

**BAY AREA WATER SUPPLY  
& CONSERVATION AGENCY**

AUDITED FINANCIAL STATEMENTS &  
INDEPENDENT AUDITOR'S REPORT  
JUNE 30, 2024



**Chavan & Associates, LLP**

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

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

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# **BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

## **ELECTED OFFICIALS AND MANAGEMENT TEAM** **JUNE 30, 2024**

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### **BOARD OF DIRECTORS**

Angela Andrews, City of Hayward  
Ann Schneider, City of Millbrae  
Antonio Lopez, City of East Palo Alto  
Barbara Pierce, City of Redwood City  
Carmen Montano, City of Milpitas  
Chris Mickelsen, Coastside County 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  
Lisa Matichack, City of Mountain View  
Louis Vella, Mid-Peninsula Water District  
Maria Doerr, City of Menlo Park  
Peter Stevenson, City of Burlingame  
Randy Breault, Guadalupe Valley Water District  
Sam Hindi, Foster City  
Steve Jordan, Purissima Hills Water District  
Randy Breault, City of Brisbane  
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**

Nicole Sandkulla, 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, 2024 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, 2024, 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 is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of contributions - pension plans, schedule of proportionate share of net pension liability, schedule of contributions for OPEB plans, and schedule of changes in net OPEB liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the



information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplemental Information**

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2024 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

C & A LLP

October 28, 2024  
Morgan Hill, California

## **BASIC FINANCIAL STATEMENTS**

**BAY AREA WATER SUPPLY & CONSERVATION AGENCY****STATEMENT OF NET POSITION  
JUNE 30, 2024****ASSETS**

## Current Assets:

Cash and cash equivalents	\$	3,875,002
Operating assessments receivable		85,559
Revenue bond surcharges receivable		1,530,626
Subscription Cons. programs receivables: other		251,261
Other receivables		46,544
Prepaid expenses		73,112
Total Current Assets		<u>5,862,104</u>

## Noncurrent Assets:

Property and equipment - net		10,761
Right of use assets - net		317,065
Investments with fiscal agent		29,081,935
Prepaid future capital facility obligations		221,029,565
Deposit		14,067
Total Noncurrent Assets		<u>250,453,393</u>
TOTAL ASSETS	\$	<u>256,315,497</u>

**DEFERRED OUTFLOWS OF RESOURCES**

OPEB adjustments	\$	249,312
Pension contributions and adjustments		587,219
Total Deferred Inflows of Resources	\$	<u>836,531</u>

**LIABILITIES**

## Current Liabilities:

Accounts payable	\$	102,964
Accrued expenses		33,209
Accrued interest		2,239,000
Current portion of long-term liabilities		13,631,434
Total Current Liabilities		<u>16,006,607</u>

## Noncurrent Liabilities:

Long-term liabilities - net of current portion		202,573,096
TOTAL LIABILITIES	\$	<u>218,579,703</u>

**DEFERRED INFLOWS OF RESOURCES**

OPEB adjustments	\$	69,759
Pension contributions and adjustments		58,700
Deferred gain on debt refunding		10,758,534
Total Deferred Inflows of Resources	\$	<u>10,886,993</u>

**NET POSITION**

Net Investment in Capital Assets	\$	10,761
Restricted for Debt Service		24,994,408
Unrestricted		2,680,163
TOTAL NET POSITION	\$	<u>27,685,332</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, 2024**

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### **OPERATING REVENUE:**

Assessments	\$ 4,838,897
Subscription Conservation programs	1,140,184
Other operating revenue	35,199
Total operating revenue	<u>6,014,280</u>

### **OPERATING EXPENSES:**

Consultants	1,841,169
Administration	2,720,525
Depreciation and amortization	158,532
Subscription Conservation programs	1,283,897
Total operating expenses	<u>6,004,123</u>
Operating Income	<u>10,157</u>

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

Revenue bond surcharges	21,869,590
Capital facility surcharge amortization	(15,388,210)
Interest expense	(9,500,154)
Interest income	5,167,668
Total non-operating revenues	<u>2,148,894</u>

<b>CHANGE IN NET POSITION</b>	<u>2,159,051</u>
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<b>NET POSITION - BEGINNING</b>	25,538,062
<b>PRIOR PERIOD ERROR CORRECTION</b>	(11,781)
<b>NET POSITION - BEGINNING ADJUSTED</b>	<u>25,526,281</u>
<b>NET POSITION - ENDING</b>	<u>\$ 27,685,332</u>

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, 2024

### CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from assessments	\$ 4,881,774
Cash received from Subscription Conservation programs	1,099,525
Cash received from other operating sources	42,210
Cash paid for employee services and other operating expenses	(4,486,620)
Cash paid for Subscription Conservation programs	(1,237,225)
Net Cash Provided by (Used for) Operating Activities	<u>299,664</u>

### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Interest payments	(14,154)
Principal payments	(156,003)
Purchases of property and equipment	(10,761)
Net Cash Provided by (Used for) Capital Related Financing Activities	<u>(180,918)</u>

### CASH FLOWS FROM INVESTING ACTIVITIES:

Investment income received	<u>137,386</u>
Net Cash Provided by (Used for) Investing Activities	<u>137,386</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS	256,132
CASH AND CASH EQUIVALENTS - BEGINNING	<u>3,618,865</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 3,874,997</u>

### Reconciliation of operating income to net cash provided by (used for) operating activities

Operating income (loss)	\$ 10,157
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation and amortization	158,532
Prior period correction of an error	(11,781)
Change in operating assets and liabilities:	
(Increase) decrease in accounts receivable	42,877
(Increase) decrease in Subscription Conservation programs receivables: other	(40,659)
(Increase) decrease in other receivables	7,011
(Increase) decrease in prepaid expenses	18,008
(Increase) decrease in deferred outflows of resources	(27,158)
Increase (decrease) in accounts payable	(75,286)
Increase (decrease) in accrued expenses	25,202
Increase (decrease) in accrued compensated absences	17,294
Increase (decrease) in net pension liability	157,004
Increase (decrease) in net OPEB liability	99,500
Increase (decrease) in deferred inflows of resources	(81,037)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 299,664</u>

### SUMMARY OF CASH AND INVESTMENTS:

Cash and equivalents	3,874,997
Investments	<u>29,081,936</u>
Total cash and investments	<u>\$ 32,956,933</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, 2024**

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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, 2024

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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.

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

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

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

During the year, BAWSCA reclassified bond surcharge revenue and the amortization of capital facility surcharges from operating, as reported in prior years, to non-operating activities to better align with recent accounting standards. Since this was a recharacterization instead of a correction of an error, and there was no impact to beginning net position, prior period financials were not required to be restated.

## **BAY AREA WATER SUPPLY & CONSERVATION AGENCY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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#### *Statement of Net Position*

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

- **Net Investment in Capital Assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position, as applicable.
- **Restricted** - This component of net position consists of constraints placed on an assets use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law and regulations of other governments, and reduced by liabilities and deferred inflows of resources related to those assets. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation. The Agency applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.
- **Unrestricted** - This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

#### *Statement of Revenues, Expenses, and Changes in Net Position*

The statement of revenues, expenses, and changes in net position is the operating statement for proprietary funds. This statement distinguishes between operating and non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income. Revenues are reported by major source with operating revenues classified from BAWSCA's primary operating resources and all other revenue reported as non-operating. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating.

#### *Budgets and Budgetary Accounting*

BAWSCA must adopt a budget prior to July 1 of each year for the following fiscal year. The budget for the fiscal year beginning July 1, 2023, was adopted by the Board of Directors in May of 2023.

## BAY AREA WATER SUPPLY & CONSERVATION AGENCY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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#### *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, 2024.

#### *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.

## BAY AREA WATER SUPPLY & CONSERVATION AGENCY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Right of use assets are recorded at the present value payments expected to be made during the lease term. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend the useful life of a capital asset are also capitalized.

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

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

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

#### *Noncurrent Liabilities*

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

#### *Compensated Absences*

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

#### *Leases (Lessee)*

The Agency is a lessee for a noncancellable lease of \$386,555. 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

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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

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

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

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

### *Pensions*

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

GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 (GASB Statement No. 68) requires that the reported results pertain to liability and asset information within certain defined timeframes. Liabilities are based on the results of actuarial calculations performed as of June 30, 2022. For this report, the following timeframes are used for BAWSCA's pension plans:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Measurement Period	June 30, 2022 to June 30, 2023



# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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### *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, 2023
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023

### *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.

### *Beginning Net Position Adjustments*

Beginning net position was decreased by \$11,781 for timing differences in expenses that were incurred in the prior year.

### *Implemented Accounting and Reporting Changes*

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

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements. This statement did not have a material impact on the financial statements.

## BAY AREA WATER SUPPLY & CONSERVATION AGENCY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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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. 101, *Compensated Absences***

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

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

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

#### **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

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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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. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

### **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, 2024:

Cash and Investments	Available for Operations	Restricted	Total
Cash Deposits:			
Cash in Banks	\$ 378,862	\$ -	\$ 378,862
Petty Cash	555	-	555
Total Cash Deposits	379,417	-	379,417
Investments:			
California Local Agency Investment Fund	3,495,585	-	3,495,585
Brokerage Accounts/Cash with Fiscal Agents	-	29,081,936	29,081,936
Total Investments	3,495,585	29,081,936	32,577,521
Total Cash and Investments	\$ 3,875,002	\$ 29,081,936	\$ 32,956,938

## BAY AREA WATER SUPPLY & CONSERVATION AGENCY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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#### *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, 2024, the Agency’s bank balances exceeded the FDIC coverage limit by \$451,191 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.

#### *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, 2024:

Investment Type	Rating	Fair Value	Input Level
Money Market Accounts	n/a	\$ 17,337,912	n/a
LAIF	n/a	3,495,585	n/a
U.S. Obligations	Aaa	11,744,024	Level 1
Total Investments		<u>\$ 32,577,521</u>	

The Agency has the maturities as of June 30, 2024:

Investment Type	Maturities			Concentrations
	12 Months or Less	13 - 24 Months	25 - 60 Months	
Money Market Accounts	\$ 17,337,912	\$ -	\$ -	53.22%
LAIF	3,495,585	-	-	10.73%
U.S. Obligations	2,755,512	2,850,836	6,137,676	36.05%
Total Investments	<u>\$ 23,589,009</u>	<u>\$ 2,850,836</u>	<u>\$ 6,137,676</u>	<u>100.00%</u>

#### *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.

## BAY AREA WATER SUPPLY & CONSERVATION AGENCY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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#### *Investment Policy*

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

#### *Local Agency Investment Fund*

BAWSCA participates in an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, the structured notes and asset-backed securities are subject to market risk as to change in interest rates. LAIF allows local agencies such as BAWSCA to participate in a Pooled Money Investment Account managed by the State Treasurers Office and overseen by the Pooled Money Investment Board and State Treasurer investment committee. A Local Agency Investment Advisory Board oversees LAIF. The investments with LAIF are not classified for credit risk due to their diverse nature and are stated at cost, which approximates fair value. The total amount invested by all public agencies in LAIF, as of June 30, 2024, was approximately \$178 billion which was invested in non-derivative financial products.

#### *Cash with Fiscal Agent*

BAWSCA also had cash with fiscal agent totaling \$29,081,936. 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 \$1,459,390 as of June 30, 2024.

#### *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.

## BAY AREA WATER SUPPLY & CONSERVATION AGENCY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

- *Credit Risk* - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.
- *Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the BAWSCA's deposits may not be returned to it. Or, in the case of investments, the risk of loss of the investment due failure, impairment or malfeasance of the third party whose name in which the investment is held and who has physical possession of the instrument. BAWSCA does not have a policy for custodial credit risk for deposits. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.
- *Concentration of Credit Risk* - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. BAWSCA's investment policy contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code.

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

#### NOTE 4 - LONG-TERM LIABILITIES

BAWSCA's long-term liabilities consisted of the following as of June 30, 2024:

	Balance			Balance	Due Within
Long-term Liabilities	July 01, 2023	Additions	Deductions	June 30, 2024	One Year
2013 Revenue Bonds	\$ 61,240,000	\$ -	\$ 4,045,000	\$ 57,195,000	\$ 4,160,000
2013 Revenue Bonds Premium	6,724,896	-	559,221	6,165,675	-
2023 Refunding Bonds	134,310,000	-	5,550,000	128,760,000	9,250,000
2023 Refunding Bonds Premium	23,836,611	-	2,208,250	21,628,361	-
Office Lease	542,558	-	156,003	386,555	165,920
Net OPEB Liability	808,069	523,440	423,940	907,569	-
Net Pension Liability	893,339	684,176	527,172	1,050,343	-
Compensated Absences	93,733	17,294	-	111,027	55,514
Total Long-term Liabilities	\$ 228,449,206	\$ 1,224,910	\$ 13,469,586	\$ 216,204,530	\$ 13,631,434

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

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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.

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, 2024:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 13,410,000	\$ 8,267,105	\$ 21,677,105
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
2030-2034	91,680,000	16,014,584	107,694,584
2035-2036	21,005,000	481,967	21,486,967
Total Debt Service	\$ 185,955,000	\$ 51,446,997	\$ 237,401,997

### 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 end on September 30, 2026. The base monthly rent ranges from \$13,332 to \$15,005, which includes a 3% increase every year.

The initial present value of the lease liability, at a rate of 3% over the five years, was \$792,661. The principal and interest for the fiscal year was \$156,003 and \$14,149, respectively.

The Agency recorded an associated right of use asset of \$792,661. After netting the accumulated amortization of \$475,596, the net book value of the office space lease right of use asset was \$317,065. The current year amortization expense was \$158,532.

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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

Year Ending June 30	Principal	Interest	Total
2025	\$ 165,920	\$ 9,334	\$ 175,254
2026	175,846	4,214	180,060
2027	44,789	224	45,013
Total	\$ 386,555	\$ 13,772	\$ 400,327

### 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, 2024, are summarized as follows:

	Miscellaneous	
	Tier 1	PEPRA
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a % of eligible compensation	2.00%	2.00%
Required employee contribution rates	7.00%	8.25%
Required employer contribution rates	13.79%	8.48%



## BAY AREA WATER SUPPLY & CONSERVATION AGENCY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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**Employees Covered** - At June 30, 2024, the following employees were covered by the benefit terms for the Plan at the valuation date of June 30, 2022:

	<u>Miscellaneous</u>
Active	9
Transferred	4
Separated	5
Retired	3
Total	<u>21</u>

**Contributions** - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. BAWSCA's contributions were \$184,012 during the fiscal year.

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

As of June 30, 2024, the Agency reported net pension liabilities for its proportionate shares of the net pension liability totaling \$1,050,343.

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, 2023, 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, 2022 rolled forward to June 30, 2023 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, 2023 and 2024 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2023	0.01909%
Proportion - June 30, 2024	0.02101%
Change - Increase/(Decrease)	<u>0.00191%</u>

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

For the year ended June 30, 2024, the Agency recognized pension expense of \$317,168. At June 30, 2024, 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	\$ 63,414	\$ -
Differences between Expected and Actual Experience	53,657	8,324
Differences between Projected and Actual Investment Earnings	170,060	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	50,376
Change in Employer's Proportion	116,076	-
Pension Contributions Made Subsequent to Measurement Date	184,012	-
<b>Total</b>	<b>\$ 587,219</b>	<b>\$ 58,700</b>

The Agency reported \$184,012 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, 2025.

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>
2025	\$ 124,014
2026	81,695
2027	133,919
2028	4,880
2029	-
Thereafter	-
<b>Total</b>	<b>\$ 344,508</b>

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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**Actuarial Assumptions** - The total pension liabilities in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.80%
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 6.8 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 6.8 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.8 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

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class (a)	Assumed Asset Allocation	Long-Term Expected Real Return (1)(2)
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	100.00%	

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

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

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

**Rate** - The following presents the Agency's proportionate share of the net pension liability for the 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	5.80%
Net Pension Liability	\$ 1,822,558
Current	6.80%
Net Pension Liability	\$ 1,050,343
1% Increase	7.80%
Net Pension Liability	\$ 414,743

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

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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### NOTE 7 - OTHER POST EMPLOYMENT BENEFITS

#### *Plan Description*

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

#### *Benefits Provided*

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

#### *Employees Covered by Benefit Terms*

At June 30, 2023, (the measurement date), the benefit terms covered the following employees:

Active employees	9
Inactive employees	3
<b>Total employees</b>	<b>12</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 \$109,354. The actuarially determined contribution during the year was \$159,352. The Agency's contributions were 7.61% of covered payroll during the fiscal year ended June 30, 2024. Employees are not required to contribute to the plan.

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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### *Actuarial Assumptions*

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

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

### *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.

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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

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

### *Net OPEB Liability*

The Agency's net OPEB liability was measured as of June 30, 2023 (measurement date), and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023 (valuation date) for the fiscal year ended June 30, 2024 (reporting date). The following summarizes the changes in the net OPEB liability during the year ended June 30, 2024:

<b>Fiscal Year Ended June 30, 2024</b>	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability (Asset)</b>
<b>Balance at June 30, 2023</b>	\$ 1,802,324	\$ 994,254	\$ 808,070
Service cost	82,889	-	82,889
Interest in Total OPEB Liability	98,353	-	98,353
Employer contributions	-	98,162	(98,162)
Balance of diff between actual and exp experience	51,531	-	51,531
Actual investment income	-	35,630	(35,630)
Administrative expenses	-	(518)	518
Benefit payments	(28,162)	(28,162)	-
<b>Net changes</b>	<b>204,611</b>	<b>105,112</b>	<b>99,499</b>
<b>Balance at June 30, 2024</b>	<b>\$ 2,006,935</b>	<b>\$ 1,099,366</b>	<b>\$ 907,569</b>
Covered Employee Payroll	\$ 1,437,717		
Total OPEB Liability as a % of Covered Employee Payroll	139.59%		
Plan Fid. Net Position as a % of Total OPEB Liability	54.78%		
Service Cost as a % of Covered Employee Payroll	5.77%		
Net OPEB Liability as a % of Covered Employee Payroll	63.13%		

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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### *Deferred Inflows and Outflows of Resources*

At June 30, 2024 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	\$ -	\$ 69,759
Difference between actual and expected earnings	87,955	-
Change in assumptions	52,003	-
OPEB contribution subsequent to measurement date	109,354	-
<b>Totals</b>	<b>\$ 249,312</b>	<b>\$ 69,759</b>

Of the total amount reported as deferred outflows of resources related to OPEB, \$109,354 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, 2025. 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,	
2025	\$ (1,004)
2026	(740)
2027	24,401
2028	7,150
2029	14,822
Thereafter	25,570
<b>Total</b>	<b>\$ 70,199</b>

### *OPEB Expense*

The following summarizes the OPEB expense by source during the year ended June 30, 2024:

Service cost	\$ 82,889
Interest in TOL	98,353
Expected investment income	(54,670)
Difference between actual and expected experience	(29,135)
Difference between actual and expected earnings	17,110
Change in assumptions	8,638
Administrative expenses	518
<b>OPEB Expense</b>	<b>\$ 123,703</b>



## BAY AREA WATER SUPPLY & CONSERVATION AGENCY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2024:

Net OPEB liability ending	\$ 907,569
Net OPEB liability beginning	(808,070)
Change in net OPEB liability	99,499
Changes in deferred outflows	(4,484)
Changes in deferred inflows	(80,666)
Employer contributions and implicit subsidy	109,354
<b>OPEB Expense</b>	<b>\$ 123,703</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:

	<b>Discount Rate</b>		
	<b>(1% Decrease )</b>	<b>5.5%</b>	<b>(1% Increase )</b>
Net OPEB Liability (Asset)	\$ 1,277,348	\$ 907,569	\$ 616,990

#### *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:

	<b>Trend Rate</b>		
	<b>(1% Decrease )</b>	<b>5.5%</b>	<b>(1% Increase )</b>
Net OPEB Liability (Asset)	\$ 544,070	\$ 907,569	\$ 1,278,933

## 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, 2024

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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, 2024. There were no settlements that exceeded insurance coverage for fiscal year ended June 30, 2024.

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, 2023 is as follows:

Total Assets & Deferred Outflows	\$ 148,239,191
Total Liabilities & Deferred Inflows	<u>76,717,988</u>
Net Position	<u>\$ 71,521,203</u>
Total Revenues	\$ 100,738,904
Total Expenses	<u>96,560,830</u>
Change in Net Assets	<u>\$ 4,178,074</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## SCHEDULE OF CONTRIBUTIONS - PENSION PLANS JUNE 30, 2024

### Miscellaneous Plan

Plan Measurement Date	2014	2015	2016	2017	2018
Fiscal Year Ended	2015	2016	2017	2018	2019
Contractually Required Contributions	\$ 92,873	\$ 93,330	\$ 105,314	\$ 124,761	\$ 114,356
Contributions in Relation to					
Contractually Required Contributions	92,873	93,330	105,314	124,761	114,356
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 715,210	\$ 758,766	\$ 984,528	\$ 1,038,796	\$ 1,160,975
Contributions as a % of Covered Payroll	12.99%	12.30%	10.70%	12.01%	9.85%

### Miscellaneous Plan

Plan Measurement Date	2019	2020	2021	2022	2023
Fiscal Year Ended	2020	2021	2022	2023	2024
Contractually Required Contributions	\$ 124,599	\$ 143,416	\$ 169,827	\$ 159,027	\$ 184,012
Contributions in Relation to					
Contractually Required Contributions	124,599	143,416	169,827	159,027	184,012
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,202,938	\$ 1,284,901	\$ 1,383,789	\$ 1,441,623	\$ 1,529,115
Contributions as a % of Covered Payroll	10.36%	11.16%	12.27%	11.03%	12.03%

### Notes to Schedule:

Valuation Date: June 30, 2022

Assumptions Used: Entry Age Method used for Actuarial Cost Method  
 Level Percentage of Payroll and Direct Rate Smoothing  
 Remaining Amortization Period no more than 29 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 6.9% in FY2023.

The CalPERS mortality assumptions was adjusted in fiscal year 2023.

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY JUNE 30, 2024

<b>Miscellaneous Plan</b>					
Plan Measurement Date	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Fiscal Year Ended	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Proportion of Net Pension Liability (Safety and Misc)	0.00516%	0.00537%	0.00533%	0.00574%	0.00576%
Proportion of Net Pension Liability (Misc Plan Only)	0.01300%	0.01344%	0.01327%	0.01443%	0.01472%
Proportionate Share of Net Pension Liability	\$ 321,291	\$ 368,743	\$ 460,813	\$ 568,862	\$ 554,568
Covered Payroll	\$ 694,378	\$ 715,210	\$ 758,766	\$ 984,528	\$ 1,038,796
Proportionate Share of NPL as a % of Covered Payroll	46.27%	51.56%	60.73%	57.78%	53.39%
Plan's Fiduciary Net Position as a % of the TPL	81.15%	85.57%	81.49%	80.58%	82.33%
<b>Miscellaneous Plan</b>					
Plan Measurement Date	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Fiscal Year Ended	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Proportion of Net Pension Liability (Safety and Misc)	0.00620%	0.00665%	0.00385%	0.00773%	0.00842%
Proportion of Net Pension Liability (Misc Plan Only)	0.01587%	0.01715%	0.01097%	0.01909%	0.02101%
Proportionate Share of Net Pension Liability	\$ 635,503	\$ 723,431	\$ 208,363	\$ 893,339	\$ 1,050,343
Covered Payroll	\$ 1,160,975	\$ 1,202,938	\$ 1,284,901	\$ 1,383,789	\$ 1,441,623
Proportionate Share of NPL as a % of Covered Payroll	54.74%	60.14%	16.22%	64.56%	72.86%
Plan's Fiduciary Net Position as a % of the TPL	82.01%	81.75%	95.26%	82.28%	81.60%

The CalPERS discount rate was increased from 7.50% to 7.65% in FY2016, to 7.15% in FY2018, and then decreased to 6.9% in FY2023.

The CalPERS mortality assumptions was adjusted in fiscal year 2023.

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## SCHEDULE OF CONTRIBUTIONS FOR OPEB PLANS JUNE 30, 2024

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

**Notes to Schedule:**

*Assumptions and Methods*

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

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## SCHEDULE OF CHANGES IN NET OPEB LIABILITY JUNE 30, 2024

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

### 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, 2024

	Original Budget	Final Budget	Actual (Budget Basis)	Variance
OPERATING REVENUE	\$ 4,838,896	\$ 4,838,896	\$ 4,854,376	\$ 15,480
OPERATING EXPENSES:				
Consultants:				
Reliability	1,813,552	1,813,552	1,461,938	351,614
Fair pricing	272,500	272,500	203,788	68,712
Administration	160,000	160,000	175,443	(15,443)
Subtotal consultants	2,246,052	2,246,052	1,841,169	404,883
Administration:				
Salaries and benefits	2,309,542	2,309,542	2,297,794	11,748
Operating expenses	501,250	501,250	428,846	72,404
Subtotal administration	2,810,792	2,810,792	2,726,640	84,152
Other operating expenses	10,575	10,575	369	10,206
Total operating expenses	5,067,419	5,067,419	4,568,178	499,241
OPERATING INCOME (LOSS)	(228,523)	(228,523)	286,198	514,721
NON-OPERATING REVENUE (EXPENSE):				
Transfers in	-	-	-	-
Transfers out	-	-	(186,551)	(186,551)
Interest income	-	-	137,371	137,371
Total non-operating revenue (expense)	-	-	(49,180)	(49,180)
CHANGE IN NET POSITION	(228,523)	(228,523)	237,018	465,541
NET POSITION - BEGINNING ADJUSTED	3,505,276	3,505,276	3,505,276	-
NET POSITION - ENDING	\$ 3,276,753	\$ 3,276,753	\$ 3,742,294	\$ 465,541
RECONCILIATION OF BUDGET BASIS TO GAAP:				
Changes in Net Position - Budget Basis			\$ 237,018	
Change in compensated absences			(17,294)	
Budgetary basis to GAAP reconciling items			172,087	
Pension expense adjustments			(133,157)	
OPEB expense adjustments			(15,152)	
Conservation program revenue			1,140,184	
Conservation program expenses			(1,283,897)	
Capital facility surcharge amortization			(15,388,210)	
GASB 87 lease interest expense			(14,149)	
Revenue bond surcharges			21,889,310	
Revenue bond interest income			5,030,282	
Revenue bond interest expense			(9,486,005)	
Transfers			186,551	
Subscription interest income			15	
Depreciation and amortization			(158,532)	
Changes in Net Position - GAAP Basis			2,159,051	
Net Position - Beginning Adjusted			25,526,281	
Net Position - Ending			\$ 27,685,332	

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## COMBINING SCHEDULE OF NET POSITION JUNE 30, 2024

	Subscription Fund	Home Water Use Reports Fund	Revenue Bond Fund	Operating Fund	Total
<b>Assets</b>					
Current Assets:					
Cash and investments	\$ 86,576	\$ 16,426	\$ 98,852	\$ 3,673,148	\$ 3,875,002
Assessments receivable	-	-	-	85,559	85,559
Revenue bond surcharges receivable	-	-	1,530,626	-	1,530,626
Subscription Cons. programs receivables: other	251,261	-	-	-	251,261
Other receivables	5,216	3,365	-	37,963	46,544
Prepaid assets	44	-	-	73,068	73,112
Total Current Assets	343,097	19,791	1,629,478	3,869,738	5,862,104
Noncurrent Assets:					
Property and equipment - net	-	-	-	10,761	10,761
Right of use assets - net	-	-	-	317,065	317,065
Cash with fiscal agent	-	-	29,081,935	-	29,081,935
Prepaid future capital facility obligations	-	-	221,029,565	-	221,029,565
Deposit	-	-	-	14,067	14,067
Total Noncurrent Assets	-	-	250,111,500	341,893	250,453,393
Total Assets	\$ 343,097	\$ 19,791	\$ 251,740,978	\$ 4,211,631	\$ 256,315,497
<b>Deferred Outflows Of Resources</b>					
OPEB adjustments	\$ -	\$ -	\$ -	\$ 249,312	\$ 249,312
Pension contributions and adjustments	-	-	-	587,219	587,219
Pension contributions and adjustments	\$ -	\$ -	\$ -	\$ 836,531	\$ 836,531
<b>Liabilities</b>					
Current Liabilities:					
Accounts payable	\$ 986	\$ 14,794	\$ -	\$ 87,184	\$ 102,964
Accrued expenses	-	-	-	33,209	33,209
Accrued interest	-	-	2,239,000	-	2,239,000
Current portion of long-term liabilities	-	-	13,410,000	221,434	13,631,434
Total Current Liabilities	986	14,794	15,649,000	341,827	16,006,607
Noncurrent Liabilities:					
Long-term liabilities - net of current portion	-	-	200,339,036	2,234,060	202,573,096
Total Liabilities	\$ 986	\$ 14,794	\$ 215,988,036	\$ 2,575,887	\$ 218,579,703
<b>Deferred Inflows Of Resources</b>					
OPEB adjustments	\$ -	\$ -	\$ -	\$ 69,759	\$ 69,759
Pension contributions and adjustments	-	-	-	58,700	58,700
Deferred gain on debt refunding	-	-	10,758,534	-	10,758,534
Pension contributions and adjustments	\$ -	\$ -	\$ 10,758,534	\$ 128,459	\$ 10,886,993
<b>Net Position</b>					
Net Investment in Capital Assets	\$ -	\$ -	\$ -	\$ 10,761	\$ 10,761
Restricted for Debt Service	-	-	24,994,408	-	24,994,408
Unrestricted	342,111	4,997	-	2,333,055	2,680,163
Total Net Position	\$ 342,111	\$ 4,997	\$ 24,994,408	\$ 2,343,816	\$ 27,685,332

# BAY AREA WATER SUPPLY & CONSERVATION AGENCY

## COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Subscription Fund	Home Water Use Reports Fund	Revenue Bond Fund	Operating Fund	Total
<b>Operating Revenue:</b>					
Assessments	\$ -	\$ -	\$ -	\$ 4,838,897	\$ 4,838,897
Subscription Conservation programs	808,902	331,282	-	-	1,140,184
Other operating revenue	-	-	19,720	15,479	35,199
Total operating revenue	808,902	331,282	19,720	4,854,376	6,014,280
<b>Operating Expenses:</b>					
Legal services	-	-	-	993,577	993,577
Engineering services	-	-	-	85,650	85,650
Financial services	-	-	-	103,463	103,463
Strategic communications	1,800	-	-	74,535	76,335
Water conservation programs	825,744	452,158	-	59,233	1,337,135
Water resources planning	-	-	-	477,390	477,390
Automobile	-	-	-	7,800	7,800
Depreciation and amortization	-	-	-	158,532	158,532
Director fees	-	-	-	17,155	17,155
Filing fees	-	-	-	2,322	2,322
Insurance	-	-	-	38,373	38,373
Meetings	-	-	-	35,952	35,952
Dues and subscriptions	-	-	-	39,335	39,335
Sponsorships	2,000	-	-	9,500	11,500
Miscellaneous	-	-	-	405	405
Professional services	-	-	-	25,459	25,459
Office	-	-	-	68,978	68,978
Payroll tax expense	-	-	-	23,382	23,382
Salaries	-	-	-	1,575,217	1,575,217
Employee benefits	-	-	-	882,756	882,756
Employee leave	-	-	-	19,602	19,602
Training	2,195	-	-	6,728	8,923
Travel and entertainment	-	-	-	14,882	14,882
Total operating expenses	831,739	452,158	-	4,720,226	6,004,123
Operating Income	(22,837)	(120,876)	19,720	134,150	10,157
<b>Non-Operating Revenues (Expenses):</b>					
Interfund transfers in	330,439	28,000	-	-	358,439
Interfund transfers out	(171,888)	-	-	(186,551)	(358,439)
Revenue bond surcharges	-	-	21,869,590	-	21,869,590
Capital facility surcharge amortization	-	-	(15,388,210)	-	(15,388,210)
Interest expense	-	-	(9,486,005)	(14,149)	(9,500,154)
Interest income	15	-	5,030,282	137,371	5,167,668
Total non-operating revenues	158,566	28,000	2,025,657	(63,329)	2,148,894
<b>Change In Net Position</b>	135,729	(92,876)	2,045,377	70,821	2,159,051
<b>Net Position - Beginning</b>	206,382	97,873	22,949,031	2,284,776	25,538,062
<b>Prior Period Error Correction</b>	-	-	-	(11,781)	(11,781)
<b>Net Position - Beginning, Adjusted</b>	206,382	97,873	22,949,031	2,272,995	25,526,281
<b>Net Position - Ending</b>	\$ 342,111	\$ 4,997	\$ 24,994,408	\$ 2,343,816	\$ 27,685,332

## **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, 2024, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated October 28, 2024.

***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



**Chavan and Associates, LLP**  
Certified Public Accountants

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

October 28, 2024  
Morgan Hill, California