Annual Financial Report 2021-22

Silicon Valley Clean Water

A Joint Exercise of Powers Authority

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SILICON VALLEY CLEAN WATER

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2022

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Silicon Valley Clean Water
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of Silicon Valley Clean Water ("SVCW"), California, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise SVCW's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibility of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

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

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

Required Supplementary Information

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

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 accompanying Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Report on Summarized Comparative Information

We have previously audited SVCW's June 30, 2021 financial statements, and we expressed unmodified audit opinion on those audited financial statements in our report dated October 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 2021 is consistent, in all material responses, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2022 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 the effectiveness of SVCW's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering SVCW's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
October 15, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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Silicon Valley Clean Water (the "Authority", or "SVCW") has issued its financial statements for the fiscal year ended June 30, 2022 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 while 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 balances 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 sited 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 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.

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 2021-22 allocates operating and maintenance costs to the Members as follows:

- City of Redwood City 53.8%
- West Bay Sanitary District 22.5%
- City of San Carlos 12.6%
- City of Belmont 11.1%

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.

Member	2017-18	2018-19	2019-20	2020-21	2021-22
Redwood City	7.2	7.7	7.1	7.0	7.1
West Bay	3.4	3.5	2.8	2.3	2.5
San Carlos	2.0	2.2	1.7	1.6	1.7
Belmont	1.6	1.8	1.5	1.3	1.5
Total	14.2	15.2	13.1	12.2	12.8

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 2021-22 operating revenues and expenses were comparable both to the prior fiscal year as well as to the 2021-22 Budget. The most noteworthy change compared to the prior year was certain debt activities necessary to fund ongoing capital improvements. This is consistent with cash expenditures of $103.7 million for capital improvement construction. Construction progressed on SVCW's largest project in its history, the Regional Environmental Sewer Conveyance Upgrade (RESCU). The RESCU program is anticipated to be completed in early 2024 and includes a gravity pipeline tunnel, front-of-plant receiving and pretreatment facilities, and improvements to pump stations.

The Capital Improvement Program has been largely funded through long-term borrowings and, to a lesser extent, member agency cash contributions. As of June 30, 2022, outstanding long-term principal was $785.4 million, a net increase of $195.1 million after a new issuance of 2021 Wastewater Revenue Notes, receipt of State Revolving Fund (SRF) disbursement requests from recently-executed SRF loan agreements and a $16.4 million reduction of the Authority's line of credit.

The SVCW Commission established reserve policies in 2013 to protect its fiscal solvency. As of June 30, 2022, cash reserves totaled $39.2 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 its SRF loan agreements.

FINANCIAL HIGHLIGHTS

- SVCW net position decreased during fiscal year 2021-22 by $3.0 million (2.4%) from the previous year.
- Total assets increased by $192.0 million (26.1%) during the fiscal year. Construction in progress increased by a net $95.2 million due to ongoing construction. Cash and investments increased by $98.6 million compared to previous year, as 2021 Notes proceeds were received. Depreciable capital assets decreased by $2.8 million as $8.4 million of capital projects that had been completed and reclassified to Capital Assets were offset by an $11.3 million increase in accumulated depreciation.
- Total liabilities increased by $184.4 million (28.9%) during the fiscal year. SVCW issued two series of 2021 Notes that increased Long Term Debt by $142.7 million, and also executed three installment sale agreements with the California State Water Resources Control Board (SWRCB) which, cumulatively totaled $83.6 million. SVCW also ended the fiscal year with an outstanding line of credit balance of $12.9 million used towards RESCU construction. Net pension liabilities decreased by $8.0 million after CalPERS investment returns were higher than anticipated during the fiscal year 2020-21 measurement period. Accounts Payable decreased $2.0 million due to the timing of invoice payments

for construction projects. The above liability items were slightly offset by a $510.2 thousand decrease in Accrued Employee Payroll and Benefits and a $615.6 thousand decrease in Unearned Revenue.

- Total revenues, including cash contributions for capital programs and Capacity Reserves, decreased by $5.6 million (10.0%) from the previous year. While Members' contributions towards operating expense slightly increased, cash-in-lieu-of financing contributions decreased by $2.1 million as in fiscal year 2021-22 Members opted to participate in debt issuances rather than contribute cash. Stage 2 Capacity Reserve contributions declined approximately $309.3 thousand as the City of San Carlos completed its purchase of remaining capacity in the prior fiscal year.
- Total expenses ended the fiscal year at $53.2 million, a $597.5 thousand increase (1.1%) compared to the prior year. Unrealized losses on investments of $3.7 million were incurred during the fiscal year. Operating expenses were $11.3 thousand less than prior year as the Authority experienced personnel vacancies, less chemical usage, and a reduction in contractual services. Non-operating expense increased $74.1 thousand as interest expense increased congruent with issuance of the 2021 Notes. Depreciation increased by $534.7 thousand 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 $3.0 million (2.4%) decrease in SVCW's net position from fiscal year 2020-21. Significant changes during the fiscal year included:

- Current and other assets increased by $99.2 million (138.8%), as issuance of 2021 Notes and cash proceeds were received for construction purposes.
- Restricted assets increased by $470.8 thousand (11.5%) due to contributions to debt services and the Authority's pension liability stabilization trust account.
- Capital assets, net of depreciation, increased by $92.4 million (14.0%) as significant construction on RESCU continued and other capital projects were placed into service during the fiscal year.
- Total SVCW liabilities increased by $184.4 million (28.9%). The most significant change was the $142.7 million increase in notes payable as SVCW issued two series of 2021 Notes and executed three low interest rate SRF loans to finance projects. Concurrently, the Authority reduced its outstanding line of credit balance by $16.4 million. Other changes in liabilities included timing changes in accounts payable.
- Deferred Outflows and Deferred Inflows represent changes in the components of the Authority's pension liability, Other Post-Employment Benefits (OPEB), and deferred loss on defeasance. The most significant change in deferred inflows was the impact of the pension plan's significant investment returns for the measurement period ending 6/30/2021, which decreased the net pension liability by $8.0 million.

TABLE 1
Condensed Statement of Net Position

	Fiscal Year 2022	Fiscal Year 2021	$ Higher / (Lower)	% Higher / (Lower)
Current and other assets	$ 170,612,936	$ 71,440,903	$ 99,172,033	138.8%
Restricted assets	4,573,497	4,102,710	470,787	11.5%
Capital assets	752,956,630	660,589,743	92,366,887	14.0%
Total Assets	**928,143,063**	**736,133,356**	**192,009,707**	**26.1%**
Deferred Outflows	**26,635,391**	**28,637,273**	**(2,001,882)**	**(7.0%)**
Total Liabilities	**821,218,780**	**636,863,272**	**184,355,508**	**28.9%**
Deferred Inflows	**10,259,797**	**1,624,556**	**8,635,241**	**531.5%**
Net investment in capital assets	112,327,016	132,721,095	(20,394,079)	(15.4%)
Restricted	4,573,497	4,102,710	470,787	11.5%
Unrestricted	6,399,364	(10,541,004)	16,940,368	(160.7%)
Total Net Position	**$ 123,299,877**	**$ 126,282,801**	**$ (2,982,924)**	**(2.4%)**

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 $103.7 million on capital projects during fiscal year 2021-22. Notable expenditures included upgrades to its standby generator feed relocation and electrical panel, replacement of Laboratory building HVAC system, recoating of primary effluent channels, and continuation of 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	$ 1,999,992	$ 1,497,504	$ -	$ 119,381	$ 21,464,742	$ 25,081,619
Interest Earnings	(1,292,830)	-	(116,902)	(1,001,643)	(1,775,277)	(4,186,652)
Total Revenue	**$ 707,162**	**$ 1,497,504**	**$ (116,902)**	**$ (882,262)**	**$ 19,689,465**	**$ 20,894,967**
Cash to Construction	$ -	$ 956,759	$ -	$ -	$ 102,694,873	$ 103,651,632

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 2021-22 revenues decreased from the prior year by $5.6 million (10.0%). This included a $5.0 million decrease in Non-Operating Revenues (303.9%) as investment interest income declined and unrealized losses on investments were incurred. Additionally, Operating Revenues decreased by $574.6 thousand (1.1%) as Stage 2 capacity collections fell and debt service cash contributions declined.

Fiscal year 2021-22 total expenses increased by $597.5 thousand (1.1%) over the prior year, which included changes in several key expenditures:

- Depreciation expense increased by $534.7 thousand (5.0%) after completed capital projects were placed into service during the year.
- Operating expenses were relatively unchanged (a decrease of $11.3 thousand, or 0.0%) over the prior year. SVCW sustained personnel vacancies, temporarily suspended certain outside services, and deferred non-critical training events. Together, these actions avoided increased expenditures.
- Non-operating expenses increased $74.11 thousand (0.5%), despite an increase of $142.7 million in long-term debt liabilities. SVCW benefited from its 2021 refunding bond transactions that reduced interest expense associated with long-term debt.

TABLE 3
Condensed Statements of Activities and Changes in Net Position

	Fiscal Year 2022	Fiscal Year 2021	$ Higher / (Lower)	% Higher / (Lower)
Operating revenues	$ 53,531,636	$ 54,106,188	$ (574,552)	(1.1%)
Non-operating revenues	(3,342,412)	1,639,320	(4,981,732)	(303.9%)
Total Revenues	**50,189,224**	**55,745,508**	**(5,556,284)**	**(10.0%)**
Depreciation expense	11,284,744	10,750,080	534,664	5.0%
Operating expense	28,330,773	28,342,091	(11,318)	(0.0%)
Non-operating expense	13,556,631	13,482,521	74,110	0.5%
Total Expenses	**53,172,148**	**52,574,692**	**597,456**	**1.1%**
Changes in Net Position	**(2,982,924)**	**3,170,816**	**(6,153,740)**	**(194.1%)**
Beginning net position	126,282,801	123,111,985	3,170,816	2.6%
Beginning net position - adjusted	126,282,801	123,111,985	3,170,816	2.6%
Ending Net Position	**$ 123,299,877**	**$ 126,282,801**	**$ (2,982,924)**	**(2.4%)**

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 activities and 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, 2022.

TABLE 4
FY 2021-2022 Actual vs Budget

	Actual	Budget	$ Higher/ (Lower)	% Higher/ (Lower)
Member Contributions	$ 27,612,504	$ 27,612,513	$ (9)	(0.0%)
Source Control Revenue	63,935	90,000	(26,065)	(29.0%)
Stormwater Revenue	60,644	118,000	(57,356)	(48.6%)
Other Revenue	467,261	547,000	(79,739)	(14.6%)
Total Operating Revenue	**28,204,344**	**28,367,513**	**(163,169)**	**(0.6%)**
Operations	10,456,716	10,809,897	(353,181)	(3.3%)
Maintenance	6,692,221	7,246,589	(554,368)	(7.7%)
Laboratory	1,607,466	1,798,210	(190,744)	(10.6%)
Environmental Services	956,725	993,719	(36,994)	(3.7%)
Engineering	1,376,997	1,392,615	(15,618)	(1.1%)
Information Services	2,013,846	1,976,351	37,495	1.9%
Safety	481,178	492,106	(10,928)	(2.2%)
Administration	3,987,320	3,758,027	229,293	6.1%
Depreciation	11,284,744	11,284,744	-	-
Total Operating Expenses	**38,857,213**	**39,752,258**	**(895,045)**	**(2.3%)**
Operating Income/(Loss)	**$ (10,652,869)**	**$(11,384,745)**	**$ 731,876**	**6.4%**

Inclusive of $11.3 million in depreciation, SVCW reported an operating loss of $10.7 million, which was $731.9 thousand (6.4%) less than budgeted. Of note, certain revenues like source control, stormwater, and grease and septic services continued to be affected by the COVID-19 pandemic as certain activities were suspended. Additionally, a shortage in personnel prevented revenue-generating activities in source control and stormwater activities. Total expenses were $895.0 thousand (2.3%) less than budgeted, a similar reflection of personnel vacancies, reduced chemical usage, and a temporary decline in contractual services. Specific variances by Division include:

- Operations expenses were lower than budget by $353.2 thousand (3.3%) due to less polymer usage from changes in dewatering parameters. Additionally, there was less biosolids hauling and tank cleaning performed during the year.
- Maintenance expenses were lower than budget by $554.4 thousand (7.7%) due to several staff vacancies and retirements.
- Laboratory expenses were $190.7 thousand (10.6%) lower than budget due to staff vacancy and decline in supplies usage consistent with reduction in laboratory services provided to other agencies.
- Environmental Services expenses were $37.0 thousand (3.7%) below budget after incurring year-end net pension liability adjustment and deferring travel and conference expenses during Covid.
- Engineering expenses were $15.6 thousand (1.1%) lower than budget. Membership costs for Potable Water Reuse were not incurred as planned.
- Information Services expenses were $37.5 thousand (1.9%) more than budget due to increased professional and contractual services for technology support activities.
- Safety expenses were below budget by $10.9 thousand (2.2%) as less repair labor hours were charged than anticipated.
- Administration expenses were $229.3 thousand (6.1%) more than budget due to pension liability adjustments and increased professional services caused by delayed implementation of new payroll software solutions.

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 process automation, and upgrades to electrical systems. SVCW is currently constructing RESCU facilities to replace an existing force main and add essential pretreatment processes.

Consistent with the Capital Improvement Program, the Commission approved these and other capital projects to protect public health, the environment, and agency facilities. Table 5 below provides a summary of SVCW capital assets and shows how, at the end of fiscal years 2020-21 and 2021-22, Net Property Plant & Equipment (PP&E) was $181.2 million and $178.3 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, 2021	Additions	Retirements	Adjustments & Transfers	Balance at June 30, 2022
Land	$ 1,282,081	$ -	$ -	$ -	$ 1,282,081
Buildings & Structures	86,941,854		-	48,693	86,990,547
Pipelines	69,563,754		-	-	69,563,754
Pump Stations	8,955,485		-	-	8,955,485
Machines & Equipment	132,071,186		-	8,393,495	140,464,681
Total PP&E, Cost	**298,814,360**	**-**	**-**	**8,442,189**	**307,256,549**
Accum. Depreciation	117,625,937	11,284,745	-	-	128,910,682
Total PP&E, Net	**$ 181,188,423**	**$ (11,284,745)**	**$ -**	**$ 8,442,189**	**$ 178,345,866**
Construction in Progress:					
Stage 2 Capacity	$ 2,934,618	$ -	$ -	$ -	$ 2,934,618
General	476,466,702	103,651,632	-	(8,442,189)	571,676,145
Total CIP	**$ 479,401,320**	**$ 103,651,632**	**$ -**	**$ (8,442,189)**	**$ 574,610,763**

LONG TERM DEBT

Inclusive of the Authority's Line of Credit, but excluding Unamortized Premium on outstanding Bonds and Notes, outstanding long-term debt was $755.7 million as of June 30, 2022, a $199.3 million increase from the prior year. Components of SVCW's long-term debt liability include $620.6 million of Wastewater Revenue Bonds and Notes (excluding unamortized premiums of $29.7 million), Notes Payable obligations to the California Clean Water SRF program and Line of Credit, for approximately $135.1 million.

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

Wastewater Revenue Bonds and Notes

As of June 30, 2022, SVCW has $620.6 million outstanding in Wastewater Revenue Bonds and Notes par value, the proceeds from 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 Authority's Participating Members. Table 6 below compares the total Bonds and Notes outstanding for fiscal years ended June 30, 2021 and 2022:

TABLE 6
Wastewater Revenue Bonds/Notes

Bonds/Notes	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds/Notes Outstanding June 30, 2021	Issued (Redeemed)	Bonds/Notes Outstanding June 30, 2022
2018 Revenue Bond	2018	2049	3.125-5%	$ 140,955,000	$ 133,890,000	$ (2,480,000)	$ 131,410,000
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	(6,200,000)	130,810,000
2021 Refunding Bond, Series B	2021	2033	4-5%	6,825,000	6,825,000	(465,000)	6,360,000
2021 Notes, Series A	2022	2024	0.25%	68,900,000	-	68,900,000	68,900,000
2021 Notes, Series B	2022	2026	0.50%	73,840,000	-	73,840,000	73,840,000
Total Wastewater Revenue Bonds/Notes				**$ 636,830,000**	**$ 487,025,000**	**$133,595,000**	**$ 620,620,000**

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 $122.2 million as of June 30, 2022. 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, 2022 totaled $24.6 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, 2022, SVCW had incurred the full $14.0 million in expenditures under this project. SVCW intends to restructure this agreement to terms consistent with other RESCU construction agreements.

In August 2021, SVCW entered into an SWRCB agreement for up to $59.6 million to replace the influent force main with a gravity pipeline under the RESCU program. The total outstanding balance as of June 30, 2022 totaled $38.1 million and final payment is scheduled October 2053.

In August 2021, SVCW entered into an SWRCB agreement for up to $57.8 million to plan improvements for pump station improvements under the RESCU program. The total outstanding balance as of June 30, 2022 totaled $20.6 million and final payment is scheduled October 2053.

In August 2021, SVCW entered into an SWRCB agreement for up to $51.6 million to plan improvements to its front of plant under the RESCU program. The total outstanding balance as of June 30, 2022 totaled $24.8 million and final payment is scheduled October 2053.

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 the term 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. The one-month LIBOR rate will continue to be used through June 30, 2023. In January 2022, SVCW decreased the available balance to $45.0 million. As of June 30, 2022, $12.9 million was outstanding on the line of credit.

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 2022-23 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 annual Budget considers ordinary inflationary pressures and incorporates 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 current five-year MOU will expire on June 30, 2023.

Each Member Agency has proactively raised sewer rates to support its allocable share of funding requirements for SVCW's operating costs as well as the Capital Improvement Program.

Table 7 compares next fiscal year's 2022-23 Operating Fund Budget to the fiscal year 2021-22 actual results. Total 2022-23 Operating Revenues are anticipated to increase $1.9 million (6.6%) as Members provide for increased operating costs. Additionally, for Source Control Revenue and Other Revenues, SVCW predicts normal stormwater and source control activities, increased organic waste deliveries, and a reduction in outside services performed by the Laboratory Division.

Total 2022-23 Operating Expenses are anticipated to increase $2.6 million (6.8%) from prior year actual expenditures. Beyond a return to normal, post-pandemic activities, the largest increase over 2021-22 actual expenditures is anticipated due to costs associated with scheduled preparations for the new RESCU Front of Plant facilities. Additionally, the 2022-23 Budget anticipates material increases in chemical prices.

TABLE 7
FY 2022-2023 Budget vs FY 2021-2022 Actual

	FY 2022-2023 Budget	FY 2021-2022 Actual	$ Increase / (Decrease)	% Increase / (Decrease)
Member Contributions	$ 29,259,151	$ 27,612,504	$ 1,646,647	6.0%
Source Control Revenue	86,500	63,935	22,565	35.3%
Stormwater Revenue	118,000	60,644	57,356	94.6%
Other Revenues	602,100	467,261	134,839	28.9%
Total Operating Revenue	**30,065,751**	**28,204,344**	**1,861,407**	**6.6%**
Operations	12,055,226	10,456,716	1,598,510	15.3%
Maintenance	6,741,464	6,692,221	49,243	0.7%
Laboratory	1,845,213	1,607,466	237,747	14.8%
Environmental Services	1,055,945	956,725	99,220	10.4%
Engineering	1,739,303	1,376,997	362,306	26.3%
Information Services	2,345,620	2,013,846	331,774	16.5%
Safety	517,406	481,178	36,228	7.5%
Administration	3,915,573	3,987,320	(71,747)	(1.8%)
Depreciation	11,284,744	11,284,744	-	-
Total Operating Expenses	**41,500,494**	**38,857,213**	**2,643,281**	**6.8%**
Operating Income/(Loss)	**$ (11,434,743)**	**$ (10,652,869)**	**$ (781,874)**	**(7.3%)**

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, 2022
(With Comparative Totals as of June 30, 2021)

Assets		2022		2021
Current Assets:				
Cash and investments	$	166,243,525	$	67,686,891
Cash restricted for debt service		3,414,229		3,414,229
Cash restricted for pension benefits		1,159,268		688,481
Accounts receivable		893,278		1,181,029
Interest receivable		395		269
Employee notes receivable		14,281		9,332
Inventory		1,979,980		1,900,320
Prepaid expenses		70,778		158,296
Total Current Assets		173,775,734		75,038,847
Noncurrent Assets:				
Net OPEB asset		1,410,699		504,766
Capital assets:				
Depreciable capital assets - net		177,063,786		179,906,342
Non depreciable capital assets:				
Land		1,282,081		1,282,081
Construction in progress:				
Stage 2		2,934,618		2,934,618
General		571,676,145		476,466,702
Total capital assets - net		752,956,630		660,589,743
Total Noncurrent Assets		754,367,329		661,094,509
Total Assets	$	928,143,063	$	736,133,356
Deferred Outflows of Resources				
Pension related	$	4,174,372	$	4,317,629
OPEB related		2,145,868		1,705,753
Deferred Loss on Defeasance		20,315,151		22,613,891
Total Deferred Outflows of Resources	$	26,635,391	$	28,637,273
Liabilities				
Current Liabilities:				
Accounts payable	$	19,330,256	$	21,293,874
Accrued payroll and employee benefits		695,448		1,205,694
Accrued interest payable		5,946,437		5,514,957
Unearned revenue		-		615,631
Compensated absences due within one year		1,252,260		1,254,487
Long term debt due within one year		14,683,699		14,505,126
Total Current Liabilities		41,908,100		44,389,769
Long term debt due in more than one year		770,703,747		575,827,114
Net pension liabilities		8,606,933		16,646,389
Total Liabilities	$	821,218,780	$	636,863,272
Deferred inflows of Resources				
Pension related	$	8,381,564	$	929,303
OPEB related		1,878,233		695,253
Total Deferred Inflows of Resources	$	10,259,797	$	1,624,556
Net Position				
Net Investment in Capital Assets	$	112,327,016	$	132,721,095
Restricted for:				
Debt service		3,414,229		3,414,229
Pension benefits		1,159,268		688,481
Unrestricted		6,399,364		(10,541,004)
Total Net Position	$	123,299,877	$	126,282,801

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, 2022
(With Comparative Totals for the Fiscal Year Ended June 30, 2021)

	2022	2021
Operating Revenues:		
Member contributions for services	$ 27,858,177	$ 26,803,212
Member contributions for cash reserves	3,616,877	3,249,017
Member contributions for debt service	18,793,941	18,903,715
Member contributions for cash in-lieu-of financing	2,670,801	4,737,278
Source control charges	124,579	105,883
Miscellaneous revenues	467,261	307,083
Total operating revenues	53,531,636	54,106,188
Operating Expenses:		
Operations	$ 10,644,690	$ 9,759,757
Maintenance	6,705,248	7,079,907
Laboratory	1,622,596	2,162,490
Environmental services	956,725	909,922
Engineering	1,382,681	1,104,176
Information services	2,013,846	1,784,330
Safety	481,348	473,830
Administration	4,523,638	5,067,679
Depreciation	11,284,745	10,750,080
Total operating expenses	39,615,517	39,092,171
Operating Income (Loss)	$ 13,916,119	$ 15,014,017
Nonoperating Revenues (Expenses):		
Grants	$ 156,601	$ 231,302
Other revenue (expense)	836,472	822,878
Interest by fund:		
Operations fund	809	24,460
Stage 2 capacity fund	233,418	224,013
Capital improvement reserve fund	304,749	321,398
Operating reserve fund	31,770	51,340
Capital improvement fund	654,096	1,859,205
Net increase (decrease) in fair value of investments	(5,560,327)	(1,895,276)
Interest expense	(17,845,530)	(17,309,944)
Premium amortization	4,288,899	3,819,573
Gain (loss) on disposal of capital assets	-	7,850
Total nonoperating revenues (expenses)	$ (16,899,043)	$ (11,843,201)
Change in Net Position	$ (2,982,924)	$ 3,170,816
Beginning Net Position	126,282,801	123,111,985
Ending Net Position	$ 123,299,877	$ 126,282,801

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, 2022
(With Comparative Totals for the Fiscal Year Ended June 30, 2021)

	2022	2021
Cash Flows from Operating Activities:		
Cash received from member agencies	$ 53,248,001	$ 54,182,578
Cash paid to suppliers for goods and services and employees for services	(29,748,431)	(36,183,923)
Other cash received (paid)	591,840	412,966
Net Cash Provided (Used) by Operating Activities	24,091,410	18,411,621
Cash Flows from Capital and Related Financing Activities:		
Cash received from member agencies other than for services	836,472	822,878
Cash received from grants	156,601	231,302
Interest paid on capital debt	(17,414,050)	(19,015,348)
Principal paid on capital debt	(26,979,253)	(133,089,522)
Proceeds from long-term debt	226,323,358	174,590,592
Cash received on the sale of capital assets	-	75,700
Purchases and construction of capital assets	(103,651,632)	(150,187,922)
Net Cash Provided (Used) by Capital and Related Financing Activities	79,271,496	(126,572,320)
Cash Flows from Investing Activities:		
Noncash equivalent investments	(36,619,621)	(55,743,878)
Investment income	(4,335,485)	585,140
Net Cash Provided (Used) by Investing Activities	(40,955,106)	(55,158,738)
Net Increase (Decrease) in Cash and Investment	62,407,800	(163,319,437)
Cash and Cash Equivalents, Beginning	16,045,723	179,365,160
Cash and Cash Equivalents, Ending	$ 78,453,523	$ 16,045,723
Reconciliation of Operating Income (Loss) to Cash Flows Provided (Used) by Operating Activities:		
Operating Income (Loss)	$ 13,916,119	$ 15,014,017
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	11,284,745	10,750,080
Net change in:		
Accounts receivable	287,625	406,142
Employee notes receivable	(4,949)	8,813
Inventory	(79,660)	(35,171)
Prepaid expenses	87,518	(54,500)
Deferred outflows of resources	2,001,882	(17,089,976)
Accounts payable	(1,963,618)	9,072,292
Accrued payroll and employee benefits	(9,457,862)	385,324
Unearned revenue	(615,631)	(303,262)
Deferred inflows of resources	8,635,241	257,862
Net Cash Provided (Used) by Operating Activities	$ 24,091,410	$ 18,411,621
Reconciliation of Cash and Cash Equivalents:		
Cash and investments	$ 170,817,022	$ 71,789,601
Less: investments with original maturities in excess of three months	(92,363,499)	(55,743,878)
Cash and Cash Equivalents	$ 78,453,523	$ 16,045,723

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

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 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.

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 annually adopts 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 an insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of three months or less.

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 the 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 changes 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 the fair value of investments is recognized as an increase or decrease in 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 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, 2022.

Inventories

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

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.

Leases

Under Government Accounting Standards Board (GASB) Statement No. 87, a lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. SVCW recognizes lease receivables or liabilities with an initial, individual total present value of $1 million or more, based on the future lease payments remaining at the start of the lease.

SVCW reviews and analyzes leases, and when appropriate, would recognize certain lease assets and liabilities as inflows of resources and outflow of resources, based on the payment provision and remaining duration of the contract.

SVCW has no leases subject to GASB#87 for the fiscal year 2022.

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.

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, 2021, from which the summarized information was derived.

Upcoming New Accounting Pronouncements

GASB 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, 2021.

GASB Statement No. 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

This Statement is effective for reporting periods beginning after June 15, 2022. The Authority does not believe this statement will have a significant impact on the Authority's financial statements.

GASB Statement No. 96 - Subscription-Based Information Technology Arrangements

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

This Statement is effective for reporting periods beginning after June 15, 2022.

NOTE 3 - CASH AND INVESTMENTS

Credit Risk

SVCW's cash and investments consisted of the following as of June 30, 2022 and 2021:

Cash and Investments	June 30, 2022	June 30, 2021	Investment Rating	Input Level
Cash:				
Demand deposits	$ 615,344	$ 778,897	n/a	n/a
Cash on hand	1,000	1,000	n/a	n/a
Total Cash	616,344	779,897		
Investments:				
US Treasuries	50,001,275	33,227,686	AA+	1
US Government Agencies	9,861,282	12,007,313	AA+	1
Asset Backed Securities/Corporate bonds	13,655,513	7,654,640	AA+/AA-/A+/A/A-/BBB+ AAA/NR	1
Municipal bonds/notes	1,545,685	1,873,050	AAA/AA+/AA/A+/NR	1
Supranationals	617,076	358,016	AAA	1
Money Market Funds	21,441,836	2,930,690	AAAm	2
California Asset Management Program	7,062,351	12,748,262	AAAm	n/a
Local Agency Investment Fund	66,015,660	210,047	Not rated	n/a
Total Investments	170,200,678	71,009,704		
Total Cash and Investments	$ 170,817,022	$ 71,789,601		

Interest Rate Risk

The following is a summary of the Authority's investments by maturity as of June 30, 2022:

Maturity	June 30, 2022	June 30, 2021
0-1 years	$ 115,040,586	$ 24,395,143
1-2 years	23,725,170	8,079,552
2-3 years	5,171,375	10,697,281
3-5 years	13,438,369	17,276,207
Over 5 years	12,825,178	10,561,521
Total Investments	$ 170,200,678	$ 71,009,704

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, 2022. All SVCW's deposits with financial institutions were held in collateralized accounts.

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 $4,573,497 in cash and investments as of June 30, 2022, held by trustees or fiscal agent, $3,414,229 of which was pledged for the payment or security of bonds and $1,159,268 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, 2022, the investments matured in an average of 311 days.

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 <u>average</u> remaining maturity at time of purchase.*

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 the 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 to 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, 2022, 4% of SVCW's cash was invested in California Asset Management Program (CAMP), 6% in agencies, 8% in asset-backed securities and corporate bonds, 13% in money market accounts, 29% in U.S. treasuries, and 39% 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, 2022, and 2021, outstanding balances for notes receivable were $14,281 and $9,332, respectively.

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

SVCW's capital assets consisted of the following as of June 30, 2022:

Capital Assets	Balance July 1, 2021	Additions	Adjustments/ Transfer	Balance June 30, 2022
Non-depreciable:				
Land	$ 1,282,081	$ -	$ -	$ 1,282,081
Construction in Progress				
Stage 2	2,934,618	-	-	2,934,618
General	476,466,702	103,651,632	(8,442,189)	571,676,145
Total Non-Depreciable	480,683,401	103,651,632	(8,442,189)	575,892,844
Depreciable:				
Buildings and structures	86,941,854	-	48,693	86,990,547
Pipelines	69,563,754	-	-	69,563,754
Pump station	8,955,485	-	-	8,955,485
Machinery and equipment	132,071,186	-	8,393,496	140,464,681
Total Depreciable	297,532,279	-	8,442,189	305,974,468
Less Accumulated Depreciation for:				
Buildings and structures	(46,095,096)	(2,630,938)	-	(48,726,034)
Pipelines	(15,432,591)	(1,768,494)	-	(17,201,085)
Pump station	(6,240,150)	(195,928)	-	(6,436,078)
Machinery and equipment	(49,858,100)	(6,689,385)	-	(56,547,485)
Total Accumulated Depreciation	(117,625,937)	(11,284,745)	-	(128,910,682)
Total Depreciable PPE - Net	179,906,342	(11,284,745)	8,442,189	177,063,786
Total PPE - Net	$ 660,589,743	$ 92,366,887	$ -	$ 752,956,630

Depreciation expense for the year ended June 30, 2022, and 2021 was $11,284,745 and $10,750,080, respectively.

Construction in progress comprised the following at June 30, 2022:

Project #	Project Name	Total Budgeted	Actual Costs	Unexpended Budget
101	Fund 15 Stage 2 Indirect Costs	$ 2,934,618	$ 2,934,618	$ -
Various	Other Fund 14 Capital Projects (16 total projects)	3,534,998	1,645,099	1,889,900
6008	Tunnel and Gravity Pipeline	276,761,797	263,657,092	13,104,705
9502	Front of the Plant	157,854,378	126,278,115	31,576,264
9501	Pump Station Improvements	135,370,746	67,072,356	68,298,390
9242	Fixed Film Reactor Rehab	29,820,000	691,389	29,128,611
9600	Buried & Exposed Pipe Repair	16,920,000	321	16,919,679
9500	RESCU Administrative Activities	15,398,505	11,027,790	4,370,715
9503	WWTP Improvements Phase II	13,194,724	12,525,158	669,566
9807	New 12Kv Switchgear	11,663,516	11,663,516	-
9401	Side Stream Treatment	10,510,000	28,159	10,481,841
9238	Front of Plant Site Civil	5,870,686	5,870,686	-
9107	CCT Concrete & Steel Protective Coating	5,608,246	4,472,318	1,135,927
9255	3 Water System Upgrades	5,100,000	244,616	4,855,384
9240	Standby Generators Feed Relocation and Electrical Panel	4,800,000	4,569,887	230,113
9168	Thickening Improvements - Phase 1	4,741,437	4,155,647	585,790
6006	Conveyance System CEQA	4,514,597	4,514,597	-
9080	Primary Sed Tanks Collector System Maintenance	4,404,638	4,379,192	25,446
9247	SHB Electrical Rehabilitation	4,374,381	5,096	4,369,285
9033	Future Plant Electrical System Panel	4,300,000	4,247,660	52,340
9259	Primary Effluent Structural Rehabilitation	4,260,000	-	4,260,000
7005	Redwood City Pump Station Improvements	4,255,047	4,255,047	-
9231	Bioforce Tech Dryer System	3,950,621	3,583,839	366,782
6013	Receiving Lift Station	3,885,370	3,885,370	-
9237	Radio Road Habitat Grading	3,823,448	35,932	3,787,516
9120	RAS Pump Suction Pipe Replacement	3,767,038	691,635	3,075,403
9160	WWTP Headworks & Screening Facility	3,552,305	3,552,305	-
9251	Laboratory Building HVAC	3,504,412	3,504,412	-
9241	Primary Effluent Channel Recoating	3,402,000	2,556,109	845,891
9215	Digester #1 Rehabilitation	3,400,000	831,410	2,568,590
9128	PST 3&4 Protective Coatings	3,334,199	3,334,199	-
7010	Pump Station Preliminary Predesign & CEQA	3,099,927	3,099,927	-
9223	Final Effluent Pump Replacement	2,836,241	97,693	2,738,548
6014	Influent Connector Pipe	2,733,155	2,733,155	-
9256	Spent Backwash Pump System Rehabilitation	2,700,000	-	2,700,000
9034	Electrical Conductor and Small Panel Replacement	2,654,210	-	2,654,210
9014	Process Tanks Concrete & Steel Protective Coatings Replacement	2,427,198	1,583,614	843,583
9244	Digester 3 Cleaning and Rehab	2,414,000	-	2,414,000
9245	Digester 2 Cleaning and Rehab	2,272,000	-	2,272,000
9250	Wet Side Power Rehabilitation	2,200,000	-	2,200,000
9601	WAS Influent Pipe Rehab	2,100,000	-	2,100,000
9118	SCADA Integration with IBMS	2,026,758	2,026,758	-
9243	PST Thickening Project	2,000,000	-	2,000,000
9258	Capital Support for Process Engineering	2,000,000	-	2,000,000
9257	Food Waste Improvements	2,000,000	-	2,000,000
9254	Waste Gas Burner Replacement	2,000,000	-	2,000,000
9246	Activated Sludge Process Rehabilitation	1,900,000	-	1,900,000
9248	Cogeneration Engine System Rehabilitation	1,900,000	-	1,900,000
9196	Electronic O&M Manuals	1,187,870	486,260	701,610
9158	CIP Financial Assistance	1,081,354	981,354	100,000
6003	Influent Force Main Repair & Replacement	1,063,430	1,063,430	-
Various	Other Fund 20 Capital Projects (30 total projects)	9,755,726	6,325,003	3,430,723
		$ 811,163,576	**$ 574,610,763**	**$ 236,552,813**

NOTE 6 - NONCURRENT LIABILITIES

SVCW's noncurrent liabilities consisted of the following as of June 30, 2022:

Description	Balance July 01, 2021	Additions	Deductions	Balance June 30, 2022	Due Within One Year
Wastewater Revenue Bonds/Notes	$ 487,025,000	$ 142,740,000	$ 9,145,000	$ 620,620,000	$ 8,950,000
Unamortized Premium	33,960,359	-	4,288,899	29,671,460	4,288,899
Note Payable (Direct Borrowing)	69,346,881	161,318,358	95,569,253	135,095,986	1,444,800
Compensated Absences	1,254,487	-	2,227	1,252,260	1,252,260
Total Noncurrent Liabilities	$ 591,586,727	$ 304,058,358	$ 109,005,379	$ 786,639,706	$ 15,935,959

Long-Term Debt

SVCW's long-term debt included the following bonds and notes, as of June 30, 2022:

	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds/Notes Outstanding July 01, 2021	Issued	Retirements	Bonds/Notes Outstanding June 30,2022	Due Within One Year
Bonds/Notes									
2018 Bond	2018	2049	3.125-5%	$ 140,955,000	$ 133,890,000	$ -	$ 2,480,000	$ 131,410,000	$ 2,605,000
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	-	6,200,000	130,810,000	5,895,000
2021 Bond Series B	2021	2033	4-5%	6,825,000	6,825,000	-	465,000	6,360,000	450,000
2021 Notes Series A	2022	2026	0.25%	68,900,000	-	68,900,000	-	68,900,000	-
2021 Notes Series B	2022	2024	0.50%	73,840,000	-	73,840,000	-	73,840,000	-
Total Wastewater Revenue Bonds/Notes				$ 636,830,000	$ 487,025,000	$ 142,740,000	$ 9,145,000	$ 620,620,000	$ 8,950,000

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, 2022. Interest on the 2021 Bonds will be paid semiannually on August 1 and February 1 of each year, commencing on August 1, 2022.

2021 Wastewater Revenue Notes

In September 2021, SVCW issued 2021 Wastewater Revenue Bonds in the amount of $142,740,000, comprised of $68,900,000 Series A Notes and $73,840,000 Series B Notes.

The proceeds from the 2021 Series A Notes were used to provide interim funding for the 2021 WIFIA RESCU Project, capitalize interest on the Series A Notes through maturity, and pay the costs of issuance of the Series A Notes. SVCW entered into a 2021 RESCU WIFIA Loan Agreement with the United States Environmental Protection Agency. The proceeds from the RESCU WIFIA Loan Agreement are expected to be used to pay the Series A Notes at maturity.

The proceeds from the 2021 Series B Notes were used to provide interim funding for the 2021 WIFIA WWTP Project, capitalize interest on the Series B Notes through maturity, and pay the costs of issuance of the Series B Notes. SVCW entered into a 2021 WWTP WIFIA Loan Agreement with the United States Environmental Protection Agency. The proceeds from the WWTP WIFIA Loan Agreement are expected to be used to pay the Series B Notes at maturity.

The Notes 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, the City of Belmont and the West Bay Sanitary District (the "Participating Members"). Principal payments are payable annually on June 30, commencing on June 30, 2024. Interest on the 2021 Bonds will be paid semiannually on June 30 and December 30 of each year, commencing on June 30, 2022.

The 2018 Wastewater Revenue Bonds, 2019 Wastewater Revenue Notes, 2021 Wastewater Refunding Revenue Bonds Series A and B and 2021 Wastewater Revenue Notes Series A and B are general obligations of SVCW, payable solely from pledges of wastewater revenues from participating SVCW member agencies. The Bonds and 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, 2022.

Long-term Debt Service

The debt service requirements for the bonds as of June 30, 2022, were as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2023	$ 8,950,000	$ 14,843,179	$ 23,793,179
2024	287,315,000	14,671,684	301,986,684
2025	9,310,000	8,032,847	17,342,847
2026	83,345,000	7,818,824	91,163,824
2027	9,735,000	7,210,775	16,945,775
2028-2032	51,820,000	31,606,688	83,426,688
2033-2037	54,710,000	23,695,869	78,405,869
2038-2042	56,420,000	15,186,816	71,606,816
2043-2047	43,910,000	6,433,115	50,343,115
2048-2052	15,105,000	533,138	15,638,138
Total	$ 620,620,000	$ 130,032,935	$ 750,652,935

SWRCB Notes Payable (Direct Borrowing)

SVCW's long-term debt included the following notes payable, as of June 30, 2022:

	Issue Date	Maturity Date	Interest Rate	Original Issue	Notes Outstanding July 01, 2021	Issued	Retirements	Notes Outstanding June 30,2022	Due Within One Year
State Revolving Fund Loans:									
Wastewater Treatment Plant	2012	2037	1.80%	$ 30,731,211	$ 26,046,881	$ -	$ 1,419,253	$ 24,627,628	$ 1,444,800
Conveyance System Improvements	2016	2035	1.60%	14,000,000	14,000,000	-	-	14,000,000	-
Gravity Pipeline Project	2022	2054	0.90%	59,605,263	-	38,148,374	-	38,148,374	-
Pump Station Improvement Project	2022	2054	0.90%	57,763,158	-	20,619,772	-	20,619,772	-
Front of Plant Project	2022	2054	0.90%	51,631,579	-	24,815,212	-	24,815,212	-
Total State Revolving Fund Loans				213,731,211	40,046,881	83,583,358	1,419,253	122,210,986	1,444,800
Line of Credit:									
Wells Fargo Bank				45,000,000	29,300,000	77,735,000	94,150,000	12,885,000	-
Total Notes Payable				**$ 258,731,211**	**$ 69,346,881**	**$ 161,318,358**	**$ 95,569,253**	**$ 135,095,986**	**$ 1,444,800**

SVCW has financed multiple projects by entering into six separate sale-repurchase agreements with the State Water Resources Control Board (SWRCB). Combined, these notes payable totaled $122,210,984 as of June 30, 2022. The project funds, together with all accrued interest, are repaid in annual installments commencing one year after the completion of construction.

Wastewater Treatment Plant Revolving Fund 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 $24,627,628 as of June 30, 2022. This amount will be repaid by October 2036.

Wastewater Treatment Plant Revolving Fund 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 $24,627,628 as of June 30, 2022. This amount will be repaid by October 2036.

Conveyance System Improvements State Revolving Fund Loan

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, 2022.

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. As of June 30, 2022 SVCW had drawn down $38,148,374 of the loan.

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. As of June 30, 2022 SVCW had drawn down $20,619,772 of the loan.

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. As of June 30, 2022 SVCW had drawn down $24,815,212 of the loan.

Events of default on the State Revolving Fund loans include a material adverse change in the condition SVCW, the revenues or the system, litigation related to the system revenues or the project, or failure to make any debt service payment by the due date, which would accelerate repayment of the loans. SVCW can prepay the loans at any time by paying the principal and outstanding accrued interest through the date of prepayment.

The following summarizes the scheduled future debt service requirements for the SWRCB loans, with the exception of the State Revolving Fund loans for the Gravity Pipeline Project, the Pump Station Improvement Project and the Front of Plan Project and the Line of Credit as of June 30, 2022:

Fiscal Year	Principal	Interest to Maturity	Total
2023	$ 1,444,800	$ 443,297	$ 1,888,097
2024	1,470,806	417,291	1,888,097
2025	2,799,412	614,816	3,414,228
2026	2,847,198	567,031	3,414,229
2027	2,895,802	518,427	3,414,229
2028-2032	15,237,707	1,833,437	17,071,144
2033-2037	11,931,903	560,845	12,492,748
Total	$ 38,627,628	$ 4,955,144	$ 43,582,772
Add: State Revolving Fund Loan - Gravity Pipeline Project	38,148,374		
Add: State Revolving Fund Loan - Pump Station Improvement	20,619,772		
Add: State Revolving Fund Loan - Front of Plant Project	24,815,212		
Add: Line of Credit	12,885,000		
Total Notes Payable	$ 135,095,986		

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. In January 2022 the available balance was decreased to $45,000,000. 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 will continue to use the one-month LIBOR rate until June 30, 2023. SVCW had $12,885,000 outstanding on the line of credit on June 30, 2022.

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%.

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.

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, 2022, were as follows:

Fund Description	Due From	Due To
Operations	$ 22,496,274	$ 706,007
Capital Improvement Program	-	20,502,351
Recycled Water	5,180	-
Self Insurance	186,780	-
Construction Stage 2	875,099	-
Capital Improvements	2,143,830	-
Capital Improvement Program Reserve	-	7,725,287
Operating Reserve	3,226,482	-
Totals	$ 28,933,645	$ 28,933,645

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, 2022, fiscal year were as follows:

Fund Description	Transfers In	Transfers Out
Operations	$ 8,442,189	$ -
Capital Improvement Program	-	5,724,215
Capital Improvements	-	2,717,974
Totals	$ 8,442,189	$ 8,442,189

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.

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, 2022, are summarized as follows:

	Miscellaneous		
	Tier 1	**Tier 2**	**PEPRA**
Membership date	Prior to July 1, 2011	July 1, 2011 - December 31, 2012	On/After January 1, 2013
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	10.870%	8.630%	7.470%

Employees Covered - On June 30, 2022, the following employees were covered by the benefit terms for the Plans:

	Miscellaneous
Active	79
Transferred	18
Separated	27
Retired	90
Total	214

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, 2022, SVCW contributed $2,411,890 into the Plans.

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

As of June 30, 2022 (***reporting date***), the Agency reported net pension liabilities for its proportionate shares of the net pension liability was $8,606,933.

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, 2021(***measurement date***), 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, 2020 (***valuation date***) rolled forward to June 30, 2021, 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, 2021 and 2022 was as follows:

	Miscellaneous	**Safety**	**Total**
Proportion - June 30, 2021	0.15299%	0.00000%	0.15299%
Proportion - June 30, 2022	0.15194%	0.00000%	0.15194%
Change - Increase/(Decrease)	-0.00105%	0.00000%	-0.00105%

For the year ended June 30, 2022, the Agency recognized pension expense of $1,967,952. On June 30, 2022, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	$ -	$ -
Difference between Expected and Actual Experience	965,175	-
Differences between Projected and Actual Investments Earnings	-	(7,513,397)
Change in proportion and differences between employer contributions and proportionate share of contributions	-	(868,167)
Change in Employer's Proportion	797,307	-
Pension Contributions Made Subsequent to Measurement Date	2,411,890	-
Total	$ 4,174,372	$ (8,381,564)

The Agency reported $2,411,890 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, 2022.

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

Year Ended June 30	Annual Amortization	
2023	$	(1,374,243)
2024		(1,479,075)
2025		(1,689,449)
2026		(2,076,315)
Total	$	(6,619,082)

Actuarial Assumptions - The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
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.

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

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
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	100%		

(a) In the CalPER's Annual Comprehensive Financial Report, Fixed Income is included in Global Debt Securities; Liquidityis 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:

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	$ 18,764,541
Current Discount Rate	7.15%
Net Pension Liability	$ 8,606,933
1% Increase	8.15%
Net Pension Liability	$ 209,784

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.

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.

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 CalPERS	Retirement under CalPERS
Minimum Age:	Retirement under CalPERS	Retirement under CalPERS
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, 2021 (***valuation date***), the benefit terms covered all SVCW employees, as follows:

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 $114,180. Total contributions included in the measurement period were $342,773. The actuarially determined contribution for the measurement period was $545,502. The Authority's contributions were 0.81% of payroll during the fiscal year ended June 30, 2022. Employees are not required to contribute to the plan.

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, 2021
Actuarial Cost Method:	Entry-Age Normal Cost Method
Amortization Period:	20 years
Asset Valuation Method:	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	5.75%
Inflation	2.50%
Salary Increases	2.75%
Healthcare Trend Rate	4.00%
Investment Rate of Return	5.75%
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:

Asset Class	Percentage of Portfolio	Long-Term Expected Rate of Return
All Equities	44.00%	7.795%
All Fixed Income	40.00%	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	100.00%	

Net OPEB Liability

The Authority's net OPEB liability was measured as of June 30, 2021 (***measurement date***), and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021 (***valuation date***) for the fiscal year ended June 30, 2022 (***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, 2022:

Fiscal Year Ended June 30, 2022 (Measurement Date June 30, 2021)	**Total OPEB Liability**	**Plan Fiduciary Net Position**	**Net OPEB Liability (Asset)**
Balance at June 30, 2021	$ 8,144,482	$ 8,649,248	$ (504,766)
Service cost	184,200	-	184,200
Interest in Total OPEB Liability	558,593	-	558,593
Employer contributions to trust	-	-	-
Employer contributions as benefit payments	-	451,036	(451,036)
Expected investment income	-	605,333	(605,333)
Administrative expenses	-	(3,273)	3,273
Benefit payments	(451,036)	(451,036)	-
Investment Gain/Losses	-	1,772,317	(1,772,317)
Experience Gains/Losses	-	-	-
Changes in Assumptions	1,239,004	-	1,239,004
Expected Minus Benefit Payments	(62,317)	-	(62,317)
Net changes	1,468,444	2,374,377	(905,933)
Balance at June 30, 2022	$ 9,612,926	$ 11,023,625	$ (1,410,699)

Covered Employee Payroll at Measurement Date	$ 13,715,063
Total OPEB Liability as a % of covered Employee payroll	70.09%
Plan Fid. Net Position as a % of Total OPEB Liability	114.68%
Service cost as a % of covered Employee payroll	1.34%
Net OPEB Liability as a % of covered payroll	-10.29%

Deferred Inflows and Outflows of Resources

On June 30, 2022, 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	$ 336,636	$ (304,545)
Change in assumptions	1,695,052	(333,131)
Difference between actual and expected earnings	-	(1,240,557)
OPEB contribution subsequent to measurement date	114,180	-
Totals	$ 2,145,868	$ (1,878,233)

The total $114,180 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, 2022.

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2022:

Service cost	$	184,200
Interest in TOL		558,593
Expected investment income		(605,333)
Difference between actual and expected earnings		204,495
Other (PPA of FNP, Per Actuary)		(285,853)
Administrative expenses		3,273
OPEB Expense	**$**	**59,375**

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2022:

Net OPEB liability ending	$	(1,410,699)
Net OPEB liability beginning		(504,766)
Change in net OPEB liability		(905,933)
Changes in deferred outflows		(2,031,688)
Changes in deferred inflows		1,878,233
Employer contributions and implicit subsidy		1,118,763
OPEB Expense	**$**	**59,375**

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		
	4.75% (1% Decrease)	**5.75% (Current Rate)**	**6.75% (1% Increase)**
Net OPEB Liability (Asset)	$ (246,060)	$ (1,410,699)	$ (2,429,402)

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% (1% Decrease)	**4.0% (Current Rate)**	**5.0% (1% Increase)**
Net OPEB Liability (Asset)	$ (2,565,838)	$ (1,410,699)	$ 203,102

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	1,000,000,000	100,000
Public Entity Pollution Liabilty	25,000,000	300,000
Cyber Liability	2,000,000	50,000
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	100,000,000	100,000

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 ad 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 SVCW.

SVCW had outstanding construction contract commitments on capital projects totaling $127,422,978 on June 30, 2022.

NOTE 12 - LEASES

Rent expense was $1,679,763 during the fiscal year, which includes two significant lease agreements. Both of the leases will be terminated no later than June 30, 2024:

1. 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 terminated the lease in August 2022.

2. 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. SVCW does not anticipate extending the lease beyond 6/30/2024.

REQUIRED SUPPLEMENTARY INFORMATION

SILICON VALLEY CLEAN WATER
Cost-Sharing Multiple Employer Defined Benefit Retirement Plan
As of fiscal year ending June 30, 2022
SCHEDULE OF CONTRIBUTIONS
Last 10 Years*

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 2,411,890	$ 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	2,411,890	2,051,581	1,916,618	1,612,511	1,470,709	1,251,217	1,130,159	1,033,248
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 12,784,495	$ 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	18.87%	16.69%	16.24%	14.56%	12.38%	12.34%	11.95%	11.33%

Notes to Schedule

Valuation Date:	June 30, 2020
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 eight years are shown.

SILICON VALLEY CLEAN WATER
Cost-Sharing Multiple Employer Defined Benefit Retirement Plan
As of fiscal year ending June 30, 2022
PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last 10 Fiscal Years*

Miscellaneous Plan

Fiscal Year Ended	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Proportion of Net Pension Liability	0.45328%	0.39464%	0.37591%	0.35840%	0.34911%	0.33211%	0.30498%	0.32474%
Proportionate Share of Net Pension Liability	$ 8,606,933	$16,646,389	$15,053,146	$13,507,192	$13,762,187	$11,536,951	$8,367,040	$ 8,025,843
Covered Payroll	$12,293,195	$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	70.01%	141.08%	135.94%	113.68%	135.75%	122.03%	91.79%	90.77%
Plan's Fiduciary Net Position as a % of the TPL	88.29%	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 eight years are shown.

Silicon Valley Clean Water
Single Employer Plan
Schedule of OPEB Contributions
For the Fiscal Year Ended June 30, 2022

	Fiscal Year Ended June 30,				
	2018	**2019**	**2020**	**2021**	**2022**
Actuarially determined contribution (ADC)	$ 135,456	$ 74,614	$ 502,972	$ 513,353	$ 545,502
Less: actual contribution in relation to ADC	(763,957)	(841,064)	(1,016,333)	(342,773)	(114,180)
Contribution deficiency (excess)	$ (628,501)	$ (766,450)	$ (513,361)	$ 170,580	$ 431,322
Covered payroll for the fiscal year	$ 11,176,980	$ 12,259,105	$ 13,063,649	$ 13,715,063	$ 14,140,636
Contributions as a percentage of covered payroll	6.84%	6.86%	7.78%	2.50%	0.81%

Notes to Schedule:

Assumptions and Methods

Valuation Date:	June 30, 2020
Measurement Date:	June 30, 2021
Actuarial Cost Method:	Entry-Age Normal Cost
Amortization Period:	20 years
Asset Valuation Method:	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	5.75%
Inflation	2.50%
Salary Increases	2.75%
Healthcare Trend Rate	4.00%
Investment Rate of Return	5.75%
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, 2022

	Fiscal Year Ended June 30, 2019	2020	2021	2022
Total OPEB liability				
Service cost	$ 37,428	$ 38,457	$ 85,101	$ 184,200
Interest	473,085	484,027	591,376	558,593
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	516,978	(329,021)	(62,317)
Changes of assumptions	-	929,611	(438,887)	1,239,004
Benefit payments	(341,991)	(391,064)	(421,253)	(451,036)
Expected Minus Actual Benefit	-	-	-	-
Net change in Total OPEB Liability	168,522	1,578,009	(512,684)	1,468,444
Total OPEB Liability - beginning	6,910,635	7,079,157	8,657,166	8,144,482
Total OPEB Liability - ending	$ 7,079,157	$ 8,657,166	$ 8,144,482	$ 9,612,926
Plan fiduciary net position				
Employer contributions	$ 763,957	$ 841,064	$ 1,016,333	$ 342,773
Employer implicit subsidy	-	-	82,920	108,263
Employee contributions	-	-	-	-
Net investment income	477,679	444,164	281,796	2,377,650
Difference between estimated and actual earnings	-	-	-	-
Benefit payments	(341,991)	(391,064)	(421,253)	(451,036)
Implicit subsidy fulfilled	-	-		-
Other	4,017	-	(1,966)	-
Administrative expense	(11,080)	(1,501)	(3,831)	(3,273)
Net change in plan fiduciary net position	892,582	892,663	953,999	2,374,377
Plan fiduciary net position - beginning	5,910,004	6,802,586	7,695,249	8,649,248
Plan fiduciary net position - ending	$ 6,802,586	$ 7,695,249	$ 8,649,248	11,023,625
Net OPEB liability (asset)	$ 276,571	$ 961,917	$ (504,766)	(1,410,699)
Plan fiduciary net position as a percentage of the total OPEB liability	96%	89%	106%	115%
Covered employee payroll for the plan	$ 12,259,105	$ 13,063,649	$ 13,715,063	$ 14,140,636
Net OPEB Liability as a percentage of covered Employee payroll	2.26%	7.36%	-3.68%	-9.98%
Total OPEB Liability as a percentage of covered Employee payroll	57.75%	66.27%	59.38%	67.98%

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, 2022

	Operating Reserve	Capital Improvement Program Reserve	Capital Improvements	Construction Stage 2
Assets				
Current Assets:				
Cash and investments	$ 3,742,391	$ 15,737,461	$ -	$ 14,066,495
Cash restricted for debt service	-	3,414,229	-	-
Cash restricted for pension benefits	-	-	-	-
Accounts receivable	-	25,235	18,893	119,380
Interest receivable	-	-	-	-
Employee notes receivable	-	-	-	-
Due from other funds	3,226,482	-	2,143,830	875,099
Inventory	-	-	-	-
Prepaid expenses	-	-	-	-
Total Current Assets	6,968,873	19,176,925	2,162,723	15,060,974
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	-	-	1,645,099	-
Total capital assets - net	-	-	1,645,099	2,934,618
Total Noncurrent Assets	-	-	1,645,099	2,934,618
Total Assets	$ 6,968,873	$ 19,176,925	$ 3,807,822	$ 17,995,592
Deferred Outflows of Resources				
Pension adjustments	$ -	$ -	$ -	$ -
OPEB adjustments	-	-	-	-
Deferred Loss on Defeasance	-	-	-	-
Total Deferred Outflows of Resources	$ -	$ -	$ -	$ -
Liabilities				
Current Liabilities:				
Accounts payable	$ -	$ -	$ 249,854	$ -
Accrued payroll and employee benefits	-	-	-	-
Accrued interest payable	-	-	-	-
Due to other funds	-	7,725,287	-	-
Unearned revenue	-	-	-	-
Compensated absences due within one year				
Noncurrent liabilities due within one year	-	-	-	-
Total Current Liabilities	-	7,725,287	249,854	-
Long term debt due in more than one year		-	-	-
Net pension liabilities		-	-	-
Total Liabilities	$ -	$ 7,725,287	$ 249,854	$ -
Deferred inflows of Resources				
Pension adjustments	$ -	$ -	$ -	$ -
OPEB adjustments	-	-	-	-
Total Deferred Inflows of Resources	$ -	$ -	$ -	$ -
Net Position				
Net Investment in Capital Assets	$ -	$ -	$ 1,645,099	$ 2,934,618
Restricted for:				
Debt service	-	3,414,229	-	-
Pension benefits			-	-
Unrestricted	6,968,873	8,037,409	1,912,869	15,060,974
Total Net Position	$ 6,968,873	$ 11,451,638	$ 3,557,968	$ 17,995,592

(Continued)

Silicon Valley Clean Water
Combining Schedule of Net Position
Enterprise Funds
June 30, 2022

Assets	Self Insurance	Recycled Water	Capital Improvement Program	Operation	Total
Current Assets:					
Cash and investments	$ -	$ -	$ 131,872,832	$ 824,346	$ 166,243,525
Cash restricted for debt service	-	-	-		3,414,229
Cash restricted for pension benefits	-	-	-	1,159,268	1,159,268
Accounts receivable	-	125,673	-	604,097	893,278
Interest receivable	-	-	-	395	395
Employee notes receivable	-	-	-	14,281	14,281
Due from other funds	186,780	5,180	-	22,496,274	28,933,645
Inventory	-	-	-	1,979,980	1,979,980
Prepaid expenses	-	-	-	70,778	70,778
Total Current Assets	186,780	130,853	131,872,832	27,149,419	202,709,379
Noncurrent Assets:					
Net OPEB asset	-	-	-	1,410,699	1,410,699
Capital assets:					
Depreciable capital assets - net	-	-	-	177,063,786	177,063,786
Non depreciable capital assets:					
Land	-	-	-	1,282,081	1,282,081
Construction in progress:					
Stage 2	-	-	-	-	2,934,618
General	-	-	570,031,046	-	571,676,145
Total capital assets - net	-	-	570,031,046	178,345,867	752,956,630
Total Noncurrent Assets	-	-	570,031,046	179,756,566	754,367,329
Total Assets	$ 186,780	$ 130,853	$ 701,903,878	$ 206,905,985	$ 957,076,708
Deferred Outflows of Resources					
Pension adjustments	$ -	$ -	$ -	$ 4,174,372	$ 4,174,372
OPEB adjustments	-	-	-	2,145,868	2,145,868
Deferred Loss on Defeasance	-	-	20,315,151	-	20,315,151
Total Deferred Outflows of Resources	$ -	$ -	$ 20,315,151	$ 6,320,240	$ 26,635,391
Liabilities					
Current Liabilities:					
Accounts payable	$ -	$ 30,255	$ 18,079,282	$ 970,865	$ 19,330,256
Accrued payroll and employee benefits	-	-	-	695,448	695,448
Accrued interest payable	-	-	5,946,437	-	5,946,437
Due to other funds	-	-	20,502,351	706,007	28,933,645
Unearned revenue	-	-	-	-	-
Compensated absences due within one year				1,252,260	1,252,260
Noncurrent liabilities due within one year	-	-	14,683,699	-	14,683,699
Total Current Liabilities	-	30,255	59,211,769	3,624,580	70,841,745
Long term debt due in more than one year	-	-	757,818,747	12,885,000	770,703,747
Net pension liabilities	-	-	-	8,606,933	8,606,933
Total Liabilities	$ -	$ 30,255	$ 817,030,516	$ 25,116,513	$ 850,152,425
Deferred inflows of Resources					
Pension adjustments	$ -	$ -	$ -	$ 8,381,564	$ 8,381,564
OPEB adjustments	-	-	-	1,878,233	1,878,233
Total Deferred Inflows of Resources	$ -	$ -	$ -	$ 10,259,797	$ 10,259,797
Net Position					
Net Investment in Capital Assets	$ -	$ -	$ (70,598,568)	$ 178,345,867	$ 112,327,016
Restricted for:					
Debt service	-	-	-	-	3,414,229
Pension benefits	-	-	-	1,159,268	1,159,268
Unrestricted	186,780	100,598	(24,212,919)	(1,655,220)	6,399,364
Total Net Position	$ 186,780	$ 100,598	$ (94,811,487)	$ 177,849,915	$ 123,299,877

(Concluded)

Silicon Valley Clean Water
Combining Schedule of Activities and Changes in Net Position
Enterprise Funds
For the Fiscal Year Ended June 30, 2022

	Operating Reserve	Capital Improvement Program Reserve	Capital Improvements	Construction Stage 2
Operating Revenues:				
Member contributions for services	$ -	$ -	$ -	$ -
Member contributions for cash reserves	-	1,999,992	1,497,504	119,381
Member contributions for debt service	-	-	-	-
Member contributions for Capital Improvements	-	-	-	-
Source control charges	-	-	-	-
Miscellaneous revenues	-	-	-	-
Total operating revenues	-	1,999,992	1,497,504	119,381
Operating Expenses:				
Operations	$ -	$ -	$ -	$ -
Maintenance	-	-	-	-
Laboratory	-	-	-	-
Environmental services	-	-	-	-
Engineering	-	-	432	-
Information services	-	-	-	-
Safety	-	-	170	-
Administration	3,657	17,152	-	13,517
Claims paid	-	-	-	-
Depreciation	-	-	-	-
Total operating expenses	3,657	17,152	602	13,517
Operating Income (Loss)	$ (3,657)	$ 1,982,840	$ 1,496,902	$ 105,864
Nonoperating Revenues (Expenses):				
Grants	$ -	$ -	$ -	$ -
Other revenue (expense)	-	-	-	-
Interest Income:				
Operations fund	-	-	-	-
Stage 2 capacity fund	-	-	-	233,418
Capital improvement reserve fund	-	304,749	-	-
Operating reserve fund	31,770	-	-	-
Capital improvement fund	-	-	-	-
Net increase (decrease) in fair value of investments	(148,672)	(1,597,579)	-	(1,235,061)
Interest expense	-	-	-	-
Premium amortization	-	-	-	-
Gain (loss) on disposal of fixed assets	-	-	-	-
Total nonoperating revenues (expenses)	$ (116,902)	$ (1,292,830)	$ -	$ (1,001,643)
Income (Loss) Before Transfers	$ (120,559)	$ 690,010	$ 1,496,902	$ (895,779)
Transfers In	$ -	$ -	$ -	$ -
Transfers Out	-	-	(2,717,974)	-
Change in Net Position	$ (120,559)	$ 690,010	$ (1,221,072)	$ (895,779)
Beginning Net Position	7,089,432	10,761,628	4,779,040	18,891,371
Ending Net Position	$ 6,968,873	$ 11,451,638	$ 3,557,968	$ 17,995,592

(Continued)

Silicon Valley Clean Water
Combining Schedule of Activities and Changes in Net Position
Enterprise Funds
For the Fiscal Year Ended June 30, 2022

	Self Insurance	Recycled Water	Capital Improvement Program	Operation	Total
Operating Revenues:					
Member contributions for services	$ -	$ 245,673	$ -	$ 27,612,504	$ 27,858,177
Member contributions for cash reserves	-	-	-	-	3,616,877
Member contributions for debt service	-	-	18,793,941	-	18,793,941
Member contributions for Capital Improvements	-	-	2,670,801	-	2,670,801
Source control charges	-	-	-	124,579	124,579
Miscellaneous revenues	-	-	-	467,261	467,261
Total operating revenues	-	245,673	21,464,742	28,204,344	53,531,636
Operating Expenses:					
Operations	$ -	$ 187,975	$ -	$ 10,456,715	$ 10,644,690
Maintenance	-	13,027	-	6,692,221	6,705,248
Laboratory	-	15,130	-	1,607,466	1,622,596
Environmental services	-	-	-	956,725	956,725
Engineering	-	-	5,252	1,376,997	1,382,681
Information services	-	-	-	2,013,846	2,013,846
Safety	-	-	-	481,178	481,348
Administration	-	-	501,992	3,987,320	4,523,638
Claims paid	-	-	-	-	-
Depreciation	-	-	-	11,284,745	11,284,745
Total operating expenses	-	216,132	507,244	38,857,213	39,615,517
Operating Income (Loss)	$ -	$ 29,541	$ 20,957,498	$ (10,652,869)	$ 13,916,119
Nonoperating Revenues (Expenses):					
Grants	$ -	$ -	$ -	$ 156,601	$ 156,601
Other revenue (expense)	-	-	-	836,472	836,472
Interest Income:					
Operations fund	-	-	-	809	809
Stage 2 capacity fund	-	-	-	-	233,418
Capital improvement reserve fund	-	-	-	-	304,749
Operating reserve fund	-	-	-	-	31,770
Capital improvement fund	-	-	654,096	-	654,096
Net increase (decrease) in fair value of investments	-	-	(2,429,373)	(149,642)	(5,560,327)
Interest expense	-	-	(17,845,530)	-	(17,845,530)
Premium amortization	-	-	4,288,899	-	4,288,899
Gain (loss) on disposal of fixed assets	-	-	-	-	-
Total nonoperating revenues (expenses)	$ -	$ -	$ (15,331,908)	$ 844,240	$ (16,899,043)
Income (Loss) Before Transfers	$ -	$ 29,541	$ 5,625,590	$ (9,808,629)	$ (2,982,924)
Transfers In	$ -	$ -	$ -	$ 8,442,189	$ 8,442,189
Transfers Out	-	-	(5,724,215)	-	(8,442,189)
Change in Net Position	$ -	$ 29,541	$ (98,625)	$ (1,366,440)	$ (2,982,924)
Beginning Net Position	186,780	71,057	(94,712,862)	179,216,355	126,282,801
Ending Net Position	$ 186,780	$ 100,598	$ (94,811,487)	$ 177,849,915	$ 123,299,877

(Concluded)

Silicon Valley Clean Water
Combining Schedule of Cash Flows
Enterprise Funds
For the Fiscal Year Ended June 30, 2022

	Operating Reserve	Capital Improvement Program Reserve	Capital Improvements	Construction Stage 2
Cash Flows from Operating Activities:				
Cash received from member agencies	$ -	$ 1,999,992	$ 1,497,504	$ 427,586
Cash paid to suppliers for goods and services and employees for services	(3,740)	(72,858)	177,427	(13,517)
Other cash received (paid)	-	-	-	-
Net Cash Provided (Used) by Operating Activities	(3,740)	1,927,134	1,674,931	414,069
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	70,813	(718,172)	12,918
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	-	-	(956,759)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	3,173	70,813	(1,674,931)	12,918
Cash Flows from Noncapital Financing Activities:				
Transfers in	$ -	$ -	$ -	$ -
Transfers out	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	-	-	-	-
Cash Flows from Investing Activities:				
Noncash equivalent investments	$ 264,716	$ (416,383)	$ -	$ 615,741
Investment income	(116,902)	(1,292,830)	-	(1,001,643)
Net Cash Provided (Used) by Investing Activities	147,814	(1,709,213)	-	(385,902)
Net Increase (Decrease) in Cash and Investment	147,247	288,734	-	41,085
Cash and Cash Equivalents, Beginning	13,587	423,577	-	149,048
Cash and Cash Equivalents, Ending	$ 160,834	$ 712,311	$ -	$ 190,133
Reconciliation of Operating Income (Loss) to Cash Flows Provided (Used) by Operating Activities:				
Operating Income (Loss)	$ (3,657)	$ 1,982,840	$ 1,496,902	$ 105,864
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	-	-	-
Net change in:				
Accounts receivable	197	(13,422)	(8,691)	309,252
Employee notes receivable		-	-	-
Inventory	-	-	-	-
Prepaid expenses	-	-	-	-
Deferred outflows of resources	-	-	-	-
Accounts payable	(279)	(1,301)	217,407	(1,047)
Accrued payroll and employee benefits	-	-	-	-
Unearned revenue	(1)	(40,983)	(30,687)	-
Deferred inflows of resources	-	-	-	-
Net Cash Provided (Used) by Operating Activities	$ (3,740)	$ 1,927,134	$ 1,674,931	$ 414,069
Reconciliation of Cash and Cash Equivalents:				
Cash and investments	$ 3,742,391	$ 19,151,690	$ -	$ 14,066,495
Less: investments with original maturities in excess of three months	(3,581,557)	(18,439,379)	-	(13,876,362)
Cash and Cash Equivalents	$ 160,834	$ 712,311	$ -	$ 190,133
Noncash Transactions:				
Changes in fair values of investments	$ (148,672)	$ (1,597,579)	$ -	$ (1,235,061)
Noncash transfers of capital assets	$ -	$ -	$ (2,717,974)	$ -
Amortization of bond premium				

(Continued)

Silicon Valley Clean Water
Combining Schedule of Cash Flows
Enterprise Funds
For the Fiscal Year Ended June 30, 2022

	Self Insurance	Recycled Water	Capital Improvement Program	Operation	Total
Cash Flows from Operating Activities:					
Cash received from member agencies	$ -	$ 245,673	$ 21,464,742	$ 27,612,504	$ 53,248,001
Cash paid to suppliers for goods and services and employees for services	-	(180,731)	(693,680)	(28,961,332)	(29,748,431)
Other cash received (paid)	-	-	-	591,840	591,840
Net Cash Provided (Used) by Operating Activities	-	64,942	20,771,062	(756,988)	24,091,410
Cash Flows from Capital and Related Financing Activities:					
Cash received from member agencies other than for services	$ -	$ -	$ -	$ 836,472	$ 836,472
Cash received from grants	-	-	-	156,601	156,601
Contributions (to) from other funds	-	(64,942)	(15,936,727)	16,632,937	-
Interest paid on capital debt	-	-	(17,414,050)	-	(17,414,050)
Principal paid on capital debt	-	-	(10,564,253)	(16,415,000)	(26,979,253)
Proceeds from long-term debt	-	-	226,323,358	-	226,323,358
Cash received on sale of capital assets	-	-		-	-
Purchases and construction of capital assets	-	-	(102,694,873)	-	(103,651,632)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(64,942)	79,713,455	1,211,010	79,271,496
Cash Flows from Noncapital Financing Activities:					
Transfers in	$ -	$ -	$ -	$ -	$ -
Transfers out	-	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	-	-	-	-	-
Cash Flows from Investing Activities:					
Noncash equivalent investments	$ -	$ -	$ (36,735,957)	$ (347,738)	$ (36,619,621)
Investment income	-	-	(1,775,277)	(148,833)	(4,335,485)
Net Cash Provided (Used) by Investing Activities	-	-	(38,511,234)	(496,571)	(40,955,106)
Net Increase (Decrease) in Cash and Investment	-	-	61,973,283	(42,549)	62,407,800
Cash and Cash Equivalents, Beginning	-	-	14,404,261	1,055,250	16,045,723
Cash and Cash Equivalents, Ending	$ -	$ -	$ 76,377,544	$ 1,012,701	$ 78,453,523
Reconciliation of Operating Income (Loss) to Cash Flows Provided (Used) by Operating Activities:					
Operating Income (Loss)	$ -	$ 29,541	$ 20,957,498	$ (10,652,869)	$ 13,916,119
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	-	-	-	11,284,745	11,284,745
Net change in:					
Accounts receivable	-	5,337	-	(5,048)	287,625
Employee notes receivable	-	-	-	(4,949)	(4,949)
Inventory	-	-	-	(79,660)	(79,660)
Prepaid expenses	-	-	644	86,874	87,518
Deferred outflows of resources	-	-	2,298,740	(296,858)	2,001,882
Accounts payable	-	30,073	(2,485,820)	277,349	(1,963,618)
Accrued payroll and employee benefits	-	(9)	-	(9,457,853)	(9,457,862)
Unearned revenue	-	-	-	(543,960)	(615,631)
Deferred inflows of resources	-	-	-	8,635,241	8,635,241
Net Cash Provided (Used) by Operating Activities	$ -	$ 64,942	$ 20,771,062	$ (756,988)	$ 24,091,410
Reconciliation of Cash and Cash Equivalents:					
Cash and investments	$ -	$ -	$ 131,872,832	$ 1,983,614	$ 170,817,022
Less: investments with original maturities in excess of three months	-	-	(55,495,288)	(970,913)	(92,363,499)
Cash and Cash Equivalents	$ -	$ -	$ 76,377,544	$ 1,012,701	$ 78,453,523
Noncash Transactions:					
Changes in fair values of investments	$ -	$ -	$ (2,429,373)	$ (149,642)	$ (5,560,327)
Noncash transfers of capital assets	$ -	$ -	$ (5,724,215)	$ 8,442,189	$ -
Amortization of bond premium			$ 4,288,899	$ -	$ 4,288,899

(Concluded)

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Silicon Valley Clean Water

Analysis of Net Position

Supplemental Schedule

For the Year Ended June 30, 2022

Fund / Location	Belmont	Redwood City	San Carlos	West Bay Sanitary District	Total
Operations (Fund 18)					
Balance at June 30, 2021	$ 16,465,997	$ 85,259,897	$ 25,733,016	$ 50,036,500	$ 177,495,410
Member Agency Contributions	3,056,520	14,859,960	3,471,000	6,225,024	27,612,504
Other Miscellaneous Revenue	67,351	324,565	81,911	118,013	591,839
Grant Revenue	17,821	85,880	21,674	31,226	156,601
Unrealized Gain / (Loss) on Investments	(311)	(1,497)	(378)	(544)	(2,730)
Interest Income	175	449	97	88	810
Capitalized Projects Transferred from other Funds	797,787	4,100,371	1,278,147	2,265,883	8,442,189
Gain / (Loss) on Asset Disposal	-	-	-	-	-
Operating & Maintenance Costs	(3,053,316)	(14,962,978)	(3,909,314)	(5,718,784)	(27,644,393)
Depreciation Expenditures	(1,066,408)	(5,481,000)	(1,708,510)	(3,028,825)	(11,284,744)
Balance at June 30, 2022	$ 16,285,617	$ 84,185,646	$ 24,967,642	$ 49,928,581	$ 175,367,486
Retiree Medical Health Benefits Reserve (Fund 12)					
Balance at June 30, 2021	$ 108,541	$ 403,744	$ 194,976	$ 164,511	$ 871,772
Contributions to Fund 12	-	-	-	-	-
Expenditures	18,460	88,960	22,451	32,346	162,217
Balance at June 30, 2022	$ 127,001	$ 492,704	$ 217,427	$ 196,857	$ 1,033,989
Section 115 Pension Benefits Reserve (Fund 32)					
Balance at June 30, 2021	$ 95,302	$ 460,336	$ 113,968	$ 179,569	$ 849,175
Contributions to Fund 32	85,659	412,787	104,175	150,091	752,711
Unrealized Gain / (Loss) on Investment	(22,837)	(110,053)	(27,774)	(40,016)	(200,681)
Interest Income	6,119	29,487	7,442	10,722	53,769
Fees	(744)	(3,584)	(904)	(1,303)	(6,535)
Balance at June 30, 2022	$ 163,498	$ 788,972	$ 196,907	$ 299,062	$ 1,448,439
Capital Improvement Program Reserve (Fund 13)					
Balance at June 30, 2021	$ 1,016,969	$ 5,226,903	$ 1,629,323	$ 2,888,432	$ 10,761,627
Member Contributions - Replacement Reserve	189,000	971,400	302,796	536,796	1,999,992
Change in Fair Value, Unrealized Gain/(Loss)	(150,971)	(775,944)	(241,874)	(428,790)	(1,597,579)
Fees	(1,621)	(8,331)	(2,597)	(4,604)	(17,152)
Interest Income	28,799	148,016	46,139	81,795	304,749
Balance at June 30, 2022	$ 1,082,176	$ 5,562,044	$ 1,733,788	$ 3,073,629	$ 11,451,636
Construction Stage 2 (Fund 15)					
Balance at June 30, 2021	$ 643,619	$ 10,597,477	$ 3,523,270	$ 4,127,006	$ 18,891,372
Member Purchases of Capacity	-	119,381	-	-	119,381
Interest Income	22,058	113,371	35,340	62,649	233,418
Interest / (Unrealized Loss) Investments	(116,713)	(599,869)	(186,988)	(331,490)	(1,235,061)
Fees	(1,277)	(6,565)	(2,046)	(3,628)	(13,517)
Capitalized Projects Transferred to Fund 18	-	-	-	-	-
Balance at June 30, 2022	$ 547,686	$ 10,223,795	$ 3,369,575	$ 3,854,537	$ 17,995,593

Silicon Valley Clean Water
Analysis of Net Position
Supplemental Schedule
For the Year Ended June 30, 2022

Fund / Location	Belmont	Redwood City	San Carlos	West Bay Sanitary District	Total
Self Insurance (Fund 16)					
Balance at June 30, 2021	$ 19,639	$ 75,632	$ 34,110	$ 57,399	$ 186,780
Expenses / Claims	-	-	-	-	-
Balance at June 30, 2022	$ 19,639	$ 75,632	$ 34,110	$ 57,399	$ 186,780
Operating & Capital Reserve (Fund 17)					
Balance at June 30, 2021	$ 797,889	$ 3,495,804	$ 914,215	$ 1,881,524	$ 7,089,432
Member Contributions	-	-	-	-	-
Unrealized Gain / (Loss) on Investment	(16,919)	(81,531)	(20,576)	(29,645)	(148,672)
Fees	(416)	(2,006)	(506)	(729)	(3,658)
Interest Income	3,615	17,423	4,397	6,335	31,770
Balance at June 30, 2022	$ 784,169	$ 3,429,689	$ 897,530	$ 1,857,485	$ 6,968,873
Revenue-Funded Capital Improvements (Fund 14)					
Balance at June 30, 2021	$ 509,804	$ 2,406,549	$ 485,129	$ 1,377,558	$ 4,779,040
Member Contributions - Pay go capital projects	141,516	727,332	226,728	401,928	1,497,504
Miscellaneous Revenue	-	-	-	-	-
Project Expenditures not yet transferred to Fund 18	(57)	(292)	(91)	(162)	(602)
Capitalized Projects transferred to Fund 18	(256,848)	(1,320,120)	(411,501)	(729,504)	(2,717,974)
Balance at June 30, 2022	$ 394,415	$ 1,813,469	$ 300,264	$ 1,049,821	$ 3,557,969
Recycled Water (Fund 19)					
Balance at June 30, 2021	$ -	$ 71,056	$ -	$ -	$ 71,056
RWC Recycled Water O&M Contributions	-	245,673	-	-	245,673
RWC Recycled Water O&M Expenditures	-	(216,132)	-	-	(216,132)
Balance at June 30, 2022	$ -	$ 100,597	$ -	$ -	$ 100,597
Plant Capital Improvement Program (Fund 20)					
Balance at June 30, 2021	25,246,994	(64,764,954)	(24,002,034)	(31,192,870)	$ (94,712,864)
Member Contributions	2,849,226	10,297,242	3,248,995	5,069,279	21,464,743
Unrealized Gain / (Loss) on Investments	(195,792)	(1,198,083)	(373,462)	(662,035)	(2,429,373)
Interest on Trustee Reserves	13,000	344,873	107,588	188,635	654,096
Capitalized Projects Transferred to Fund 18	(540,938)	(2,780,251)	(866,646)	(1,536,379)	(5,724,215)
Interest Expense, Direct	(323,670)	(8,140,765)	(2,569,273)	(4,081,607)	(15,115,315)
Interest Expense, Allocated	(15,446)	(216,698)	(70,557)	(128,772)	(431,474)
Amortization of Bond Premium	117,285	2,261,132	700,270	1,210,212	4,288,899
Other Expenses	(265,165)	(1,362,865)	(424,826)	(753,125)	(2,805,982)
Balance at June 30, 2022	$ 26,885,493	$ (65,560,370)	$ (24,249,946)	$ (31,886,663)	$ (94,811,486)
TOTAL NET POSITION - June 30, 2022	**$ 46,289,694**	**$ 41,112,178**	**$ 7,467,296**	**$ 28,430,708**	**$ 123,299,877**
CY %	*37.54%*	*33.34%*	*6.06%*	*23.06%*	*100.00%*

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OTHER INDEPENDENT AUDITOR'S REPORT

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MAZE & ASSOCIATES

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), California, as of and for the year ended June 30, 2022, and have issued our report thereon dated October 15, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 SVCW's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

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We have also issued a separate Memorandum on Internal Control dated October 15, 2022 which is an integral part 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 SVCW's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SVCW's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maze & Associates

Pleasant Hill, California
October 15, 2022