Annual Financial Report

2022-23

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, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of 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, 2023, 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, 2023, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards 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, 2022 financial statements, and we expressed unmodified audit opinion on those audited financial statements in our report dated October 15, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 2022 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 25, 2023 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 25, 2023

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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, 2023 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 and use methods similar to those used by private sector companies. These statements offer both short-term and long-term financial information about SVCW activities and include:

- The *Statement of Net Position* presents 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 Authority. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position has improved or deteriorated.
- The *Statement of Activities and Changes in Net Position* accounts for revenues and expenses and reflects the results of operations over the course of the fiscal year. This statement indicates 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 illustrating cash receipts and payments made during the reporting period. In addition to cash receipts and payments, this statement displays net changes in cash resulting from operations and investments. It also answers questions about the sources and uses of cash and describes changes 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 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, Box, EA Sports, and Meta; 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 forcemain 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 representative from each Member 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, to transfer more than $50,000; to employ the manager and certain consultants; to sell or dispose of property; or 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' respective governing body.

The Joint Powers Agreement sets forth the allocation of operating and capital costs amongst 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 2022-23 allocated operating and maintenance costs to the Members as follows:

- City of Redwood City 55.75%
- West Bay Sanitary District 20.60%
- City of San Carlos 12.51%
- City of Belmont 11.14%

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 over the past five fiscal years:

Member	2018-19	2019-20	2020-21	2021-22	2022-23
Redwood City	7.7	7.1	7.0	7.1	7.8
West Bay	3.5	2.8	2.3	2.5	3.4
San Carlos	2.2	1.7	1.6	1.7	2.6
Belmont	1.8	1.5	1.3	1.5	1.6
Total	15.2	13.1	12.2	12.8	15.4

FINANCIAL ANALYSIS

An important question about SVCW finances is "Is SVCW as a whole better 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 activities to help answer this question. These statements describe the net position and its changes as a measure of the Authority's financial health. Over time, increases or decreases in net position indicate whether financial health has improved or deteriorated. It is, however, important to keep these indicators in context with other non-financial factors like changes in economic conditions, population growth, climate, zoning, or regulations.

SVCW's fiscal year 2022-23 operating revenues and expenses were comparable both to the prior fiscal year as well as to the current Budget. The most noteworthy change from the prior year was the lack of debt activity needed to fund ongoing capital improvements, which correlates to 2022-23 cash expenditures of $70.4 million for construction. SVCW continued to experience significant construction activities on the largest project in its history, the Regional Environmental Sewer Conveyance Upgrade (RESCU). The RESCU program will be complete in mid-2024 and includes a new gravity pipeline tunnel, headworks facilities, and pump station improvements.

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, 2023, outstanding debt principal was $804.1 million, a net increase of $18.7 million after drawing from State Revolving Fund (SRF) loans and reducing the Authority's line of credit by $2.0 million.

The SVCW Commission established reserve policies in 2013 to provide for future projects and to protect its fiscal solvency. As of June 30, 2023, cash reserves totaled $42.7 million and included an Operating Reserve, a Capital Improvement Program Reserve, a Stage 2 Capacity Reserve, and a Debt Service Coverage Reserve. Of this amount, the Authority has restricted $3.4 million as required by its SRF loan agreements.

FINANCIAL HIGHLIGHTS

- SVCW net position increased during fiscal year 2022-23 by $4.9 million (4.0%) from the prior year.
- Total assets increased by $16.2 million (1.8%). As construction of capital assets continued, the balance in construction in progress rose by a net $36.3 million, as cash and investments decreased by $41.6 million. Depreciable capital assets increased by $20.7 million as $34.1 million of completed projects were reclassified as Capital Assets and $13.1 million was charged to depreciation expense.
- Total liabilities increased by $23.1 million (2.8%) during the fiscal year. The balance of outstanding SRF Loan principal increased by $35.4 million as SVCW continued to draw funds for RESCU projects. Offsetting this increase in debt was approximately $12.4 million paid to reduce outstanding debt principal. Net pension liabilities substantially increased during the fiscal year, by $11.6 million, after CalPERS experienced poor investment returns during the 2021-22 measurement period. Accounts Payable decreased $7.0 million caused by timing of construction invoice payments.
- Total revenues, including cash contributions for capital programs and Reserves, increased by $10.9 million (21.8%) from the previous year. While Members' contributions towards operating expenses only slightly increased, there was a material change in unrealized gains / loss on investments. Whereas in fiscal year 2021-22 SVCW incurred unrealized losses of $5.6 million, fiscal year 2022-23 experienced $236.6 thousand of unrealized gains. Additionally, $2.5 million was received in the

current fiscal year by Members who contributed debt coverage reserve. Stage 2 Capacity Reserve contributions increased approximately $0.9 million as Redwood City purchased more of its remaining connection capacity.

- Total expenses ended the fiscal year at $56.2 million, a $3.0 million increase (5.7%) compared to the prior year. Operating expenses were $1.2 million more than prior year as prices for chemicals and electricity rose significantly. Non-operating expenses decreased $285.1 thousand as interest expense declined consistent with the decline in outstanding principal. Depreciation increased by $2.1 million as sizeable capital projects were completed and placed into service.

NET POSITION

A summary of the Authority's Statement of Net Position is presented in Table 1, which indicates a $4.9 million (4%) increase from fiscal year 2021-22. Significant changes included:

- Current and other assets decreased by $41.8 million (24.5%), as cash was utilized to fund ongoing capital projects.
- Restricted assets increased by $1.0 million (22.4%) as the Authority contributed $782.2 thousand to its pension liability stabilization trust account and $240.0 thousand to SRF Loan debt reserves.
- Capital assets, net of depreciation, increased by $57.0 million (7.6%) as significant construction on RESCU continued and other capital projects were placed into service during the fiscal year.
- Total SVCW liabilities increased by $23.1 million (2.8%). Notable increases included an $11.6 million adjustment in net pension liabilities associated with CalPERS pooled investment fund performance, and $35.4 million more debt associated with SRF loan drawdowns for capital projects. Offsetting these increases was $12.4 million paid to reduce outstanding principal, $7.0 million in accounts payable timing, and $4.3 million in amortization of bond premiums.
- 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 of debt. The most significant change in deferred inflows was a $7.0 million decline in pension-related inflows associated with CalPERS investment performance. In addition, drawdowns from the OPEB trust accounts resulted in a $1.05 million reduction in Deferred Inflows.

TABLE 1
Condensed Statement of Net Position

	Fiscal Year 2023	Fiscal Year 2022	$ Higher / (Lower)	% Higher / (Lower)
Current and Other Assets	$ 128,859,833	$ 170,612,936	$ (41,753,103)	(24.5%)
Restricted Assets	5,595,746	4,573,497	1,022,249	22.4%
Capital Assets	809,935,770	752,956,630	56,979,140	7.6%
Total Assets	**944,391,349**	**928,143,063**	**16,248,286**	**1.8%**
Deferred Outflows	**30,346,975**	**26,635,391**	**3,711,584**	**13.9%**
Total Liabilities	**844,336,921**	**821,218,780**	**23,118,141**	**2.8%**
Deferred Inflows	**2,168,364**	**10,259,797**	**(8,091,433)**	**(78.9%)**
Net Investment in Capital Assets	102,685,287	112,327,016	(9,641,729)	(8.6%)
Restricted	5,595,746	4,573,497	1,022,249	22.4%
Unrestricted	19,952,006	6,399,364	13,552,642	211.8%
Total Net Position	**$ 128,233,039**	**$ 123,299,877**	**$ 4,933,162**	**4.0%**

Table 2 below summarizes construction fund activity. Members contributed to build reserves, fund short-term capital projects, and pay debt service.

As part of continued expenditures on its Capital Improvement Program, SVCW spent $68.3 million on capital projects during fiscal year 2022-23. Notable expenditures included the Gravity Pipeline, Receiving and Lift Station, and Pump Station Rehabilitation. Other project expenditures included Digester Rehabilitation and Return Activated Sludge pump improvements.

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	$ 2,500,020	$ 1,404,000	$ 111,180	$ 1,019,105	$ 21,758,360	$ 26,792,665
Interest Earnings	(4,170)	-	49,013	(38,344)	3,052,821	3,059,320
Total Revenue	**$ 2,495,850**	**$ 1,404,000**	**$ 160,193**	**$ 980,761**	**$ 24,811,181**	**$ 29,851,985**
Cash to Construction	$ -	$ 2,079,933	$ -	$ -	$ 68,295,941	$ 70,375,874

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 2022-23 revenues increased from the prior year by $10.9 million (21.8%). This included a $7.5 million (224.4%) increase in Non-Operating Revenues as financial markets drove improvements in both interest income and unrealized gains on investments. Separately, Operating Revenues increased by $3.4 million (6.4%) as Members contributed to a Debt Service Coverage Reserve and more Stage 2 capacity fees were collected.

Total expenses in fiscal year 2022-23 increased $3.0 million (5.7%) over the prior year. Notable items included:

- Depreciation expense rose by $2.1 million (18.3%) as capital projects were placed into service.
- Operating expenses increased by $1.2 million (4.4%) over the prior year. SVCW sustained higher chemical pricing and utility rates. There was also unanticipated maintenance of cogeneration engines which resulted in higher volume supplied from the local electric utility.
- Non-operating expenses decreased $285.1 thousand (2.1%), due to less interest expense associated with debt.

TABLE 3
Condensed Statements of Activities and Changes in Net Position

	Fiscal Year 2023	Fiscal Year 2022	$ Higher / (Lower)	% Higher / (Lower)
Operating Revenues	$ 56,971,069	$ 53,531,636	$ 3,439,433	6.4%
Non-Operating Revenues	4,159,508	(3,342,412)	7,501,920	(224.4%)
Total Revenues	**61,130,577**	**50,189,224**	**10,941,353**	**21.8%**
Depreciation Expense	13,347,061	11,284,744	2,062,317	18.3%
Operating Expense	29,578,811	28,330,773	1,248,038	4.4%
Non-Operating Expense	13,271,543	13,556,631	(285,088)	(2.1%)
Total Expenses	**56,197,415**	**53,172,148**	**3,025,267**	**5.7%**
Changes in Net Position	**4,933,162**	**(2,982,924)**	**7,916,086**	**(265.4%)**
Beginning Net Position	123,299,877	126,282,801	(2,982,924)	(2.4%)
Beginning Net Position - Adjusted	123,299,877	126,282,801	(2,982,924)	(2.4%)
Ending Net Position	**$ 128,233,039**	**$ 123,299,877**	**$ 4,933,162**	**4.0%**

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, 2023.

TABLE 4
Operation Fund Actual vs Budget

	Fiscal Year 2023 Actual	Fiscal Year 2023 Budget	$ Higher/ (Lower)	% Higher/ (Lower)
Member Contributions	$ 29,259,144	$ 29,259,151	$ (7)	(0.0%)
Source Control Revenue	197,267	86,500	110,767	128.1%
Stormwater Revenue	71,835	118,000	(46,165)	(39.1%)
Other Revenue	455,954	602,100	(146,146)	(24.3%)
Total Operating Revenue	**29,984,200**	**30,065,751**	**(81,551)**	**(0.3%)**
Operations	12,186,991	12,055,226	131,765	1.1%
Maintenance	6,363,505	6,741,464	(377,959)	(5.6%)
Laboratory	1,850,130	1,845,213	4,917	0.3%
Environmental Services	983,282	1,055,945	(72,663)	(6.9%)
Engineering	1,661,499	1,739,303	(77,804)	(4.5%)
Information Services	2,023,796	2,345,620	(321,824)	(13.7%)
Safety	479,962	517,406	(37,444)	(7.2%)
Administration	3,903,261	3,915,573	(12,312)	(0.3%)
Depreciation	13,347,061	13,347,061	-	-
Total Operating Expenses	**42,799,487**	**43,562,811**	**(763,324)**	**(1.8%)**
Operating Income/(Loss)	**$ (12,815,287)**	**$(13,497,060)**	**$ 681,773**	**5.1%**

Inclusive of $13.3 million in depreciation, SVCW reported an operating loss of $12.8 million, an $681.8 thousand (5.1%) improvement from budget. Of note, more source control revenue was earned as leachate deliveries from a local landfill increased. Stormwater revenues declined due to limited staffing resources. Other Revenue was below budget as the local solid waste handling agency experienced delays in its pilot program for organic food waste recovery.

Total operating expenses were $763.3 thousand (1.8%) below budget, as equipment replacements and maintenance costs were less than anticipated. Noteworthy variances by Division include:

- Operations expenses were higher than budget by $131.8 thousand (1.1%) due to increases in chemical prices and utility rates.
- Maintenance expenses were lower than budget by $378.0 thousand (5.6%) due to limited staff vacancies and a reduction in repairs needed to equipment.
- Environmental Services expenses were $72.7 thousand (6.9%) below budget after incurring year-end net pension liability adjustment and incurring less-than-anticipated costs for sample analysis.
- Engineering expenses were $77.8 thousand (4.5%) lower than budget after incurring year-end net pension liability adjustment, less permit fees, and reduced conferences.
- Information Services expenses were $321.8 thousand (13.7%) less than budget due to a change in technology that reduced the cost of data backup and storage, less software consulting while projects were underway, and an adjustment to its net pension liability.
- Safety expenses were below budget by $37.4 thousand (7.2%) as less repair labor hours were charged than anticipated.

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 to maintain performance. Significant investments in infrastructure have included replacement of influent conveyance pipes, modernization of process automation, and upgrades to electrical systems. SVCW is nearly complete with construction of RESCU facilities that will replace an existing force main and add essential pretreatment facilities.

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 2021-22 and 2022-23, Net Property Plant & Equipment (PP&E) was $178.3 million and $199.0 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, 2022	Additions	Retirements	Adjustments & Transfers	Balance at June 30, 2023
Land	$ 1,282,081	$ -	$ -	$ -	$ 1,282,081
Buildings & Structures	86,990,547	8,989,823	-	-	95,980,370
Pipelines	69,563,754	44,516	-	-	69,608,270
Pump Stations	8,955,485	-	(341,956)	-	8,613,529
Machines & Equipment	140,464,681	25,061,894	-	-	165,526,575
Total PP&E, Cost	**307,256,549**	**34,096,232**	**(341,956)**	**-**	**341,010,824**
Accum. Depreciation	128,910,682	13,347,061	(292,283)	-	141,965,460
Total PP&E, Net	**$ 178,345,866**	**$ 20,749,171**	**$ (49,673)**	**$ -**	**$ 199,045,364**
Construction in Progress:					
Stage 2 Capacity	$ 2,934,618	$ -	$ -	$ -	$ 2,934,618
General	571,676,145	70,375,874	(34,096,231)	-	607,955,788
Total CIP	**$ 574,610,763**	**$ 70,375,874**	**$ (34,096,231)**	**$ -**	**$ 610,890,406**

LONG TERM DEBT

Inclusive of the Authority's Line of Credit (but excluding Unamortized Premium on outstanding Bonds and Notes), long-term debt as of June 30, 2023 was $778.7 million, a $9.0 million decrease from the prior year. Components of SVCW's long-term debt liability include $611.7 million of Wastewater Revenue Bonds and Notes (excluding unamortized premiums of $25.4 million), Notes Payable obligations to the California Water Resource Control Board (SWRCB) Clean Water SRF program and a Line of Credit for a combined value of approximately $167.1 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, 2023, SVCW has $611.7 million (par value) in outstanding Wastewater Revenue Bonds and Notes, the proceeds of 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 revenues pledged under the Indenture which primarily consists of payments made by SVCW Participating Members. Table 6 below compares the total Bonds and Notes outstanding for fiscal years ended June 30, 2022 and 2023:

TABLE 6
Wastewater Revenue Bonds/Notes

Bonds/Notes	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds/Notes Outstanding June 30, 2022	Issued (Redeemed)	Bonds/Notes Outstanding June 30, 2023
2018 Revenue Bond	2018	2049	3.125-5%	$ 140,955,000	$ 131,410,000	$ (2,605,000)	$ 128,805,000
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	130,810,000	(5,895,000)	124,915,000
2021 Refunding Bond, Series B	2021	2033	4-5%	6,825,000	6,360,000	(450,000)	5,910,000
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**	**$ 620,620,000**	**$ (8,950,000)**	**$ 611,670,000**

State Water Resources Control Board Loans

SVCW has financed certain projects by entering into separate sale-repurchase agreements with the SWRCB. Combined, the five SRF Loans had $156.2 million of outstanding principal due as of June 30, 2023. Outstanding principal, together with any accrued interest, will be repaid in annual installments commencing one year after 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 project. The total outstanding balance as of June 30, 2023 totaled $23.2 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, 2023, 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, 2023 totaled $50.9 million and final payment is scheduled October 2053.

- In August 2021, SVCW entered into an SWRCB agreement for up to $57.8 million for pump station improvements under the RESCU program. The total outstanding balance as of June 30, 2023 totaled $23.7 million and final payment is scheduled October 2053.
- In August 2021, SVCW entered into an SWRCB agreement for up to $51.6 million to construct a receiving and lift station under the RESCU program. The total outstanding balance as of June 30, 2023 totaled $44.4 million and final payment is scheduled October 2053.

Line of Credit

In May 2015, SVCW entered 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. Subsequent extensions now provide for an accordion feature whereby the Authority may increase the available balance to $115 million. Advances on the line of credit apply an interest rate based on the sum of Term SOFR (Secured Overnight Financing Rate) and a Benchmark Replacement Adjustment defined in the agreement. In January 2023, SVCW decreased the available balance to $30.0 million. As of June 30, 2023, $10.9 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 the upcoming fiscal year 2023-24 recommends expenditures based on a prioritization of needs and objectives; it also anticipates external cost pressures and provides a roadmap to meet the needs of the community. The Budget incorporates inflationary pressures and any savings identified through operational improvements. Personnel costs are relatively unchanged in terms of staffing levels, though adjusted to incorporate a recently-updated Memorandum of Understanding (MOU) with the International Union of Operating Engineers Stationary Local 39, AFL-CIO. The MOU expires on June 30, 2028.

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 2023-24 Operating Fund Budget to the fiscal year 2022-23 actual results. Total 2023-24 Operating Revenues are anticipated to increase $1.7 million (5.8%) as Members provide for increased operating costs. Additionally, for Source Control Revenue and Other Revenues, SVCW predicts the continuation of current stormwater and source control activities.

Planned 2023-24 Operating Expenses are anticipated to increase $2.4 million (5.6%) from the 2022-23 actual expenditures. Beyond a return to normal, post-pandemic activities, the largest increases in the new budget include a full year of headworks operations and continued inflation in chemical prices.

TABLE 7
FY 2023-2024 Budget vs FY 2022-2023 Actual

	FY 2023-2024 Budget	FY 2022-2023 Actual	$ Increase / (Decrease)	% Increase / (Decrease)
Member Contributions	$ 31,012,421	$ 29,259,144	$ 1,753,277	6.0%
Source Control Revenue	83,802	197,267	(113,465)	(57.5%)
Stormwater Revenue	114,920	71,835	43,085	60.0%
Other Revenues	500,077	455,954	44,123	9.7%
Total Operating Revenue	**31,711,220**	**29,984,200**	**1,727,020**	**5.8%**
Operations	13,293,819	12,186,991	1,106,828	9.1%
Maintenance	6,755,445	6,363,505	391,940	6.2%
Laboratory	2,137,500	1,850,130	287,370	15.5%
Environmental Services	1,084,045	983,282	100,763	10.2%
Engineering	2,006,920	1,661,499	345,421	20.8%
Information Services	2,083,265	2,023,796	59,469	2.9%
Safety	526,906	479,962	46,944	9.8%
Administration	3,973,320	3,903,261	70,059	1.8%
Depreciation	13,347,061	13,347,061	-	-
Total Operating Expenses	**45,208,281**	**42,799,487**	**2,408,794**	**5.6%**
Operating Income/(Loss)	**$ (13,497,061)**	**$ (12,815,287)**	**$ (681,774)**	**(5.3%)**

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. For questions about this report or to request additional 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, 2023
(With Comparative Totals as of June 30, 2022)

Assets	2023	2022
Current Assets:		
Cash and investments	$ 124,610,238	$ 166,243,525
Cash restricted for debt service	3,654,229	3,414,229
Cash restricted for pension benefits	1,941,517	1,159,268
Accounts receivable	2,148,346	893,278
Interest receivable	1,771	395
Employee notes receivable	15,688	14,281
Inventory	2,007,442	1,979,980
Prepaid expenses	48,012	70,778
Total Current Assets	134,427,243	173,775,734
Noncurrent Assets:		
Net OPEB asset	28,336	1,410,699
Capital assets:		
Depreciable capital assets - net	197,763,283	177,063,786
Non depreciable capital assets:		
Land	1,282,081	1,282,081
Construction in progress:		
Stage 2	2,934,618	2,934,618
General	607,955,788	571,676,145
Total capital assets - net	809,935,770	752,956,630
Total Noncurrent Assets	809,964,106	754,367,329
Total Assets	$ 944,391,349	$ 928,143,063
Deferred Outflows of Resources		
Pension related	$ 9,658,669	$ 4,174,372
OPEB related	2,382,344	2,145,868
Deferred Loss on Defeasance	18,305,962	20,315,151
Total Deferred Outflows of Resources	$ 30,346,975	$ 26,635,391
Liabilities		
Current Liabilities:		
Accounts payable	$ 12,311,211	$ 19,330,256
Accrued payroll and employee benefits	275,296	695,448
Accrued interest payable	5,859,871	5,946,437
Unearned revenue	303,637	-
Compensated absences due within one year	1,243,619	1,252,260
Long term debt due within one year	293,074,705	14,683,699
Total Current Liabilities	313,068,339	41,908,100
Long term debt due in more than one year	511,035,912	770,703,747
Net pension liabilities	20,232,670	8,606,933
Total Liabilities	$ 844,336,921	$ 821,218,780
Deferred inflows of Resources		
Pension related	$ 1,338,118	$ 8,381,564
OPEB related	830,246	1,878,233
Total Deferred Inflows of Resources	$ 2,168,364	$ 10,259,797
Net Position		
Net Investment in Capital Assets	$ 102,685,287	$ 112,327,016
Restricted for:		
Debt service	3,654,229	3,414,229
Pension benefits	1,941,517	1,159,268
Unrestricted	19,952,006	6,399,364
Total Net Position	$ 128,233,039	$ 123,299,877

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, 2023
(With Comparative Totals for the Fiscal Year Ended June 30, 2022)

	2023	2022
Operating Revenues:		
Member contributions for services	$ 29,453,348	$ 27,858,177
Member contributions for cash reserves	7,534,305	3,616,877
Member contributions for debt service	18,857,272	18,793,941
Member contributions for cash in-lieu-of financing	401,088	2,670,801
Source control charges	269,102	124,579
Miscellaneous revenues	455,954	467,261
Total operating revenues	56,971,069	53,531,636
Operating Expenses:		
Operations	$ 12,348,285	$10,644,690
Maintenance	6,363,505	6,705,248
Laboratory	1,861,945	1,622,596
Environmental services	983,282	956,725
Engineering	1,592,913	1,382,681
Information services	2,023,796	2,013,846
Safety	479,962	481,348
Administration	3,925,123	4,523,638
Depreciation	13,347,061	11,284,745
Total operating expenses	42,925,872	39,615,517
Operating Income (Loss)	$ 14,045,197	$ 13,916,119
Nonoperating Revenues (Expenses):		
Grants	$ 133,690	$156,601
Other revenue (expense)	859,122	836,472
Interest by fund:		
Operations fund	5,624	809
Stage 2 capacity fund	258,917	233,418
Capital improvement reserve fund	422,843	304,749
Operating reserve fund	57,724	31,770
Capital improvement fund	2,184,952	654,096
Net increase (decrease) in fair value of investments	236,636	(5,560,327)
Interest expense	(17,515,769)	(17,845,530)
Premium amortization	4,288,899	4,288,899
Gain (loss) on disposal of capital assets	(44,673)	-
Total nonoperating revenues (expenses)	$ (9,112,035)	$ (16,899,043)
Change in Net Position	$ 4,933,162	$ (2,982,924)
Beginning Net Position	123,299,877	126,282,801
Ending Net Position	$ 128,233,039	$ 123,299,877

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, 2023
(With Comparative Totals for the Fiscal Year Ended June 30, 2022)

	2023	2022
Cash Flows from Operating Activities:		
Cash received from member agencies	$ 55,346,288	$ 53,248,001
Cash paid to suppliers for goods and services and employees for services	(35,880,751)	(29,748,431)
Other cash received (paid)	725,056	591,840
Net Cash Provided (Used) by Operating Activities	20,190,593	24,091,410
Cash Flows from Capital and Related Financing Activities:		
Cash received from member agencies other than for services	859,122	836,472
Cash received from grants	133,690	156,601
Interest paid on capital debt	(17,602,335)	(17,414,050)
Principal paid on capital debt	(12,424,800)	(26,979,253)
Proceeds from long-term debt	35,436,869	226,323,358
Cash received on the sale of capital assets	5,000	-
Purchases and construction of capital assets	(70,375,874)	(103,651,632)
Net Cash Provided (Used) by Capital and Related Financing Activities	(63,968,328)	79,271,496
Cash Flows from Investing Activities:		
Noncash equivalent investments	35,451,821	(36,619,621)
Investment income	3,166,696	(4,335,485)
Net Cash Provided (Used) by Investing Activities	38,618,517	(40,955,106)
Net Increase (Decrease) in Cash and Investment	(5,159,218)	62,407,800
Cash and Cash Equivalents, Beginning	78,453,523	16,045,723
Cash and Cash Equivalents, Ending	$ 73,294,305	$ 78,453,523
Reconciliation of Operating Income (Loss) to Cash Flows Provided (Used) by Operating Activities:		
Operating Income (Loss)	$ 14,045,197	$ 13,916,119
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	13,347,061	11,284,745
Net change in:		
Accounts receivable	(1,256,444)	287,625
Employee notes receivable	(1,407)	(4,949)
Inventory	(27,462)	(79,660)
Prepaid expenses	22,766	87,518
Deferred outflows of resources	(3,711,584)	2,001,882
Accounts payable	(7,019,045)	(1,963,618)
Accrued payroll and employee benefits	12,579,307	(9,457,862)
Unearned revenue	303,637	(615,631)
Deferred inflows of resources	(8,091,433)	8,635,241
Net Cash Provided (Used) by Operating Activities	$ 20,190,593	$ 24,091,410
Reconciliation of Cash and Cash Equivalents:		
Cash and investments	$ 130,205,984	$ 170,817,022
Less: investments with original maturities in excess of three months	(56,911,679)	(92,363,499)
Cash and Cash Equivalents	$ 73,294,305	$ 78,453,523

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, 2023.

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 2023.

Subscription-Based Information Technology Arrangements (SBITAs) Accounting

A Subscription-Based Information Technology Arrangement (SBITA) is a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

At the commencement of a SBITA, SVCW initially measures the subscription liability at the present value of payments expected to be made during the contract term. Subsequently, the subscription liability is reduced by the principal portion of payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for payments made at or before the SBITA commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying IT assets. SVCW will recognize SBITA liabilities with an initial, individual value of $1 million or more, based on the future SBITA payments remaining at the contract's start.

Key estimates and judgments related to SBITAs include how SVCW determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments as follows:

SVCW uses the interest rate charged by the IT vendor as the discount rate. When the interest rate charged by the IT vendor is not provided, SVCW uses its estimated incremental borrowing rate as the discount rate for subscription liabilities. The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that SVCW is reasonably certain to exercise.

SVCW monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets and subscription liabilities are reported with liabilities on the statement of net position.

SVCW has no SBITA subject to GASB#96 for the fiscal year 2023.

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.

On October 17, 2023, pursuant to the Indenture of Trust dated May 01, 2019, the Authority called for redemption the entire aggregate principal amount of $209,300,000 in outstanding Wastewater Revenue Notes, Series 2019A. These Notes were paid at a redemption price equal to 100% of the principal amount, together with accrued interest through the redemption date, without premium. This transaction was funded, as intended, from proceeds drawn on October 12, 2023, from the Authority's 2019 WIFIA Loan Agreement.

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, 2022, from which the summarized information was derived.

Upcoming New Accounting Pronouncements

GASB 101 – <u>Compensated Absences</u>

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

NOTE 3 - CASH AND INVESTMENTS

Credit Risk

SVCW's cash and investments consisted of the following as of June 30, 2023 and 2022:

Cash and Investments	June 30, 2023	June 30, 2022	Investment Rating	Input Level
Cash:				
Demand deposits	$ 2,356,402	$ 615,344	n/a	n/a
Cash on hand	1,000	1,000	n/a	n/a
Total Cash	2,357,402	616,344		
Investments:				
US Treasuries	33,342,560	50,001,275	AA+	1
US Government Agencies	8,628,448	9,861,282	AA+	1
Asset Backed Securities/Corporate bonds	11,133,440	13,655,513	AAA/AA+/AA/AA-/A+/A/A-/BBB+/NR	1
Municipal bonds/notes	1,531,039	1,545,685	AAA/AA+/AA+/AA-/NR	1
Supranationals	437,059	617,076	AAA	1
Money Market Funds	21,008,207	21,441,836	AAAm	2
California Asset Management Program	19,257,495	7,062,351	AAAm	n/a
Local Agency Investment Fund	32,510,334	66,015,660	Not rated	n/a
Total Investments	127,848,582	170,200,678		
Total Cash and Investments	$ 130,205,984	$ 170,817,022		

Interest Rate Risk

The following is a summary of the Authority's investments by maturity as of June 30, 2023:

Maturity	June 30, 2023	June 30, 2022
0-1 years	$ 94,236,472	$ 115,040,586
1-2 years	6,757,887	23,725,170
2-3 years	8,471,250	5,171,375
3-5 years	11,526,421	13,438,369
Over 5 years	6,856,552	12,825,178
Total Investments	$ 127,848,582	$ 170,200,678

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, 2023. 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 $5,595,746 in cash and investments as of June 30, 2023, held by trustees or fiscal agent, $3,654,229 of which was pledged for the payment or security of bonds and $1,941,517 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, 2023, the investments matured in an average of 260 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*	A, A1	30%	5%
U.S. Agency Securities	5 years*	None	None	100%
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, A1	15%	5%
Non-Negotiable Certificates of Deposit	5 years	None	None	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, 2023, 15% of SVCW's cash was invested in California Asset Management Program (CAMP), 7% in agencies, 9% in asset-backed securities and corporate bonds, 16% in money market accounts, 26% in U.S. treasuries, and 26% 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, 2023, and 2022, outstanding balances for notes receivable were $15,688 and $14,281, respectively.

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

SVCW's capital assets consisted of the following as of June 30, 2023:

Capital Assets	Balance July 1, 2022	Additions	Retirements	Adjustments/ Transfer	Balance June 30, 2023
Non-depreciable:					
Land	$ 1,282,081	$ -	$ -	$ -	$ 1,282,081
Construction in Progress					
Stage 2	2,934,618	-	-	-	2,934,618
General	571,676,145	70,375,874	-	(34,096,231)	607,955,788
Total Non-Depreciable	$575,892,844	70,375,874	-	(34,096,231)	612,172,487
Depreciable:					
Buildings and structures	86,990,547	-	-	8,989,823	95,980,370
Pipelines	69,563,754	-	-	44,515	69,608,269
Pump station	8,955,485	-	(341,955)	-	8,613,530
Machinery and equipment	140,464,681	-	-	25,061,893	165,526,574
Total Depreciable	305,974,467	-	(341,955)	34,096,231	339,728,743
Less Accumulated Depreciation for:					
Buildings and structures	(48,726,034)	(3,471,837)	-	-	(52,197,871)
Pipelines	(17,201,085)	(1,771,462)	-	-	(18,972,547)
Pump station	(6,436,078)	(185,555)	292,283	-	(6,329,350)
Machinery and equipment	(56,547,485)	(7,918,207)	-	-	(64,465,692)
Total Accumulated Depreciation	(128,910,682)	(13,347,061)	292,283	-	(141,965,460)
Total Depreciable PPE - Net	177,063,785	(13,347,061)	(49,672)	34,096,231	197,763,283
Total PPE - Net	$ 752,956,629	$ 57,028,813	$ (49,672)	$ -	$ 809,935,770

Depreciation expense for the year ended June 30, 2023, and 2022 was $13,347,061 and $11,284,745, respectively.

Construction in progress comprised the following at June 30, 2023:

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 (19 total projects)	3,842,498	1,205,215	2,637,283
6008	Tunnel and Gravity Pipeline	276,761,797	268,370,869	8,390,928
9502	Front of the Plant	157,854,378	147,746,728	10,107,650
9501	Pump Station Improvements	135,370,746	98,776,784	36,593,962
9242	Fixed Film Reactor Rehab	29,820,000	1,710,988	28,109,012
9600	Buried & Exposed Pipe Repair	16,920,000	661,047	16,258,953
9500	RESCU Administrative Activities	15,398,505	12,663,106	2,735,399
9503	WWTP Improvements Phase II	13,194,724	-	13,194,724
9807	New 12Kv Switchgear	11,663,516	11,665,120	(1,604)
9401	Side Stream Treatment	10,510,000	62,150	10,447,850
9238	Front of Plant Site Civil	5,870,686	5,870,686	-
9107	CCT Concrete & Steel Protective Coating	5,608,246	4,593,423	1,014,823
9255	3 Water System Upgrades	5,100,000	361,243	4,738,757
9240	Standby Generators Feed Relocation and Electrical Panel	4,800,000	4,973,310	(173,310)
9168	Thickening Improvements - Phase 1	4,741,437	-	4,741,437
6006	Conveyance System CEQA	4,514,597	4,514,597	-
9080	Primary Sed Tanks Collector System Maintenance	4,404,638	-	4,404,638
9247	SHB Electrical Rehabilitation	4,374,381	40,651	4,333,730
9033	Future Plant Electrical System Panel	4,300,000	-	4,300,000
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	3,828,808	121,813
6013	Receiving Lift Station	3,885,370	3,885,370	-
9237	Radio Road Habitat Grading	3,823,448	38,706	3,784,742
9120	RAS Pump Suction Pipe Replacement	3,767,038	2,239,031	1,528,007
9160	WWTP Headworks & Screening Facility	3,552,305	3,552,305	-
9251	Laboratory Building HVAC	3,504,412	3,570,631	(66,219)
9241	Primary Effluent Channel Recoating	3,402,000	3,068,450	333,550
9215	Digester #1 Rehabilitation	3,400,000	4,046,958	(646,958)
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	301,857	2,534,384
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	455	2,653,755
9014	Process Tanks Concrete & Steel Protective Coatings Replacement	2,427,198	1,591,294	835,904
9244	Digester 3 Cleaning and Rehab	2,414,000	79,305	2,334,695
9245	Digester 2 Cleaning and Rehab	2,272,000	59,014	2,212,987
9250	Wet Side Power Rehabilitation	2,200,000	8,639	2,191,361
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	18,126	1,981,874
9258	Capital Support for Process Engineering	2,000,000	19,874	1,980,126
9257	Food Waste Improvements	2,000,000	76,542	1,923,458
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	1,317,769	(129,899)
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)	9,755,729	4,903,823	4,851,904
		$ 811,471,079	**$ 610,890,406**	**$ 200,580,673**

NOTE 6 - NONCURRENT LIABILITIES

SVCW's noncurrent liabilities consisted of the following as of June 30, 2023:

Description	Balance July 01, 2022	Additions	Deductions	Balance June 30, 2023	Due Within One Year
Wastewater Revenue Bonds/Notes	$ 620,620,000	$ -	$ 8,950,000	$ 611,670,000	$ 287,315,000
Unamortized Premium	29,671,460	-	4,288,899	25,382,561	4,288,899
Note Payable (Direct Borrowing)	135,095,986	35,436,870	3,474,800	167,058,056	1,470,806
Compensated Absences	1,252,260	-	8,641	1,243,619	1,243,619
Total Noncurrent Liabilities	$ 786,639,706	$ 35,436,870	$ 16,722,340	$ 805,354,236	$ 294,318,324

- **LONG-TERM DEBT**

SVCW's long-term debt included the following bonds and notes, as of June 30, 2023:

	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds/Notes Outstanding July 01, 2022	Issued	Retirements	Bonds/Notes Outstanding June 30,2023	Due Within One Year
Bonds/Notes									
2018 Bond	2018	2049	3.125-5%	$ 140,955,000	$ 131,410,000	$ -	$ 2,605,000	$ 128,805,000	$ 2,745,000
2019 Notes Series A	2019	2024	3%	209,300,000	209,300,000	-	-	209,300,000	209,300,000
2021 Bond Series A	2021	2046	0.177-2.973%	137,010,000	130,810,000	-	5,895,000	124,915,000	5,905,000
2021 Bond Series B	2021	2033	4-5%	6,825,000	6,360,000	-	450,000	5,910,000	465,000
2021 Notes Series A	2022	2024	0.25%	68,900,000	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	$ 620,620,000	$ -	$ 8,950,000	$ 611,670,000	$ 287,315,000

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, 2023.

Long-term Debt Service

The debt service requirements for the bonds as of June 30, 2023, were as follows:

Fiscal Year	Principal	Interest to Maturity	Total
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	10,005,000	6,946,803	16,951,803
2029-2033	52,755,000	30,007,276	82,762,276
2034-2038	55,535,000	22,096,123	77,631,123
2039-2043	55,270,000	13,392,182	68,662,182
2044-2048	40,720,000	4,878,841	45,598,841
2049-2053	7,680,000	134,400	7,814,400
Total	$ 611,670,000	$ 115,189,755	$ 726,859,755

- **SWRCB NOTES PAYABLE (DIRECT BORROWING)**

SVCW's long-term debt included the following notes payable, as of June 30, 2023:

	Issue Date	Maturity Date	Interest Rate	Original Issue	Notes Outstanding July 01, 2022	Additions	Retirements	Notes Outstanding June 30, 2023	Due Within One Year
State Revolving Fund Loans:									
Wastewater Treatment Plant	2012	2037	1.80%	$ 30,731,211	$ 24,627,628	$ -	$1,444,800	$ 23,182,828	$1,470,806
Conveyance System Improvements	2016	2035	1.60%	14,000,000	14,000,000	-	-	14,000,000	-
Gravity Pipeline Project	2022	2054	0.90%	59,605,263	38,148,374	12,763,488	-	50,911,862	-
Pump Station Improvement Project	2022	2054	0.90%	57,763,158	20,619,772	3,043,662	-	23,663,434	-
Front of Plant Project	2022	2054	0.90%	51,631,579	24,815,212	19,629,720	-	44,444,932	-
Total State Revolving Fund Loans				213,731,211	122,210,986	35,436,870	1,444,800	156,203,056	1,470,806
Line of Credit:									
Wells Fargo Bank				30,000,000	12,885,000		2,030,000	10,855,000	-
Total Notes Payable				**$ 243,731,211**	**$ 135,095,986**	**$ 35,436,870**	**$ 3,474,800**	**$ 167,058,056**	**$ 1,470,806**

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 $156,203,056 as of June 30, 2023. 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 $23,182,828 as of June 30, 2023. This loan is due to mature 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, 2023.

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, 2023 SVCW had drawn down $50,911,862 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, 2023 SVCW had drawn down $23,663,434 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, 2023 SVCW had drawn down $44,444,932 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, 2023:

Fiscal Year	Principal	Interest to Maturity	Total
2024	$ 1,470,806	$ 417,291	$ 1,888,097
2025	2,799,413	614,816	3,414,229
2026	2,847,198	567,031	3,414,229
2027	2,895,801	518,428	3,414,229
2028	2,945,238	468,991	3,414,229
2029-2033	15,497,884	1,573,261	17,071,145
2034-2037	8,726,488	352,031	9,078,519
Total	$ 37,182,828	$ 4,511,849	$ 41,694,677
Add: State Revolving Fund Loan - Gravity Pipeline Project	50,911,862		
Add: State Revolving Fund Loan - Pump Station Improvements	23,663,434		
Add: State Revolving Fund Loan - Front of Plant Project	44,444,932		
Add: Line of Credit	10,855,000		
Total Notes Payable	$ 167,058,056		

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. In addition, in August 2022 the available commitment was decreased to $30,000,000. Advances on the line of credit provide for an interest rate based on either a fixed per annum rate of interest equal to the SOFR rate plus the Applicable SOFR Rate Margin, or a variable per annum rate of interest equal to the Base Rate plus the Applicable Base Rate Margin. SVCW had $10,855,000 outstanding on the line of credit on June 30, 2023.

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, 2023, were as follows:

Fund Description	Due From	Due To
Operations	$ 18,132,982	$ 822,113
Capital Improvement Program	-	15,194,236
Recycled Water	49,420	-
Self Insurance	186,780	-
Construction Stage 2	868,184	-
Capital Improvements	1,258,566	-
Capital Improvement Program Reserve	-	7,705,438
Operating Reserve	3,225,855	-
Totals	$ 23,721,787	$ 23,721,787

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, 2023, fiscal year were as follows:

Fund Description	Transfers In	Transfers Out
Operations	$ 34,096,231	$ -
Capital Improvement Program	-	31,576,414
Capital Improvements	-	2,519,817
Totals	$ 34,096,231	$ 34,096,231

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, 2023, 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	12.470%	10.100%	7.680%

Employees Covered - On June 30, 2023, the following employees were covered by the benefit terms for the Plans:

	Miscellaneous
Active	84
Transferred	17
Separated	28
Retired	95
Total	224

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, 2023, SVCW contributed $2,677,108 into the Plans.

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

As of June 30, 2023 (***reporting date***), the Agency reported net pension liabilities for its proportionate shares of the net pension liability was $20,232,670.

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, 2022(***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, 2021 (***valuation date***) rolled forward to June 30, 2022, 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	0.15194%	0.00000%	0.15194%
Proportion - June 30, 2022	0.17516%	0.00000%	0.17516%
Change - Increase/(Decrease)	0.02322%	0.00000%	0.02322%

For the year ended June 30, 2023, the Agency recognized pension expense of $1,775,103. On June 30, 2023, 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	$ 2,073,260	$ -
Difference between Expected and Actual Experience	406,311	(272,130)
Diffrences between Projected and Actual Investments Earnings	3,706,088	
Change in proportion and differences between employer contributions and proportionate share of contributions		(1,065,988)
Change in Employer's Propotion	795,902	-
Pension Contributions Made Subsequent to Measurement Date	2,677,108	-
Total	$ 9,658,669	$ (1,338,118)

The Agency reported $2,677,108 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, 2024.

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	
2024	$	1,440,789
2025		1,239,636
2026		696,247
2027		2,266,770
Total	$	5,643,442

Actuarial Assumptions - The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation Rate	2.30%
Salary Increases	Varies by entry age and service
Investment Rate of Return	6.9% (1)
Mortality	Derived using CalPERS' membership data for all funds (2)
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

(1) Net of pension plan investment expenses, including inflation.

(2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Discount Rate - The discount rate used to measure the total pension liability was 6.90 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. Using historical and forecasted information for all the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points.

The expected real rates of return by asset class are as follows:

Asset Class (a)	Assumed Asset Allocation	Real Return (a,b)
Global Equity - Cap-weighted	30%	4.45%
Global Equity - Non-Cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	-5%	-0.59%
Total	100%	

(a) An expected inflation of 2.30% used for this period.

(b) Figures are based on the 2021-22 Asset Liability Management study.

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	5.90%
Net Pension Liability	$ 31,674,898
Current Discount Rate	6.90%
Net Pension Liability	$ 20,232,670
1% Increase	7.90%
Net Pension Liability	$ 10,818,556

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, 2022 (***valuation date***), the benefit terms covered all SVCW employees, as follows:

Active employees	82
Inactive employees	50
Total employees	132

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 $208,184. Total contributions included in the measurement period were $84,612. The actuarially determined contribution for the measurement period was $553,839. The Authority's contributions were 1.37% of payroll during the fiscal year ended June 30, 2023. 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, 2022
Measurement Date:	June 30, 2022
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	22.00%	7.545%
All Fixed Income	49.00%	4.250%
Real Estate Investment Trusts	8.00%	7.250%
All Commodities	5.00%	7.545%
Treasury Inflation-Protected Securities (TIPS)	16.00%	3.000%
Total	100.00%	

Net OPEB Liability

The Authority's net OPEB liability was measured as of June 30, 2022 (***measurement date***), and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022 (***valuation date***) for the fiscal year ended June 30, 2023 (***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, 2023:

Fiscal Year Ended June 30, 2023 (Measurement Date June 30, 2022)	**Total OPEB Liability**	**Plan Fiduciary Net Position**	**Net OPEB Liability (Asset)**
Balance at June 30, 2022	$ 9,612,926	$ 11,023,625	$ (1,410,699)
Service cost	242,168	-	242,168
Interest in Total OPEB Liability	544,022	-	544,022
Employer contributions to trust	-	-	-
Employer contributions as benefit payments	-	197,603	(197,603)
Expected investment income	-	623,516	(623,516)
Administrative expenses	-	(2,778)	2,778
Benefit payments	(554,545)	(554,545)	-
Investment Gain/Losses	-	(1,752,129)	1,752,129
Experience Gains/Losses	(346,658)	-	(346,658)
Changes in Assumptions	-	-	-
Expected Minus Benefit Payments	9,043	-	9,043
Net changes	(105,970)	(1,488,333)	1,382,363
Balance at June 30, 2023	$ 9,506,956	$ 9,535,292	$ (28,336)

Covered Employee Payroll at Measurement Date	$ 14,140,636
Total OPEB Liability as a % of covered Employee payroll	67.23%
Plan Fid. Net Position as a % of Total OPEB Liability	100.30%
Service cost as a % of covered Employee payroll	1.71%
Net OPEB Liability as a % of covered payroll	-0.20%

Deferred Inflows and Outflows of Resources

On June 30, 2023, 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	$ 276,522	$ (549,993)
Change in assumptions	1,437,679	(280,253)
Difference between actual and expected earnings	459,959	-
OPEB contribution subsequent to measurement date	208,184	-
Totals	$ 2,382,344	$ (830,246)

The total $208,184 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, 2023.

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2023:

Service cost	$	242,168
Interest in TOL		544,022
Expected investment income		(623,516)
Difference between actual and expected earnings		204,495
Other (PPA of FNP, Per Actuary)		19,560
Administrative expenses		2,778
OPEB Expense	**$**	**389,507**

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2023:

Net OPEB liability ending	$	(28,336)
Net OPEB liability beginning		(1,410,699)
Change in net OPEB liability		1,382,363
Changes in deferred outflows		(2,174,160)
Changes in deferred inflows		830,246
Employer contributions and implicit subsidy		351,058
OPEB Expense	**$**	**389,507**

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)	$ 1,081,010	$ (28,336)	$ (959,396)

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)	$ (1,111,427)	$ (28,336)	$ 1,287,095

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 Excess Liability	$10,000,000	None
Property Insurance	46,883,771	5,000
Public Entity Pollution Liabilty	25,000,000	250,000
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	10,000,000	Per schedule

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

NOTE 11 - COMMITMENTS AND CONTINGENCIES

SVCW is at risk to be a defendant in various lawsuits which arise in the normal course of business. The final disposition of these legal actions 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 $43,415,811.61 on June 30, 2023.

NOTE 12 - LEASES

Rent expense was $386,915 during the fiscal year. SVCW 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 June 30, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

SILICON VALLEY CLEAN WATER
Cost-Sharing Multiple Employer Defined Benefit Retirement Plan
As of fiscal year ending June 30, 2023
SCHEDULE OF CONTRIBUTIONS
Last 10 Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 2,677,108	$ 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	2,677,108	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	$ 13,761,593	$ 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	19.45%	18.87%	16.69%	16.24%	14.56%	12.38%	12.34%	11.95%	11.33%

Notes to Schedule

Valuation Date: June 30, 2021

Assumptions Used:
Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll and Direct Rate Smoothing
28 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 nine years are shown.

SILICON VALLEY CLEAN WATER
Cost-Sharing Multiple Employer Defined Benefit Retirement Plan
As of fiscal year ending June 30, 2023
PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last 10 Fiscal Years*

Miscellaneous Plan Fiscal Year Ended	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Proportion of Net Pension Liability	0.43239%	0.45328%	0.39464%	0.37591%	0.35840%	0.34911%	0.33211%	0.30498%	0.32474%
Proportionate Share of Net Pension Liability	$ 20,232,670	$ 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	$ 12,784,495	$ 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	158.26%	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	76.68%	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 nine years are shown.

Silicon Valley Clean Water
Single Employer Plan
Schedule of OPEB Contributions
For the Fiscal Year Ended June 30, 2023

	Fiscal Year Ended June 30, 2018	2019	2020	2021	2022	2023
Actuarially determined contribution (ADC)	$ 135,456	$ 74,614	$ 502,972	$ 513,353	$ 545,502	$ 553,839
Less: actual contribution in relation to ADC	(763,957)	(841,064)	(1,016,333)	(342,773)	(114,180)	(208,184)
Contribution deficiency (excess)	$ (628,501)	$ (766,450)	$ (513,361)	$ 170,580	$ 431,322	$ 345,655
Covered payroll for the fiscal year	$ 11,176,980	$ 12,259,105	$ 13,063,649	$ 13,715,063	$ 14,140,636	$ 15,155,726
Contributions as a percentage of covered payroll	6.84%	6.86%	7.78%	2.50%	0.81%	1.37%

Notes to Schedule:

Assumptions and Methods

Valuation Date:	June 30, 2022
Measurement Date:	June 30, 2022
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, 2023

	Fiscal Year Ended June 30,				
Total OPEB liability	**2019**	**2020**	**2021**	**2022**	**2023**
Service cost	$ 37,428	$ 38,457	$ 85,101	$ 184,200	$ 242,168
Interest	473,085	484,027	591,376	558,593	544,022
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	-	516,978	(329,021)	(62,317)	(337,615)
Changes of assumptions	-	929,611	(438,887)	1,239,004	-
Benefit payments	(341,991)	(391,064)	(421,253)	(451,036)	(554,545)
Expected Minus Actual Benefit	-	-	-	-	-
Net change in Total OPEB Liability	168,522	1,578,009	(512,684)	1,468,444	(105,970)
Total OPEB Liability - beginning	6,910,635	7,079,157	8,657,166	8,144,482	9,612,926
Total OPEB Liability - ending	$ 7,079,157	$ 8,657,166	$ 8,144,482	$ 9,612,926	$ 9,506,956
Plan fiduciary net position					
Employer contributions	$ 763,957	$ 841,064	$ 1,016,333	$ 342,773	$ 84,612
Employer implicit subsidy	-	-	82,920	108,263	112,991
Employee contributions	-	-	-	-	-
Net investment income	477,679	444,164	281,796	2,377,650	(1,128,613)
Difference between estimated and actual earnings	-	-	-	-	-
Benefit payments	(341,991)	(391,064)	(421,253)	(451,036)	(554,545)
Implicit subsidy fulfilled	-	-		-	-
Other	4,017	-	(1,966)	-	-
Administrative expense	(11,080)	(1,501)	(3,831)	(3,273)	(2,778)
Net change in plan fiduciary net position	892,582	892,663	953,999	2,374,377	(1,488,333)
Plan fiduciary net position - beginning	5,910,004	6,802,586	7,695,249	8,649,248	11,023,625
Plan fiduciary net position - ending	$ 6,802,586	$ 7,695,249	$ 8,649,248	11,023,625	9,535,292
Net OPEB liability (asset)	$ 276,571	$ 961,917	$ (504,766)	(1,410,699)	(28,336)
Plan fiduciary net position as a percentage of the total OPEB liability	96%	89%	106%	115%	100%
Covered employee payroll for the plan	$ 12,259,105	$ 13,063,649	$ 13,715,063	$ 14,140,636	$ 15,155,726
Net OPEB Liability as a percentage of covered Employee payroll	2.26%	7.36%	-3.68%	-9.98%	-0.19%
Total OPEB Liability as a percentage of covered Employee payroll	57.75%	66.27%	59.38%	67.98%	62.73%

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, 2023

Assets	Operating Reserve	Capital Improvement Program Reserve	Capital Improvements	Construction Stage 2
Current Assets:				
Cash and investments	$ 3,902,172	$ 18,231,264	$ -	$ 14,146,125
Cash restricted for debt service	-	3,414,229	-	-
Cash restricted for pension benefits	-	-	-	-
Accounts receivable	1,032	19,688	11,056	1,019,105
Interest receivable	-	-	-	-
Employee notes receivable	-	-	-	-
Due from other funds	3,225,855	-	1,258,566	868,184
Inventory	-	-	-	-
Prepaid expenses	-	-	-	-
Total Current Assets	7,129,059	21,665,181	1,269,622	16,033,414
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	-	-	1,205,215	-
Total capital assets - net	-	-	1,205,215	2,934,618
Total Noncurrent Assets	-	-	1,205,215	2,934,618
Total Assets	$ 7,129,059	$ 21,665,181	$ 2,474,837	$ 18,968,032
Deferred Outflows of Resources				
Pension adjustments	$ -	$ -	$ -	$ -
OPEB adjustments	-	-	-	-
Deferred Loss on Defeasance	-	-	-	-
Total Deferred Outflows of Resources	$ -	$ -	$ -	$ -
Liabilities				
Current Liabilities:				
Accounts payable	$ -	$ -	$ 30,823	$ -
Accrued payroll and employee benefits	-	-	-	-
Accrued interest payable	-	-	-	-
Due to other funds	-	7,705,438	-	-
Unearned revenue	2,164	23,625	3,780	-
Compensated absences due within one year				
Noncurrent liabilities due within one year	-	-	-	-
Total Current Liabilities	2,164	7,729,063	34,603	-
Long term debt due in more than one year		-	-	-
Net pension liabilities		-	-	-
Total Liabilities	$ 2,164	$ 7,729,063	$ 34,603	$ -
Deferred inflows of Resources				
Pension adjustments	$ -	$ -	$ -	$ -
OPEB adjustments	-	-	-	-
Total Deferred Inflows of Resources	$ -	$ -	$ -	$ -
Net Position				
Net Investment in Capital Assets	$ -	$ -	$ 1,205,215	$ 2,934,618
Restricted for:				
Debt service	-	3,414,229	-	-
Pension benefits			-	-
Unrestricted	7,126,895	10,521,889	1,235,019	16,033,414
Total Net Position	$ 7,126,895	$ 13,936,118	$ 2,440,234	$ 18,968,032

(Continued)

Silicon Valley Clean Water
Combining Schedule of Net Position
Enterprise Funds
June 30, 2023

	Self Insurance	Recycled Water	Capital Improvement Program	Operation	Total
Assets					
Current Assets:					
Cash and investments	$ -	$ -	$ 85,765,134	$ 2,565,543	$ 124,610,238
Cash restricted for debt service	-	-	240,000		3,654,229
Cash restricted for pension benefits	-	-	-	1,941,517	1,941,517
Accounts receivable	-	74,204	535,153	488,108	2,148,346
Interest receivable	-	-	83	1,688	1,771
Employee notes receivable	-	-	-	15,688	15,688
Due from other funds	186,780	49,420	-	18,132,982	23,721,787
Inventory	-	-	-	2,007,442	2,007,442
Prepaid expenses	-	-	-	48,012	48,012
Total Current Assets	186,780	123,624	86,540,370	25,200,980	158,149,030
Noncurrent Assets:					
Net OPEB asset	-	-	-	28,336	28,336
Capital assets:					
Depreciable capital assets - net	-	-	-	197,763,283	197,763,283
Non depreciable capital assets:					
Land	-	-	-	1,282,081	1,282,081
Construction in progress:					
Stage 2	-	-	-	-	2,934,618
General	-	-	606,750,573	-	607,955,788
Total capital assets - net	-	-	606,750,573	199,045,364	809,935,770
Total Noncurrent Assets	-	-	606,750,573	199,073,700	809,964,106
Total Assets	$ 186,780	$ 123,624	$ 693,290,943	$ 224,274,680	$ 968,113,136
Deferred Outflows of Resources					
Pension adjustments	$ -	$ -	$ -	$ 9,658,669	$ 9,658,669
OPEB adjustments	-	-	-	2,382,344	2,382,344
Deferred Loss on Defeasance	-	-	18,305,962	-	18,305,962
Total Deferred Outflows of Resources	$ -	$ -	$ 18,305,962	$ 12,041,013	$ 30,346,975
Liabilities					
Current Liabilities:					
Accounts payable	$ -	$ -	$ 12,020,675	$ 259,713	$ 12,311,211
Accrued payroll and employee benefits	-	-	-	275,296	275,296
Accrued interest payable	-	-	5,859,871	-	5,859,871
Due to other funds	-	-	15,194,236	822,113	23,721,787
Unearned revenue	-	-	1,524	272,544	303,637
Compensated absences due within one year				1,243,619	1,243,619
Noncurrent liabilities due within one year	-	-	293,074,705	-	293,074,705
Total Current Liabilities	-	-	326,151,011	2,873,285	336,790,126
Long term debt due in more than one year	-	-	500,180,912	10,855,000	511,035,912
Net pension liabilities	-	-	-	20,232,670	20,232,670
Total Liabilities	$ -	$ -	$ 826,331,923	$ 33,960,955	$ 868,058,708
Deferred inflows of Resources					
Pension adjustments	$ -	$ -	$ -	$ 1,338,118	$ 1,338,118
OPEB adjustments	-	-	-	830,246	830,246
Total Deferred Inflows of Resources	$ -	$ -	$ -	$ 2,168,364	$ 2,168,364
Net Position					
Net Investment in Capital Assets	$ -	$ -	$ (100,499,910)	$ 199,045,364	$ 102,685,287
Restricted for:					
Debt service	-	-	240,000	-	3,654,229
Pension benefits	-	-	-	1,941,517	1,941,517
Unrestricted	186,780	123,624	(14,475,108)	(800,507)	19,952,006
Total Net Position	$ 186,780	$ 123,624	$ (114,735,018)	$ 200,186,374	$ 128,233,039

(Concluded)

Silicon Valley Clean Water
Combining Schedule of Activities and Changes in Net Position
Enterprise Funds
For the Fiscal Year Ended June 30, 2023

	Operating Reserve	Capital Improvement Program Reserve	Capital Improvements	Construction Stage 2
Operating Revenues:				
Member contributions for services	$ -	$ -	$ -	$ -
Member contributions for cash reserves	111,180	2,500,020	1,404,000	1,019,105
Member contributions for debt service	-	-	-	-
Member contributions for Capital Improvements	-	-	-	-
Source control charges	-	-	-	-
Miscellaneous revenues	-	-	-	-
Total operating revenues	111,180	2,500,020	1,404,000	1,019,105
Operating Expenses:				
Operations	$ -	$ -	$ -	$ -
Maintenance	-	-	-	-
Laboratory	-	-	1,917	-
Environmental services	-	-	-	-
Engineering	-	-	-	-
Information services	-	-	-	-
Safety	-	-	-	-
Administration	2,171	11,370	-	8,321
Claims paid	-	-	-	-
Depreciation	-	-	-	-
Total operating expenses	2,171	11,370	1,917	8,321
Operating Income (Loss)	$ 109,009	$ 2,488,650	$ 1,402,083	$ 1,010,784
Nonoperating Revenues (Expenses):				
Grants	$ -	$ -	$ -	$ -
Other revenue (expense)	-	-	-	-
Interest Income:				
Operations fund	-	-	-	-
Stage 2 capacity fund	-	-	-	258,917
Capital improvement reserve fund	-	422,843	-	-
Operating reserve fund	57,724	-	-	-
Capital improvement fund	-	-	-	-
Net increase (decrease) in fair value of investments	(8,711)	(427,013)	-	(297,261)
Interest expense	-	-	-	-
Premium amortization	-	-	-	-
Gain (loss) on disposal of fixed assets	-	-	-	-
Total nonoperating revenues (expenses)	$ 49,013	$ (4,170)	$ -	$ (38,344)
Income (Loss) Before Transfers	$ 158,022	$ 2,484,480	$ 1,402,083	$ 972,440
Transfers In	$ -	$ -	$ -	$ -
Transfers Out	-	-	(2,519,817)	-
Change in Net Position	$ 158,022	$ 2,484,480	$ (1,117,734)	$ 972,440
Beginning Net Position	6,968,873	11,451,638	3,557,968	17,995,592
Ending Net Position	$ 7,126,895	$ 13,936,118	$ 2,440,234	$ 18,968,032

(Continued)

Silicon Valley Clean Water
Combining Schedule of Activities and Changes in Net Position
Enterprise Funds
For the Fiscal Year Ended June 30, 2023

	Self Insurance	Recycled Water	Capital Improvement Program	Operation	Total
Operating Revenues:					
Member contributions for services	$ -	$ 194,204	$ -	$ 29,259,144	$ 29,453,348
Member contributions for cash reserves	-	-	2,500,000	-	7,534,305
Member contributions for debt service	-	-	18,857,272	-	18,857,272
Member contributions for Capital Improvements	-	-	401,088	-	401,088
Source control charges	-	-	-	269,102	269,102
Miscellaneous revenues	-	-	-	455,954	455,954
Total operating revenues	-	194,204	21,758,360	29,984,200	56,971,069
Operating Expenses:					
Operations	$ -	$ 161,280	$ 14.00	$ 12,186,991	$ 12,348,285
Maintenance	-	-	-	6,363,505	6,363,505
Laboratory	-	9,898	-	1,850,130	1,861,945
Environmental services	-	-	-	983,282	983,282
Engineering	-	-	(68,586)	1,661,499	1,592,913
Information services	-	-	-	2,023,796	2,023,796
Safety	-	-	-	479,962	479,962
Administration	-	-	-	3,903,261	3,925,123
Claims paid	-	-	-	-	-
Depreciation	-	-	-	13,347,061	13,347,061
Total operating expenses	-	171,178	(68,572)	42,799,487	42,925,872
Operating Income (Loss)	$ -	$ 23,026	$ 21,826,932	$ (12,815,287)	$ 14,045,197
Nonoperating Revenues (Expenses):					
Grants	$ -	$ -	$ -	$ 133,690	$ 133,690
Other revenue (expense)	-	-	-	859,122	859,122
Interest Income:					
Operations fund	-	-	-	5,624	5,624
Stage 2 capacity fund	-	-	-	-	258,917
Capital improvement reserve fund	-	-	-	-	422,843
Operating reserve fund	-	-	-	-	57,724
Capital improvement fund	-	-	2,184,952	-	2,184,952
Net increase (decrease) in fair value of investments	-	-	867,869	101,752	236,636
Interest expense	-	-	(17,515,769)	-	(17,515,769)
Premium amortization	-	-	4,288,899	-	4,288,899
Gain (loss) on disposal of fixed assets	-	-	-	(44,673)	(44,673)
Total nonoperating revenues (expenses)	$ -	$ -	$ (10,174,049)	$ 1,055,515	$ (9,112,035)
Income (Loss) Before Transfers	$ -	$ 23,026	$ 11,652,883	$ (11,759,772)	$ 4,933,162
Transfers In	$ -	$ -	$ -	$ 34,096,231	$ 34,096,231
Transfers Out	-	-	(31,576,414)	-	(34,096,231)
Change in Net Position	$ -	$ 23,026	$ (19,923,531)	$ 22,336,459	$ 4,933,162
Beginning Net Position	186,780	100,598	(94,811,487)	177,849,915	123,299,877
Ending Net Position	$ 186,780	$ 123,624	$ (114,735,018)	$ 200,186,374	$ 128,233,039

(Concluded)

Silicon Valley Clean Water
Combining Schedule of Cash Flows
Enterprise Funds
For the Fiscal Year Ended June 30, 2023

	Operating Reserve	Capital Improvement Program Reserve	Capital Improvements	Construction Stage 2
Cash Flows from Operating Activities:				
Cash received from member agencies	$ 111,180	$ 2,500,020	$ 1,404,000	$ 119,380
Cash paid to suppliers for goods and services and employees for services	(1,039)	17,802	(209,331)	(8,321)
Other cash received (paid)	-	-	-	-
Net Cash Provided (Used) by Operating Activities	110,141	2,517,822	1,194,669	111,059
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	627	(19,849)	885,264	6,915
Interest paid on capital debt	-	-	-	-
Principal paid on capital debt	-	-	-	-
Proceeds from long-term debt	-	-	-	-
Cash received on sale of capital assets	-	-	-	-
Purchases and construction of capital assets	-	-	(2,079,933)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	627	(19,849)	(1,194,669)	6,915
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	$ 460,420	$ (1,393,992)	$ -	$ 297,835
Investment income	49,013	(4,170)	-	(38,344)
Net Cash Provided (Used) by Investing Activities	509,433	(1,398,162)	-	259,491
Net Increase (Decrease) in Cash and Investment	620,201	1,099,811	-	377,465
Cash and Cash Equivalents, Beginning	160,834	712,311	-	190,133
Cash and Cash Equivalents, Ending	$ 781,035	$ 1,812,122	$ -	$ 567,598
Reconciliation of Operating Income (Loss) to Cash Flows Provided (Used) by Operating Activities:				
Operating Income (Loss)	$ 109,009	$ 2,488,650	$ 1,402,083	$ 1,010,784
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	-	-	-
Net change in:				
Accounts receivable	(1,032)	5,547	7,837	(899,725)
Employee notes receivable		-	-	-
Inventory	-	-	-	-
Prepaid expenses	-	-	-	-
Deferred outflows of resources	-	-	-	-
Accounts payable	-	-	(219,031)	-
Accrued payroll and employee benefits	-	-	-	-
Unearned revenue	2,164	23,625	3,780	-
Deferred inflows of resources	-	-	-	-
Net Cash Provided (Used) by Operating Activities	$ 110,141	$ 2,517,822	$ 1,194,669	$ 111,059
Reconciliation of Cash and Cash Equivalents:				
Cash and investments	$ 3,902,172	$ 21,645,493	$ -	$ 14,146,125
Less: investments with original maturities in excess of three months	(3,121,137)	(19,833,371)	-	(13,578,527)
Cash and Cash Equivalents	$ 781,035	$ 1,812,122	$ -	$ 567,598
Noncash Transactions:				
Changes in fair values of investments	$ (8,711)	$ (427,013)	$ -	$ (297,261)
Noncash transfers of capital assets	$ -	$ -	$ (2,519,817)	$ -
Amortization of bond premium				

(Continued)

Silicon Valley Clean Water
Combining Schedule of Cash Flows
Enterprise Funds
For the Fiscal Year Ended June 30, 2023

	Self Insurance	Recycled Water	Capital Improvement Program	Operation	Total
Cash Flows from Operating Activities:					
Cash received from member agencies	$ -	$ 194,204	$ 21,758,360	$ 29,259,144	$ 55,346,288
Cash paid to suppliers for goods and services and employees for services	-	(149,964)	(4,514,558)	(31,015,340)	(35,880,751)
Other cash received (paid)	-	-	-	725,056	725,056
Net Cash Provided (Used) by Operating Activities	-	44,240	17,243,802	(1,031,140)	20,190,593
Cash Flows from Capital and Related Financing Activities:					
Cash received from member agencies other than for services	$ -	$ -	$ -	$ 859,122	$ 859,122
Cash received from grants	-	-	-	133,690	133,690
Contributions (to) from other funds	-	(44,240)	(5,308,115)	4,479,398	-
Interest paid on capital debt	-	-	(17,602,335)	-	(17,602,335)
Principal paid on capital debt	-	-	(10,394,800)	(2,030,000)	(12,424,800)
Proceeds from long-term debt	-	-	35,436,869	-	35,436,869
Cash received on sale of capital assets	-	-		5,000	5,000
Purchases and construction of capital assets	-	-	(68,295,941)	-	(70,375,874)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(44,240)	(66,164,322)	3,447,210	(63,968,328)
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	$ -	$ -	$ 36,715,778	$ (628,220)	$ 35,451,821
Investment income	-	-	3,052,821	107,376	3,166,696
Net Cash Provided (Used) by Investing Activities	-	-	39,768,599	(520,844)	38,618,517
Net Increase (Decrease) in Cash and Investment	-	-	(9,151,921)	1,895,226	(5,159,218)
Cash and Cash Equivalents, Beginning	-	-	76,377,544	1,012,701	78,453,523
Cash and Cash Equivalents, Ending	$ -	$ -	$ 67,225,623	$ 2,907,927	$ 73,294,305
Reconciliation of Operating Income (Loss) to Cash Flows Provided (Used) by Operating Activities:					
Operating Income (Loss)	$ -	$ 23,026	$ 21,826,932	$ (12,815,287)	$ 14,045,197
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	-	-	-	13,347,061	13,347,061
Net change in:					
Accounts receivable	-	51,469	(535,236)	114,696	(1,256,444)
Employee notes receivable	-	-	-	(1,407)	(1,407)
Inventory	-	-	-	(27,462)	(27,462)
Prepaid expenses	-	-	-	22,766	22,766
Deferred outflows of resources	-	-	2,009,189	(5,720,773)	(3,711,584)
Accounts payable	-	(30,255)	(6,058,607)	(711,152)	(7,019,045)
Accrued payroll and employee benefits	-	-	-	12,579,307	12,579,307
Unearned revenue	-	-	1,524	272,544	303,637
Deferred inflows of resources	-	-	-	(8,091,433)	(8,091,433)
Net Cash Provided (Used) by Operating Activities	$ -	$ 44,240	$ 17,243,802	$ (1,031,140)	$ 20,190,593
Reconciliation of Cash and Cash Equivalents:					
Cash and investments	$ -	$ -	$ 86,005,134	$ 4,507,060	$ 130,205,984
Less: investments with original maturities in excess of three months	-	-	(18,779,511)	(1,599,133)	(56,911,679)
Cash and Cash Equivalents	$ -	$ -	$ 67,225,623	$ 2,907,927	$ 73,294,305
Noncash Transactions:					
Changes in fair values of investments	$ -	$ -	$ 867,869	$ 101,752	$ 236,636
Noncash transfers of capital assets	$ -	$ -	$ (31,576,414)	$ 34,096,231	$ -
Amortization of bond premium			$ 4,288,899	$ -	$ 4,288,899

(Concluded)

Silicon Valley Clean Water
Analysis of Net Position
Supplemental Schedule
For the Year Ended June 30, 2023

Fund / Location	Belmont	Redwood City	San Carlos	West Bay Sanitary District	Total
Operations (Fund 18)					
Balance at June 30, 2022	$ 16,285,617	$ 84,185,646	$ 24,967,642	$ 49,928,581	$ 175,367,486
Member Agency Contributions	3,258,192	16,312,500	3,660,516	6,027,936	29,259,144
Other Miscellaneous Revenue	81,496	402,406	94,692	146,461	725,056
Grant Revenue	15,027	74,198	17,460	27,005	133,690
Unrealized Gain / (Loss) on Investments	(471)	(2,326)	(547)	(847)	(4,191)
Interest Income	786	3,145	690	1,003	5,624
Capitalized Projects Transferred from other Funds	3,222,094	16,560,540	5,162,169	9,151,428	34,096,231
Gain / (Loss) on Asset Disposal	(4,222)	(21,698)	(6,764)	(11,990)	(44,673)
Operating & Maintenance Costs	(3,097,901)	(16,458,902)	(3,880,107)	(5,818,696)	(29,255,602)
Depreciation Expenditures	(1,261,297)	(6,482,668)	(2,020,745)	(3,582,351)	(13,347,061)
Balance at June 30, 2023	$ 18,499,322	$ 94,572,841	$ 27,995,007	$ 55,868,530	$ 196,935,703
Retiree Medical Health Benefits Reserve (Fund 12)					
Balance at June 30, 2022	$ 127,001	$ 492,704	$ 217,427	$ 196,857	$ 1,033,989
Contributions to Fund 12	-	-	-	-	-
Expenditures	(21,311)	(105,226)	(24,761)	(38,298)	(189,596)
Balance at June 30, 2023	$ 105,690	$ 387,478	$ 192,666	$ 158,559	$ 844,393
Section 115 Pension Benefits Reserve (Fund 32)					
Balance at June 30, 2022	$ 163,498	$ 788,972	$ 196,907	$ 299,062	$ 1,448,439
Contributions to Fund 32	96,565	476,813	112,201	173,543	859,122
Unrealized Gain / (Loss) on Investment	8,010	39,552	9,307	14,396	71,265
Interest Income	3,898	19,246	4,529	7,005	34,678
Fees	(812)	(4,010)	(944)	(1,460)	(7,226)
Balance at June 30, 2023	$ 271,159	$ 1,320,573	$ 322,001	$ 492,545	$ 2,406,278
Capital Improvement Program Reserve (Fund 13)					
Balance at June 30, 2022	$ 1,082,176	$ 5,562,044	$ 1,733,788	$ 3,073,629	$ 11,451,637
Member Contributions - Replacement Reserve	236,256	1,214,256	378,504	671,004	2,500,020
Change in Fair Value, Unrealized Gain/(Loss)	(40,353)	(207,400)	(64,650)	(114,610)	(427,013)
Fees	(1,074)	(5,522)	(1,721)	(3,052)	(11,370)
Interest Income	39,959	205,375	64,018	113,491	422,843
Balance at June 30, 2023	$ 1,316,964	$ 6,768,753	$ 2,109,939	$ 3,740,462	$ 13,936,118
Construction Stage 2 (Fund 15)					
Balance at June 30, 2022	$ 547,686	$ 10,223,795	$ 3,369,575	$ 3,854,537	$ 17,995,593
Member Purchases of Capacity	-	1,019,105	-	-	1,019,105
Interest Income	24,468	125,756	39,200	69,493	258,917
Interest / (Unrealized Loss) Investments	(28,091)	(144,380)	(45,005)	(79,785)	(297,261)
Fees	(786)	(4,042)	(1,260)	(2,234)	(8,322)
Capitalized Projects Transferred to Fund 18	-	-	-	-	-
Balance at June 30, 2023	$ 543,276	$ 11,220,234	$ 3,362,510	$ 3,842,012	$ 18,968,032

Silicon Valley Clean Water
Analysis of Net Position
Supplemental Schedule
For the Year Ended June 30, 2023

Fund / Location	Belmont	Redwood City	San Carlos	West Bay Sanitary District	Total
Self Insurance (Fund 16)					
Balance at June 30, 2022	$ 19,639	$ 75,632	$ 34,110	$ 57,399	$ 186,780
Expenses / Claims	-	-	-	-	-
Balance at June 30, 2023	$ 19,639	$ 75,632	$ 34,110	$ 57,399	$ 186,780
Operating & Capital Reserve (Fund 17)					
Balance at June 30, 2022	$ 784,169	$ 3,429,689	$ 897,530	$ 1,857,485	$ 6,968,873
Member Contributions	12,384	61,980	13,908	22,908	111,180
Unrealized Gain / (Loss) on Investment	(979)	(4,835)	(1,138)	(1,760)	(8,711)
Fees	(244)	(1,204)	(283)	(438)	(2,170)
Interest Income	6,488	32,037	7,539	11,660	57,724
Balance at June 30, 2023	$ 801,818	$ 3,517,667	$ 917,556	$ 1,889,855	$ 7,126,895
Revenue-Funded Capital Improvements (Fund 14)					
Balance at June 30, 2022	$ 394,415	$ 1,813,469	$ 300,264	$ 1,049,821	$ 3,557,969
Member Contributions - Pay go capital projects	132,672	681,924	212,568	376,836	1,404,000
Miscellaneous Revenue	-	-	-	-	-
Other Expenses	(181)	(931)	(290)	(515)	(1,917)
Capitalized Projects transferred to Fund 18	(238,123)	(1,223,875)	(381,500)	(676,319)	(2,519,817)
Balance at June 30, 2023	$ 288,783	$ 1,270,586	$ 131,041	$ 749,823	$ 2,440,234
Recycled Water (Fund 19)					
Balance at June 30, 2022	$ -	$ 100,597	$ -	$ -	$ 100,597
RWC Recycled Water O&M Contributions	-	194,204	-	-	194,204
RWC Recycled Water O&M Expenditures	-	(171,178)	-	-	(171,178)
Balance at June 30, 2023	$ -	$ 123,624	$ -	$ -	$ 123,624
Plant Capital Improvement Program (Fund 20)					
Balance at June 30, 2022	26,885,493	(65,560,370)	(24,249,946)	(31,886,663)	$ (94,811,486)
Member Contributions	579,513	10,332,797	3,268,368	5,077,682	19,258,360
Member Contributions - Debt Service Reserve	240,000	1,210,000	380,000	670,000	2,500,000
Unrealized Gain / (Loss) on Investments	76,812	424,316	132,266	234,474	867,868
Interest on Trustee Reserves	170,255	1,093,095	340,800	580,801	2,184,951
Capitalized Projects Transferred to Fund 18	(2,983,971)	(15,336,664)	(4,780,669)	(8,475,110)	(31,576,414)
Interest Expense, Direct	(350,338)	(8,370,622)	(2,645,410)	(4,226,768)	(15,593,138)
Interest Expense, Allocated	1,638	47,901	15,079	21,941	86,560
Amortization of Bond Premium	117,285	2,261,132	700,270	1,210,212	4,288,899
Other Expenses	(183,388)	(942,558)	(293,810)	(520,862)	(1,940,619)
Balance at June 30, 2023	$ 24,553,298	$ (74,840,973)	$ (27,133,051)	$ (37,314,292)	$ (114,735,018)
TOTAL NET POSITION - June 30, 2023	**$ 46,399,949**	**$ 44,416,414**	**$ 7,931,778**	**$ 29,484,894**	**$ 128,233,039**
CY %	*36.18%*	*34.64%*	*6.19%*	*22.99%*	*100.00%*

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OTHER INDEPENDENT AUDITOR'S REPORT

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

To the Commission
Silicon Valley Clean Water
Redwood City, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Silicon Valley Clean Water (SVCW), California, as of and for the year ended June 30, 2023, and have issued our report thereon dated October 25, 2023.

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 25, 2023 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 25, 2023