	
Interest Expense, Allocated	(12,576)	907,773	243,559	416,845	1,555,602	
Amortization of Bond Premium	117,285	2,015,318	619,218	1,067,752	3,819,574	
Other Expenses	(109,865)	(564,669)	(176,016)	(312,039)	(1,162,588)	
Balance at June 30, 2021	<u>\$ 25,246,994</u>	<u>\$ (64,764,955)</u>	<u>\$ (24,002,034)</u>	<u>\$ (31,192,870)</u>	<u>\$ (94,712,864)</u>	
TOTAL NET POSITION - June 30, 2021	\$ 44,904,754	\$ 43,232,444	\$ 8,625,973	\$ 29,519,630	\$ 126,282,801	
	CY %	35.56%	34.23%	6.83%	23.38%	100.00%

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OTHER INDEPENDENT AUDITOR'S REPORT

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

To the Commission
Silicon Valley Clean Water
Redwood City, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Silicon Valley Clean Water (SVCW) as of and for the year ended June 30, 2021, and have issued our report thereon dated October 15, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

We have also issued a separate Memorandum on Internal Control dated October 15, 2021, which is an integra par of our audit and should be read in conjunction with this report.

Purpose of this Report

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

Maze & Associates

October 15, 2021
Pleasant Hill, California