BAY AREA WATER SUPPLY
& CONSERVATION AGENCY

AUDITED FINANCIAL STATEMENTS &
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2022

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BAY AREA WATER SUPPLY & CONSERVATION AGENCY

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BAY AREA WATER SUPPLY & CONSERVATION AGENCY

ELECTED OFFICIALS AND MANAGEMENT TEAM
JUNE 30, 2022

BOARD OF DIRECTORS

Jay Benton, Town of Hillsborough
Randy Breault, Guadalupe Valley Water District
Tom Chambers, Westborough
Alison Cormack, City of Palo Alto
Karen Hardy, City of Santa Clara
Tom Hamilton, City of San Bruno
Sam Hindi, Estero Municipal Improvement District
Steve Jordan, Purissima Hills Water District
George Barber, California Water Service Co.
Gustav Larsson, City of Sunnyvale
Sam Liccardo, City of San Jose
Juslyn Manalo, City of Daly City
Lisa Matichack, City of Mountain View
Angela Andrews, City of Hayward
Chris Mickelsen, Coastside Count Water District
Carmen Montano, City of Milpitas
Antonio Lopez, City of East Palo Alto
Drew Combs, City of Menlo Park
Ann O'Brien, City of Burlingame
Tom Piccolotti, North Coast County Water District
Barbara Pierce, City of Redwood City
Dan Quigg, City of Millbrae
Louis Vella, Mid-Peninsula Water District
John Weed, Alameda County Water District
Sepi Wood, City of Brisbane
Tom Zigterman, Stanford University

MANAGEMENT TEAM

Nicole Sandkulla, CEO/General Manager
Tom Francis, Water Resources Manager
Danielle McPherson, Senior Water Resources Specialist
Negin Ashoori, Senior Water Resources Specialist
Kyle Ramey, Water Resources Specialist
Christina Tang, Finance Manager
Lourdes Enriquez, Assistant to the CEO/General Manager
Deborah Grimes, Office Manager
Christiane Barth, Office Assistant

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bay Area Water Supply & Conservation Agency
San Mateo, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities of the Bay Area Water Supply & Conservation Agency (the Agency), as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of Bay Area Water Supply & Conservation Agency, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of a Matter

During the year, the District implemented GASB Statement No. 87, *Leases.* As a result, the District recorded a right to use asset and lease liability of $634,129. See note 1 for additional information. Our opinion was not modified for this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a

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going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of contributions - pension plans, schedule of proportionate share of net pension liability, schedule of

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

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. This 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2022 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

C & A LLP

October 27, 2022
Morgan Hill, California

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BASIC FINANCIAL STATEMENTS

BAY AREA WATER SUPPLY & CONSERVATION AGENCY

STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS		
Current Assets:		
Cash and cash equivalents	$	3,032,696
Operating assessments receivable		70,470
Revenue bond surcharges receivable		1,939,040
Subscription Cons. programs receivables: other		163,439
Other receivables		28,457
Prepaid expenses		68,697
Total Current Assets		5,302,799
Noncurrent Assets:		
Property and equipment - net		349
Right of use assets - net		634,129
Investments with fiscal agent		30,218,075
Prepaid future capital facility obligations		251,257,444
Deposit		14,067
Total Noncurrent Assets		282,124,064
TOTAL ASSETS	$	287,426,863
DEFERRED OUTFLOWS OF RESOURCES		
OPEB adjustments	$	103,398
Pension contributions and adjustments		262,881
Total Deferred Inflows of Resources	$	366,279
LIABILITIES		
Current Liabilities:		
Accounts payable	$	411,783
Accrued expenses		3,800
Accrued interest		2,675,000
Current portion of long-term liabilities		16,055,953
Total Current Liabilities		19,146,536
Noncurrent Liabilities:		
Long-term liabilities - net of current portion		247,017,450
TOTAL LIABILITIES	$	266,163,986
DEFERRED INFLOWS OF RESOURCES		
OPEB adjustments	$	352,809
Pension contributions and adjustments		208,127
Total Deferred Inflows of Resources	$	560,936
NET POSITION		
Net Investment in Capital Assets	$	349
Restricted for Debt Service		19,222,098
Unrestricted		1,845,773
TOTAL NET POSITION	$	21,068,220

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

BAY AREA WATER SUPPLY & CONSERVATION AGENCY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

OPERATING REVENUE:	
Assessments	$ 3,871,118
Revenue bond surcharges	25,076,248
Subscription Conservation programs	1,071,453
Other operating revenue	346,750
Total operating revenue	30,365,569
OPERATING EXPENSES:	
Consultants	1,984,294
Administration	1,903,659
Depreciation and amortization	159,781
Subscription Conservation programs	1,147,552
Capital facility surcharge amortization	14,300,570
Total operating expenses	19,495,856
OPERATING INCOME	10,869,713
NON-OPERATING REVENUES (EXPENSES):	
Interest expense	(10,906,977)
Interest income	1,708,793
Total non-operating revenues	(9,198,184)
CHANGE IN NET POSITION	1,671,529
NET POSITION - BEGINNING	19,396,691
NET POSITION - ENDING	$ 21,068,220

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

BAY AREA WATER SUPPLY & CONSERVATION AGENCY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from assessments	$ 3,800,647
Cash received from revenue bond surcharges	24,788,916
Cash received from Subscription Conservation programs	1,008,683
Cash received from other operating sources	335,585
Cash paid for employee services and other operating expenses	(4,288,036)
Cash paid for Subscription Conservation programs	(1,216,806)
Net Cash Provided by (Used for) Operating Activities	24,428,989
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Interest payments	(10,859,189)
Principal payments	(13,503,581)
Net Cash Provided by (Used for) Capital Related Financing Activities	(24,362,770)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income received	7,091
Proceeds from sales and maturities of investments	311,058
Purchase of investments	(402,534)
Net Cash Provided by (Used for) Investing Activities	(84,385)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(18,166)
CASH AND CASH EQUIVALENTS - BEGINNING	3,050,862
CASH AND CASH EQUIVALENTS - ENDING	$ 3,032,696
Reconciliation of operating income to net cash provided by (used for) operating activities	
Operating income (loss)	$ 10,869,713
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation and amortization	159,781
Amortization of prepaid capacity charges	14,300,570
Change in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(70,471)
(Increase) decrease in surcharges receivable	(287,332)
(Increase) decrease in Subscription Conservation programs receivables: other	(62,770)
(Increase) decrease in other receivables	(19,737)
(Increase) decrease in prepaid expenses	19,278
(Increase) decrease in deferred outflows of resources	13,391
Increase (decrease) in accounts payable	32,472
Increase (decrease) in accrued expenses	(9,641)
Increase (decrease) in accrued interest	(144,000)
Increase (decrease) in accrued compensated absences	15,569
Increase (decrease) in net pension liability	(515,068)
Increase (decrease) in net OPEB liability	(117,000)
Increase (decrease) in deferred inflows of resources	244,234
Net Cash Provided by (Used for) Operating Activities	$ 24,428,989
SUMMARY OF CASH AND INVESTMENTS:	
Cash and equivalents	3,032,696
Investments	30,218,075
Total cash and investments	$ 33,250,771

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

NOTE 1 - SUMMARY OF ORGANIZATION

Bay Area Water Supply & Conservation Agency (the "Agency" or "BAWSCA") was formed on May 27, 2003. BAWSCA currently represents the interests of 24 cities and water districts, and 2 private utilities, in Alameda, Santa Clara and San Mateo counties that purchase water on a wholesale basis from the San Francisco regional water system.

BAWSCA was enabled by Assembly Bill No. 2058 and has the authority to coordinate water conservation, supply and recycling activities for its members; acquire water and make it available to other agencies on a wholesale basis; finance projects, including improvements to the regional water system; and build facilities jointly with other local public agencies or on its own to carry out BAWSCA's purposes.

BAWSCA is the only regional entity having the authority to represent the needs of the cities, water districts and private utilities (wholesale customers) that depend on the regional water system. BAWSCA provides the ability for the customers of the regional system to work with San Francisco to ensure the water system gets fixed, and to work with its members to meet local responsibilities.

BAWSCA is governed by a 26-member Board of Directors comprised of community leaders appointed by the cities and water districts that are members of BAWSCA, and two private utility service areas; Stanford University and California Water Service Company.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the nature of the measurement.

BAWSCA is accounted for as an enterprise fund, which is used to account for operations similar to a private business enterprise where the intent of BAWSCA is that the costs and expenses, including depreciation, of providing services to the members on a continuing basis be financed or recovered primarily through user charges.

As an enterprise fund, BAWSCA presents financial information on the economic resources measurement focus and uses the full accrual basis of accounting. With the economic resources measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the enterprise are recorded on its statement of net position. Under the accrual basis of accounting, all revenues are recognized when earned, and all expenses, including depreciation, are recognized when liabilities are incurred.

Deferred outflow of resources is defined as a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. A deferred inflow of resources is defined as an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time.

When applicable, unamortized portions of the gain and loss on refunding debt are reported as deferred inflows and deferred outflows of resources, respectively. Deferred outflows and inflows of resources are reported for the changes related to benefit plans. In addition, when an asset is recorded in governmental fund financial statements but the revenue is not available, a deferred inflow of resources is reported until such time as the revenue becomes available.

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.

BAWSCA applies all applicable GASB pronouncements for certain accounting and financial reporting guidance. In December of 2010, GASB issued Statement No. 62*, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. In June of 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* GASB 76 supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 also amends GASB 62 and AICPA Pronouncements paragraphs 64, 74, and 82. The GAAP hierarchy sets forth what constitutes GAAP for all state and local governmental entities. It establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. The sources of authoritative GAAP are categorized in descending order of authority as follows:

a. Officially established accounting principles—Governmental Accounting Standards Board (GASB) Statements (Category A)
b. GASB Technical Bulletins; GASB Implementation Guides; and literature of the AICPA cleared by the GASB (Category B).

If the accounting treatment for a transaction or other event is not specified by a pronouncement in Category A, a governmental entity should consider whether the accounting treatment is specified by a source in Category B.

Statement of Net Position

The statement of net position is designed to display the financial position of BAWSCA. BAWSCA's net position are 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 an 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. The Agency applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

- 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.

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, 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. Revenues are reported by major source with operating revenues classified from BAWSCA's primary operating resources and all other revenue reported as non-operating. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating.

Budgets and Budgetary Accounting

BAWSCA must adopt a budget prior to July 1 of each year for the following fiscal year. The budget for the fiscal year beginning July 1, 2021, was adopted by the Board of Directors in May of 2021.

Cash & Cash Equivalents

BAWSCA's cash deposits are considered to be cash on hand and cash in banks. For purposes of the statement of cash flows, BAWSCA considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Investments

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

The following is a summary of the definition of fair value:

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

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.

- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.

- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

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

Receivables

Receivables include amounts due from member assessments, water conservation programs, grants and other resources. All receivables are current and reported net of an allowance for uncollectible accounts. The allowance for uncollectible accounts was zero as of June 30, 2022.

Capital Assets, Intangible Assets and Right of Use Assets

Capital assets (property and equipment) include land, buildings, improvements other than buildings, furnishings and equipment, construction/development in progress, infrastructure, intangible lease assets (right of use assets), and all other tangible or intangible assets, that are used in operations and that have initial useful lives extending beyond a single reporting period.

Capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Right of use assets are recorded at the present value payments expected to be made during the lease term. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend the useful life of a capital asset are also capitalized.

Depreciation/Amortization of all exhaustible capital assets is recorded as an expense in the government-wide Statement of Activities with net capital assets reflected in the Statement of Net Position. Accumulated depreciation/amortization is reported on the Statement of Net Position

The purpose of depreciation and amortization is to spread the cost of capital assets equitably among all users over the life of these assets. The useful life of right of use assets is typically determined by the associated lease term of those assets. The amount charged to depreciation and amortization expense each year represents that year's pro rata share of the cost of capital assets. The Agency depreciates using the straight-line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated or amortized. The Agency has assigned the useful lives listed below to capital assets:

Equipment	5 years
Furniture and fixtures	7 years
Right of use assets	5 years (or lease term)

Noncurrent Liabilities

Long-term debt and other long-term obligations are reported as noncurrent liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium and discounts are reported as noncurrent assets along with any insurance payments made during issuance of the bond. Bond issuance costs, other than prepaid insurance, are expensed in the period incurred.

Compensated Absences

BAWSCA has a policy whereby employees can accumulate unused vacation which is reported as compensated absences, a liability in the statement of net position.

Leases (Lessee)

The Agency is a lessee for a noncancellable lease of $689,080. The Agency recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the Agency initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Agency determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Agency uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Agency generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Agency is reasonably certain to exercise.

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

Lease assets are reported separately as right of use assets and lease liabilities are reported with long-term liabilities in the statement of net position.

Pensions

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

GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 (GASB Statement No. 68) requires that the reported results pertain to liability and asset information within certain defined timeframes. Liabilities are based on the results of actuarial calculations performed as of June 30, 2020. For this report, the following timeframes are used for BAWSCA's pension plans:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	June 30, 2020 to June 30, 2021

Other Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the Agency's Retiree Benefits 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. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Valuation Date	June 30, 2021
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

Revenue and Expenditure Recognition

Program revenues are recorded when the expense is recorded. All pass-through revenues and expenses are reported separately at gross, in accordance with accounting principles generally accepted in the United States of America.

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.

Implemented Accounting and Reporting Changes

GASB Statement No. 87, *Leases*

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

As of June 30, 2022, the Agency recognized one contract as a lease and implemented the applicable accounting and reporting requirements of a lessee under GASB 87. As a result, the Agency recorded a right to use asset and lease liability of $792,661 for the lease of office space. The annual lease payments range from $120,388 to $180,060 and the annual amortization of the right of use asset is $158,532. See Note 5 for additional information.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*

The statement (1) requires that a Section 457 plan be classified as either a pension plan or another employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. Management does not believe this statement will have a significant impact on the Agency's financial statements.

The requirements of this Statement are effective as follows:

- The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately
- The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021
- All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021

The Agency did not report any significant accounting changes from the implementation of this Statement during the year ended June 30, 2022.

Upcoming New Accounting Pronouncements

GASB Statement No. 91, *Conduit Debt Obligations*

The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement also clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitment and voluntary commitments extended by issuers and arrangements associated with the debt obligations; and improving required note disclosures. The requirements of this Statement were initially to be effective for financial statements for periods beginning after December 15, 2020 but have been delayed to periods beginning after December 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged. Management does not believe this statement will have a significant impact on the Agency's financial statements.

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

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are to be effective for financial statements for periods beginning after June 15, 2022. Earlier application is encouraged. Management does not believe this statement will have a significant impact on the Agency's financial statements.

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

GASB 96 provides guidance on accounting for Subscription-Based Information Technology Arrangements (SBITA) where the government contracts for the right to use another party's software. The standards for SBITAs are based on the standards established in GASB Statement No. 87, *Leases. GASB 96 is effective for fiscal years beginning after June 15, 2022.* Management does not believe this statement will have a significant impact on the Agency's financial statements.

GASB Statement No. 99, *Omnibus 2022*

Omnibus statements are issued by GASB to address practice issues identified after other standards have been approved for implementation. Omnibus statements "clear up the loose ends" for recent prior statements GASB has issued. This Omnibus addresses recent pronouncements, including GASB 87 – Leases, GASB 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and GASB 96 – *Subscription-Based Information Technology Arrangements*.

Effective Date: The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Earlier application is encouraged and is permitted by topic. Management does not believe this statement will have a significant impact on the Agency's financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. Management does not believe this statement will have a significant impact on the Agency's financial statements.

GASB Statement No. 101, *Compensated Absences*

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Management is in the process of evaluating the impact this standard will have on the Agency's financial statements.

NOTE 3 - CASH AND INVESTMENTS

The following summarizes deposits as of June 30, 2022:

Cash and Investments	Cash and Cash Equivalents Available for Operations	Restricted	Total
Cash Deposits:			
Cash in Banks	$ 285,380	$ -	$ 285,380
Petty Cash	642	-	642
Total Cash Deposits	286,022	-	286,022
Investments:			
California Local Agency Investment Fund	2,746,674	-	2,746,674
Brokerage Accounts/Cash with Fiscal Agents	-	30,218,075	30,218,075
Total Investments	2,746,674	30,218,075	32,964,749
Total Cash and Investments	$ 3,032,696	$ 30,218,075	$ 33,250,771

Cash in Banks

Cash balances in banks are insured up to $250,000 per insured bank by the Federal Deposit Insurance Corporation ("FDIC"). As of June 30, 2022, the Agency's bank balances exceeded the FDIC coverage limit by $439,255 as of June 30, 2022. The difference between the book balance and the bank statement balance was for outstanding checks. None of the District's deposits with financial institutions in excess of FDIC limits were held in uncollateralized accounts. All of the District's accounts met the collateral and categorization requirements as noted in the following paragraph.

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.

The Agency has the following recurring fair value measurements as of June 30, 2022:

Investment Type	Rating	Fair Value	Input Level
Money Market Accounts	n/a	$ 17,147,151	n/a
LAIF	n/a	2,746,674	Level 2
U.S. Obligations	Aaa	13,070,924	Level 1
Total Investments		$ 32,964,749	

The Agency has the maturities as of June 30, 2022:

	Maturities			
Investment Type	12 Months or Less	13 - 24 Months	25 - 60 Months	Concentrations
Money Market Accounts	$ 17,147,151	$ -	$ -	52.02%
LAIF	2,746,674	-	-	8.33%
U.S. Obligations	4,705,225	2,581,216	5,784,483	39.65%
Total Investments	$ 24,599,050	$ 2,581,216	$ 5,784,483	100.00%

Collateral and Categorization Requirements

The 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.

Investment Policy

BAWSCA's investment policy follows the California Government Code which authorizes BAWSCA to invest in its own bonds, certain time deposits, obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper, bankers' acceptances with maturities not to exceed 270 days, and medium-term notes issued by corporations operating within the U.S., commercial paper rated P-1 or higher by Moody's or A-1 by Standard & Poor's commercial paper record, repurchase agreements of obligations of the U.S. Government or its agencies for a term of one year or less and the Local Agency Investment Fund.

Local Agency Investment Fund

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

LAIF allows local agencies such as BAWSCA to participate in a Pooled Money Investment Account managed by the State Treasurers Office and overseen by the Pooled Money Investment Board and State Treasurer investment committee. A Local Agency Investment Advisory Board oversees LAIF. The investments with LAIF are not classified for credit risk due to their diverse nature and are stated at cost, which approximates fair value.

The total amount invested by all public agencies in LAIF, as of June 30, 2022, was approximately $236 billion which was invested in non-derivative financial products.

Cash with Fiscal Agent

BAWSCA also had cash with fiscal agent totaling $30,218,075. Cash with fiscal agent represents deposits in trust accounts, and in BAWSCA's name, from revenue bond proceeds remaining after issuance, capital facility surcharges collected to repay the revenue bonds, and minimum reserve requirements established by bond covenants.

General Reserve

BAWSCA maintains a general reserve (the "General Reserve") which is invested in LAIF. At the end of each year, excess funds are to be transferred into the General Reserve. BAWSCA's general reserve was $758,794 as of June 30, 2022.

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.
- *Credit Risk* - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.
- *Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the BAWSCA's deposits may not be returned to it. Or, in the case of investments, the risk of loss of the investment due failure, impairment or malfeasance of the third party whose name in which the investment is held and who has physical possession of the instrument. BAWSCA does not have a policy for custodial credit risk for deposits. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial

- institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.
- *Concentration of Credit Risk* - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. BAWSCA's investment policy contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code.

Although authorized to invest in more vehicles, BAWSCA manages its investment risks by limiting its investments to LAIF.

NOTE 4 - LONG-TERM LIABILITIES

BAWSCA's long-term liabilities consisted of the following as of June 30, 2022:

Long-term Liabilities	Balance July 01, 2021	Additions	Deductions	Balance June 30, 2022	Due Within One Year
2013 Revenue Bonds	$ 252,405,000	$ -	$ 13,400,000	$ 239,005,000	$ 13,975,000
2013 Revenue Bonds Premium - Net	24,453,780	-	1,881,060	22,572,720	1,881,060
Office Lease	-	792,661	103,581	689,080	146,522
Net OPEB Liability	608,498	451,924	568,924	491,498	-
Net Pension Liability	723,431	481,125	996,193	208,363	-
Compensated Absences	91,173	78,319	62,750	106,742	53,371
Total Long-term Liabilities	$ 278,281,882	$ 1,804,029	$ 17,012,508	$ 263,073,403	$ 16,055,953

In 2013, BAWSCA issued $335,780,000 in Revenue Bonds at a premium of $42,434,667 with an interest rate ranging from 1 to 5 percent. The Bonds were used to prepay capital cost recovery payment obligations of certain retail water service providers in Alameda County, Santa Clara County and San Mateo County, who are members of BAWSCA, to the City and County of San Francisco pursuant to a water supply agreement providing for the delivery of water to Members through the San Francisco Regional Water System. The bonds are secured by surcharges (revenue bond member assessments) imposed by BAWSCA on water sold to its Members and collected by the Public Utilities Commission of the City and County of San Francisco. The Bonds are fully registered with principal due annually on October 1 and interest payable semi-annually on April 1 and October 1.

BAWSCA's Revenue Bonds debt service requirements were as follows as of June 30, 2022:

Year Ending June 30,	Principal	Interest	Total
2023	$ 13,975,000	$ 10,409,132	$ 24,384,132
2024	14,555,000	9,799,060	24,354,060
2025	15,195,000	9,165,480	24,360,480
2026	15,820,000	8,496,208	24,316,208
2027	16,530,000	7,764,675	24,294,675
2028-2032	94,805,000	26,343,676	121,148,676
2033-2035	68,125,000	4,419,457	72,544,457
Total Debt Service	$ 239,005,000	$ 76,397,688	$ 315,402,688

NOTE 5 - LEASES AND RIGHT OF USE ASSETS

BAWSCA has a five-year lease agreement for office space on the 6th floor at 155 Bovet Road in San Mateo, CA, with lease payments that commenced on October 1, 2021 and end on September 30, 2026. The base monthly rent ranges from $13,332 to $15,005, which includes a 3% increase every year.

The initial present value of the lease liability, at a rate of 3% over the five years, was $792,661. The principal and interest for the fiscal year was $103,581 and $16,807, respectively.

The District recorded an associated right of use asset of $792,661. After netting the accumulated amortization of $158,532, the net book value of the office space lease right of use asset was $689,080.

The following summarizes the principal and interest requirements to lease end:

Year Ending June 30	Principal	Interest	Total
2023	$ 146,522	$ 18,674	$ 165,196
2024	156,003	14,149	170,152
2025	165,919	9,334	175,253
2026	175,846	4,214	180,060
2027	44,790	224	45,014
Total	$ 689,080	$ 46,595	$ 735,675

NOTE 6 - EMPLOYEE RETIREMENT BENEFITS

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 Plan (the Plan), a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Agency resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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 55 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 Plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Miscellaneous	
	Tier 1	PEPRA
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly ben. as a % of eligible comp.	2.00%	2.00%
Required employee contribution rates	7.00%	7.50%
Required employer contribution rates	12.38%	8.09%

Employees Covered - At June 30, 2022, the following employees were covered by the benefit terms for the Plan at the valuation date of June 30, 2020:

	Miscellaneous
Active	9
Transferred	3
Separated	6
Retired	3
Total	21

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 Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. BAWSCA's contributions were $169,827 during the fiscal year.

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

As of June 30, 2022, the Agency reported net pension liabilities for its proportionate shares of the net pension liability totaling $208,363.

The Agency's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The Agency's proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2022 was as follows:

	Miscellaneous
Proportion - June 30, 2021	0.01715%
Proportion - June 30, 2022	0.01097%
Change - Increase/(Decrease)	-0.00618%

For the year ended June 30, 2022, the Agency recognized pension expense of $(92,350). At June 30, 2022, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ -	$ -
Differences between Expected and Actual Experience	23,366	-
Differences between Projected and Actual Investment Earnings	-	181,890
Differences between Employer's Contributions and Proportionate Share of Contributions	-	26,237
Change in Employer's Proportion	69,688	-
Pension Contributions Made Subsequent to Measurement Date	169,827	-
Total	$ 262,881	$ 208,127

The Agency reported $169,827 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2023	$ (9,935)
2024	(20,864)
2025	(34,010)
2026	(50,265)
2027	-
Thereafter	-
Total	$ (115,074)

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

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	(1)
Investment Rate of Return	7.15% (2)
Mortality	(3)

(1) Varies by entry age and service
(2) Net of pension plan investment expenses, including inflation
(3) Derived using CalPERS' membership data for all funds

Discount Rate - The discount rate used to measure the total pension liability was 7.15 percent for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(a) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
(b) An expected inflation of 2.0% used for this period.
(c) An expected inflation of 2.92% used for this period.

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

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	$ 788,534
Current	7.15%
Net Pension Liability	$ 208,363
1% Increase	8.15%
Net Pension Liability	$ (271,256)

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 7 - OTHER POST EMPLOYMENT BENEFITS

Plan Description

The Agency administers a single-employer defined-benefit postemployment healthcare plan (the OPEB plan). Eligibility requirements vary by retirement date. Dependents are eligible to enroll, and benefits continue to surviving spouses. The OPEB plan's audited financial statements are available at https://www.calpers.ca.gov.

Benefits Provided

BAWSCA contributes toward post-retirement benefits for employees who retire after age 50 with at least *5* years of service. For employees new to CalPERS on or after January 1, 2013, the minimum retirement age is 55. Retired employees may select any of the medical plans offered by CalPERS. BAWSCA pays the full amount of the monthly medical premium, subject to a phase-in under the "unequal contribution" method, which phases into the full premium amount over a period of years. The retiree may cover dependents, and may add dependents after retirement if a qualifying event occurs. Payments are made for the lifetime of the retired employee and dependent spouse. No dental, vision or other post-retirement benefits are provided to retired employees.

Employees Covered by Benefit Terms

At June 30, 2021, (the measurement date), the benefit terms covered the following employees:

Active employees	9
Inactive employees	3
Total employees	12

Contributions

The Agency makes contributions based on an actuarially determined rate and are approved by the authority of the Agency's Board. Total contributions during the year were $103,398. The actuarially determined contribution during the year was $136,685. The Agency's contributions were 8.37% of covered payroll during the fiscal year ended June 30, 2022. Employees are not required to contribute to the plan.

Actuarial Assumptions

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

Valuation Date:	June 30, 2021
Measurement Date:	June 30, 2021
Actuarial Cost Method:	Entry-Age Normal
Amortization Period:	20 years
Asset Valuation Method:	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	5.75%
Inflation	2.75%
Salary Increases	3.00%
Healthcare Trend Rate	5.50%
Investment Rate of Return	5.75%, Net of OPEB plan investment expenses, including inflation
Mortality	Mort and Disb Rates_PA Misc
Retirement	Rx PA Misc 2% @ 55
	Rx PA Misc 2% @ 62

Discount Rate

The projection of cash flows used to determine the discount rate assumed that the Agency 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 Commodities	3%	5%
Fixed Income	39%	5%
Global Equity	40%	5%
Real Estate Investment Trusts (REITs)	8%	5%
Treasury Inflation-Protected Securities (TIPS)	10%	3%
Total	100.00%	

Net OPEB Liability

The Agency's net OPEB liability was measured as of June 30, 2021 (measurement date), and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021 (valuation date) for the fiscal year ended June 30, 2022 (reporting date). The following summarizes the changes in the net OPEB liability during the year ended June 30, 2022:

Fiscal Year Ended June 30, 2022	**Total OPEB Liability**	**Plan Fiduciary Net Position**	**Net OPEB Liability (Asset)**
Balance at June 30, 2021	$ 1,420,768	$ 812,270	$ 608,498
Service cost	94,221	-	94,221
Interest in Total OPEB Liability	80,696	-	80,696
Employer contributions	-	112,717	(112,717)
Balance of diff between actual and exp experience	(7,281)	-	(7,281)
Actual investment income	-	172,398	(172,398)
Administrative expenses	-	(479)	479
Benefit payments	(34,717)	(34,717)	-
Net changes	132,919	249,919	(117,000)
Balance at June 30, 2022	$ 1,553,687	$ 1,062,189	$ 491,498

Covered Employee Payroll	$ 1,283,055
Total OPEB Liability as a % of Covered Employee Payroll	121.09%
Plan Fid. Net Position as a % of Total OPEB Liability	68.37%
Service Cost as a % of Covered Employee Payroll	7.34%
Net OPEB Liability as a % of Covered Employee Payroll	38.31%

Deferred Inflows and Outflows of Resources

At June 30, 2022 the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between actual and expected experience	$ -	$ 243,446
Difference between actual and expected earnings	-	107,236
Change in assumptions	-	2,127
OPEB contribution subsequent to measurement date	103,398	-
Totals	$ 103,398	$ 352,809

Of the total amount reported as deferred outflows of resources related to OPEB, $103,398 resulting from Agency's contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,		
2023	$	(72,370)
2024		(71,256)
2025		(68,872)
2026		(68,609)
2027		(43,468)
Thereafter		(28,234)
Total	$	(352,809)

OPEB Expense

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

Service cost	$	94,221
Interest in TOL		80,696
Expected investment income		(46,692)
Difference between actual and expected experience		(43,067)
Difference between actual and expected earnings		(30,698)
Change in assumptions		(401)
Administrative expenses		479
OPEB Expense	**$**	**54,538**

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

Net OPEB liability ending	$	491,498
Net OPEB liability beginning		(608,498)
Change in net OPEB liability		(117,000)
Changes in deferred inflows		58,821
Employer contributions and implicit subsidy		112,717
OPEB Expense	**$**	**54,538**

Sensitivity to Changes in the Discount Rate

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

	Discount Rate		
	(1% Decrease)	**5.75%**	**(1% Increase)**
Net OPEB Liability (Asset)	$ 762,927	$ 491,498	$ 275,929

Sensitivity to Changes in the Healthcare Cost Trend Rates

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

	Trend Rate		
	(1% Decrease)	**5.50%**	**(1% Increase)**
Net OPEB Liability (Asset)	$ 275,859	$ 491,498	$ 759,314

NOTE 8 - RISK MANAGEMENT

BAWSCA is exposed to various risk of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In an effort to manage its risk exposure, BAWSCA is a member of the Special District Risk Management Authority ("SDRMA"). SDRMA is a risk-pooling self-insurance authority created for the purpose of arranging and administering programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

As a member of the SDRMA, BAWSCA participated in the general and auto liability, public officials' and employees' errors and omissions and employment practices liability program, which retained coverage of up to $2.5 million. BAWSCA's general liability deductible is $500 for general liability property damage, and $1,000 for auto liability property damage. BAWSCA is insured for $200 million of each worker's compensation claim through the SDRMA pool. Excess workers' compensation employer's liability is covered up to $5 million. There were no accrued losses for insurance claims as of June 30, 2022. There were no settlements that exceeded insurance coverage for fiscal year ended June 30, 2022.

Special District Risk Management Authority is a not-for-profit public agency formed under California Government Code Section 6500 *et seq.* and provides a full-service risk management program for California's local governments. For more than 20 years, SDRMA has provided comprehensive property, liability and workers' compensation protection with rates that are consistently 15% below average market rates.

Condensed financial information for SDRMA for the fiscal year ended June 30, 2021 is as follows:

Total Assets & Deferred Outflows	$	140,466,966
Total Liabilites & Deferred Inflows		74,123,679
Net Assets	$	66,343,287
Total Revenues	$	83,706,987
Total Expenses		78,306,334
Change in Net Assets	$	5,400,653

NOTE 9 - SUBSEQUENT EVENT

Beginning in March 2020, the United States economy began suffering adverse effects from the COVID 19 Virus Crisis ("CV19 Crisis"). As of the date of issuance of the financial statements, the Agency had not suffered a material adverse impact from the CV19 Crisis. The future impact of the CV19 Crisis on the Agency cannot be reasonably estimated, but management believes the Agency has sufficient reserves to continue operating at its current level.

REQUIRED SUPPLEMENTARY INFORMATION

BAY AREA WATER SUPPLY & CONSERVATION AGENCY

SCHEDULE OF CONTRIBUTIONS - PENSION PLANS
JUNE 30, 2022

Miscellaneous Plan

Fiscal Year Ended	2015	2016	2017	2018	2019	2020	2021	2022
Contractually Required Contributions	$ 92,873	$ 93,330	$ 105,314	$ 124,761	$ 114,356	$ 124,599	$ 143,416	$ 169,827
Contributions in Relation to Contractually Required Contributions	92,873	93,330	105,314	124,761	114,356	124,599	143,416	169,827
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	**$ 715,210**	**$ 758,766**	**$ 984,528**	**$ 1,038,796**	**$ 1,160,975**	**$ 1,202,938**	**$ 1,284,901**	**$ 1,383,789**
Contributions as a % of Covered Payroll	**12.99%**	**12.30%**	**10.70%**	**12.01%**	**9.85%**	**10.36%**	**11.16%**	**12.27%**

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
3.8 Years Remaining Amortization Period
Inflation Assumed at 2.50%
Investment Rate of Returns set at 7.15%
CalPERS mortality table based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.
The CalPERS discount rate was increased from 7.50% to 7.65% in fiscal year 2016, then to 7.15% in 2018,.
The CalPERS mortality assumptions was adjusted in fiscal year 2019.

BAY AREA WATER SUPPLY & CONSERVATION AGENCY

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
JUNE 30, 2022

Miscellaneous and Safety Plan Fiscal Year Ended	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Proportion of Net Pension Liability (Safety and Misc)	0.00516%	0.00537%	0.00533%	0.00574%	0.00576%	0.00620%	0.00665%	0.00385%
Proportion of Net Pension Liability (Misc Plan Only)	0.01300%	0.01344%	0.01327%	0.01443%	0.01472%	0.01587%	0.01715%	0.01097%
Proportionate Share of Net Pension Liability	$ 321,291	$ 368,743	$ 460,813	$ 568,862	$ 554,568	$ 635,503	$ 723,431	$ 208,363
Covered Payroll	$ 694,378	$ 715,210	$ 758,766	$ 984,528	$ 1,038,796	$ 1,160,975	$ 1,202,938	$ 1,284,901
Proportionate Share of NPL as a % of Covered Payroll	**46.27%**	**51.56%**	**60.73%**	**57.78%**	**53.39%**	**54.74%**	**60.14%**	**16.22%**
Plan's Fiduciary Net Position as a % of the TPL	**81.15%**	**85.57%**	**81.49%**	**80.58%**	**82.33%**	**82.01%**	**81.75%**	**95.26%**

Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.
The CalPERS discount rate was increased from 7.50% to 7.65% in fiscal year 2016, then to 7.15% in 2018.
The CalPERS mortality assumptions was adjusted in fiscal year 2019.

BAY AREA WATER SUPPLY & CONSERVATION AGENCY

SCHEDULE OF CONTRIBUTIONS FOR OPEB PLANS
JUNE 30, 2022

Fiscal Year Ended	**2018**	**2019**	**2020**	**2021**	**2022**
Actuarially determined contribution (ADC)	$ 153,393	$ 152,091	$ 158,902	$ 164,443	$ 136,685
Less: actual contribution in relation to ADC	(124,732)	(112,158)	(109,679)	(117,252)	(112,717)
Contribution deficiency (excess)	$ 28,661	$ 39,933	$ 49,223	$ 47,191	$ 23,968
Covered employee payroll	$ 1,038,796	$ 1,160,975	$ 1,202,938	$ 1,284,901	$ 1,383,789
Contrib. as a % of covered employee payroll	12.01%	9.66%	9.12%	9.13%	8.15%

Notes to Schedule:

Assumptions and Methods

Valuation Date:	June 30, 2021
Measurement Date:	June 30, 2021
Actuarial Cost Method:	Entry-Age
Amortization Period:	20 years
Asset Valuation Method:	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	5.75%
Inflation	2.75%
Salary Increases	3.00%
Healthcare Trend Rate	5.50%
Investment Rate of Return	5.75%, Net of OPEB plan investment expenses, including inflation
Mortality	Mort and Disb Rates_PA Misc
Retirement	Rx PA Misc 2% @ 55 Rx PA Misc 2% @ 62

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

There were no changes in benefit terms.

There were no changes in discount rates, trend rates or assumptions.

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

BAY AREA WATER SUPPLY & CONSERVATION AGENCY

SCHEDULE OF CHANGES IN NET OPEB LIABILITY
JUNE 30, 2022

Fiscal Year Ended	2018	2019	2020	2021	2022
Total OPEB liability					
Service cost	$ 76,481	$ 78,775	$ 88,384	$ 112,086	$ 94,221
Interest	70,409	76,325	80,570	85,634	80,696
Differences expected and actual exp.	-	(41,942)	(46,024)	(245,685)	(7,281)
Changes of assumptions	-	-	-	(2,930)	-
Benefit payments	(43,763)	(44,227)	(29,783)	(35,252)	(34,717)
Other	-	-	-	(4,669)	-
Net change in Total OPEB Liability	103,127	68,931	93,147	(90,816)	132,919
Total OPEB Liability - beginning	1,246,379	1,349,506	1,418,437	1,511,584	1,420,768
Total OPEB Liability - ending	$ 1,349,506	$ 1,418,437	$ 1,511,584	$ 1,420,768	$ 1,553,687
Plan fiduciary net position					
Employer contributions	$ 147,026	$ 124,732	$ 112,158	$ 117,252	$ 112,717
Net investment income	27,435	31,526	44,302	40,962	172,398
Benefit payments	(43,763)	(44,227)	(29,783)	(35,252)	(34,717)
Administrative expense	(206)	(269)	(309)	(377)	(479)
Net change in plan fiduciary net positior	130,492	111,762	126,368	122,585	249,919
Plan fiduciary net position - beginning	321,063	451,555	563,317	689,685	812,270
Plan fiduciary net position - ending	$ 451,555	$ 563,317	$ 689,685	$ 812,270	$ 1,062,189
Net OPEB liability (asset)	$ 897,951	855,120	821,899	608,498	491,498
Plan fiduciary net position as a percentage of the total OPEB liability	33.46%	39.71%	45.63%	57.17%	68.37%
Covered Employee Payroll	$ 984,528	$ 1,038,796	$ 1,160,975	$ 1,202,938	$ 1,284,901
NOL as a % of covered employee payroll	91.21%	82.32%	70.79%	50.58%	38.25%
TOL as a % of covered employee payroll	137.07%	136.55%	130.20%	118.11%	120.92%

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.

There were no changes in benefit terms.

There were no changes in discount rates, trend rates or assumptions.

SUPPLEMENTAL INFORMATION

BAY AREA WATER SUPPLY & CONSERVATION AGENCY

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual (Budget Basis)	Variance
OPERATING REVENUE	$ 4,202,118	$ 4,202,118	$ 4,217,868	$ 15,750
OPERATING EXPENSES:				
Consultants:				
Reliability	1,506,600	1,522,350	1,402,888	119,462
Fair pricing	565,700	565,700	443,518	122,182
Administration	140,000	140,000	137,888	2,112
Subtotal consultants	2,212,300	2,228,050	1,984,294	243,756
Administration:				
Salaries and benefits	2,122,019	2,122,019	2,113,359	8,660
Operating expenses	385,900	385,900	300,038	85,862
Subtotal administration	2,507,919	2,507,919	2,413,397	94,522
Other operating expenses	63,575	63,575	2,524	61,051
Total operating expenses	4,783,794	4,799,544	4,400,215	399,329
OPERATING INCOME (LOSS)	(581,676)	(597,426)	(182,347)	415,079
NON-OPERATING REVENUE (EXPENSE):				
Transfers in	300,000	300,000	300,000	-
Interest income	-	-	7,091	7,091
Total non-operating revenue (expense)	300,000	300,000	307,091	7,091
CHANGE IN NET POSITION	(281,676)	(297,426)	124,744	422,170
NET POSITION - BEGINNING	2,698,116	2,698,116	2,698,116	-
NET POSITION - ENDING	$ 2,416,440	$ 2,400,690	$ 2,822,860	$ 422,170
RECONCILIATION OF BUDGET BASIS TO GAAP:				
Changes in Net Position - Budget Basis			$ 124,744	
Change in compensated absences			(15,569)	
Beginning budgetary net position differences			(98,428)	
Pension expense adjustments			320,250	
OPEB expense adjustments			54,193	
Conservation program revenue			1,071,453	
Conservation program expenses			(1,147,552)	
Capital facility surcharge amortization			(14,300,570)	
GASB 87 lease interest expense			(16,807)	
Revenue bond surcharges			25,076,248	
Revenue bond interest income			1,701,702	
Revenue bond interest expense			(10,890,170)	
Contributions to OPEB trust			(48,184)	
Depreciation and amortization			(159,781)	
Changes in Net Position - GAAP Basis			1,671,529	
Net Position - Beginning Adjusted			19,396,691	
Net Position - Ending			$ 21,068,220	

BAY AREA WATER SUPPLY & CONSERVATION AGENCY

COMBINING SCHEDULE OF NET POSITION
JUNE 30, 2022

	Subscription Fund	Home Water Use Reports Fund	Revenue Bond Fund	Operating Fund	Total
Assets					
Current Assets:					
Cash and investments	$ 1,214	$ 107,190	$ 60,259	$ 2,864,033	$ 3,032,696
Assessments receivable	-	-	-	70,470	70,470
Revenue bond surcharges receivable	-	-	1,939,040	-	1,939,040
Subscription Cons. programs receivables: other	163,439	-	-	-	163,439
Other receivables	28,434	-	-	23	28,457
Prepaid assets	44	-	-	68,653	68,697
Total Current Assets	193,131	107,190	1,999,299	3,003,179	5,302,799
Noncurrent Assets:					
Property and equipment - net	-	-	-	349	349
Right of use assets - net	-	-	-	634,129	634,129
Cash with fiscal agent	-	-	30,218,075	-	30,218,075
Prepaid future capital facility obligations	-	-	251,257,444	-	251,257,444
Deposit	-	-	-	14,067	14,067
Total Noncurrent Assets	-	-	281,475,519	648,545	282,124,064
Total Assets	$ 193,131	$ 107,190	$ 283,474,818	$ 3,651,724	$ 287,426,863
Deferred Outflows Of Resources					
OPEB adjustments	$ -	$ -	$ -	$ 103,398	$ 103,398
Pension contributions and adjustments	-	-	-	262,881	262,881
Pension contributions and adjustments	$ -	$ -	$ -	$ 366,279	$ 366,279
Liabilities					
Current Liabilities:					
Accounts payable	$ 131,375	$ 80,291	$ -	$ 200,117	$ 411,783
Accrued expenses	-	-	-	3,800	3,800
Accrued interest	-	-	2,675,000	-	2,675,000
Current portion of long-term liabilities	-	-	15,856,060	199,893	16,055,953
Total Current Liabilities	131,375	80,291	18,531,060	403,810	19,146,536
Noncurrent Liabilities:					
Long-term liabilities - net of current portion	-	-	245,721,660	1,295,790	247,017,450
Total Liabilities	$ 131,375	$ 80,291	$ 264,252,720	$ 1,699,600	$ 266,163,986
Deferred Inflows Of Resources					
OPEB adjustments	$ -	$ -	$ -	$ 352,809	$ 352,809
Pension contributions and adjustments	-	-	-	208,127	208,127
Pension contributions and adjustments	$ -	$ -	$ -	$ 560,936	$ 560,936
Net Position					
Net Investment in Capital Assets	$ -	$ -	$ -	$ 349	$ 349
Restricted for Debt Service	-	-	19,222,098	-	19,222,098
Unrestricted	61,756	26,899	-	1,757,118	1,845,773
Total Net Position	$ 61,756	$ 26,899	$ 19,222,098	$ 1,757,467	$ 21,068,220

BAY AREA WATER SUPPLY & CONSERVATION AGENCY

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Subscription Fund	Home Water Use Reports Fund	Revenue Bond Fund	Operating Fund	Total
Operating Revenue:					
Assessments	$ -	$ -	$ -	$ 3,871,118	$ 3,871,118
Revenue bond surcharges	-	-	25,076,248	-	25,076,248
Subscription Conservation programs	697,830	373,623	-	-	1,071,453
Other operating revenue	-	-	-	346,750	346,750
Total operating revenue	697,830	373,623	25,076,248	4,217,868	30,365,569
Operating Expenses:					
Legal services	-	-	-	748,590	748,590
Engineering services	-	-	-	95,143	95,143
Financial services	-	-	-	308,568	308,568
Strategic communications	1,800	-	-	182,199	183,999
Water conservation programs	641,185	414,537	-	19,583	1,075,305
Water resources planning	90,010	-	-	503,388	593,398
Advertising	-	-	-	71,750	71,750
Automobile	-	-	-	8,100	8,100
Depreciation and amortization	-	-	-	159,781	159,781
Director fees	-	-	-	21,730	21,730
Filing fees	-	-	-	2,129	2,129
Insurance	-	-	-	35,365	35,365
Meetings	-	-	-	11,195	11,195
Dues and subscriptions	-	-	-	38,110	38,110
Sponsorships	-	-	-	14,500	14,500
Miscellaneous	20	-	-	945	965
Professional services	-	-	-	36,685	36,685
Office	-	-		48,703	48,703
Payroll tax expense	-	-	-	22,238	22,238
Salaries	-	-	-	1,437,718	1,437,718
Employee benefits	-	-	-	259,589	259,589
Employee leave	-	-	-	15,570	15,570
Training	-	-	-	3,271	3,271
Travel and entertainment	-	-	-	2,884	2,884
Capital facility surcharge amortization	-	-	14,300,570	-	14,300,570
Total operating expenses	733,015	414,537	14,300,570	4,047,734	19,495,856
Operating Income	(35,185)	(40,914)	10,775,678	170,134	10,869,713
Non-Operating Revenues (Expenses):					
Interfund transfers in	48,258	-	-	(48,258)	-
Interfund transfers out	-	(74)	(300,000)	300,074	-
Interest expense	-	-	(10,890,170)	(16,807)	(10,906,977)
Interest income	-	-	1,701,702	7,091	1,708,793
Total non-operating revenues	48,258	(74)	(9,488,468)	242,100	(9,198,184)
Change In Net Position	13,073	(40,988)	1,287,210	412,234	1,671,529
Net Position - Beginning	48,683	67,887	17,934,888	1,345,233	19,396,691
Net Position - Ending	$ 61,756	$ 26,899	$ 19,222,098	$ 1,757,467	$ 21,068,220

OTHER INDEPENDENT AUDITOR’S REPORT

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

Board of Directors
Bay Area Water Supply & Conservation Agency

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 business-type activities of the Bay Area Water Supply & Conservation Agency (the "Agency") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated October 27, 2022 .

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion

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on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

C & A LLP

October 27, 2022
Morgan Hill, California

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