

**BAY AREA WATER SUPPLY  
& CONSERVATION AGENCY**

AUDITED FINANCIAL STATEMENTS &  
INDEPENDENT AUDITOR'S REPORT  
JUNE 30, 2025



**Chavan & Associates, LLP**

Certified Public Accountants  
16450 Monterey Road, Ste 5  
Morgan Hill, CA 95037

**BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

**TABLE OF CONTENTS**  
**JUNE 30, 2025**

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ELECTED OFFICIALS AND MANAGEMENT TEAM .....	1
INDEPENDENT AUDITOR’S REPORT.....	2
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position .....	5
Statement of Revenues, Expenses and Changes in Net Position .....	6
Statement of Cash Flows .....	7
Notes to Financial Statements .....	8
REQUIRED SUPPLEMENTAL INFORMATION:	
Schedule of Contributions - Pension Plans .....	30
Schedule of Proportionate Share of Net Pension Liability.....	31
Schedule of Contributions for OPEB Plans.....	32
Schedule of Changes in Net OPEB Liability .....	33
SUPPLEMENTAL INFORMATION:	
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual (Budget Basis).....	34
Combining Schedule of Net Position .....	35
Combining Schedule of Revenues, Expenses and Changes in Net Position.....	36
OTHER INDEPENDENT AUDITOR’S REPORTS:	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	37

**BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

**ELECTED OFFICIALS AND MANAGEMENT TEAM  
JUNE 30, 2025**

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**BOARD OF DIRECTORS**

Angela Andrews, City of Hayward  
Ann Schneider, City of Millbrae  
Webster Lincoln, City of East Palo Alto  
Barbara Pierce, City of Redwood City  
Carmen Montano, City of Milpitas  
Chris Mickelsen, Coastside Count Water District  
David Cohen, City of San Jose  
Greer Stone, City of Palo Alto  
Richard Mehlinger, City of Sunnyvale  
John Weed, Alameda County Water District  
Juslyn Manalo, City of Daly City  
Karen Hardy, City of Santa Clara  
Leslie Ragsdale, Town of Hillsborough  
Pat Showalter, City of Mountain View  
Louis Vella, Mid-Peninsula Water District  
Betsy Nash, City of Menlo Park  
Peter Stevenson, City of Burlingame  
Randy Breault, Guadalupe Valley Water District  
Randy Breault, City of Brisbane  
Art Kiesel, Foster City  
Steve Jordan, Purissima Hills Water District  
Tom Chambers, Westborough  
Tom Hamilton, City of San Bruno  
Tom Piccolotti, North Coast County Water District  
Darin Duncan, California Water Service Co.  
Tom Zigterman, Stanford University

**MANAGEMENT TEAM**

Tom Smegal, CEO/General Manager  
Tom Francis, Water Resources Manager  
Negin Ashoori, Senior Water Resources Engineer  
Danielle McPherson, 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, 2025 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, 2025, 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.

#### 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 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 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 GAAS 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 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 are 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 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 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.

### **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 September 15, 2025 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

September 15, 2025  
Morgan Hill, California

## **BASIC FINANCIAL STATEMENTS**

**BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

**STATEMENT OF NET POSITION  
JUNE 30, 2025**

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**ASSETS**

Current Assets:

Cash and cash equivalents	\$	5,136,224
Operating assessments receivable		119,748
Revenue bond surcharges receivable		2,042,915
Subscription Cons. programs receivables: other		34,010
Other receivables		18,125
Prepaid expenses		43,794
Total Current Assets		<u>7,394,816</u>

Noncurrent Assets:

Property and equipment - net		8,609
Right of use assets - net		158,533
Investments with fiscal agent		30,895,850
Prepaid future capital facility obligations		205,037,062
Deposit		14,067
Total Noncurrent Assets		<u>236,114,121</u>
TOTAL ASSETS	\$	<u>243,508,937</u>

**DEFERRED OUTFLOWS OF RESOURCES**

OPEB adjustments	\$	577,540
Pension contributions and adjustments		444,094
Total Deferred Inflows of Resources	\$	<u>1,021,634</u>

**LIABILITIES**

Current Liabilities:

Accounts payable	\$	144,809
Accrued expenses		33,287
Accrued interest		2,140,000
Current portion of long-term liabilities		14,227,739
Total Current Liabilities		<u>16,545,835</u>

Noncurrent Liabilities:

Long-term liabilities - net of current portion		<u>185,877,933</u>
TOTAL LIABILITIES	\$	<u>202,423,768</u>

**DEFERRED INFLOWS OF RESOURCES**

OPEB adjustments	\$	167,776
Pension contributions and adjustments		46,562
Deferred gain on debt refunding		9,661,034
Total Deferred Inflows of Resources	\$	<u>9,875,372</u>

**NET POSITION**

Net Investment in Capital Assets	\$	8,609
Restricted for Debt Service		28,714,305
Unrestricted		3,508,517
TOTAL NET POSITION	\$	<u>32,231,431</u>

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, 2025**

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**OPERATING REVENUE:**

Assessments	\$ 5,274,398
Conservation programs	2,203,769
Other operating revenue	<u>34,488</u>
Total operating revenue	<u>7,512,655</u>

**OPERATING EXPENSES:**

Consultants	2,063,450
Administration	2,887,478
Depreciation and amortization	160,684
Conservation programs	<u>1,711,082</u>
Total operating expenses	<u>6,822,694</u>
Operating Income	<u>689,961</u>

**NON-OPERATING REVENUES (EXPENSES):**

Revenue bond surcharges	22,755,132
Capital facility surcharge amortization	(15,992,503)
Interest expense	(8,276,439)
Interest income	<u>5,369,948</u>
Total non-operating revenues	<u>3,856,138</u>

**CHANGE IN NET POSITION** 4,546,099

**NET POSITION - BEGINNING** 27,685,332

**NET POSITION - ENDING** \$ 32,231,431

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, 2025

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from assessments	\$ 5,240,209
Cash received from Subscription Conservation programs	2,421,020
Cash received from other operating sources	62,907
Cash paid for employee services and other operating expenses	(4,770,064)
Cash paid for Subscription Conservation programs	<u>(1,675,397)</u>
Net Cash Provided by (Used for) Operating Activities	<u>1,278,675</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Interest payments	(9,336)
Principal payments	<u>(165,919)</u>
Net Cash Provided by (Used for) Capital Related Financing Activities	<u>(175,255)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income received	<u>157,801</u>
Net Cash Provided by (Used for) Investing Activities	<u>157,801</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,261,221
CASH AND CASH EQUIVALENTS - BEGINNING	<u>3,875,002</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 5,136,223</u>
Reconciliation of operating income to net cash provided by (used for)	
operating activities	
Operating income (loss)	\$ 689,961
Adjustments to reconcile operating income (loss) to net	
cash provided by (used for) operating activities:	
Depreciation and amortization	160,684
Change in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(34,189)
(Increase) decrease in Subscription Conservation programs receivables: other	217,251
(Increase) decrease in other receivables	28,419
(Increase) decrease in prepaid expenses	29,318
(Increase) decrease in deferred outflows of resources	(185,103)
Increase (decrease) in accounts payable	41,845
Increase (decrease) in accrued expenses	78
Increase (decrease) in accrued compensated absences	(7,242)
Increase (decrease) in net pension liability	(23,468)
Increase (decrease) in net OPEB liability	275,242
Increase (decrease) in deferred inflows of resources	<u>85,879</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 1,278,675</u>
SUMMARY OF CASH AND INVESTMENTS:	
Cash and equivalents	5,136,223
Investments	<u>30,895,851</u>
Total cash and investments	<u>\$ 36,032,074</u>

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

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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### **NOTE 1 - SUMMARY OF ORGANIZATION**

Bay Area Water Supply & Conservation Agency (the "Agency" or "BAWSCA") was formed on May 19, 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

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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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.

### *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

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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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, 2024, was adopted by the Board of Directors in May of 2024.

### ***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, 2025.

**BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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***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.

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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### *Leases*

The Agency is a lessee for a noncancellable lease of \$220,636. 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

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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liability and asset information within certain defined timeframes. Liabilities are based on the results of actuarial calculations performed as of June 30, 2023. For this report, the following timeframes are used for BAWSCA's pension plans:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Measurement Period	June 30, 2023 to June 30, 2024

### ***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, 2024
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

### ***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. 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

## BAY AREA WATER SUPPLY & CONSERVATION AGENCY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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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. 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.

This statement did not have a material impact on the Agency's financial statements.

#### **GASB Statement No. 102, *Certain Risk Disclosures***

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions for (1) the concentration or constraint (2) each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements (3) actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

This statement did not have a material impact on the Agency's financial statements.

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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### *Upcoming New Accounting Pronouncements*

The Agency is currently analyzing its accounting practices to determine the potential impact on the financial statements of the following recent GASB Statements:

### **GASB Statement No. 103, *Financial Reporting Model Improvements***

This Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

This Statement establishes new accounting and financial reporting requirements or modifies existing requirements related to (a) Management's discussion and analysis (MD&A) (b) Unusual or infrequent items (c) Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position (d) Information about major component units in basic financial statements (5) Budgetary comparison information (6) Financial trend information in the statistical section

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

### **NOTE 3 - CASH AND INVESTMENTS**

The following summarizes deposits as of June 30, 2025:

Cash and Investments	Available for Operations	Restricted	Total
<b>Cash Deposits:</b>			
Cash in Banks	\$ 1,282,958	\$ -	\$ 1,282,958
Petty Cash	221	-	221
<b>Total Cash Deposits</b>	<b>1,283,179</b>	<b>-</b>	<b>1,283,179</b>
<b>Investments:</b>			
California Local Agency Investment Fund	3,853,044	-	3,853,044
Brokerage Accounts/Cash with Fiscal Agents	-	30,895,851	30,895,851
<b>Total Investments</b>	<b>3,853,044</b>	<b>30,895,851</b>	<b>34,748,895</b>
<b>Total Cash and Investments</b>	<b>\$ 5,136,223</b>	<b>\$ 30,895,851</b>	<b>\$ 36,032,074</b>

### ***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, 2025, the Agency's bank balances exceeded the FDIC coverage limit by \$1,505,227 which is collateralized as noted in the following *Collateral and Categorization Requirements* section of the notes to the financial statements. The difference between the book balance and the bank statement balance was for outstanding checks.

**BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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***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, 2025:

Investment Type	Rating	Fair Value	Input Level
Money Market Accounts	n/a	\$ 18,552,431	n/a
LAIF	n/a	3,853,044	n/a
U.S. Obligations	Aaa	12,343,420	Level 1
Total Investments		\$ 34,748,895	

The Agency has the maturities as of June 30, 2025:

Investment Type	Maturities			Concentrations
	12 Months or Less	13 - 24 Months	25 - 60 Months	
Money Market Accounts	\$ 18,552,431	\$ -	\$ -	53.39%
LAIF	3,853,044	-	-	11.09%
U.S. Obligations	2,987,346	2,295,585	7,060,489	35.52%
Total Investments	\$ 25,392,821	\$ 2,295,585	\$ 7,060,489	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

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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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, 2025, was approximately \$179 billion which was invested in non-derivative financial products.

### ***Cash with Fiscal Agent***

BAWSCA also had cash with fiscal agent totaling \$30,895,851. 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 \$1,356,288 as of June 30, 2025.

### ***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

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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, 2025:

	Balance			Balance		Due Within
Long-term Liabilities	July 01, 2024	Additions	Deductions	June 30, 2025	One Year	
2013 Revenue Bonds	\$ 57,195,000	\$ -	\$ 4,160,000	\$ 53,035,000	\$ 4,285,000	
2013 Revenue Bonds Premium	6,165,675	-	559,221	5,606,454	-	
2023 Refunding Bonds	128,760,000	-	9,250,000	119,510,000	9,715,000	
2023 Refunding Bonds Premium	21,628,361	-	2,208,250	19,420,111	-	
Office Lease	386,555	-	165,919	220,636	175,846	
Net OPEB Liability	907,569	650,851	375,609	1,182,811	-	
Net Pension Liability	1,050,343	743,089	766,557	1,026,875	-	
Compensated Absences	111,027	-	7,242	103,785	51,893	
Total Long-term Liabilities	<u>\$ 216,204,530</u>	<u>\$ 1,393,940</u>	<u>\$ 17,492,798</u>	<u>\$ 200,105,672</u>	<u>\$ 14,227,739</u>	

In 2013, BAWSCA issued \$335,780,000 in Revenue Bonds at a premium of \$42,434,667 with an interest rate ranging from .435 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. The Series 2013A revenue bonds totaling \$163,790,000 were refunded during the fiscal year ended June 30, 2023.

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

In January of 2023, BAWSCA issued 2023 Refunding bonds totaling \$134,310,000 at a premium of \$26,044,861 to refund the Series 2013A revenue bonds. As a result, BAWSCA recognized a gain on the early retirement of the bonds totaling \$12,953,534 and realized savings of \$37,600,242 in future debt service payments. 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 at 5 percent due semi-annually on April 1 and October 1.

BAWSCA's Revenue Bonds debt service requirements were as follows as of June 30, 2025:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 14,000,000	\$ 7,662,458	\$ 21,662,458
2027	14,620,000	7,024,175	21,644,175
2028	15,275,000	6,352,061	21,627,061
2029	15,965,000	5,644,647	21,609,647
2030	16,690,000	4,889,070	21,579,070
2031-2035	95,995,000	11,607,481	107,602,481
Total Debt Service	<u>\$ 172,545,000</u>	<u>\$ 43,179,892</u>	<u>\$ 215,724,892</u>

### NOTE 5 - LEASES AND RIGHT OF USE ASSETS

BAWSCA has a five-year lease agreement for office space on the 6<sup>th</sup> floor at 155 Bovet Road in San Mateo, CA, with lease payments that commenced on October 1, 2021 and ends 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 paid during the fiscal year was \$165,919 and \$9,334, respectively.

The Agency recorded an associated right of use asset of \$792,661. After netting the accumulated amortization of \$634,128, the net book value of the office space lease right of use asset was \$158,533. The current year amortization expense was \$158,532.

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

Year Ending June 30:	Principal	Interest	Total
2026	\$ 175,846	\$ 4,214	\$ 180,060
2027	44,791	224	45,015
Total	<u>\$ 220,637</u>	<u>\$ 4,438</u>	<u>\$ 225,075</u>

**BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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**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, 2025, are summarized as follows:

	<b>Miscellaneous</b>	
	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 benefits as a % of eligible compensat	2.00%	2.00%
Required employee contribution rates	7.00%	8.25%
Required employer contribution rates	13.84%	8.63%

**Employees Covered** - At June 30, 2025, the following employees were covered by the benefit terms for the Plan at the valuation date of June 30, 2023:

	<b>Miscellaneous</b>
Active	9
Transferred	4
Separated	5
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

## BAY AREA WATER SUPPLY & CONSERVATION AGENCY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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 \$186,365 during the fiscal year.

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

As of June 30, 2025, the Agency reported net pension liabilities for its proportionate shares of the net pension liability totaling \$1,026,875.

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, 2024, 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, 2023 rolled forward to June 30, 2024 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, 2024 and 2025 was as follows:

	<b>Miscellaneous</b>
Proportion - June 30, 2024	0.02101%
Proportion - June 30, 2025	0.02123%
Change - Increase/(Decrease)	0.00023%

For the year ended June 30, 2025, the Agency recognized pension expense of \$293,884. At June 30, 2025, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of Assumptions	\$ 26,393	\$ -
Differences between Expected and Actual Experience	88,783	3,464
Differences between Projected and Actual Investment Earnings	59,116	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	43,097
Change in Employer's Proportion	83,438	-
Pension Contributions Made Subsequent to Measurement Date	186,365	-
<b>Total</b>	<b>\$ 444,095</b>	<b>\$ 46,561</b>

**BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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The Agency reported \$186,365 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, 2026.

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

<b>Fiscal Year Ending June 30:</b>	<b>Deferred Outflows/ (Inflows) of Resources</b>
2026	\$ 86,937
2027	139,917
2028	4,573
2029	(20,258)
2030	-
Thereafter	-
<b>Total</b>	<b>\$ 211,169</b>

**Actuarial Assumptions** - The total pension liabilities in the June 30, 2023 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Projected Salary Increase	(1)
Investment Rate of Return	6.8% (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 6.9 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 6.9 percent discount rate is adequate

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.9 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.

<u>Asset Class (a)</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Return (1)(2)</u>
Global Equity Cap Weighted	30.00%	4.54%
Global Equity NonCap Weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	<u>100.00%</u>	

(1) An expected inflation of 2.3% used for this period.

(2) Figures are based on the 2021-22 Asset Liability Study.

**BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

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*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:

	<u>Miscellaneous</u>
1% Decrease	5.90%
Net Pension Liability	\$ 1,902,826
Current	6.90%
Net Pension Liability	\$ 1,026,875
1% Increase	7.90%
Net Pension Liability	\$ 305,837

**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.

**BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

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*Employees Covered by Benefit Terms*

At June 30, 2024, (the measurement date), the benefit terms covered the following employees:

Active employees	9
Inactive employees	<u>3</u>
<b>Total employees</b>	<b><u>12</u></b>

*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 \$129,645. The actuarially determined contribution during the year was \$192,647. The Agency’s contributions were 8.23% of covered payroll during the fiscal year ended June 30, 2025. 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, 2024
Measurement Date:	June 30, 2024
Actuarial Cost Method:	Entry-Age Normal
Amortization Period:	20 years
Asset Valuation Method:	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	5.50%
Inflation	2.75%
Salary Increases	3.00%
Healthcare Trend Rate	5.50%
Investment Rate of Return	5.5%, Net of OPEB plan investment expenses, including inflation
Mortality	2021 valuation of CalPERS, MP-2021
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.

**BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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*Long-Term Expected Rate of Return*

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

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

<u>Asset Class</u>	<b>Long-Term Percentage of Expected Rate Portfolio of Return</b>	
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%
<b>Total</b>	<u>100%</u>	

*Net OPEB Liability*

The Agency's net OPEB liability was measured as of June 30, 2024 (measurement date), and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2024 (valuation date) for the fiscal year ended June 30, 2025 (reporting date). The following summarizes the changes in the net OPEB liability during the year ended June 30, 2025:

<u>Fiscal Year Ended June 30, 2025</u>	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability (Asset)</b>
<b>Balance at June 30, 2024</b>	\$ 2,006,935	\$ 1,099,366	\$ 907,569
Service cost	93,083	-	93,083
Interest in Total OPEB Liability	109,611	-	109,611
Employer contributions	-	106,006	(106,006)
Balance of diff between actual and exp experience	272,748	-	272,748
Actual investment income	-	94,781	(94,781)
Administrative expenses	-	(587)	587
Benefit payments	(28,006)	(28,006)	-
<b>Net changes</b>	<u>447,436</u>	<u>172,194</u>	<u>275,242</u>
<b>Balance at June 30, 2025</b>	<u>\$ 2,454,371</u>	<u>\$ 1,271,560</u>	<u>\$ 1,182,811</u>

**BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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*Deferred Inflows and Outflows of Resources*

At June 30, 2025 the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between actual and expected experience	\$ 310,003	\$ 114,243
Difference between actual and expected earnings	93,603	52,608
Change in assumptions	44,289	925
OPEB contribution subsequent to measurement date	129,645	-
<b>Totals</b>	<b>\$ 577,540</b>	<b>\$ 167,776</b>

Of the total amount reported as deferred outflows of resources related to OPEB, \$129,645 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, 2026. 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,	
2026	\$ 28,760
2027	53,901
2028	36,650
2029	44,322
2030	57,253
Thereafter	59,233
<b>Total</b>	<b>\$ 280,119</b>

*OPEB Expense*

The following summarizes the OPEB expense by source during the year ended June 30, 2025:

Service cost	\$ 93,083
Interest in TOL	109,611
Expected investment income	(60,449)
Difference between actual and expected experience	7,232
Difference between actual and expected earnings	12,627
Change in assumptions	8,637
Administrative expenses	587
<b>OPEB Expense</b>	<b>\$ 171,328</b>

**BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2025:

Net OPEB liability ending	\$ 1,182,811
Net OPEB liability beginning	<u>(907,569)</u>
Change in net OPEB liability	275,242
Changes in deferred outflows	(331,576)
Changes in deferred inflows	98,017
Employer contributions and implicit subsidy	<u>129,645</u>
<b>OPEB Expense</b>	<b><u>\$ 171,328</u></b>

*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:

	<u>Discount Rate</u>		
	<u>(1% Decrease )</u>	<u>5.5%</u>	<u>(1% Increase )</u>
Net OPEB Liability (Asset)	\$ 1,633,144	\$ 1,182,811	\$ 828,776

*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:

	<u>Trend Rate</u>		
	<u>(1% Decrease )</u>	<u>5.5%</u>	<u>(1% Increase )</u>
Net OPEB Liability (Asset)	\$ 823,884	\$ 1,182,811	\$ 1,636,569

**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

**BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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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, 2025. There were no settlements that exceeded insurance coverage for fiscal year ended June 30, 2025.

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, 2024 is as follows:

Total Assets & Deferred Outflows	\$ 163,975,324
Total Liabilities & Deferred Inflows	<u>78,788,958</u>
Net Position	<u>\$ 85,186,366</u>
Total Revenues	\$ 117,667,940
Total Expenses	<u>104,002,777</u>
Change in Net Assets	<u>\$ 13,665,163</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS  
JUNE 30, 2025**

<b>Miscellaneous Plan</b>					
Plan Measurement Date	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Fiscal Year Ended	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Contractually Required Contributions	\$ 93,330	\$ 105,314	\$ 124,761	\$ 114,356	\$ 124,599
Contributions in Relation to					
Contractually Required Contributions	93,330	105,314	124,761	114,356	124,599
<b>Contribution Deficiency (Excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered Payroll</b>	<b>\$ 758,766</b>	<b>\$ 984,528</b>	<b>\$ 1,038,796</b>	<b>\$ 1,160,975</b>	<b>\$ 1,202,938</b>
<b>Contributions as a % of Covered Payroll</b>	<b>12.30%</b>	<b>10.70%</b>	<b>12.01%</b>	<b>9.85%</b>	<b>10.36%</b>
<b>Miscellaneous Plan</b>					
Plan Measurement Date	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Fiscal Year Ended	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Contractually Required Contributions	\$ 143,416	\$ 169,827	\$ 159,027	\$ 184,012	\$ 186,365
Contributions in Relation to					
Contractually Required Contributions	143,416	169,827	159,027	184,012	186,365
<b>Contribution Deficiency (Excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered Payroll</b>	<b>\$ 1,284,901</b>	<b>\$ 1,383,789</b>	<b>\$ 1,441,623</b>	<b>\$ 1,437,060</b>	<b>\$ 1,575,217</b>
<b>Contributions as a % of Covered Payroll</b>	<b>11.16%</b>	<b>12.27%</b>	<b>11.03%</b>	<b>12.80%</b>	<b>11.83%</b>

**Notes to Schedule:**

Valuation Date: June 30, 2023

Assumptions Used: Entry Age Method used for Actuarial Cost Method  
 Level Percentage of Payroll and Direct Rate Smoothing  
 Remaining Amortization Period no more than 26 years  
 Inflation Assumed at 2.30%  
 Investment Rate of Returns set at 6.8%

The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

The CalPERS discount rate was increased from 7.50% to 7.65% in FY2016, to 7.15% in FY2018, and then decreased to 6.90% in FY2022.  
 The CalPERS mortality assumptions was adjusted in fiscal year 2021.

**BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
JUNE 30, 2025**

**Miscellaneous and Safety Plan**

Plan Measurement Date Fiscal Year Ended	<b>2015</b> <b>2016</b>	<b>2016</b> <b>2017</b>	<b>2017</b> <b>2018</b>	<b>2018</b> <b>2019</b>	<b>2019</b> <b>2020</b>
Proportion of Net Pension Liability (Safety and Misc)	0.00537%	0.00533%	0.00574%	0.00576%	0.00620%
Proportion of Net Pension Liability (Misc Plan Only)	0.01344%	0.01327%	0.01443%	0.01472%	0.01587%
Proportionate Share of Net Pension Liability	\$ 368,743	\$ 460,813	\$ 568,862	\$ 554,568	\$ 635,503
Covered Payroll	\$ 715,210	\$ 758,766	\$ 984,528	\$ 1,038,796	\$ 1,160,975
Proportionate Share of NPL as a % of Covered Payroll	51.56%	60.73%	57.78%	53.39%	54.74%
Plan's Fiduciary Net Position as a % of the TPL	85.57%	81.49%	80.58%	82.33%	82.01%

**Miscellaneous and Safety Plan**

Plan Measurement Date Fiscal Year Ended	<b>2020</b> <b>2021</b>	<b>2021</b> <b>2022</b>	<b>2022</b> <b>2023</b>	<b>2023</b> <b>2024</b>	<b>2024</b> <b>2025</b>
Proportion of Net Pension Liability (Safety and Misc)	0.00665%	0.00385%	0.00773%	0.00842%	0.00847%
Proportion of Net Pension Liability (Misc Plan Only)	0.01715%	0.01097%	0.01909%	0.02101%	0.02123%
Proportionate Share of Net Pension Liability	\$ 723,431	\$ 208,363	\$ 893,339	\$ 1,050,343	\$ 1,026,875
Covered Payroll	\$ 1,202,938	\$ 1,284,901	\$ 1,383,789	\$ 1,441,623	\$ 1,437,060
Proportionate Share of NPL as a % of Covered Payroll	60.14%	16.22%	64.56%	72.86%	71.46%
Plan's Fiduciary Net Position as a % of the TPL	81.75%	95.26%	82.28%	81.60%	84.18%

The CalPERS discount rate was increased from 7.50% to 7.65% in FY2016, to 7.15% in FY2018, and then decreased to 6.90% in FY2022.

The CalPERS mortality assumptions was adjusted in fiscal year 2021.

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## SCHEDULE OF CONTRIBUTIONS FOR OPEB PLANS JUNE 30, 2025

Fiscal Year Ended	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially determined contribution (ADC)	\$ 153,393	\$ 152,091	\$ 158,902	\$ 164,443	\$ 136,685	\$ 126,906	\$ 159,352	\$ 192,647
Less: actual contribution in relation to ADC	(124,732)	(112,158)	(109,679)	(117,252)	(112,717)	(104,257)	(98,162)	(106,006)
Contribution deficiency (excess)	\$ 28,661	\$ 39,933	\$ 49,223	\$ 47,191	\$ 23,968	\$ 22,649	\$ 61,190	\$ 86,641
Covered employee payroll	\$ 1,038,796	\$ 1,160,975	\$ 1,202,938	\$ 1,284,901	\$ 1,383,789	\$ 1,441,623	\$ 1,437,060	\$ 1,575,217
Contrib. as a % of covered employee payroll	12.01%	9.66%	9.12%	9.13%	8.15%	7.23%	6.83%	6.73% <sup>1</sup>

**Notes to Schedule:**

*Assumptions and Methods*

Valuation Date:	June 30, 2024
Measurement Date:	June 30, 2024
Actuarial Cost Method:	Entry-Age
Amortization Period:	20 years
Asset Valuation Method:	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	5.50%
Inflation	2.75%
Salary Increases	3.00%
Healthcare Trend Rate	5.50%
Investment Rate of Return	5.5%, Net of OPEB plan investment expenses, including inflation
Mortality	2021 valuation of CalPERS, MP-2021
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.

In FY 2023, the discount rate decreased from 5.75% to 5.5%.

Actuarially determined contribution rates are calculated as of June 30, 2024.

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## SCHEDULE OF CHANGES IN NET OPEB LIABILITY JUNE 30, 2025

Plan Measurement Date	2018	2019	2020	2021	2022	2023	2024	2025
<b>Total OPEB liability</b>								
Service cost	\$ 76,481	\$ 78,775	\$ 88,384	\$ 112,086	\$ 94,221	\$ 58,741	\$ 82,889	\$ 93,083
Interest	70,409	76,325	80,570	85,634	80,696	88,553	98,353	109,611
Differences expected and actual exp.	-	(41,942)	(46,024)	(245,685)	(7,281)	57,194	51,531	272,748
Changes of assumptions	-	-	-	(2,930)	-	71,406	-	-
Benefit payments	(43,763)	(44,227)	(29,783)	(35,252)	(34,717)	(27,257)	(28,162)	(28,006)
Other	-	-	-	(4,669)	-	-	-	-
Net change in Total OPEB Liability	103,127	68,931	93,147	(90,816)	132,919	248,637	204,611	447,436
Total OPEB Liability - beginning	1,246,379	1,349,506	1,418,437	1,511,584	1,420,768	1,553,687	1,802,324	2,006,935
Total OPEB Liability - ending	\$ 1,349,506	\$ 1,418,437	\$ 1,511,584	\$ 1,420,768	\$ 1,553,687	\$ 1,802,324	\$ 2,006,935	\$ 2,454,371
<b>Plan fiduciary net position</b>								
Employer contributions	\$ 147,026	\$ 124,732	\$ 112,158	\$ 117,252	\$ 112,717	\$ 104,257	\$ 98,162	\$ 106,006
Net investment income	27,435	31,526	44,302	40,962	172,398	(144,389)	35,630	94,781
Benefit payments	(43,763)	(44,227)	(29,783)	(35,252)	(34,717)	(27,257)	(28,162)	(28,006)
Administrative expense	(206)	(269)	(309)	(377)	(479)	(546)	(518)	(587)
Net change in plan fid. net position	130,492	111,762	126,368	122,585	249,919	(67,935)	105,112	172,194
Plan fiduciary net position - beginning	321,063	451,555	563,317	689,685	812,270	1,062,189	994,254	1,099,366
Plan fiduciary net position - ending	\$ 451,555	\$ 563,317	\$ 689,685	\$ 812,270	\$ 1,062,189	\$ 994,254	\$ 1,099,366	\$ 1,271,560
Net OPEB liability (asset)	\$ 897,951	855,120	821,899	608,498	491,498	808,070	907,569	1,182,811
Plan fiduciary net position as a % of the total OPEB liability	33.46%	39.71%	45.63%	57.17%	68.37%	55.17%	54.78%	51.81%
Covered Employee Payroll	\$ 984,528	\$ 1,038,796	\$ 1,160,975	\$ 1,202,938	\$ 1,284,901	\$ 1,383,789	\$ 1,441,623	\$ 1,437,060
NOL as a % of covered employee payroll	91.21%	82.32%	70.79%	50.58%	38.25%	58.40%	62.95%	82.31%

**Notes**

Fiscal Year 2018 was the first year of implementation, therefore only six years have been presented.

**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, 2025**

	Original Budget	Final Budget	Actual (Budget Basis)	Variance
OPERATING REVENUE	\$ 5,274,398	\$ 5,274,398	\$ 5,296,661	\$ 22,263
OPERATING EXPENSES:				
Consultants:				
Reliability	2,102,550	2,102,550	1,479,739	622,811
Fair pricing	337,500	337,500	200,479	137,021
Administration	165,000	165,000	383,232	(218,232)
Subtotal consultants	2,605,050	2,605,050	2,063,450	541,600
Administration:				
Salaries and benefits	2,448,143	2,448,143	2,485,339	(37,196)
Operating expenses	520,750	520,750	452,632	68,118
Subtotal administration	2,968,893	2,968,893	2,937,971	30,922
Other operating expenses	40,575	40,575	2,811	37,764
Total operating expenses	5,614,518	5,614,518	5,004,232	610,286
OPERATING INCOME (LOSS)	(340,120)	(340,120)	292,429	632,549
NON-OPERATING REVENUE (EXPENSE):				
Transfers in	-	-	65,440	65,440
Transfers out	-	-	(14,659)	(14,659)
Interest income	-	-	157,787	157,787
Total non-operating revenue (expense)	-	-	208,568	208,568
CHANGE IN NET POSITION	(340,120)	(340,120)	500,997	841,117
NET POSITION - BEGINNING ADJUSTED	3,742,294	3,742,294	3,742,294	-
NET POSITION - ENDING	<u>\$ 3,402,174</u>	<u>\$ 3,402,174</u>	<u>\$ 4,243,291</u>	<u>\$ 841,117</u>
RECONCILIATION OF BUDGET BASIS TO GAAP:				
Changes in Net Position - Budget Basis			\$ 500,997	
Change in compensated absences			7,242	
Budgetary basis to GAAP reconciling items			133,172	
Pension expense adjustments			(107,519)	
OPEB expense adjustments			(45,031)	
Conservation program revenue			2,058,314	
Conservation program expenses			(1,711,082)	
Capital facility surcharge amortization			(15,992,503)	
GASB 87 lease interest expense			(9,334)	
Revenue bond surcharges			22,767,357	
Revenue bond interest income			5,212,148	
Revenue bond interest expense			(8,267,105)	
Transfers			14,659	
Subscription interest income			13	
Depreciation and amortization			(160,684)	
Changes in Net Position - GAAP Basis			4,400,644	
Net Position - Beginning Adjusted			27,685,332	
Net Position - Ending			<u>\$ 32,085,976</u>	

**BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

**COMBINING SCHEDULE OF NET POSITION**

JUNE 30, 2025

	Subscription Fund	Home Water Use Reports Fund	WMC Strategy 2050 Fund	Revenue Bond Fund	Operating Fund	Total
<b>Assets</b>						
<b>Current Assets:</b>						
Cash and investments	\$ 206,228	\$ 49,459	\$ 511,928	\$ 111,077	\$ 4,257,532	\$ 5,136,224
Assessments receivable	-	-	-	-	119,748	119,748
Revenue bond surcharges receivable	-	-	-	2,042,915	-	2,042,915
Subscription Cons. programs receivables: other	34,010	-	-	-	-	34,010
Other receivables	14,237	3,365	-	-	523	18,125
Prepaid assets	45	-	-	-	43,749	43,794
<b>Total Current Assets</b>	<b>254,520</b>	<b>52,824</b>	<b>511,928</b>	<b>2,153,992</b>	<b>4,421,552</b>	<b>7,394,816</b>
<b>Noncurrent Assets:</b>						
Property and equipment - net	-	-	-	-	8,609	8,609
Right of use assets - net	-	-	-	-	158,533	158,533
Cash with fiscal agent	-	-	-	30,895,850	-	30,895,850
Prepaid future capital facility obligations	-	-	-	205,037,062	-	205,037,062
Deposit	-	-	-	-	14,067	14,067
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>235,932,912</b>	<b>181,209</b>	<b>236,114,121</b>
<b>Total Assets</b>	<b>\$ 254,520</b>	<b>\$ 52,824</b>	<b>\$ 511,928</b>	<b>\$238,086,904</b>	<b>\$ 4,602,761</b>	<b>\$243,508,937</b>
<b>Deferred Outflows Of Resources</b>						
OPEB adjustments	\$ -	\$ -	\$ -	\$ -	\$ 577,540	\$ 577,540
Pension contributions and adjustments	-	-	-	-	444,094	444,094
<b>Pension contributions and adjustments</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,021,634</b>	<b>\$ 1,021,634</b>
<b>Liabilities</b>						
<b>Current Liabilities:</b>						
Accounts payable	\$ 2,727	\$ 24,040	\$ 3,478	\$ -	\$ 114,564	\$ 144,809
Accrued expenses	-	-	-	-	33,287	33,287
Accrued interest	-	-	-	2,140,000	-	2,140,000
Current portion of long-term liabilities	-	-	-	14,000,000	227,739	14,227,739
<b>Total Current Liabilities</b>	<b>2,727</b>	<b>24,040</b>	<b>3,478</b>	<b>16,140,000</b>	<b>375,590</b>	<b>16,545,835</b>
<b>Noncurrent Liabilities:</b>						
Long-term liabilities - net of current portion	-	-	-	183,571,565	2,306,368	185,877,933
<b>Total Liabilities</b>	<b>\$ 2,727</b>	<b>\$ 24,040</b>	<b>\$ 3,478</b>	<b>\$199,711,565</b>	<b>\$ 2,681,958</b>	<b>\$202,423,768</b>
<b>Deferred Inflows Of Resources</b>						
OPEB adjustments	\$ -	\$ -	\$ -	\$ -	\$ 167,776	\$ 167,776
Pension contributions and adjustments	-	-	-	-	46,562	46,562
Deferred gain on debt refunding	-	-	-	9,661,034	-	9,661,034
<b>Pension contributions and adjustments</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,661,034</b>	<b>\$ 214,338</b>	<b>\$ 9,875,372</b>
<b>Net Position</b>						
Net Investment in Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ 8,609	\$ 8,609
Restricted for Debt Service	-	-	-	28,714,305	-	28,714,305
Unrestricted	251,793	28,784	508,450	-	2,719,490	3,508,517
<b>Total Net Position</b>	<b>\$ 251,793</b>	<b>\$ 28,784</b>	<b>\$ 508,450</b>	<b>\$ 28,714,305</b>	<b>\$ 2,728,099</b>	<b>\$ 32,231,431</b>

**BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

	Subscription Fund	Home Water Use Reports Fund	WMC Strategy 2050 Fund	Revenue Bond Fund	Operating Fund	Total
<b>Operating Revenue:</b>						
Assessments	\$ -	\$ -	\$ -	\$ -	\$ 5,274,398	\$ 5,274,398
Conservation programs	813,511	325,439	1,064,819	-	-	2,203,769
Other operating revenue	-	-	-	12,225	22,263	34,488
Total operating revenue	<u>813,511</u>	<u>325,439</u>	<u>1,064,819</u>	<u>12,225</u>	<u>5,296,661</u>	<u>7,512,655</u>
<b>Operating Expenses:</b>						
Legal services	-	-	19,517	-	957,645	977,162
Engineering services	-	-	-	-	75,815	75,815
Financial services	-	-	-	-	114,522	114,522
Strategic communications	1,800	-	-	-	6,873	8,673
Water conservation programs	892,009	326,344	471,412	-	32,385	1,722,150
Water resources planning	-	-	-	-	849,746	849,746
Advertising	-	-	-	-	1,040	1,040
Automobile	-	-	-	-	8,550	8,550
Depreciation and amortization	-	-	-	-	160,684	160,684
Director fees	-	-	-	-	17,613	17,613
Filing fees	-	-	-	-	2,329	2,329
Insurance	-	-	-	-	35,269	35,269
Meetings	-	-	-	-	49,609	49,609
Dues and subscriptions	-	-	-	-	46,060	46,060
Sponsorships	-	-	-	-	7,000	7,000
Miscellaneous	-	-	-	-	80	80
Professional services	-	-	-	-	43,581	43,581
Office	-	-	-	-	67,071	67,071
Payroll tax expense	-	-	-	-	26,050	26,050
Salaries	-	-	-	-	1,650,285	1,650,285
Employee benefits	-	-	-	-	934,142	934,142
Training	-	-	-	-	10,108	10,108
Travel and entertainment	-	-	-	-	15,155	15,155
Total operating expenses	<u>893,809</u>	<u>326,344</u>	<u>490,929</u>	<u>-</u>	<u>5,111,612</u>	<u>6,822,694</u>
Operating Income	<u>(80,298)</u>	<u>(905)</u>	<u>573,890</u>	<u>12,225</u>	<u>185,049</u>	<u>689,961</u>
<b>Non-Operating Revenues (Expenses):</b>						
Transfers in	14,659	24,692	-	-	65,440	104,791
Transfers out	(24,692)	-	(65,440)	-	(14,659)	(104,791)
Revenue bond surcharges	-	-	-	22,755,132	-	22,755,132
Capital facility surcharge amortization	-	-	-	(15,992,503)	-	(15,992,503)
Interest expense	-	-	-	(8,267,105)	(9,334)	(8,276,439)
Interest income	13	-	-	5,212,148	157,787	5,369,948
Total non-operating revenues	<u>(10,020)</u>	<u>24,692</u>	<u>(65,440)</u>	<u>3,707,672</u>	<u>199,234</u>	<u>3,856,138</u>
<b>Change In Net Position</b>	<u>(90,318)</u>	<u>23,787</u>	<u>508,450</u>	<u>3,719,897</u>	<u>384,283</u>	<u>4,546,099</u>
<b>Net Position - Beginning</b>	<u>342,111</u>	<u>4,997</u>	<u>-</u>	<u>24,994,408</u>	<u>2,343,816</u>	<u>27,685,332</u>
<b>Net Position - Ending</b>	<u>\$ 251,793</u>	<u>\$ 28,784</u>	<u>\$ 508,450</u>	<u>\$ 28,714,305</u>	<u>\$ 2,728,099</u>	<u>\$ 32,231,431</u>

**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, 2025, and the related notes to the financial statements, which collectively comprise the Agency’s basic financial statements, and have issued our report thereon dated September 15, 2025.

***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) 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 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 and significant deficiencies may exist that were not 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 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 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

September 15, 2025  
Morgan Hill, California