

**UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY  
REGULAR MEETING AGENDA**

**SANTA CLARITA VALLEY WATER AGENCY  
RIO VISTA WATER TREATMENT PLANT  
27234 BOUQUET CANYON ROAD  
SANTA CLARITA, CA 91350**

**TUESDAY, APRIL 7, 2020 AT 7:00 PM  
OR IMMEDIATELY FOLLOWING  
THE REGULAR MEETING OF THE  
SANTA CLARITA VALLEY WATER AGENCY  
BOARD OF DIRECTORS**

**TELECONFERENCE ONLY  
NO PHYSICAL LOCATION FOR MEETING**

**TELECONFERENCING NOTICE**

Pursuant to the provisions of Executive Order N-29-20 issued by Governor Gavin Newsom on March 17, 2020, any Director may call into an Agency Board meeting using the Agency's **Call-In Number 1 (866) 899-4679, Access Code 207-618-341 or GoToMeeting by clicking on the link <https://global.gotomeeting.com/join/207618341>** without otherwise complying with the Brown Act's teleconferencing requirements.

Pursuant to the above Executive Order, the public may not attend the meeting in person. Any member of the public may listen to the meeting or make comments to the Board using the call-in number or GoToMeeting link above. Please see the notice below if you have a disability and require an accommodation in order to participate in the meeting.

We request that the public submit any comments in writing if practicable, which can be sent to [ajacobs@scvwa.org](mailto:ajacobs@scvwa.org) or mailed to April Jacobs, Board Secretary, Santa Clarita Valley Water Agency, 27234 Bouquet Canyon Road, Santa Clarita, CA 91350. All written comments received before 4:30 PM the day of the meeting will be distributed to the Board members and posted on the Santa Clarita Valley Water Agency website prior to the start of the meeting. Anything received after 4:30 PM the day of the meeting will be posted on the SCV Water website the following day.

**1. REGULAR PROCEDURES**

- 1.1. Call to Order
- 1.2. Public Comments – Members of the public may comment as to items not on the Agenda at this time. Members of the public wishing to comment on items covered in this Agenda may do so now or at the time each item is considered. (Comments may, at the discretion of the Board's presiding officer, be limited to three minutes for each speaker.)
- 1.3. Approval of the Agenda

**BOARD OF DIRECTORS**

**PRESIDENT  
MARIA GUTZEIT**

**VICE PRESIDENT  
R.J. KELLY**

**ED COLLEY  
WILLIAM C. COOPER  
E.G. "JERRY" GLADBACH**

**EXECUTIVE DIRECTOR  
MATTHEW G. STONE**

**GENERAL COUNSEL  
STRADLING YOCCA  
CARLSON & RAUTH, P.C.**

**SECRETARY  
APRIL JACOBS**

<b><u>2. GENERAL AGENDA ITEMS</u></b>	<b><u>PAGE</u></b>
2.1. * Approve Minutes of the February 4, 2020 Regular Upper Santa Clara Valley Joint Powers Authority Meeting	3
2.2. * Approve Receiving and Filing of the Santa Clarita Valley Water Agency June 30, 2019 Audited Financial Statement Which Includes a Component Unit for the Upper Santa Clara Valley Joint Powers Authority and the Auditors Management Report	17
2.3. * Approve Receiving and Filing of the First and Second Quarter Fiscal Year 2019/20 Investment Report	117

**3. ADJOURNMENT**

\* Indicates Attachment

### **NOTICES**

Any person may make a request for a disability-related modification or accommodation needed for that person to be able to participate in the public meeting by telephoning April Jacobs, Secretary to the Authority, at (661) 297-1600, or in writing to Santa Clarita Valley Water Agency at 27234 Bouquet Canyon Road, Santa Clarita, CA 91350. Requests must specify the nature of the disability and the type of accommodation requested. A telephone number or other contact information should be included so that Agency staff may discuss appropriate arrangements. Persons requesting a disability-related accommodation should make the request with adequate time before the meeting for the Agency to provide the requested accommodation.

Pursuant to Government Code Section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available for public inspection at the Santa Clarita Valley Water Agency, located at 27234 Bouquet Canyon Road, Santa Clarita, CA 91350, during regular business hours. When practical, these public records will also be made available on the Agency's Internet Website, accessible at <http://www.yourscvwater.com>.

Posted on April 1, 2020.

DRAFT

ITEM NO.  
2.1

Minutes of the Regular Meeting of the Upper Santa Clara Valley Joint Powers Authority –  
February 4, 2020

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A regular meeting of the Upper Santa Clara Valley Joint Powers Authority was held at Santa Clarita Valley Water Agency, 27234 Bouquet Canyon Road, Santa Clarita, CA 91350, at 10:33 PM on Tuesday, February 4, 2020 in the SCV Water Agency Boardroom. A copy of the Agenda is inserted in the Minute Book of the Authority preceding these minutes.

DIRECTORS PRESENT: Ed Colley, William Cooper, Jerry Gladbach and Maria Gutzeit.

DIRECTORS ABSENT: R. J. Kelly.

Also present: Matthew Stone, Executive Director; Tom Bunn and Joe Byrne, General Counsel for SCV Water Agency sitting in for the Authority’s Special Counsel; April Jacobs, Board Secretary; Rochelle Patterson, SCV Water Director of Finance and Administration; Robert Porr and Lora Carpenter, Fieldman Rolapp & Associates; Doug Brown, Stradling Yocca Carlson & Rauth; Cameron Parks, Citigroup Global Markets; and members of the public.

President Gutzeit called the meeting to order at 10:33 PM. A quorum was present.

Upon motion of Director Gladbach, seconded by Director Colley and carried, the Authority approved the Agenda by the following voice votes (Item 1.3):

Director Colley	Yes	Director Cooper	Yes
Director Gladbach	Yes	President Gutzeit	Yes
Vice President Kelly	Absent		

Upon motion of Director Colley, seconded by Director Gladbach and carried, the Authority approved the November 5, 2019 regular Authority meeting minutes by the following voice votes (Item 2.1):

Director Colley	Yes	Director Cooper	Yes
Director Gladbach	Yes	President Gutzeit	Yes
Vice President Kelly	Absent		

Upon motion of Director Gladbach, seconded by Director Cooper and carried, the Authority voted to keep the officers the same as the past year as shown below:

Elected Officers:

Director Gutzeit – President  
Director Kelly – Vice President

Appointed Officers:

April Jacobs – Board Secretary  
Matthew Stone – Executive Director  
Rochelle Patterson – Treasurer

By the following voice votes (Item 2.2):

Director Colley	Yes	Director Cooper	Yes
Director Gladbach	Yes	President Gutzeit	Yes
Vice President Kelly	Absent		

Upon motion of Director Cooper, seconded by Director Gladbach and carried, the Authority approved Resolution No. 2020-01 authorizing (1) the issuance of one or more series of revenue bonds by the Upper Santa Clara Valley Joint Powers Authority, (2) the execution of certain documents, and (3) certain other actions with the redaction of the wording, "Paragraph 4 to", under Section 11 of the Resolution by the following voice votes (Item 2.3):

Director Colley	Yes	Director Cooper	Yes
Director Gladbach	Yes	President Gutzeit	Yes
Vice President Kelly	Absent		

**RESOLUTION NO. 2020-01**  
**RESOLUTION OF THE**  
**UPPER SANTA CLARA VALLEY**  
**JOINT POWERS AUTHORITY AUTHORIZING:**  
**(1) THE ISSUANCE OF ONE OR MORE SERIES OF REVENUE BONDS;**  
**(2) APPROVING THE EXECUTION OF CERTAIN DOCUMENTS; AND**  
**(3) AUTHORIZING CERTAIN ACTS IN CONNECTION THEREWITH**

**WHEREAS**, the Upper Santa Clara Valley Joint Powers Authority (the "Authority"), a joint exercise of powers authority duly organized and existing under and pursuant to the Constitution and laws of the State of California, has been requested to assist the Santa Clara Valley Water Agency (the "Agency") by undertaking the financing of the acquisition of certain capital improvements on behalf of the Agency and the refinancing of the acquisition of certain capital improvements on behalf of the Agency with the issuance of one or more series of Authority revenue bonds and

**WHEREAS**, the Board of Directors has determined to assist the Agency to finance such capital improvements from the proceeds of such Authority revenue bonds;

**NOW THEREFORE**, the Board of Directors of the Upper Santa Clara Valley Joint Powers Authority hereby finds, determines, declares and resolves as follows:

1. The issuance by the Authority of one or more series of revenue bonds (the "Revenue Bonds") in the principal amount not to exceed \$275,000,000 in order to finance certain capital improvements on behalf of the Agency, to refinance certain capital improvements on behalf of the Agency and to pay the cost of issuance of such revenue bonds (the "Bonds").

2. The Installment Purchase Agreement in substantially the form on file with the Authority is hereby approved subject to final approval as to form by general counsel and the law firm of Stradling Yocca Carlson & Rauth, a Professional Corporation ("Bond Counsel"). The President, Vice President, Executive Director or the Treasurer (the "Authorized Officers") acting singly are hereby authorized and directed to execute and deliver the Installment Purchase Agreement with such changes, insertions and omissions as may be approved by Bond Counsel, said execution by an Authorized Officer being conclusive evidence of such approval.

3. The Indenture of Trust in substantially the form on file with the Authority is hereby approved subject to final approval as to form by general counsel and Bond Counsel. Each of the Authorized Officers, acting singly or the designee thereof are hereby authorized and directed to execute and deliver the Indenture of Trust with such changes, insertions and omissions as may be approved by Bond Counsel, said execution by an Authorized Officer being conclusive evidence of such approval.

4. The Escrow Agreement (2015A), in substantially the form on file with the Authority is hereby approved subject to final approval as to form by general counsel and Bond Counsel. Each Authorized Officers, acting singly or the designee thereof are hereby authorized and directed to execute and deliver such Escrow Agreement (2015A) with such changes, insertions and omissions as may be approved by Bond Counsel, said execution by an Authorized Officer being conclusive evidence of such approval.

5. The Escrow Agreement (2016A), in substantially the form on file with the Authority is hereby approved subject to final approval as to form by general counsel and Bond Counsel. Each Authorized Officers, acting singly or the designee thereof are hereby authorized and directed to execute and deliver such Escrow Agreement (2016A) with such changes, insertions and omissions as may be approved by Bond Counsel, said execution by an Authorized Officer being conclusive evidence of such approval.

6. The Escrow Agreement (2017A), in substantially the form on file with the Authority is hereby approved subject to final approval as to form by general counsel and Bond Counsel. Each Authorized Officers, acting singly or the designee thereof are hereby authorized and directed to execute and deliver such Escrow Agreement (2017A) with such changes, insertions and omissions as may be approved by Bond Counsel, said execution by an Authorized Officer being conclusive evidence of such approval.

7. The Purchase Contract with Citigroup Global Markets Inc., as representative, in substantially the form on file with the Authority is hereby approved. Each of the Authorized Officers, acting singly, or the designee thereof are hereby authorized and directed to execute and deliver the Purchase Contract with such changes, insertions and omissions as may be approved by Bond Counsel, said execution by an Authorized Officer being conclusive evidence of such approval; provided, however, that in no event shall the principal amount of the Bonds exceed \$275,000,000, nor shall the underwriter's discount exceed 0.20% of the principal amount of the Bonds, nor shall the true interest cost of the Bonds exceed 4.00%.

8. Amendment No. 1 to Indenture (2018A), in substantially the form on file with the Authority is hereby approved. Each of the Authorized Officers, acting singly, or the designee thereof are hereby authorized and directed to execute and deliver the Amendment with such changes, insertions and omissions as may be approved by Bond Counsel, said execution by an Authorized Officer being conclusive evidence of such approval.

9. Amendment No. 1 to Installment Purchase Agreement (2018A), in substantially the form on file with the Authority is hereby approved. Each of the Authorized Officers, acting singly, or the designee thereof are hereby authorized and directed to execute and deliver the Amendment with such changes, insertions and omissions as may be approved by Bond Counsel, said execution by an Authorized Officer being conclusive evidence of such approval.

10. The Board of Directors hereby authorizes the Executive Director to determine on or before the date that the Purchase Contract is executed whether or not to enter into amendments in substantially the forms of Amendment No. 1 to Indenture (2018A) and Amendment No. 1 to Installment Purchase Agreement (2018A) with respect to the Authority's Revenue Bonds, Series 2015A, Revenue Bonds, Series 2016A and/or Refunding Revenue Bonds, Series 2017A (Santa Clarita Water Division). Bond Counsel is hereby directed to make all changes to the Installment Purchase Agreement, the Indenture of Trust and the Purchase Contract as are necessary to reflect such determination. Each Authorized Officer, acting singly, is hereby authorized and directed to execute and deliver such amendments with such changes, insertions and omissions as may be approved by Bond Counsel, said execution by an Authorized Officer being conclusive evidence of such approval.

11. The Board of Directors acknowledges that the good faith estimates required by Section 5852.1 of the California Government Code are disclosed in the staff report and are available to the public at the meeting at which this resolution is approved.

12. Each of the Authorized Officers, acting singly, and any other proper officer of the Authority are hereby is authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the Indenture of Trust, the Installment Purchase Agreement, the referenced Escrow Agreements, the Purchase Contract, the referenced Amendments and this Resolution.

13. U.S. Bank National Association is hereby appointed to act as trustee under the Indenture of Trust.

14. Unless otherwise defined herein, all terms used herein and not otherwise defined shall have the meanings given such terms in the Indenture of Trust unless the context otherwise clearly requires.

15. This resolution shall take effect immediately.

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Upon motion of Director Gladbach, seconded by Director Cooper and carried, the Authority approved Resolution No. 2020-02 adopting a revised Investment Policy by the following voice votes (Item 2.4):

Director Colley	Yes	Director Cooper	Yes
Director Gladbach	Yes	President Gutzeit	Yes
Vice President Kelly	Absent		

#### **RESOLUTION NO. 2020-02**

#### **A RESOLUTION OF THE UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY ADOPTING A REVISED INVESTMENT POLICY**

#### **1.0 POLICY**

- 1.1 WHEREAS; the Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern; and
- 1.2 WHEREAS; the legislative body of a local agency may invest surplus monies not required for the immediate necessities of the local agency in accordance with the provisions of California Government Code Sections 53601 et seq.; and
- 1.3 WHEREAS; the Treasurer of the Upper Santa Clara Valley Joint Powers Authority (“Authority”), acting under the direction and authority of the Finance Committee of the Authority, shall annually prepare and submit a statement of investment policy and such policy, and any changes thereto, shall be considered by the Board of Directors at a public meeting;
- 1.4 NOW THEREFORE, it shall be the policy of the Authority to invest funds in a manner, which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Authority and conforming to all statutes governing the investment of Authority funds.

2.0 SCOPE

This investment policy applies to all financial assets of the Authority. These funds are accounted for in the annual Authority audit. The Authority pools all cash for investment purposes. This policy is applicable, but not limited to all funds listed below:

- General/Operating Fund
- Special Revenue Funds
  - a) One Percent Property Tax Fund
  - b) Facility Capacity Fee Fund
  - c) State Water Project Fund
- Capital Project Fund
- Debt Service Fund
- Reserve Funds
- Enterprise Fund
- Grant Funds

3.0 PRUDENCE; RESPONSIBILITY

- 3.1 Prudence: Investments shall be made with judgment and care, under circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Authority, which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used by investment officials shall be the "prudent investor" standard (California Government Code 53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from

expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

- 3.2 Responsibility: The Treasurer and other individuals assigned to manage the investment portfolio, acting with the intent and scope of this investment policy while exercising due diligence, shall be relieved of personal responsibility for the credit risk and market price risk for securities held in the investment portfolio, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

#### 4.0 OBJECTIVES

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives, in priority order, of the investment activities shall be:

- 4.1 Safety: Safety of principal is the foremost objective of the investment program. Investments of the Authority shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
- 4.2 Liquidity: The investment portfolio will remain sufficiently liquid to enable the Authority to meet all operating requirements and budgeted expenditures. Investments will be undertaken with the expectation that unplanned expenses will be incurred; therefore, portfolio liquidity will be created to cover reasonable contingency costs.
- 4.3 Return on Investments: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio. The goal is to maximize return while ensuring that safety and liquidity objectives are not compromised.

#### 5.0 DELEGATION OF AUTHORITY

Authority to manage the investment program is derived from California Government Code 53600, et seq. Overall accountability and authority for implementation of this policy shall remain with the Board of Directors of the Authority and overseen by the Authority's Finance Committee. The day-to-day responsibility for management and implementation of the investment program is hereby delegated to the Treasurer, who, where and when appropriate, shall establish written procedures for the operation of the investment program consistent with this investment policy. With this delegation the Treasurer is given the authority to utilize internal staff and outside investment managers to assist in the investment program. The Treasurer shall use care to assure that those assigned responsibility to assist in the management of the Authority's portfolio do so in accordance with this policy. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. Under the provisions of California Government Code 53600.3, the Treasurer is a trustee and a fiduciary subject to the prudent investor standard.



6.0 ETHICS AND CONFLICTS OF INTEREST

The Treasurer and officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Officials and staff members involved with the investment function shall disclose to the Board of Directors any personal financial interest with a financial institution, broker or investment issuer conducting business with the Authority. Officials and staff members shall further disclose to the Board of Directors any personal financial interest in any entity related to the investment performance of the Authority's portfolio.

7.0 AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Treasurer will maintain a list of financial institutions, selected on the basis of credit worthiness, financial strength, experience and minimal capitalization authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment and financial advisory services in the State of California. No public deposit shall be made except in a qualified public depository as established by state laws.

For brokers/dealers of government securities and other investments, the Treasurer shall select only broker/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers or other applicable self-regulatory organizations.

Before engaging in investment transactions with a broker/dealer, the Treasurer shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for the Authority's account with that firm has reviewed the Authority's Investment Policy and that the firm understands the policy and intends to present investment recommendations and transactions to the Authority that are appropriate under the terms and conditions of the Investment Policy.

The Authority is a local Authority authorized to invest surplus monies in the Local Agency Investment Fund (LAIF). LAIF is a special trust fund in the custody of the State Treasurer and the Local Investment Advisory Board created under Government Code Section 16429.2, which advises the State Treasurer on the investment and reinvestment of LAIF deposits. Each local agency with LAIF deposits has a separate account within LAIF, but the total deposits in LAIF are managed as a pooled investment account. The securities eligible for LAIF investments are statutorily specified in Government Code Section 16430 and are more conservative than those investments permitted under Government Code Section 53601, which governs the management of invested surplus monies by local agencies. Accordingly, the Treasurer need not be concerned with the qualifications of those financial institutions and broker/dealers with whom LAIF transacts business.

8.0 PORTFOLIO MATURITY LIMITS

The maximum maturity for any single investment in the portfolio shall not exceed five years. The maximum weighted average maturity for the investment portfolio shall not exceed three years.

When a security has a mandatory put date, the put date should be used when calculating weighted average portfolio maturity. When a security has an optional put

date, the optional put date should be used when calculating weighted average portfolio maturity so long as the put is at the discretion of the Authority and the put price is equal to or greater than the market value for the security. (A put is a contract that gives its holder the right to sell an underlying security, commodity, or currency before a certain date for a predetermined price.)

9.0 AUTHORIZED AND SUITABLE INVESTMENTS

The Authority is empowered by California Government Code 53601 et seq. to invest in the following:

- 9.1 Bonds issued by the Authority.
- 9.2 United States Treasury Bills, Notes and Bonds.
- 9.3 Registered state warrants or treasury notes or bonds issued by the State of California.
- 9.4 Registered treasury notes or bonds of any of the 49 United States in addition to California, including bonds payable solely out of revenues from revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California.
- 9.5 Bonds, notes, warrants or other evidence of debt issued by a local agency within the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency; and also including pooled investment accounts sponsored by the State of California, County Treasurers, other local agencies or Joint Powers Agencies. The LAIF is an approved pooled investment account.
- 9.6 Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by, or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
- 9.7 Bankers' acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances may not exceed 180 days' maturity or 40% of the Authority's money that may be invested pursuant to this policy. However, no more than 30% of the Authority's money can be invested in the bankers' acceptances of any single commercial bank.
- 9.8 Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally-recognized statistical-rating organization. The entity that issues the commercial paper shall either be:
  - 9.8.1 organized and operating within the United States as a general corporation, shall have total assets in excess of Five Hundred Million Dollars (\$500,000,000), and shall issue debt, other than commercial

paper, if any, that is rated in a rating category of "A" or its equivalent or higher by a nationally-recognized statistical-rating organization; or

- 9.8.2 organized within the United States as a special-purpose corporation, trust, or limited liability company, have program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond, and has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally-recognized statistical-rating organization.

Eligible commercial paper shall have a maximum maturity of 270 days or less. The Authority shall invest no more than 25% of its money in eligible commercial paper. The Authority shall purchase no more than 10% of the outstanding commercial paper of any single corporate issue.

- 9.9 (i) Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federal or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30% of the Authority's money which may be invested pursuant to this policy. The Board of Directors and the Treasurer are prohibited from investing Authority funds, or funds in the Authority's custody, in negotiable certificates of deposit issued by a state or federal credit union if a member of the Board of Directors, or any person with investment decision-making authority within the Authority also serves on the Board of Directors, or any committee appointed by the Board of Directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.
- (ii) Deposits at a commercial bank, savings bank, savings and loan association or credit union that uses a private sector entity that assists in the placement of such certificates of deposit, pursuant to Government Code Section 53601.8. Deposits shall be subject to Government Code Section 53638 and may not exceed 50% of the Authority's money which may be invested pursuant to this policy.
- 9.10 Repurchase/Reverse Repurchase Agreements of any securities authorized by Section 53061. The market value of securities that underlay a repurchase agreement shall be valued at one hundred two percent (102%) or greater of the funds borrowed against those securities, and are subject to the special limits and conditions of California Government Code 53601(j).
- 9.11 Medium term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of 5 years or less, issued by corporations organized and operating with the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated in a rating category of "A" or its equivalent or better by a nationally recognized rating service. Purchases of medium-term notes shall not include other

instruments authorized by this policy and shall not exceed 30% of the Authority's money which may be invested pursuant to this policy.

- 9.12 Shares of beneficial interest issued by diversified management companies (mutual funds) investing in the securities and obligations authorized by this policy, and shares in money market mutual funds, subject to the restrictions of California Government Code Section 53601(l). The purchase price of investments under this subdivision shall not exceed 20% of the Authority's investments under this policy. However, no more than 10% of the Authority's money may be invested in any one mutual fund.
- 9.13 Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.
- 9.14 Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by California Government Code Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by California Government Code Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.
- 9.15 Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years maturity. Securities eligible for investment under this subdivision shall be issued by an issuer rated in a rating category of "A" or its equivalent or better for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this subdivision shall not exceed 20% of the Authority's money that may be invested pursuant to this policy.
- 9.16 Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized under Government Code Section 53601. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible, the joint powers authority issuing the shares must have retained an investment advisor that is registered or exempt

from registration with the Securities and Exchange Commission, have not less than five years of experience in investing in the securities and obligations authorized under Government Code Section 53601, and have assets under management in excess of five hundred million dollars (\$500,000,000).

- 9.17 Proposition 1A receivables sold pursuant to California Government Code Section 53999. A "Proposition 1A receivable" constitutes the right to payment of moneys due or to become due to a local agency, pursuant to clause (iii) of subparagraph (B) of paragraph (1) of subdivision (a) of Section 25.5 of Article XIII of the California Constitution and Section 100.06 of the Revenue and Taxation Code.
- 9.18 United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and shall not exceed 30 percent of the Authority's moneys that may be invested pursuant to this section.
- 9.19 Any other investment security authorized under the provisions of California Government Code Sections 5922 and 53601.

Such investments shall be limited to securities that at the time of the investment have a term remaining to maturity of five years or less, or as otherwise provided in Government Code Section 53601.

The Authority shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, interest-only strips derived from mortgage pools or any investment that may result in a zero interest accrual if held to maturity.

#### 10.0 COLLATERALIZATION

All certificates of deposit must be collateralized by United States Treasury Obligations. Collateral must be held by a third party trustee and valued on a monthly basis. The percentage of collateralizations on repurchase and reverse agreements will adhere to the amount required under California Government Code 53601(i)(2).

#### 11.0 SAFEKEEPING AND CUSTODY

All securities owned by the Authority, except collateral for repurchase agreements, will be held in safekeeping at a third party bank trust department that will act as agent for the Authority under terms of a custody agreement.

Securities used as collateral for repurchase agreements with a term of up to seven days can be safe kept by a third party bank trust department, or by the broker/dealer's safekeeping institution, acting as agent for the Authority under the terms of a custody agreement executed by the broker/dealer and the Authority and specifying the Authority's perfected ownership of the collateral.

Payment for all transactions will be conducted on a delivery-versus-payment (DVP) basis.

12.0 LEVERAGING

Investments may not be purchased on margin. Securities can be purchased on a "When Issued" basis only when a cash balance can be maintained to pay for the securities on the purchase settlement date.

13.0 DIVERSIFICATION

The Authority will diversify its investments by security type and institution. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities.

Diversification strategies shall be reviewed and revised periodically. In establishing specific diversification strategies, the following general policies and constraints shall apply:

13.1 Portfolio maturity dates shall be matched versus liabilities to avoid undue concentration in a specific maturity sector.

13.2 Maturities selected shall provide for stability of income and liquidity.

13.3 Disbursement and payroll dates shall be covered through maturities of investments, marketable United States Treasury bills or other cash equivalent instruments such as money market mutual funds.

14.0 REPORTING

The Treasurer shall submit to each member of the Board of Directors an investment report at least monthly. The report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed for Authority by third party contracted managers. The report will also include the source of the portfolio valuation. For funds, which are placed in LAIF, FDIC-insured accounts and/or in a county investment pool, the foregoing report elements may be replaced by copies of the latest statements from such institutions. The report must also include a certification that (1) all investment actions executed since the last report have been made in full compliance with the Investment Policy and, (2) the Authority will meet its expenditure obligations for the next six months as required by Government Code Section 53646(b)(2) and (3), respectively. The Treasurer shall maintain a complete and timely record of all investment transactions.

15.0 INVESTMENT POLICY ADOPTION

The Investment Policy shall be adopted by resolution of the Authority. Moreover, the Policy shall be reviewed on an annual basis, and modifications must be approved by the Board of Directors.

-----

Upon motion of Director Gladbach, seconded by Director Colley and carried, the meeting was adjourned at 10:40 PM by the following voice votes (Item 3):

Director Colley	Yes
Director Gladbach	Yes
Vice President Kelly	Absent

Director Cooper	Yes
President Gutzeit	Yes

---

April Jacobs, Board Secretary

ATTEST:

---

President


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## UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY

**DATE:** March 27, 2020

**TO:** Upper Santa Clara Valley Joint Powers Authority Board of Directors

**FROM:** Rochelle Patterson  
Treasurer 

**SUBJECT:** Approve Receiving and Filing of the Upper Santa Clara Valley Joint Powers Authority June 30, 2019 Financial Statement

---

### SUMMARY

To review Upper Santa Clara Valley Joint Powers Authority's (USCVJPA) June 30, 2019 Financial Statement prepared by Lance, Soll & Lunhard, LLP (LSL) which is combined with the Santa Clarita Valley Water Agency and Devils Den Water District.

### DISCUSSION

The June 30, 2019 Financial Statement (attached) is meant to give the reader a narrative overview and analysis of the USCVJPA financial performance during the period of July 1, 2018 to June 30, 2019.

The auditors gave the report an unmodified opinion, which is termed a clean opinion and is the highest opinion achieved. An unmodified opinion is the auditor's judgment that he has no reservation as to the fairness of presentation of Santa Clarita Valley Water Agency's (SCV Water) Financial Statement and their conformity with Generally Accepted Accounting Principles (GAAP). In the auditor's opinion, USCVJPA has presented fairly its financial position, results of operations, and changes in cash flows.

### FINANCIAL CONSIDERATIONS

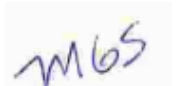
None.

### RECOMMENDATION

That the Upper Santa Clara Valley Joint Powers Authority receive and file the attached combined USCVJPA Financial Statement, which was included in SCV Water's Financial Statement, for the period of July 1, 2018 to June 30, 2019.

RP

Attachments



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March 6, 2020

To the Board of Directors  
Santa Clarita Valley Water Agency  
City of Santa Clarita, California

We have audited the financial statements of the Santa Clarita Valley Water Agency (the Agency) for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 28, 2019. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2018-2019. We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the Agency's financial statements were:

Management's estimates of its net pension liability and net other postemployment benefits liability based on actuarial valuation specialist assumptions. We evaluated the key factors and assumptions used to develop the net pension liability and net other postemployment benefits liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.





To the Board of Directors  
 Santa Clarita Valley Water Agency  
 City of Santa Clarita, California

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. These differences are described below. In addition, we detected misstatements as a result of audit procedures which were material, and were subsequently corrected by management. The details of these misstatements are described in a separate letter dated March 6, 2020.

Unadjusted Audit Differences	Current Year Over (Under) Revenues and Expenditures/Expenses and Changes in Fund Balance/Equity
None noted.	\$ -
Cumulative effect (before effect of prior year differences)	-
Effect of unadjusted audit difference - prior year	-
Cumulative effect (after effect of prior year differences)	\$ -

**Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated March 6, 2020.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Agency’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



To the Board of Directors  
Santa Clarita Valley Water Agency  
City of Santa Clarita, California

### **Other Matters**

We applied certain limited procedures to management's discussion and analysis, the schedules of plan contributions, the schedule of proportionate share of the net pension liability, the schedule of changes in net OPEB liability and related ratio which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining statements which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### **New Accounting Standards**

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective for fiscal year 2018-2019 audit:

GASB Statement No. 83, *Certain Assets Retirement Obligations*.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*.

The following Governmental Accounting Standards Board (GASB) pronouncements are effective in the following fiscal year audit and should be reviewed for proper implementation by management:

Fiscal year 2019-2020

GASB Statement No. 84, *Fiduciary Activities*.

GASB Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statement No. 14 and No. 61*.

Fiscal year 2020-2021

GASB Statement No. 87, *Leases*.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

Fiscal year 2021-2022

GASB Statement No. 91, *Conduit Debt Obligations*.



To the Board of Directors  
Santa Clarita Valley Water Agency  
City of Santa Clarita, California

**Restriction on Use**

This information is intended solely for the use of Board of Directors and management of Santa Clarita Valley Water Agency and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Lance, Soll & Lughard, LLP*

Brea, California



March 6, 2020

Lance, Soll & Lunghard, LLP  
Certified Public Accountants  
203 North Brea Boulevard, Suite 203  
Brea, CA 92821-4056

This representation letter is provided in connection with your audit of the financial statements of Santa Clarita Valley Water Agency (the Agency) as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of March 6, 2020 the following representations made to you during your audit.

#### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 28, 2019, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter. In addition, we are in agreement with the adjusting journal entries you have proposed, and they have been posted to the accounts.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the Agency is contingently liable, if any, have been properly recorded or disclosed.

#### **Information Provided**

- 11) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the Agency from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the Agency and involves:
  - Management,
  - Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the Agency's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.



- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the identity of the Agency's related parties and all the related party relationships and transactions of which we are aware.

**Government—specific**

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have a process to track the status of audit findings and recommendations.
- 21) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 22) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 23) The Agency has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 24) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
- 25) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 26) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 27) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 28) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 29) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

- 30) The Agency has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 31) The Agency has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 32) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 33) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34, as amended, and GASB Statement No 84.
- 34) All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 35) Components of net position (net investment in capital assets; restricted; and unrestricted), and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 36) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 37) Provisions for uncollectible receivables have been properly identified and recorded.
- 38) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 39) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 40) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 41) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 42) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 43) Capital assets, including intangible assets, have been evaluated for impairment as a result of significant and unexpected decline in service utility. Impairment loss and insurance recoveries have been properly recorded.
- 44) Inventory quantities at the financial statement dates were determined from physical counts or from the governmental unit's perpetual inventory records, which have been adjusted on the basis of physical inventories taken by competent employees during the year.
- 45) We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
- 46) Participation in a public entity risk pool has been properly reported and disclosed in the financial statements.

- 47) Unused lines of credit, collateral pledged to secure debt, certain contractual debt terms (such as significant defaults or termination events), and direct borrowings and private placements have been properly disclosed.
- 48) We have appropriately disclosed the Agency's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 49) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 50) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 51) With respect to the combining statements:
- a) We acknowledge our responsibility for presenting the combining statements in accordance with accounting principles generally accepted in the United States of America, and we believe the combining statements, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the combining statements have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - b) If the combining statements is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

Signature:       Signature: 

Title: Director of Finance and Administration      Title: Controller

**Summary of Audit Differences**

Name of Governmental Unit: Santa Clarita Valley Water Agency

Date of Combined Balance Sheet: June 30, 2019

Opinion Unit, Fund Type or Fund: All Funds

Unadjusted Audit Differences	Cause	Current Year Over (Under) Revenues and Expenditures/Expenses and Changes in Fund Balance/Equity
<u>None noted.</u>		<u>\$ -</u>
Cumulative effect (before effect of prior year differences)		<u>-</u>
Effect of unadjusted audit difference - prior year		<u>-</u>
Cumulative effect (after effect of prior year differences)		<u><u>\$ -</u></u>



# SANTA CLARITA VALLEY WATER AGENCY

FOR THE YEAR ENDED JUNE 30, 2019

ANNUAL FINANCIAL REPORT

Focused  
on YOU



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SANTA CLARITA VALLEY WATER AGENCY  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2019

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SANTA CLARITA VALLEY WATER AGENCY

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Santa Clarita Valley Water Agency  
City of Santa Clarita, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Santa Clarita Valley Water Agency, (the Agency), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special District. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



To the Board of Directors  
Santa Clarita Valley Water Agency  
City of Santa Clarita, California

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Santa Clarita Valley Water Agency, as of June 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of plan contributions, the schedule of proportionate share of the net pension liability, the schedule of changes in net OPEB liability and related ratio, 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.

#### *Other 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 introductory section and combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate 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 combining fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.



To the Board of Directors  
Santa Clarita Valley Water Agency  
City of Santa Clarita, California

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2020 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.

A handwritten signature in black ink that reads "Lance, Soll &amp; Lughard, LLP". The signature is written in a cursive, flowing style.

Brea, California  
March 6, 2020

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## **SANTA CLARITA VALLEY WATER AGENCY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2019**

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Santa Clarita Valley Water Agency (Agency) introduces the financial statements of the Agency for the period ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

#### **OVERVIEW**

Historically, residents and businesses of the Santa Clarita Valley were served by several separate water suppliers. It was an inherently fragmented structure that from time to time resulted in redundancies, interagency conflict and barriers to integrated regional water management. While the region's water suppliers provided reliable and cost-effective water service, there was strong consensus that even greater efficiencies, effectiveness and enhanced regional water management could be achieved on behalf of the Santa Clarita Valley's 350,000 residents and thousands of businesses. This fundamental truth was the basis for pursuing Senate Bill 634 (Wilk) which created a new public water agency for the region now known as SCV Water.

SCV Water was created by SB 634 (Act), which went into effect on January 1, 2018. The goal of SB 634 was to create a new agency that could capitalize on economies of scale and reduce costs of operations, maintenance and capital investment, while enhancing integrated resource management, thereby saving customers money while at the same time improving service delivery. As articulated in the Act, the purpose of SCV Water is to unify and modernize water resource management within the Santa Clarita Valley through the efficient, sustainable, and affordable provision, sale, management and delivery of surface water, groundwater, and recycled water for municipal, industrial, domestic, and other purposes at retail and wholesale throughout SCV Water, and to do so in a manner that promotes the sustainable stewardship of natural resources in the Santa Clarita Valley.

A key goal was to align functions previously organized across the three separate retail entities to support water services of a single organization. It will provide water service to customers within the service boundary previously serviced Castaic Lake Water Agency/Santa Clarita Water Division (SCWD), a division of CLWA, Newhall County Water District (NCWD) and Valencia Water Company (VWC).

The combining statement includes:

- Wholesale/Regional Division (previously CLWA)
- Newhall Water Division (previously NCWD)
- Santa Clarita Water Division (previously a division of CLWA)
- Valencia Water Division (previously VWC)
- Upper Santa Clara Valley Joint Powers Authority
- Devil's Den Water District
- Groundwater Sustainability Agency

## SANTA CLARITA VALLEY WATER AGENCY

### MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2019

#### Financial Highlights

- As of June 30, 2019, the Agency's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$630.76 million (net position). Of this balance, unrestricted net position amounted to \$173.20 million.
- The Agency's total operating revenues amounted to \$124.95 million during the period.
- The Agency's total operating expenses amounted to \$109.55 million during the period.

#### REQUIRED FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements, which are comprised of the following: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Net Position, 3) Statement of Cash Flows, and 4) Notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

- The *Statement of Net Position* presents information on all the Agency's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or weakening. This statement measures the success of the Agency's operations over the past year and can be used to determine if the Agency has successfully recovered all its costs through its rates and other charges. However, one must consider other nonfinancial factors such as changes in economic or environment conditions, population growth, and new or changed government legislation.
- The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).
- The *Statement of Cash Flows* presents information on cash receipts and payments for the fiscal year. From this statement, the reader can obtain comparative information on the sources and uses of the Agency's cash. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities, as well as providing answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.
- The *Notes to the Financial Statements* provide additional information that is essential to fully understand the data supplied in each of the specific financial statements listed above.



## SANTA CLARITA VALLEY WATER AGENCY

### MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2019

The Agency's financial statements are comprised of four divisions as follows: (1) Regional Water Division (formerly CLWA); (2) Santa Clarita Water Division; (3) Newhall Water Division (formerly NCWD); and (4) Valencia Water Division (formerly VWC). The Agency's records are maintained on an enterprise basis, as it is the intent of the Board of Directors that the costs of providing water service to the customers of the Agency are financed primarily through user charges. See the detailed historical information of the Agency on Note 1 to the basic financial statements.

#### Financial Analysis of the Agency

One of the most important questions asked about the Agency's finances is, "Is the Agency better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Agency in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the *accrual basis of accounting*, which is like the accounting used by most private sector companies. All the current year's revenues and expenses are considered regardless of when the cash is received or paid.

These two statements report the Agency's *net position* and changes in them. Think of the Agency's net position – the difference between assets, and deferred outflows of resources, and liabilities and deferred inflows of resources – as one way to measure the Agency's financial health, or *financial position*. Over time, *increases or decreases* in the Agency's net position are one indicator of whether its *financial health* is improving or deteriorating. One will need to consider other non-financial factors however, such as changes in the Agency's property tax base and the types of grants the Agency applies for to assess the *overall financial health* of the Agency.

**SANTA CLARITA VALLEY WATER AGENCY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**Statements of Net Position (condensed)**

	<u>2019</u>
<b>Assets</b>	
Current and Other Assets	\$ 211,718,497
Restricted	22,823,465
Noncurrent	<u>796,246,824</u>
<b>Total Assets</b>	<b><u>1,030,788,786</u></b>
<b>Deferred Outflows of Resources</b>	
Deferred Pension Outflows	5,252,810
Deferred OPEB Outflows	3,908,619
Loss on Defeasance of Debt	<u>1,322,398</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>10,483,827</u></b>
<b>Liabilities</b>	
Current Liabilities	49,698,477
Restricted	3,541,479
Noncurrent Liabilities	<u>352,882,507</u>
<b>Total Liabilities</b>	<b><u>406,122,463</u></b>
<b>Deferred Inflows of Resources</b>	
Deferred Pension Inflows	1,110,836
Deferred OPEB Inflows	<u>3,282,005</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>4,392,841</u></b>
<b>Net Position</b>	
Net Investment in Capital Assets	384,808,121
Restricted	72,753,409
Unrestricted	<u>173,195,779</u>
<b>Total Net Position</b>	<b><u>\$ 630,757,309</u></b>

**Statement of Net Position, continued**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the period ended June 30, 2019, the Agency's, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$630.76 million. The Agency's net position is made-up of three components: (1) net investment in capital assets, (2) restricted, and (3) unrestricted.

By far the largest portion of the Agency's net position (approximately 60% as of June 30, 2019) reflects the Agency's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The Agency uses these capital assets to provide services to customers within the Agency's service area; consequently, these assets are *not* available for future spending. See Note 10 for further information.

**SANTA CLARITA VALLEY WATER AGENCY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**Statements of Revenues, Expenses, and Changes in Net Position**

	<u>2019</u>
<b>Operating Revenues:</b>	
Water Consumption Sales and Services	\$ 93,527,684
Other Charges and Services	31,419,497
	<hr/>
<b>Total Operating Revenues</b>	<b>124,947,181</b>
<b>Operating Expenses:</b>	
Source of Supply	24,329,974
Pumping Plant	6,292,006
Transmission and Distribution	6,196,650
Water Treatment	6,992,606
Administrative and General	20,016,744
Depreciation Expense	31,263,128
Maintenance	3,263,353
Engineering	2,298,810
Water Quality	2,278,908
Water Resources	6,322,518
Management	292,409
	<hr/>
<b>Total Operating Expenses</b>	<b>109,547,106</b>
Operating Income (Loss)	15,400,075
	<hr/>
<b>Nonoperating Revenues (Expenses):</b>	
Taxes	58,205,621
Interest Revenue	7,466,695
Interest Expense	(17,477,548)
Other Revenue (Expense)	1,905,933
State Water Contract	(20,182,520)
Gain (loss) on Disposal of Capital Assets	(824,686)
	<hr/>
<b>Total Nonoperating Revenues (Expenses)</b>	<b>29,093,495</b>
Income (Loss) Before Capital Contributions	44,493,570
Capital Contributions	4,518,938
	<hr/>
Change in Net Position	49,012,508
	<hr/>
<b>Net Position:</b>	
Beginning of Year, as previously reported	581,421,048
Restatements	323,753
	<hr/>
Beginning of Fiscal Year, as restated	581,744,801
	<hr/>
End of Fiscal Year (Should be on prior page)	<b>\$ 630,757,309</b>
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## SANTA CLARITA VALLEY WATER AGENCY

### MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2019

#### Statements of Revenues, Expenses and Changes in Net Position, continued

A closer examination of the components of net position reveals that:

The Agency's net position amounted to \$630.76 million as of June 30, 2019, which is comprised of an increase in net position of \$49.01 million before restatements.

The Agency's total revenues amounted to \$192.53 million. Operating revenues amounted to \$124.95 million and is comprised of water consumption sales and services of \$93.53 million, and other charges and services of \$31.42 million.

Nonoperating revenues amounted to \$67.58 million and are comprised of 58.21 million in property taxes, \$7.47 million in interest earnings and 1.91 million in other revenue.

The Agency's total expenses (including depreciation expense) amounted to \$148.03 million. Operating expenses amounted to \$109.55 million, and is comprised of depreciation expense of \$31.26 million, source of supply of \$24.33 million, administration and general expense of \$20.02 million, pumping expense of \$6.29 million, water treatment of \$6.99 million, water resources of \$6.32 million, transmission and distribution of \$6.20 million, maintenance expense of \$3.26 million, engineering expense of \$2.30 and water quality expense of \$2.28 million.

Nonoperating expenses amounted to \$38.48 million and are comprised of \$20.18 million in state water contract expenses, interest expense of \$17.48 million and \$.82 million on disposal of capital assets.

#### Capital Assets and Debt Administration

The Agency's capital assets as of June 30, 2019, totaled \$731.45 million (net of accumulated depreciation).

	<u>2019</u>
Capital Assets, not being depreciated	
Non-depreciable Assets	<u>\$ 93,413,357</u>
Capital Assets, net - being depreciated	
Depreciable Assets	1,105,766,022
Accumulated Depreciation and Amortization	<u>(467,731,875)</u>
Subtotal	<u>638,034,147</u>
<b>Total Capital Assets, net</b>	<u><b>\$ 731,447,504</b></u>

This investment in capital assets includes land, transmission and distribution systems, pumping plants and rights, buildings and structures, equipment, vehicles, and construction-in process.

## SANTA CLARITA VALLEY WATER AGENCY

### MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2019

Major capital asset additions included upgrades to state water project rights, upgrades to water tanks and mains, meter installations, and developer contributions to the water retail enterprise's transmission and distribution system. A significant portion of these additions were constructed by the Agency and/or subcontractors and transferred out of construction-in-process upon completion of these various projects. The capital assets of the Agency are more fully analyzed in Note 6 to the basic financial statements.

#### Long-Term Debt Administration

	<u>2019</u>
Certificates of Participation	\$ 132,453,983
Revenue Bonds	217,040,224
Notes Payable	<u>2,573,780</u>
<b>Total Long-Term Debt</b>	<b><u>\$ 352,067,987</u></b>

#### Long-term Debt

At June 30, 2019, the Agency had \$352.07 million in long-term debt of which \$19.35 million is considered a current liability. The long-term debt position of the Agency is more fully analyzed in Note 9 to the basic financial statements.

#### Conditions Affecting Current Financial Position

*Expanding in Infrastructure* – Management has identified a need to invest in the Agency's infrastructure and Capital Improvement Program (CIP). As the Agency's infrastructure continues to expand, the Agency understands the importance of monitoring the impacts of CIP projects on operating expenditures.

Each major CIP project that becomes operational adds new complexity and costs to the Agency's overall system. As this additional infrastructure is implemented, the Agency will require additional staff resources and will incur additional costs to operate and maintain the infrastructure. The current CIP includes several water quality and pipeline projects that will not have significant operating costs. However, the future development of the recycled water program will have significant operating costs that should be identified as part of the planning process.

#### Requests for Information

This financial report is designed to provide the Agency's funding sources, customers, stakeholders, and other interested parties with an overview of the Agency's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Agency's Director of Finance and Administration at 27234 Bouquet Canyon Road, Santa Clarita, California 91350-2173 or (661) 297-1600.

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

STATEMENT OF NET POSITION  
JUNE 30, 2019

	<u>2019</u>
<b>Assets:</b>	
Current:	
Cash and cash equivalents	\$ 19,914,446
Investments	162,916,342
Receivables:	
Accounts	12,645,868
Property tax	1,311,741
Accrued interest	806,911
Accounts - other	6,396,437
Prepaid costs	5,580,695
Materials and supplies inventory	2,146,057
Restricted:	
Cash and cash equivalents	4,712,305
Investments	10,147,536
Cash with fiscal agent	5,863,580
Receivables:	
Property tax	1,216,962
Accrued interest	345,984
Accounts - other	537,098
	<u>234,541,962</u>
<b>Total Current Assets</b>	<b>234,541,962</b>
Noncurrent:	
Investments - restricted	64,728,731
Net OPEB asset	70,589
Capital assets - not being depreciated	93,413,357
Capital assets - net of accumulated depreciation	638,034,147
	<u>796,246,824</u>
<b>Total Noncurrent Assets</b>	<b>796,246,824</b>
	<u>1,030,788,786</u>
<b>Total Assets</b>	<b>1,030,788,786</b>
<b>Deferred Outflows of Resources:</b>	
Deferred pension outflows	5,252,810
Deferred OPEB outflows	3,908,619
Loss on defeasance of debt	1,322,398
	<u>10,483,827</u>
<b>Total Deferred Outflows of Resources</b>	<b>10,483,827</b>

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

STATEMENT OF NET POSITION  
JUNE 30, 2019

	<u>2019</u>
<b>Liabilities:</b>	
Current:	
Accounts payable	9,189,866
Accounts payable - restricted	3,541,479
Accrued liabilities	639,826
Accrued interest	5,043,508
Unearned revenues	953,059
Deposits payable	98,168
Advances for construction	9,864,255
Other current liabilities	3,800,765
Accrued compensated absences	488,309
Certificate of participation	8,915,000
Notes payable	530,721
Revenue bonds	10,175,000
	<u>53,239,956</u>
<b>Total Current Liabilities</b>	
Noncurrent:	
Net OPEB liability	5,629,779
Net pension liability	13,340,534
Accrued compensated absences	1,464,928
Certificate of participation	123,538,983
Notes payable	2,043,059
Revenue bonds	206,865,224
	<u>352,882,507</u>
<b>Total Noncurrent Liabilities</b>	
<b>Total Liabilities</b>	
	<u>406,122,463</u>
<b>Deferred Inflows of Resources:</b>	
Deferred pension inflows	1,110,836
Deferred OPEB inflows	3,282,005
	<u>4,392,841</u>
<b>Total Deferred Inflows of Resources</b>	
<b>Net Position:</b>	
Net investment in capital assets	384,808,121
Restricted	72,753,409
Unrestricted	173,195,779
	<u>630,757,309</u>
<b>Total Net Position</b>	
	<u><b>\$ 630,757,309</b></u>

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**SANTA CLARITA VALLEY WATER AGENCY (SCVWA)**

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
YEAR ENDED JUNE 30, 2019**

	<u>2019</u>
<b>Operating Revenues:</b>	
Water consumption sales and services	\$ 93,527,684
Other charges and services	31,419,497
	<u>124,947,181</u>
<b>Total Operating Revenues</b>	<b>124,947,181</b>
<b>Operating Expenses:</b>	
Source of supply	24,329,974
Pumping	6,292,006
Transmission and distribution	6,196,650
Water Treatment	6,992,606
Administration and general	20,016,744
Depreciation expense	31,263,128
Maintenance	3,263,353
Engineering	2,298,810
Water Quality	2,278,908
Water Resources	6,322,518
Management	292,409
	<u>109,547,106</u>
<b>Total Operating Expenses</b>	<b>109,547,106</b>
Operating Income (Loss)	<u>15,400,075</u>
<b>Nonoperating Revenues (Expenses):</b>	
Taxes	58,205,621
Interest revenue	7,466,695
Interest expense	(17,477,548)
Other revenue (expenses)	1,905,933
State Water Contract	(20,182,520)
Gain (loss) on disposal of capital assets	(824,686)
	<u>29,093,495</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<b>29,093,495</b>
Income (Loss) Before Capital Contributions	44,493,570
Capital Contributions	<u>4,518,938</u>
Changes in Net Position	<u>49,012,508</u>
<b>Net Position:</b>	
Beginning of Year, as previously reported	581,421,048
Restatements	<u>323,753</u>
Beginning of Fiscal Year, as restated	<u>581,744,801</u>
<b>End of Fiscal Year</b>	<b><u>\$ 630,757,309</u></b>

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2019

	<u>2019</u>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers and users	\$ 120,546,079
Cash paid to suppliers for goods and services	(55,694,643)
Cash paid to employees for services	<u>(21,653,445)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>43,197,991</u></b>
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Repayment made to other funds	(3,665,695)
Repayment received from other funds	3,665,695
Proceeds from property taxes	58,813,439
Payments for state water contract	(20,182,520)
Proceeds from non-operating revenues	<u>1,905,933</u>
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b><u>40,536,852</u></b>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Capital contributions	4,518,938
Acquisition and construction of capital assets	(26,917,107)
Principal paid on capital debt	(18,735,972)
Interest paid on capital debt	(15,558,478)
Proceeds from sales of capital assets	<u>28,535</u>
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b><u>(56,664,084)</u></b>
<b>Cash Flows from Investing Activities:</b>	
Interest received	<u>7,113,854</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<b><u>7,113,854</u></b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>34,184,613</b>
Cash and Cash Equivalents at Beginning of Year	<u>234,098,327</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$ 268,282,940</u></b>

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2019

	<u>2019</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	<u>\$ 15,400,075</u>
<b>Adjustments to Reconcile Operating Income (loss) Net Cash Provided (used) by Operating Activities:</b>	
Depreciation	31,263,128
(Increase) decrease in accounts receivable	(3,774,168)
(Increase) decrease in inventory	(173,979)
(Increase) decrease in prepaid expense	130,033
Increase (decrease) in accounts payable	1,711,342
Increase (decrease) in due to other governments	(1,738)
Increase (decrease) in deposits payable	450,797
Increase (decrease) in advances for construction	(690,041)
Increase (decrease) in unearned revenue	(725,102)
Increase (decrease) in accrued liabilities	1,459,698
Increase (decrease) in net OPEB liability and related items	(2,591,417)
Increase (decrease) in net pension liability and related items	354,875
Increase (decrease) in compensated absences	<u>384,488</u>
<b>Total Adjustments</b>	<u><b>27,797,916</b></u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><b>\$ 43,197,991</b></u>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>	
Amortization of Premiums/Discounts	\$ 1,718,427

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## SANTA CLARITA VALLEY WATER AGENCY

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

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#### Note 1: Reporting Entity and Summary of Significant Accounting Policies

##### a. Organization and Operations of the Reporting Entity

The Santa Clarita Valley Water Agency (Agency) was established on January 1, 2018, pursuant to California Senate Bill 634 (SB-634). On October 15, 2017, the Governor of the State of California signed into law SB-634, which reorganized Castaic Lake Water Agency (CLWA) and Newhall County Water District (NCWD) to create the Agency, effective January 1, 2018.

On January 22, 2018, Valencia Water Company (VWC) was fully transitioned into the Agency through a Plan of Dissolution which was approved by VWC's Board of Directors at a special meeting on December 28, 2017. Subsequent to the dissolution, VWC is accounted for as an enterprise fund, called the Valencia Water Division, within the Agency.

The Castaic Lake Water Agency Financing Corporation (Corporation) was formed in 1990. The Corporation is a California nonprofit public benefit corporation formed to assist CLWA by acquiring, constructing, operating and maintaining facilities, equipment, or other property needed by CLWA and leasing or selling such property to CLWA and as such has no employees or other operations. Although the Corporation is legally separate, it is included as a blended component unit of CLWA, as it is in substance part of CLWA's operations. There are no separate basic financial statements prepared for the Corporation.

On October 25, 1988, CLWA purchased land and equipment owned by Producers Cotton Oil Company. Of the 8,459 acres of land purchased in Kern and Kings Counties, approximately, 7,759 acres are within the Devil's Den Water District (District). The District encompasses 8,676 acres. The cost of acquiring the land and equipment was approximately \$5.0 million. The land is being leased to an outside party by CLWA under terms of an operating lease agreement. The annual lease payments received by CLWA range from \$105 to \$150 per acre foot of all water supplied to the leased property. The accompanying basic financial statements contain all above-mentioned land and water allocation transactions.

The criteria used in determining the transfer of operations is based on the provisions of Governmental Accounting Standards Board (GASB) No. 69, *Government Combinations and Disposals of Government Operations*. The effective transfer date of operations of CLWA and NCWD to the Agency was January 1, 2018, while the effective transfer date of operations of VWC to the Agency was January 23, 2018. These are the dates where the Agency obtained control of the assets and deferred outflows of resources and became obligated for the liabilities and deferred inflows of resources of the operations of CLWA and NCWD. The Agency recognized the carrying values of assets, deferred outflows of resources, liabilities and deferred inflows of resources of CLWA and NCWD as of January 1, 2018, and VWC as of January 23, 2018. The net position received or assumed by the Agency is reported as a special item in the statement of revenues, expenses and changes in net position in the period in which the transfer occurs.

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

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**Note 1: Reporting Entity and Summary of Significant Accounting Policies (Continued)**

**b. Basis of Accounting and Measurement Focus**

The Agency reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Agency is that the cost of providing water to its customers on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants, and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the Agency. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration and depreciation expenses are also considered operating expenses.

Operating expenses are those that are clearly identifiable with a specific function. The types of transactions reported as operating revenues for the Agency are charges for services directly related to the operations of the Agency. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the Agency. Taxes, operating grants, and other items not properly included among operating revenues are reported instead as non-operating revenues. Contributed capital and capital grants are included as capital contributions.

**c. Financial Reporting**

The Agency's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial accounting principles.

**d. Cash and Cash Equivalents**

Substantially all of the Agency's cash is invested in interest bearing accounts. The Agency considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

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**Note 1: Reporting Entity and Summary of Significant Accounting Policies (Continued)**

**e. Use of Estimates**

The preparation of the basic financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, and liabilities, and deferred inflows of resources, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

**f. Investments and Investment Policy**

The Agency has adopted an investment policy in accordance with the provisions of California Government Code Section 53601 and directing the Treasurer to deposit funds in financial institutions.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments. The Agency's policy is to hold its investments until maturity or until market values equal or exceed cost.

**g. Fair Value Measurements**

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The hierarchy is based on valuation inputs used to measure the fair value of the assets, as follows:

Level 1 – Valuation is based on quoted prices in active markets for identical assets.

Level 2 – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

**h. Property Taxes and Assessments**

The Counties of Los Angeles and Ventura Assessor's Offices assesses all real and personal property within each respective County each year. The Counties of Los Angeles and Ventura Tax Collector's Offices bills and collects the Agency's share of property taxes and/or tax assessments. The Counties of Los Angeles and Ventura Treasurer's Office remits current and delinquent property tax collections to the Agency throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

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**Note 1: Reporting Entity and Summary of Significant Accounting Policies (Continued)**

Property taxes receivable at year-end are related to property taxes and tax assessments collected by the Counties of Los Angeles and Ventura, which have not been credited to the Agency's cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

**i. Accounts Receivable**

The Agency extends credit to customers in the normal course of operations. An allowance for doubtful accounts has been recorded based on an estimate of uncollectible accounts.

**j. Materials and Supplies Inventory**

Materials and supplies inventory consist primarily of water meters, pipe and pipe fittings for construction and repair to the Agency's retail water transmission and distribution system. Inventory is valued at cost using a weighted average method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

**k. Prepaid Expenses**

Certain payments to vendors reflect cost or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

**l. Capital Assets**

Capital assets acquired and/or constructed are capitalized at historical cost. Agency policy has set the capitalization threshold for reporting capital assets at \$5,000. Improvement to existing capital assets will be presumed to extend the useful life or increase the capacity of performance of the related capital asset and, therefore, will be subject to capitalization if the cost of the improvement meets the \$5,000 threshold. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.



**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

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**Note 1: Reporting Entity and Summary of Significant Accounting Policies (Continued)**

Depreciation will be calculated based on the assets in service at the beginning of the fiscal year and is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Franchise and consents – 20 years
- Other Intangible plan – 20 years
- Organizational costs – 33 years
- Structures and Improvements – 30 years
- Wells – 30 years
- Pumping Equipment – 20 years
- Castaic Turnout – 50 years
- Other Pumping Equipment – 30 years
- Water Treatment Equipment – 30 years
- Treatment Structures – 35 years
- Treatment Plant – 50 years
- Reservoirs and Tanks – 50 years
- Transmission and Distribution mains – 50 years
- Fire mains – 50 years
- Services – 30 years
- Meters and Meter installation – 20 years
- Hydrants – 30 years
- Computer Hardware and Software – 5 years
- Office Furniture and Equipment – 10 years
- Vehicles – 10 years
- Stores Equipment – 10 years
- Lab Equipment – 5 years
- Communications Equipment – 7 years
- Power Operating Equipment – 10 years
- Tools, Shop and Garage – 10 years
- Other General Plant Equipment – 8 years
- Sewer Plant – 51 years
- Sewer Lift Stations – 50 years
- Maintenance Facility – 30 years
- Lighting and Roads – 25 years
- Fencing – 15 years

**m. Pensions**

For the purposes of measuring the net pension liability and deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at the CalPERS website.

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

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**Note 1: Reporting Entity and Summary of Significant Accounting Policies (Continued)**

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date: June 30, 2017
- Measurement Date: June 30, 2018
- Measurement Period: July 1, 2017 to June 30, 2018

**n. Compensated Absences**

The Agency's policy is to permit employees to accumulate earned vacation with maximum hours ranging between 200 and 400 hours, based on years of service, and 480 hours of sick leave. Accumulated vacation and sick time is accrued at year-end to account for the Agency's obligation to the employees for the amount owed.

Vacation accrual increases to 120 hours for each full year of continuous service after 5 years until completion of 10 years of continuous service. After completion of 10 full years, vacation leave shall accrue at the rate of 160 hours per year.

Sick leave shall accrue year after year above the 96 hours accrued in that year. Sick leave shall accrue at the rate of eight hours per month for full time employees commencing on January 1 of each year. Sick leave shall accrue on a pro-rata basis. In the event that an employee has a sick leave accrual of more than 480 hours in any calendar year, the Agency will pay the employee 50% of the value of any unused sick leave in excess of 480 hours as a cash bonus. This bonus shall be based on leave balance on December 31 and is typically paid within 3 months of that date.

**o. Post-employment 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 Health Plan and additions to/deductions from the Agency's fiduciary net position have been determined on the same basis as they are reported by the Agency. For this purpose, the Agency recognizes benefit payments when due and payable in accordance with 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.

**p. Water Sales**

Water sales, retail and wholesale, are billed on a monthly cyclical basis. Estimated unbilled water revenue through June 30, has been accrued at year-end.

**q. Capital Contributions**

Capital contributions represent cash and capital asset additions contributed to the Agency by property owners, granting agencies, or real estate developers desiring services that require capital expenditures or capacity commitment.

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

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**Note 1: Reporting Entity and Summary of Significant Accounting Policies (Continued)**

**r. Net Position**

The financial statements utilize a net position presentation. Net position is categorized as follows:

- *Net Investment in Capital Assets Component of Net Position* – This component of net position consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances of any debt, or other long-term 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 is included in this component of net position.
- *Restricted Component of Net Position* – This component of net position consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- *Unrestricted Component of Net Position* – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

**s. Budgetary Policies**

The Agency follows specific procedures in establishing the budgetary data reflected in the financial statements. Each April, the Agency's General Manager and Assistant General Manager prepare and submit a capital and operating budget to the Board of Directors and adopted no later than June of each year. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all enterprise funds. Annual budgets are adopted on the accrual basis for the proprietary fund. The adopted budget becomes operative on July 1.

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

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**Note 2: Cash and Investments**

Cash and investments as of June 30<sup>th</sup>, are classified in the Statement of Net Position as follows:

	<u>2019</u>
Cash and cash equivalents	\$ 19,914,446
Cash and cash equivalents (restricted)	4,712,305
Cash and cash equivalents with fiscal agent	5,863,580
Investments - current	162,916,342
Investments - current (restricted)	10,147,536
Investment - non-current	64,728,731
Total cash and investments	<u>\$ 268,282,940</u>

Cash and investments as of June 30<sup>th</sup>, consist of the following:

	<u>2019</u>
Cash on hand	\$ 3,775
Deposits with financial institutions	24,622,976
Cash with fiscal agent	5,863,580
Investments	237,792,609
Total cash and investments	<u>\$ 268,282,940</u>

***Investments Authorized by the California Government Code and the Agency's Investment Policy***

The table below identifies the investment types that are authorized by the Agency in accordance with the California Government Code (or the Agency's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Agency's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the Agency, rather than the general provisions of the California Government Code or the Agency's investment policy.

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

**Note 2: Cash and Investments (Continued)**

<u>Authorized Investment</u>	<u>Maximum</u>	<u>Maximum Percentage</u>	<u>Maximum Investment</u>
U.S. Treasury Obligations	5 years	None	None
U.S. Government Agency and Sponsored Enterprise	5 years	None	None
Banker's Acceptances	180 days	30%	5%
Medium Term Notes	5 years	30%	5%
Commercial Paper	270 days	10%	5%
Certificates of Deposit and Time Deposits	5 years	30%	10%
Municipal Obligations	5 years	30%	5%
Repurchase agreements	30 days	10%	None
California Local Agency Investment Fund (LAIF)	N/A	None	None
Los Angeles County Pooled Investment Fund (LACPIF)	N/A	30%	None
Investment Trust of California (CalTRUST)	N/A	20%	None
Money Market Mutual Funds	N/A	20%	10%
Investment Contract	30 years	None	None

\* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

***Investments Authorized by Debt Agreements***

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency's investment policy.

***Los Angeles County Pooled Investment Fund***

The Los Angeles County Pooled Investment Fund (LACPIF) is a pooled investment fund program governed by the County of Los Angeles Board of Supervisors and administered by the County of Los Angeles Treasurer and Tax Collector. Investments in LACPIF are highly liquid as deposits, and withdrawals can be made at any time without penalty. LACPIF does not impose a maximum investment limit. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the fair value provided by LACPIF for the Agency's LACPIF portfolio.

***Los Angeles County Pooled Investment Fund, continued***

The Agency's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transactions processing occurs for orders received after 10:00 a.m.
- No limit of transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement rounded to the next highest dollar.
- Prior to funds transfer, an authorized person must complete a deposit or withdrawal form and fax to LACPIF.

The County of Los Angeles' bank deposits are either Federally insured or collateralized in accordance with the California Government Code. Pool detail is included in the County of Los Angeles's Comprehensive Annual Financial Report (CAFR). Copies of the CAFR may be obtained from the County of Los Angeles Auditor-Controller's Office – 500 West Temple Street – Los Angeles, California 90012.

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

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**Note 2: Cash and Investments (Continued)**

***Investment in State Investment Pool***

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The Agency's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transactions processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of \$5,000, in increments of \$1,000 dollars.
- Withdrawals of \$10,000,000 or more require 24 hours advance notice.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction or schedule the transaction on LAIF's website.

***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: 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).

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

**Note 2: Cash and Investments (Continued)**

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balances, up to \$250,000 is federally insured, and the remaining balance is collateralized in accordance with the California Government Code; however, the collateralized securities are not held in the Agency's name.

**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 changes in market interest rates.

Information about the sensitivity of the fair values of the Agency's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity date at June 30, 2019:

Investment Type	Total	Remaining Maturity (in Months)		
		12 Months or		
		Less	13 to 24 months	25-60 months
Federal Farm Credit Bank	\$ 36,861,002	\$ 18,438,711	\$ 16,421,202	\$ 2,001,089
Federal National Mortgage Association	18,946,950	-	18,946,950	-
Federal Home Loan Bank	19,937,319	9,964,050	3,483,299	6,489,970
Federal Home Loan Mortgage Corp	17,510,675	-	15,008,150	2,502,525
Freddie Mac	6,515,186	-	4,514,898	2,000,288
Fannie Mae	2,987,816	1,992,895	994,921	-
Local Agency Investment Fund (LAIF)	61,354,264	61,354,264	-	-
Los Angeles County Pooled Investment Fund	46,170,942	46,170,942	-	-
Certificates of Deposit	11,443,478	3,744,651	6,417,479	1,281,348
Commerical Paper	11,923,330	3,234,017	3,538,893	5,150,420
Money Market Funds	4,141,647	4,141,647	-	-
<b>Total</b>	<b>\$ 237,792,609</b>	<b>\$ 149,041,177</b>	<b>\$ 69,325,792</b>	<b>\$ 19,425,640</b>

**Concentration of Credit Risk**

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Agency investments are as follows:

Issuer	Investment Type	Bank
Federal Farm Credit Bank	Federal agency securities	\$ 36,861,002
Federal National Mortgage Association	Federal agency securities	18,946,950
Federal Home Loan Bank	Federal agency securities	19,937,319
Federal Home Loan Mortgage Corp	Federal agency securities	17,510,675
		<u>\$ 93,255,947</u>

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

**Note 2: Cash and Investments (Continued)**

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Agency's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Credit ratings of investments and cash equivalents as of June 30, 2019, were as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Legal Rating</u>	<u>From Disclosure</u>	<u>AAA</u>	<u>Not Rated</u>
Federal Farm Credit Bank	36,861,002	N/A	\$ -	\$ 36,861,002	\$ -
Federal National Mortgage Association	18,946,950	N/A	-	18,946,950	-
Federal Home Loan Bank	19,937,319	N/A	-	19,937,319	-
Federal Home Loan Mortgage Corp	17,510,675	N/A	-	17,510,675	-
Freddie Mac	6,515,186	N/A	-	6,515,186	-
Fannie Mae	2,987,816	N/A	-	2,987,816	-
Local Agency Investment Fund (LAIF)	61,354,264	N/A	-	-	61,354,264
Los Angeles County Pooled Investment Fund	46,170,942	N/A	-	-	46,170,942
Certificates of Deposit	11,443,478	N/A	11,443,478	-	-
Commerical Paper	11,923,330	N/A	11,923,330	-	-
Money Market	4,141,647	AAA	4,141,647	-	-
	<u>\$ 237,792,609</u>		<u>\$ 27,508,455</u>	<u>\$ 102,758,948</u>	<u>\$ 107,525,206</u>

Investments measured at fair value on a recurring and non-recurring basis at June 30, 2019, are as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Fair Value Measurement Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level 3)</u>
Federal Agencies	\$ 102,758,948	-	102,758,948	-
Certificates of Deposit	11,443,478	-	11,443,478	-
Commercial Paper	11,923,330	11,923,330	-	-
Money Market Funds	4,141,647	4,141,647	-	-
Total investments measured at fair value	<u>130,267,403</u>	<u>16,064,977</u>	<u>114,202,426</u>	<u>-</u>
Investments measured at amortized cost				
Local Agency Investment Fund (LAIF)	61,354,264			
Los Angeles County Pooled Investment Fund (LACPIF)	46,170,942			
Total	<u>\$ 237,792,609</u>			



**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

**Note 3: Interfund Receivables and Payables**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Acquisition Interfund Loan		
Regional Water Division	Valencia Water Division	\$ 68,615,536
2018 Series A Revenue Bonds		
Regional Water Division	Valencia Water Division	26,735,000
	Total	<u>\$ 95,350,536</u>

Advances from the Regional Water Division to the Valencia Water Division are to provide funds for the acquisition of Valencia Water Company and amount to \$68,615,536 at June 30, 2019. See pages 54 through 61 of the supplemental information for more detailed information. The advance bears annual interest at 4.46%. The advance plus any accrued interest is due June 30, annually starting in fiscal year 2019.

Principal and estimated interest payments on the advances are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,657,607	\$ 3,059,988	\$ 4,717,595
2021	1,733,468	2,984,127	4,717,595
2022	1,812,800	2,904,795	4,717,595
2023	1,895,763	2,821,832	4,717,595
2024	1,982,523	2,735,072	4,717,595
2025-2029	11,359,518	12,228,457	23,587,975
2030-2034	14,207,923	9,380,052	23,587,975
2035-2039	17,770,567	5,817,408	23,587,975
2040-2043	16,195,367	2,675,012	18,870,379
Total	<u>68,615,536</u>	<u>\$44,606,743</u>	<u>\$113,222,279</u>
Less current portion	(1,657,607)		
Total non-current	<u>\$ 66,957,929</u>		

Detailed information of the 2018 Series A Revenue Bonds is shown on page 41-42 under Note 9.

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

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**Note 4      Deferred Contribution Plan**

***457 Deferred Compensation Savings Plan***

The Agency has implemented GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Since the Agency has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

For the benefit of its employees, the Agency participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the Agency is in compliance with this legislation. Therefore, these assets are not the legal property of the Agency, and are not subject to claims of the Agency's general creditors. Market value of all plan assets held in trust by Lincoln Financial Services at June 30, 2019, was \$19,119,115.

***401(a) Defined Benefit Plan***

For the benefit of its employees, the Agency participates in a 401(a) Retirement Plan Program. The purpose of this 401(a) Plan is to provide a retirement benefit for public employees who fully contribute to their 457 Program. Generally, the Agency will match up to a certain amount for employees who fully contribute to their 457 Plan for the year. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the retirement benefit for income tax purposes.

Federal law requires defined benefit assets to be held in trust for the exclusive benefit of the participants. Accordingly, the Agency is in compliance with this legislation. Therefore, these assets are not the legal property of the Agency, and are not subject to claims of the Agency's general creditors. Market value of all plan assets held in trust by Lincoln Financial Services at June 30, 2019, was \$949,273.

SANTA CLARITA VALLEY WATER AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019

**Note 5: Compensated Absences**

Compensated absences are comprised of unpaid vacation leave, sick leave, personal, and other leave which is accrued as earned. The Agency's liability for compensated absences is determined annually and the changes were as follows:

<u>Balance</u> <u>July 1, 2018</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Current</u> <u>Portion</u>	<u>Long</u> <u>Portion</u>
\$ 1,635,322	\$ 2,232,405	\$ 1,914,490	\$ 1,953,237	\$ 488,309	\$ 1,464,928

The following tables below reflect the changes in compensated absences for each Division as of June 30, 2019:

*Regional Water Division*

<u>Balance</u> <u>July 1, 2018</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Current</u> <u>Portion</u>	<u>Long</u> <u>Portion</u>
\$ 799,207	\$ 967,809	\$ (824,047)	\$ 942,969	\$ 235,742	\$ 707,227

*Santa Clarita Water Division*

<u>Balance</u> <u>July 1, 2018</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Current</u> <u>Portion</u>	<u>Long</u> <u>Portion</u>
\$ 384,402	\$ 557,642	\$ (524,565)	\$ 417,479	\$ 104,370	\$ 313,109

*Newhall Water Division*

<u>Balance</u> <u>July 1, 2018</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Current</u> <u>Portion</u>	<u>Long</u> <u>Portion</u>
\$ 176,136	\$ 308,219	\$ (231,563)	\$ 252,792	\$ 63,198	\$ 189,594

*Valencia Water Division*

<u>Balance</u> <u>July 1, 2018</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Current</u> <u>Portion</u>	<u>Long</u> <u>Portion</u>
\$ 275,577	\$ 398,735	\$ (334,315)	\$ 339,997	\$ 84,999	\$ 254,998

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

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**Note 6: Capital Assets**

Changes in capital assets for the year ended June 30, 2019, were as follows:

	Balance June 30, 2018	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2019
Santa Clarita Water Agency				
Capital assets, not being depreciated				
Non-depreciable assets	\$ 101,010,916	\$ 16,172,591	\$ (23,770,150)	\$ 93,413,357
Capital assets, net - being depreciated				
Depreciable assets	1,072,807,511	33,669,844	(711,333)	1,105,766,022
Accumulated depreciation and amortization	(437,169,627)	(31,263,132)	700,884	(467,731,875)
Subtotal	635,637,884	2,406,712	(10,449)	638,034,147
Total capital assets, net	<u>\$ 736,648,800</u>	<u>\$ 18,579,303</u>	<u>\$ (23,780,599)</u>	<u>\$ 731,447,504</u>

SANTA CLARITA VALLEY WATER AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019

Note 6: Capital Assets (Continued)

Changes in capital assets for the year ended June 30, 2019, were as follows:

*Regional Water Division*

	Balance June 30, 2018	Reclasses	Adjusted Balance June 30, 2018	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2019
Non-depreciable assets:						
Land and land rights	\$ 28,372,111	\$ -	\$ 28,372,111	\$ -	\$ -	\$ 28,372,111
Construction in-process	37,336,278	-	37,336,278	6,437,298	(16,186,399)	27,587,177
Total non-depreciable assets	65,708,389	-	65,708,389	6,437,298	(16,186,399)	55,959,288
Depreciable assets:						
Contractual state water project rights	147,857,959	-	147,857,959	3,616,264	-	151,474,223
Contractual water rights-other agencies	97,382,021	-	97,382,021	6,384,794	-	103,766,815
Treatment Plant	169,342,290	(6,926,581)	162,415,709	12,215,732	-	174,631,441
Water mains	26,747,245	-	26,747,245	-	-	26,747,245
Reservoirs and tanks	1,649,965	-	1,649,965	74,890	-	1,724,855
Reclaimed Water	4,976,162	-	4,976,162	-	-	4,976,162
Control System	169,208,665	5,492,297	174,700,962	3,933,519	-	178,634,481
Castic turnout	398,243	-	398,243	-	-	398,243
Services and Meters	153,965	-	153,965	-	-	153,965
Maintenance Facility	188,310	-	188,310	-	-	188,310
Large tools and equipment	607,721	-	607,721	122,625	(35,073)	695,273
Furniture and Fixtures	144,136	-	144,136	-	-	144,136
Vehicles	402,799	-	402,799	28,970	(101,654)	330,115
Office Equipmnet	1,553,582	-	1,553,582	219,454	(41,360)	1,731,676
Summit Building	-	1,434,284	1,434,284	-	-	1,434,284
Total depreciable assets	620,613,063	-	620,613,063	26,596,248	(178,087)	647,031,224
Accumulated depreciation and amortization:						
Contractual state water project rights	(77,216,039)	-	(77,216,039)	(3,071,883)	-	(80,287,922)
Contractual water rights-other agencies	(27,756,687)	-	(27,756,687)	(4,113,107)	-	(31,869,794)
Treatment Plant	(68,067,395)	(3,029,625)	(71,097,020)	(5,376,124)	-	(76,473,144)
Water mains	(11,683,535)	-	(11,683,535)	(534,945)	-	(12,218,480)
Reservoirs and tanks	(1,253,957)	-	(1,253,957)	(32,999)	-	(1,286,956)
Reclaimed Water	(2,182,149)	-	(2,182,149)	(139,285)	-	(2,321,434)
Control System	(52,648,600)	2,837,471	(49,811,129)	(4,841,556)	-	(54,652,685)
Castic turnout	(302,668)	-	(302,668)	(7,965)	-	(310,633)
Services and Meters	(147,153)	-	(147,153)	(3,948)	-	(151,101)
Maintenance Facility	(188,310)	-	(188,310)	-	-	(188,310)
Large tools and equipment	(180,198)	-	(180,198)	(36,061)	35,075	(181,184)
Furniture and Fixtures	(107,743)	-	(107,743)	(13,116)	-	(120,859)
Vehicles	(278,030)	-	(278,030)	(63,477)	101,652	(239,855)
Office Equipment	(1,275,581)	-	(1,275,581)	(90,505)	41,360	(1,324,726)
Summit Building	-	192,154	192,154	(64,848)	-	127,306
Total accumulated depreciation and amortization	(243,288,045)	-	(243,288,045)	(18,389,819)	178,087	(261,499,777)
Total depreciable assets, net	377,325,018	-	377,325,018	8,206,429	-	385,531,447
Total capital assets, net	\$ 443,033,407	\$ -	\$ 443,033,407	\$ 14,643,727	\$ (16,186,399)	\$ 441,490,735

A significant portion of these additions were constructed by the Agency and/or sub-contractors and transferred out of construction-in-process upon completion of these various projects. Depreciation expenses under the Agency's Regional water division, totaled \$18,389,819.

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

**Note 6: Capital Assets (Continued)**

***Santa Clarita Water Division***

Changes in capital assets for the year ended June 30, 2019, were as follows:

	Balance June 30, 2018	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2019
Non-depreciable assets:				
Land and land rights	\$ 891,550	\$ -	\$ -	\$ 891,550
Construction in-process	17,788,040	4,143,474	(2,794,381)	19,137,133
Total non-depreciable assets	<u>18,679,590</u>	<u>4,143,474</u>	<u>(2,794,381)</u>	<u>20,028,683</u>
Depreciable assets:				
Transmission/Distribution	69,466,031	1,192,910	-	70,658,941
Reservoirs/Tanks	28,076,086	382,720	(57,963)	28,400,843
Services	17,448,019	701,308	-	18,149,327
Hydrants	8,828,643	195,626	-	9,024,269
Boosters	11,091,414	139,834	(9,043)	11,222,205
Meters	6,899,660	-	-	6,899,660
Wells	2,586,073	-	(5,933)	2,580,140
Structures and improvements	7,735,806	81,434	-	7,817,240
Machinery and equipment	8,648,621	62,273	-	8,710,894
Transportation equipment	1,822,408	-	(112,294)	1,710,114
General Plant	97,892	36,229	-	134,121
Total depreciable assets	<u>162,700,653</u>	<u>2,792,334</u>	<u>(185,233)</u>	<u>165,307,754</u>
Accumulated depreciation and amortization:				
Transmission/Distribution	(21,166,847)	(1,200,576)	-	(22,367,423)
Reservoirs/Tanks	(14,848,094)	(984,306)	55,368	(15,777,032)
Services	(8,549,035)	(515,268)	-	(9,064,303)
Hydrants	(5,160,000)	(228,475)	-	(5,388,475)
Boosters	(5,446,874)	(532,498)	7,225	(5,972,147)
Meters	(3,012,377)	(489,595)	-	(3,501,972)
Wells	(1,490,924)	(75,708)	3,161	(1,563,471)
Structures and improvements	(2,438,169)	(269,208)	-	(2,707,377)
Machinery and equipment	(5,515,498)	(776,560)	-	(6,292,058)
Transportation equipment	(1,108,582)	(130,011)	112,294	(1,126,299)
General Plant	(78,444)	(13,947)	-	(92,391)
Total accumulated depreciation and amortization	<u>(68,814,844)</u>	<u>(5,216,152)</u>	<u>178,048</u>	<u>(73,852,948)</u>
Total depreciable assets, net	<u>93,885,809</u>	<u>(2,423,818)</u>	<u>(7,185)</u>	<u>91,454,806</u>
Total capital assets, net	<u>\$ 112,565,399</u>	<u>\$ 1,719,656</u>	<u>\$ (2,801,566)</u>	<u>\$ 111,483,489</u>

Major capital asset additions included developer contributions to the water retail enterprise's transmission and distribution system and various other projects. A significant portion of these additions were constructed by the Agency and/or sub-contractors and transferred out of construction-in-process upon completion of these various projects. Depreciation expenses under the Agency's Santa Clarita Water Division, totaled \$5,216,152.

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

**Note 6: Capital Assets (Continued)**

***Newhall Water Division***

Changes in capital assets for the year ended June 30, 2019, were as follows:

	<u>Balance 30, 2018</u>	<u>June</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2019</u>
Non-depreciable assets:					
Land and land rights	\$ 9,808,490		-	-	9,808,490
Construction in-process	925,118		2,433,667	(2,927,257)	431,528
Total non-depreciable assets	<u>10,733,608</u>		<u>2,433,667</u>	<u>(2,927,257)</u>	<u>10,240,018</u>
Depreciable assets:					
Structures and improvements	10,470,328		49,209	-	10,519,537
Wells	5,019,099		434,068	(80,691)	5,372,476
Pumping Equipment	10,930,508		158,036	-	11,088,544
Water Treatment Equipment	1,600,258		12,995	(10,468)	1,602,785
Reservoirs/Tanks	17,033,088		63,269	-	17,096,357
Transmission/Distribution	49,889,613		1,506,846	(11,729)	51,384,730
Services	6,836,056		429,531	-	7,265,587
Meters	4,708,809		291,103	(174,286)	4,825,626
Hydrants	2,364,690		85,532	-	2,450,222
Furniture and Equipment	4,557,965		179,761	(11,562)	4,726,164
General Plant	385,592		4,834	-	390,426
Water Rights	17,617		-	-	17,617
Sewer Plant	1,368,607		41,554	(41,553)	1,368,608
Intangible Plant	422,606		-	-	422,606
Organization Costs	40,487		-	-	40,487
Total depreciable assets	<u>115,645,323</u>		<u>3,256,738</u>	<u>(330,289)</u>	<u>118,571,772</u>
Accumulated depreciation and amortization:					
Structures and improvements	(2,597,441)		(276,089)	-	(2,873,530)
Wells	(1,842,516)		(167,303)	80,691	(1,929,128)
Pumping Equipment	(6,345,627)		(517,902)	-	(6,863,529)
Water Treatment Equipment	(481,530)		(53,342)	10,468	(524,404)
Reservoirs/Tanks	(5,291,998)		(340,662)	-	(5,632,660)
Transmission/Distribution	(18,798,969)		(997,960)	11,729	(19,785,200)
Services	(4,052,598)		(227,869)	-	(4,280,467)
Meters	(1,198,859)		(235,440)	174,286	(1,260,013)
Hydrants	(1,678,523)		(78,823)	-	(1,757,346)
Furniture and Equipment	(3,937,655)		(253,257)	11,562	(4,179,350)
General Plant	(333,587)		(48,199)	-	(381,786)
Water Rights	(11,384)		(705)	-	(12,089)
Sewer Plant	(334,696)		(27,372)	41,553	(320,515)
Intangible Plant	(60,708)		(21,130)	-	(81,838)
Organization Costs	(27,874)		(1,227)	-	(29,101)
Total accumulated depreciation and amortization	<u>(46,993,965)</u>		<u>(3,247,280)</u>	<u>330,289</u>	<u>(49,910,956)</u>
Total depreciable assets, net	<u>68,651,358</u>		<u>9,458</u>	<u>-</u>	<u>68,660,816</u>
Total capital assets, net	<u>\$ 79,384,966</u>		<u>2,443,125</u>	<u>(2,927,257)</u>	<u>78,900,834</u>

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

**Note 6: Capital Assets (Continued)**

Major capital asset additions included developer contributions to the division's transmission and distribution system and various other projects. A significant portion of these additions were constructed by the Agency and/or sub-contractors and transferred out of construction-in-process upon completion of these various projects. Depreciation expenses under the Newhall Water Division, totaled \$3,247,280.

**Valencia Water Division**

Changes in capital assets for the year ended June 30, 2019, were as follows:

	<b>Balance June 30, 2018</b>	<b>Additions/ Transfers</b>	<b>Deletions/ Transfers</b>	<b>Balance June 30, 2019</b>
<b>Non-depreciable assets:</b>				
Land and land rights	\$ 1,366,286	-	-	1,366,286
Construction in-process	4,523,043	3,158,152	(1,862,113)	5,819,082
Total non-depreciable assets	<u>5,889,329</u>	<u>3,158,152</u>	<u>(1,862,113)</u>	<u>7,185,368</u>
<b>Depreciable assets:</b>				
Plant	115,351	-	-	115,351
Building	2,513,250	-	-	2,513,250
Wells	11,265,791	-	-	11,265,791
Pumping Plant	9,277,091	64,050	-	9,341,141
Reservoirs & tanks	27,476,388	-	-	27,476,388
T & D mains	82,015,635	7,022	-	82,022,657
Services	14,357,243	76,916	-	14,434,159
Meters	9,262,522	226,193	(12,284)	9,476,431
Hydrants	10,984,788	33,437	-	11,018,225
Other T & D plant	18,505	-	-	18,505
Office furniture & equipment	2,698,308	149,329	(5,440)	2,842,197
Transportation equipment	44,550	-	-	44,550
Other equipment	3,819,050	467,577	-	4,286,627
Total depreciable assets	<u>173,848,472</u>	<u>1,024,524</u>	<u>(17,724)</u>	<u>174,855,272</u>
<b>Accumulated depreciation and amortization:</b>				
Plant	(85,303)	(1,620)	-	(86,923)
Building	(1,036,015)	(61,910)	-	(1,097,925)
Wells	(4,783,306)	(365,765)	-	(5,149,071)
Pumping Plant	(7,410,052)	(251,540)	-	(7,661,592)
Reservoirs & tanks	(9,995,119)	(596,580)	-	(10,591,699)
T & D mains	(31,630,652)	(1,592,072)	-	(33,222,724)
Services	(8,456,908)	(408,024)	-	(8,864,932)
Meters	(3,856,300)	(448,776)	12,257	(4,292,819)
Hydrants	(6,785,647)	(297,014)	-	(7,082,661)
Other T & D plant	(14,993)	(491)	-	(15,484)
Office furniture & equipment	(1,796,284)	(255,694)	2,199	(2,049,779)
Transportation equipment	(42,184)	(2,365)	-	(44,549)
Other equipment	(2,180,010)	(128,026)	-	(2,308,036)
Total accumulated depreciation	<u>(78,072,773)</u>	<u>(4,409,877)</u>	<u>14,456</u>	<u>(82,468,194)</u>
Total depreciable assets, net	<u>95,775,699</u>	<u>(3,385,353)</u>	<u>(3,268)</u>	<u>92,387,078</u>
Total capital assets, net	<u>\$ 101,665,028</u>	<u>(227,201)</u>	<u>(1,865,381)</u>	<u>99,572,446</u>

Major capital asset additions in the business-type activities area included developer contributions to the water retail enterprise's transmission and distribution system and various other projects. A significant portion of these additions were constructed by the Agency and/or sub-contractors and transferred out of construction-in-process upon completion of these various projects. Depreciation expenses under the Valencia Water Division, totaled \$4,409,877.



**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

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**Note 6: Capital Assets (Continued)**

***Construction-In-Process***

The Agency has been involved in various construction projects throughout the year. The balances of the various construction projects that comprise the construction-in-process balances at year-end are as follows:

***Regional Water Division***

The balance at June 30<sup>th</sup>, consists of the following projects:

	<b>2019</b>
Rio Vista water treatment plant and expansion	\$ 6,251,091
RRB Extraction project	9,504,677
Lateral Extension and Storage project	4,981,091
Recycled Water project	3,895,569
Pipeline Inspection Facility Modifications	1,539,089
Castaic Conduit project	1,034,549
Various minor projects	381,111
Construction-in-process	<u><u>\$ 27,587,177</u></u>

***Santa Clarita Water Division***

	<b>2019</b>
Internal construction projects	\$ 4,815,199
Developer on-site construction projects	14,321,934
Construction in-process	<u><u>\$ 19,137,133</u></u>

**Note 7: Defined Benefit Pension Plan**

***Plan Description***

All qualified permanent and probationary employees are eligible to participate in the Agency's Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and the Agency's 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.

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

**Note 7: Defined Benefit Pension Plan (Continued)**

***Benefits provided***

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the Agency's CalPERS 2.5% at 55 Risk Pool Retirement Plan to new employee entrants effective December 31, 2013. All employees hired after January 1, 2013 are eligible for the Agency's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The following plan groups are as follows:

*Classic Members* - employees hired before January 1, 2013, are enrolled in the CalPERS Local Miscellaneous 2% at 55 Plan.

*New Members* - in accordance with the PEPRA, employees hired on or after January 1, 2013, are enrolled in the CalPERS Local Miscellaneous 2% at 62 Plan.

The Plan's provisions and benefits in effect at June 30, 2019, are summarized as follows:

	<b>Miscellaneous Pool</b>	
	<b>Classic</b>	<b>PEPRA</b>
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	
Benefit payments	Monthly for life	
Retirement age	50-55	52-62
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	6.90%	6.50%
Required employer contribution rates	10.152%	7.266%

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

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**Note 7: Defined Benefit Pension Plan (Continued)**

***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 change in the rate. Funding contributions for both Plans are determined annually on 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.

For the year ended June 30, 2019, the contributions recognized as part of pension expense for the Plan were as follows:

	<b>2019</b>
Contributions - Employer	<u>\$ 2,182,797</u>

***Net Pension Liability***

As of June 30, 2019, the Agency reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	<b>2019</b>
Proportionate share of net pension liability	<u>\$ 13,340,534</u>

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, 2018 (the measurement date), 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, 2017 (the valuation date), rolled forward to June 30, 2018, 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 the measurement date June 30, 2017, was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2016	0.13026%
Increase in proportion	0.00670%
Proportion - June 30, 2017	0.13729%
Increase in proportion	0.00971%
Proportion - June 30, 2018	<u>0.14700%</u>

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

**Note 7: Defined Benefit Pension Plan (Continued)**

***Deferred Pension Outflows (Inflows) of Resources***

As of June 30, 2019, the Agency reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,182,797	\$ -
Differences between actual and expected experience	511,853	174,180
Differences in actual contribution and proportionate share of contribution	-	563,923
Changes in assumptions	1,520,861	372,733
Net differences between projected and actual earnings on plan investments	65,952	-
Adjustment due to differences in proportions of net pension liability	971,347	-
Total	\$ 5,252,810	\$ 1,110,836

As of June 30, 2019, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$2,182,797 and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

At June 30, 2019, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows.

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2020	\$ 1,503,419
2021	919,492
2022	(343,746)
2023	(119,988)

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

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**Note 7: Defined Benefit Pension Plan (Continued)**

***Actuarial Assumptions***

The total pension liabilities were determined by actuarial valuation reports as of June 30, 2017, which were rolled forward to June 30, 2018, using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement NO. 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.15 Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefits	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.50 thereafter

\* The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

***Change of Assumptions***

For the measurement date June 30, 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes to the discount rate.

***Discount rate***

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all project future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

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**Note 7: Defined Benefit Pension Plan (Continued)**

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

In determining the long-term expected rate of return, CalPERS 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 (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated and adjusted to account for assumed administrative expenses.

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.

As of June 30, 2019, the target allocation and the long-term expected real rate of return by asset class were as follows:

<b>Asset Class</b>	New Strategic Allocations	Real Return Years 1-10	Real Return Year 11
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.0%		

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

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**Note 7: Defined Benefit Pension Plan (Continued)**

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

As of June 30, 2019, the Agency's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, is as follows:

	<b>Discount Rate - 1% 6.15%</b>	<b>Current Discount Rate 7.15%</b>	<b>Discount Rate +1% 8.15</b>
Agency's Net Pension Liability	<u>\$ 22,446,948</u>	<u>13,340,534</u>	<u>5,823,339</u>

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 51 and 52 for the Required Supplementary Schedules.

**Note 8: Other Post-Employment Benefits**

***Plan Description***

The Agency provides other post-employment benefits (OPEB) to qualified employees who retire from the Agency and meet the Agency's vesting requirements. The Agency participates in CalPERS California Employer's Retiree Benefit Trust Program (CERBT), a Prefunding Plan trust fund intended to perform an essential government function within the meaning of Section 115 of the Internal Revenue Code as an agent multiple-employer plan. CalPERS CERBT audited financial report may be obtained from their executive Office: 400 P Street, Sacramento, California 95814. The Agency has set aside funds to cover retiree health liabilities in a trust that meets the criteria in paragraph 4 of Statement 75.

***Benefits Provided***

Medical coverage is currently provided through CalPERS as permitted under the Public Employees' Medical and Hospital Care Act (PEMCHA). Under PEMCHA, the Agency is obligated to contribute toward the cost of retiree medical coverage for all employees who retire from the Agency for the retiree's lifetime or until CalPERS medical coverage is discontinued.

All employees who retire from the Agency who are eligible to continue coverage in retirement will receive a medical benefit not less than the required PEMCHA minimum employer contribution (MEC). MEC benefits continue to a covered surviving spouse as well, if eligible for survivor benefits under the retirement program. The MEC is \$133 per month in 2018 and \$136 per month in 2019.

All Agency retirees are also eligible for 100% paid dental premiums for the retiree and his or her eligible, covered dependents for the retiree's lifetime.

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

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**Note 8: Other Post-Employment Benefits (Continued)**

Additional retiree medical benefits are payable in the following circumstances, which vary based on the retiree's employment date with the Agency or predecessor agency (CLWA or NCWD).

For retirees hired before January 1, 2009, the Agency pays 100% of the medical premium for the retiree and any enrolled dependents, up to but not exceeding 90% of the PERS Care LA Basic Region Basic Plan premium for the coverage level selected by the retiree (e.g. single, two-party or family).

For retirees hired on or January 1, 2009, the Agency pays 100% of the medical premium for the retiree and any enrolled dependents, up to but not exceeding a vested percentage of 90% of the PERS Care LA Region Basic Plan premium for the coverage level selected by the retiree (e.g. single, two-party or family). The vested percent is based on all years of CalPERS membership, but requires at least 5 years of service with the Agency.

***Employee Covered By Benefit Terms***

At June 30, 2019, the following employees were covered by the benefit terms:

	<u>2019</u>
Participating active employees	194
Retiree employees	<u>51</u>
Total plan membership	<u><u>245</u></u>

***Discount Rate***

The discount rate to measure the total OPEB liability was 7.00%, which is based on the long-term return on plan assets assuming 100% funding through CERBT. The projection of cash flows used to determine the discount rate assumed that liabilities and cash flow will vary based on the number and demographic characteristics of employees and retirees.

***Discount Rate***

The Agency's net OPEB liability was \$5,559,190. The breakdown by fund is as follow:

	<u>Net OPEB Liability (Asset)</u>
Regional Water Division	2,348,354
Santa Clarita Water Division	1,145,617
Newhall Water Division	2,135,808
Valencia Water Division	<u>(70,589)</u>
Total plan membership	<u><u>5,559,190</u></u>



**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

**Note 8: Other Post-Employment Benefits (Continued)**

***Deferred OPEB Outflows (Inflows) of Resources***

For the year ended June 30, 2019, the Agency recognized OPEB expense of \$213,593.

At June 30, 2019, the Agency reported deferred outflows and inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 2,377,824	\$ -
Differences between actual and expected experience	5,529	2,117
Changes in assumptions	1,525,266	2,966,764
Net differences between projected and actual earnings on investments	-	313,124
<b>Total</b>	<b>\$ 3,908,619</b>	<b>\$ 3,282,005</b>

As of June 30, 2018, the Agency reported deferred outflows of resources related to employer OPEB contributions subsequent to measurement date in the amount of \$601,683. The employer OPEB contributions in the amount of \$601,683, will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2019.

At June 30, 2019, other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Period Ending June 30, 2019	Net Deferred Outflows/Inflows of Resources
2020	\$ (318,518)
2021	(318,517)
2022	(318,516)
2023	(291,183)
2024	(233,403)
Thereafter	(271,073)

SANTA CLARITA VALLEY WATER AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019

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**Note 8: Other Post-Employment Benefits (Continued)**

***Actuarial Assumptions***

The Agency's total OPEB liability in the June 30, 2018 actuarial valuation, which was measured at June 30, 2018, was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2018
Measurement Period	June 30, 2017 to June 30, 2018
Actuarial cost method	Entry Age Normal cost method in accordance with the requirements of GASB Statement No. 75
Long Term Return on Assets	7.28% as of June 30, 2017 and 7.00% as of June 30, 2018 net of plan investment expenses and including inflation.
Discount Rates	7.28% as of June 30, 2017 and 7.00% as of June 30, 2018.
Participant Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.25% per year; since benefits do not depend on salary, this is used only to allocate the cost of benefits between service years.
Assumed Wage Inflation	3.0% per year; used to determine amortization payments for developing the Actuarially Determined Contributions.
General Inflation Rate	2.75% per year.

Demographic actuarial assumptions used in this valuation are based on the 2014 experience study of the CalPERS using data from 1997 to 2011.

SANTA CLARITA VALLEY WATER AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019

Note 8: Other Post-Employment Benefits (Continued)

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

As of June 30, 2019, the following presents 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 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<b>Discount Rate -1% 6.00%</b>	<b>Current Discount Rate 7.00%</b>	<b>Discount Rate +1% 8.00%</b>
Net OPEB Liability	<u>\$ 9,016,852</u>	<u>5,559,190</u>	<u>2,764,904</u>

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

As of June 30, 2019, the following presents 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 1- percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>Healthcare Cost Trend Rates - 1%</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>Healthcare Cost Trend Rates +1%</b>
Net OPEB Liability	<u>\$ 2,343,359</u>	<u>5,559,190</u>	<u>9,954,058</u>

**Changes in the Net OPEB Liability**

Changes in the net OPEB liability for the year were as follows:

	<u>Increase (Decrease)</u>		
	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (Asset) (c) = (a) - (b)</b>
Balance at June 30, 2018	<u>\$ 18,971,850</u>	<u>\$ 13,714,823</u>	<u>\$ 5,257,027</u>
Changes during the year:			
Service cost:	991,161	-	991,161
Interest	1,432,518	-	1,432,518
Changes in benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	841,942	-	841,942
Contributions - employer	-	1,900,160	(1,900,160)
Net investment income	-	1,088,901	(1,088,901)
Benefit payments	(571,142)	(571,142)	-
Administrative fee	-	(25,603)	25,603
Net changes	<u>2,694,479</u>	<u>2,392,316</u>	<u>302,163</u>
Balance at June 30, 2019	<u>\$ 21,666,329</u>	<u>\$ 16,107,139</u>	<u>\$ 5,559,190</u>

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

**Note 9: Long-Term Debt**

Changes in long-term debt for the year ended June 30, 2019, were as follows:

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Payments /Retirements</u>	<u>Balance June 30, 2019</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
Regional Water Division						
Public Offering:						
Certificates of Participation	\$ 137,220,136	\$ 3,932,963	\$ 8,699,116	\$ 132,453,983	\$ 8,915,000	\$ 123,538,983
Revenue Bonds	168,585,698	-	8,191,505	160,394,193	7,140,000	153,254,193
Santa Clarita Water Division						
Public Offering:						
Revenue Bonds	59,836,159	-	3,190,128	56,646,031	3,035,000	53,611,031
Newhall Water Division						
Direct Borrowing:						
Notes Payable	3,089,752	-	515,972	2,573,780	530,721	2,043,059
Santa Clarita Water Agency						
Public Offering:						
Certificates of Participation	137,220,136	3,932,963	8,699,116	132,453,983	8,915,000	123,538,983
Revenue Bonds	228,421,857	-	11,381,633	217,040,224	10,175,000	206,865,224
Direct Borrowing:						
Notes Payable	3,089,752	-	515,972	2,573,780	530,721	2,043,059
Total	\$ 368,731,745	\$ 3,932,963	\$ 20,596,721	\$ 352,067,987	\$ 19,620,721	\$ 332,447,266

The following is a summary of the Agency's Long-Term Debt by Division as of June 30, 2019:

***Regional Water Division***

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Payments /Retirements</u>	<u>Balance June 30, 2019</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
<b>Certificates of Participation</b>						
1999 Series A Revenue COPS - Capital Appr.	\$ 67,070,746	\$ 3,932,963	\$ -	\$ 71,003,709	\$ -	\$ 71,003,709
2008 Series A Revenue Refunding COPS	17,450,000	-	5,600,000	11,850,000	5,800,000	6,050,000
2010 Series A Revenue Refunding COPS	51,450,000	-	2,995,000	48,455,000	3,115,000	45,340,000
Premium on issuance - 2010 Series A	1,249,390	-	104,116	1,145,274	-	1,145,274
<b>Total Certificates of Participation</b>	<u>137,220,136</u>	<u>3,932,963</u>	<u>8,699,116</u>	<u>132,453,983</u>	<u>8,915,000</u>	<u>123,538,983</u>
<b>Revenue Bonds</b>						
2014 Series A Revenue Refunding Bonds	8,770,000	-	2,780,000	5,990,000	2,920,000	3,070,000
Premium on issuance - 2014 Series A	716,096	-	238,698	477,398	-	477,398
2015 Series A Revenue Refunding Bonds	59,355,000	-	2,165,000	57,190,000	2,250,000	54,940,000
Premium on issuance - 2015 Series A	8,743,894	-	546,493	8,197,401	-	8,197,401
2016 Series A Revenue Refunding Bonds	24,350,000	-	1,410,000	22,940,000	1,460,000	21,480,000
Premium on issuance - 2016 Series A Ref	4,303,595	-	358,633	3,944,962	-	3,944,962
2016 Series A New Revenue Bonds	30,190,000	-	490,000	29,700,000	510,000	29,190,000
Premium on issuance - 2016 Series A New	5,786,168	-	214,302	5,571,866	-	5,571,866
2018 Series A Revenue Bonds	26,735,000	-	-	26,735,000	-	26,735,000
Discount on issuance - 2018 Series A	(364,055)	-	(11,621)	(352,434)	-	(352,434)
<b>Total Revenue Bonds</b>	<u>168,585,698</u>	<u>-</u>	<u>8,191,505</u>	<u>160,394,193</u>	<u>7,140,000</u>	<u>153,254,193</u>
<b>Total Regional Water Division Activities</b>	<u>\$ 305,805,834</u>	<u>\$ 3,932,963</u>	<u>\$ 16,890,621</u>	<u>\$ 292,848,176</u>	<u>\$ 16,055,000</u>	<u>\$ 276,793,176</u>

SANTA CLARITA VALLEY WATER AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019

Note 9: Long-Term Debt (Continued)

*Santa Clarita Water Division*

**Business Type Activities - SCWD**

	Balance June 30, 2018	Additions	Payments/ Retirements	Balance June 30, 2019	Current Portion	Long-Term Portion
<b>Revenue Bonds:</b>						
2017 Series A Revenue Bonds	\$ 50,745,000	\$ -	\$ 2,780,000	\$ 47,965,000	\$ 3,035,000	\$ 44,930,000
Premium on issuance - 2017 Series A	9,091,159	-	410,128	8,681,031	-	8,681,031
<b>Total Revenue Bonds</b>	<b>\$ 59,836,159</b>	<b>\$ -</b>	<b>\$ 3,190,128</b>	<b>\$ 56,646,031</b>	<b>\$ 3,035,000</b>	<b>\$ 53,611,031</b>

*Newhall Water Division*

**Business Type Activities - NWD**

	Balance June 30, 2018	Additions	Payments/ Retirements	Balance June 30, 2019	Current Portion	Long-Term Portion
<b>Notes Payable:</b>						
Municipal Leasing Associates 2007	\$ 2,661,939	\$ -	\$ 376,756	\$ 2,285,183	\$ 388,143	\$ 1,897,040
Municipal Leasing Associates 2009	427,813	-	139,216	288,597	142,578	146,019
<b>Total Notes Payable</b>	<b>\$ 3,089,752</b>	<b>\$ -</b>	<b>\$ 515,972</b>	<b>\$ 2,573,780</b>	<b>\$ 530,721</b>	<b>\$ 2,043,059</b>

**1999 Series A Revenue Certificates of Participation**

In August 1999, the Corporation issued \$75,813,498 of certificates of participation to finance certain capital improvements to Castaic Lake Water Agency's (CLWA) (currently part of the Agency as Regional Water Division) wholesale water system and reimbursement of the Agency's cost of acquisition of certain state water project entitlements. The certificates are payable solely from installment payments to be made by the Agency. The Agency has pledged all revenues derived from the ownership of its water system (which expressly exclude revenues derived from the retail sales of water).

On December 7, 2006, CLWA refunded \$45,520,000 of the 1999 certificates (2006 Series A). A total of \$45,520,000 from the 2006 Series A COPs was used to pay off the outstanding principal of the 1999 Series A Revenue Certificates of Participation. As a result, the 1999 Series A Revenue Certificates of Participation are considered retired and the liability for those obligations has been removed from the financial statements. CLWA completed the advance refunding to reduce CLWA's total debt service payments over the next 24 years by achieving a 5.6% net present value savings. In May 2016, CLWA refunded all of the 2006 Series A certificates of participation (2016 Series A Refunding). (See 2016 Series A Refunding for their respective debt service requirements.)

The Certificates are payable by installment payments according to their respective Installment Agreements. Interest is payable semi-annually August 1 and February 1 of each year, and principal is due annually on August 1. The outstanding balance at June 30, 2016, is \$59,846,309 as follows: \$59,846,309 Series 1999 remaining; and no balance for the Series 2006 A (refunded portion of 1999 Series A) as these were refunded during FY 2015/16 (2016A Refunded Revenue Bonds). (See 2006 Series A Certificates of Participation and 2016A Refunding Revenue Bonds for their respective debt service requirements).

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

**Note 9: Long-Term Debt (Continued)**

The par amount of the certificates is comprised of \$23,408,498 (original amount) capital appreciation certificates. No regular payments of interest are made on the capital appreciation certificates prior to maturity. Interest on the capital appreciation certificates is compounded semi-annually on February 1 and August 1 and is payable at maturity. The interest compounded annually is added to the principal amount outstanding. The yield to maturity for the capital appreciation certificates ranges from 5.76% to 5.8%. Principal on the capital appreciation certificates matures annually on August 1 from 2021 through 2030. All the certificates are subject to extraordinary prepayment as a whole or in part on any date in order of maturity if the Agency makes prepaid installment payments from insurance proceeds or condemnation awards.

Below is a schedule of future annual principal to be issued that will be added to the capital appreciation certificate's current outstanding principal balance of \$71,003,709.

	<u>Fiscal Year</u>	<u>Principal Issued</u>
Balance as of June 30, 2019		\$ 71,003,709
Annual principal issued:	2020	4,163,590
	2021	4,407,741
	2022	4,365,394
	2023	4,011,146
	2024	3,636,322
	2025-2029	11,709,681
	2030-2031	1,152,917
	Total	<u>\$ 104,450,500</u>

***2008 Series A Revenue Refunding Certificates of Participation***

In May 2008, CLWA refunded all of the 2004B certificates; the swap agreement remained in effect until August 2014 for the 2008A certificates (2008 Series A). Interest on the certificates is calculated by the remarketing agent on Tuesday of each week during the Weekly Interest Rate Period. Principal matures August 1 of each year through August 1, 2020. Certificates are in denominations of \$100,000 and bear interest from the date of issue to their maturity. The interest rate on the refunding certificates is determined.

Annual debt service requirements on the 2008 Series A Revenue Refunding Certificates of Participation are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 5,800,000	\$ 341,443	\$ 6,141,443
2021	6,050,000	115,404	6,165,404
Total	11,850,000	<u>\$ 456,847</u>	<u>\$ 12,306,847</u>
Less current position	5,800,000		
Total non-current	<u>\$ 6,050,000</u>		

In June 2010, CLWA implemented GASB Statement No. 53, which established accounting and financial reporting standards for all state and local governments that enter into derivative instrument agreements. The analysis of the swap valuation is conducted annually to comply with the reporting requirement of the GASB Statement No. 53.

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

**Note 9: Long-Term Debt (Continued)**

***2010 Series A Revenue Refunding Certificates of Participation***

In February 2001, the Corporation issued \$80,000,000 of certificates of participation to finance certain capital improvements to CLWA's wholesale water system and reimburse the Agency's cost of acquiring the outstanding stock of the Santa Clarita Water Company (the retail company).

In June 2010, the Corporation issued \$70,595,000 of certificates of participation to provide funds to prepay \$68,520,000 of CLWA's outstanding 2001 A Revenue Certificates of Participation. The certificates are payable solely from installment payments to be made by CLWA. Pursuant to the reserve requirement, \$5,349,556 was placed in a debt service reserve fund on the issuance date of the certificates. Interest on the certificates is payable semi-annually on February 1 and August 1. Principal matures August 1 of each year through August 1, 2030. Certificates are in denominations of \$5,000 and bear interest from the date of issue to their maturity dates at rates ranging from 2.00% to 5.00% per annum.

Annual debt service requirements on the 2010 Series A Revenue Certificates of Participation are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,115,000	\$ 2,158,681	\$ 5,273,681
2021	3,260,000	2,014,506	5,274,506
2022	3,405,000	1,860,681	5,265,681
2023	3,560,000	1,691,556	5,251,556
2024	3,740,000	1,510,306	5,250,306
2025-2029	21,415,000	4,833,509	26,248,509
2030-2031	9,960,000	491,325	10,451,325
Total	48,455,000	<u>\$ 14,560,564</u>	<u>\$63,015,564</u>
Add: bond premium	1,145,274		
Less current portion	<u>(3,115,000)</u>		
Total non-current	<u>\$ 46,485,274</u>		

The Series 2010 A Certificates of Participation are structured as serial bonds with maturities ranging from 2011 through 2031. Yields for the serial bonds range from 2.00% to 5.00% and market conditions required that the Certificates be structured in a manner that resulted in an original issue premium of \$2,082,316 that will be amortized over the life of the debt service.

***2014 Series A Revenue Refunding Bonds***

In May 2004, the Corporation issued \$29,085,000 of certificates of participation to provide funds to prepay \$28,475,000 of the Agency's outstanding 1994 Refunding Revenue Certificates of Participation, to acquire a reserve policy and pay certain costs of delivery. Interest on the certificates was payable semi-annually on February 1 and August 1 of each year. Principal matures August 1 of each year through August 1, 2020. Certificates were in denominations of \$5,000 and bear interest from the date of issue to their maturity dates at rates ranging from 2.0% to 4.0% per annum.

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

**Note 9: Long-Term Debt (Continued)**

In June 2014, CLWA issued \$16,750,000 of revenue bonds to provide funds to prepay \$20,495,000 of CLWA's outstanding 2004 A Revenue Certificates of Participation. The aggregate difference between the refunding debt and the refunded debt was \$2,055,250. This amount was being netted against the new debt to be amortized over the life of the refunding debt. CLWA completed the refunding to reduce CLWA's total debt service payments over the next 6 years by achieving a \$2,147,813 savings, or a 10.48% net present value savings. The bonds are payable solely from installment payments to be made by CLWA. Interest on the bonds are payable semi-annually on February 1 and August 1. Principal matures on August 1 of each year through August 1, 2020. Bonds are in denominations of \$5,000 and bear interest from the date of issue to their maturity dates at rates ranging from 2.00% to 5.00% per annum.

Annual debt service requirements on the 2014 Series A Revenue Refunding Bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,920,000	\$ 226,500	\$ 3,146,500
2021	3,070,000	76,750	3,146,750
Total	<u>5,990,000</u>	<u>\$ 303,250</u>	<u>\$ 6,293,250</u>
Add: bond premium	477,398		
Less current portion	<u>(2,920,000)</u>		
Total non-current	<u>\$ 3,547,398</u>		

**2015 Series A Revenue Refunding Bonds**

In December 2006, the Corporation issued \$89,830,000 of certificates of participation to finance certain capital improvements to the CLWA's wholesale water system. CLWA has pledged all revenues derived from the ownership and operation of its water system. These revenues paid for the operation and maintenance of the water system, and after the application of contingency reserves, the remaining funds were used for installment payments on the certificates.

The Series 2006 C Certificates of Participation are structured as serial bonds with maturities ranging from 2008 through 2026 and two term bonds maturing on 2030 and 2036, respectively. Yields for the serial bonds range from 3.40% to 4.14% (yields to call for maturities 2017 through 2026), with the term bonds yielding 4.16% and 4.20% (yields to call). Market conditions required that maturities after 2016 be structured in a manner that resulted in the debt being price to the August 1, 2016, par call date. The ultimate structure produced an original issue premium of \$4,978,449 to be amortized over the life of the debt service.

In April 2015, CLWA issued \$64,000,000 of revenue bonds through Upper Santa Clara Valley Joint Powers Authority, a Joint Powers Authority created on June 8, 2011 between the CLWA and the Devil's Den Water District (District), to provide funds to prepay \$77,685,000 of CLWA's outstanding 2006 C Revenue Certificates of Participation. CLWA completed the refunding to reduce CLWA's total debt service payments over the next 20 years by achieving a \$10,311,149 savings, or a 13.27% net present value savings. The bonds are payable by installment payments according to the Installment Purchase Agreement. Interest is payable semi-annually on August 1 and February 1, and the principal is due annually on August 1.



**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

**Note 9: Long-Term Debt (Continued)**

Annual debt service requirements on the 2015 Series A Revenue Refunding Bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,250,000	\$ 2,768,550	\$ 5,018,550
2021	2,345,000	2,676,650	5,021,650
2022	2,440,000	2,568,750	5,008,750
2023	2,560,000	2,443,750	5,003,750
2024	2,685,000	2,312,625	4,997,625
2025-2029	15,585,000	9,355,625	24,940,625
2030-2034	19,900,000	4,940,750	24,840,750
2035-2036	9,425,000	476,875	9,901,875
Total	<u>57,190,000</u>	<u>\$ 27,543,575</u>	<u>\$ 84,733,575</u>
Add: bond premium	8,197,401		
Less current portion	<u>(2,250,000)</u>		
Total non-current	<u>\$ 63,137,401</u>		

**2016 Series A Revenue Refunding Bonds**

In December 2006, the Corporation issued \$45,520,000 of certificates of participation to provide funds to prepay \$45,385,000 of the CLWA's outstanding 1999 A Revenue Certificates of Participation. Pursuant to the reserve requirement, \$3,317,609 was placed in a debt service reserve fund on the issuance date of the certificates. Interest on the certificates is payable semi-annually on February 1 and August 1. Principal matures August 1 of each year through August 1, 2030. Certificates are in denominations of \$5,000 and bear interest from the date of issue to their maturity dates at rates ranging from 3.35% to 5.00% per annum.

The Series 2006 A Certificates of Participation are structured as serial bonds with maturities ranging from 2007 through 2023 and two term bonds maturing on 2026 and 2030 respectively. Yields for the serial bonds range from 3.35% to 4.08% (yields to call for maturities 2010 through 2023), with the term bonds yielding 4.41% and 4.46% (yields to call). Market conditions required that the maturities after 2016 be structured in a manner that resulted in the debt being priced to the August 1, 2016, par call date. The ultimate structure produced an original issue premium of \$1,145,317 that will be amortized over the life of the debt service.

In May 2016, CLWA issued \$56,395,000 of revenue bonds through Upper Santa Clara Valley Joint Powers Authority, to provide funds to prepay \$35,555,000 of CLWA's outstanding 2006 A Revenue Certificates of Participation (2016 Series A Refunding) and to provide \$30,665,000 new funds (2016 Series A New) to acquire certain capital improvements to CLWA's Wholesale System. CLWA completed the refunding portion to reduce CLWA's total debt service payments over the next 15 years by achieving a \$5,909,717 savings, or a 16.62% net present value savings. The bonds are payable by installment payments according to the Installment Purchase Agreement. Interest is payable semi-annually on August 1 and February 1, and the principal is due annually on August 1.

SANTA CLARITA VALLEY WATER AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019

**Note 9: Long-Term Debt (Continued)**

Annual debt service requirements on the 2016 Series A Revenue Refunding Bonds for the retirement of the 2006 A Certificates of Participation are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,460,000	\$ 1,063,600	\$ 2,523,600
2021	1,520,000	996,400	2,516,400
2022	1,600,000	918,400	2,518,400
2023	1,685,000	836,275	2,521,275
2024	1,765,000	750,025	2,515,025
2025-2029	10,145,000	2,423,525	12,568,525
2030-2031	4,765,000	241,125	5,006,125
Total	22,940,000	<u>\$ 7,229,350</u>	<u>\$30,169,350</u>
Add: bond premium	3,944,962		
Less current portion	(1,460,000)		
Total non-current	<u>\$ 25,424,962</u>		

Annual debt service requirements on the 2016 Series A Revenue Refunding Bonds for the acquisition of certain capital improvements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 510,000	\$ 1,455,800	\$ 1,965,800
2021	535,000	1,432,225	1,967,225
2022	560,000	1,404,850	1,964,850
2023	590,000	1,376,100	1,966,100
2024	620,000	1,345,850	1,965,850
2025-2029	3,560,000	6,264,300	9,824,300
2030-2034	4,535,000	5,286,875	9,821,875
2035-2039	5,830,000	3,998,250	9,828,250
2040-2044	7,485,000	2,341,875	9,826,875
2045-2047	5,475,000	419,625	5,894,625
Total	29,700,000	<u>\$ 25,325,750</u>	<u>\$55,025,750</u>
Add: bond premium	5,571,866		
Less current portion	(510,000)		
Total non-current	<u>\$ 34,761,866</u>		

**2018 Series A Revenue Refunding Bonds**

On June 1, 2010, Valencia Water Company (VWC) entered into a \$12,000,000 senior secured note with Modern Woodmen of America (Modern Woodmen). On September 15, 2010, VWC entered into an additional \$12,000,000 senior secured note with Modern Woodmen (collectively, the "Senior Secured Notes"). The Senior Secured Notes are secured by all of VWC's assets. Interest is payable semi-annually on April 15 and October 15 at a fixed rate of 4.62% per annum. The Senior Secured Notes contain various financial covenants with which VWC was in compliance as of December 31, 2017.

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

**Note 9: Long-Term Debt (Continued)**

On January 9, 2018, the Agency issued \$26,735,000 of Revenue Bonds through Upper Santa Clara Valley Joint Powers Authority, to provide funds to prepay \$24,000,000 of VWC's senior secured note with Modern Woodmen and as such, is recorded as a liability of the Regional Water Division. Payments on the obligation are to be funded through an interdivisional loan to be funded by customers within the Valencia Water Division's service area. The difference between the refunding debt and the refunded debt is being netted against the new debt and amortized over the life of the refunding debt. The bonds are payable by installment payments according to the Installment Purchase Agreement. Interest is payable semi-annually on August 1 and February 1, and the principal is due annually on August 1.

Annual debt service requirements on the 2018 Series A Revenue Refunding Bonds are as follows:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ -	\$ 976,975	\$ 976,975
2021	-	976,975	976,975
2022	-	976,975	976,975
2023	-	976,975	976,975
2024	650,000	968,038	1,618,038
2025-2029	3,535,000	4,538,259	8,073,259
2030-2034	4,165,000	3,908,678	8,073,678
2035-2039	4,995,000	3,076,656	8,071,656
2040-2044	6,050,000	2,026,238	8,076,238
2045-2049	7,340,000	733,344	8,073,344
<b>Total</b>	<b>26,735,000</b>	<b>\$19,159,113</b>	<b>\$45,894,113</b>
Add: bond discount	(352,434)		
Less current portion	-		
<b>Total non-current</b>	<b>\$ 26,383,286</b>		

**2017 Series A Revenue Refunding Bonds**

In May 2010, the Santa Clarita Water Division (Retail) of the Agency issued \$14,475,000 of certificates of participation to provide funds to acquire the new Administration Office Building, several reservoir tanks, and well. The certificates are payable by installment payments according to the Installment Purchase Agreement. Interest is payable semi-annually August 1 and February 1, and the principal is due annually on August 1.

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

**Note 9: Long-Term Debt (Continued)**

In September 2011, the Santa Clarita Water Division issued \$52,290,000 of Revenue Bonds through Upper Santa Clara Valley Joint Powers Authority, a Joint Powers Authority created on June 8, 2011 between the CLWA and Devil's Den Water District (the "District"), to provide funds to prepay the outstanding interfund loan balance payable by Retail to CLWA. The Interfund Loan was established in September 1999 as a repayment of acquisition when the Agency acquired Santa Clarita Water Company's (SCWC) stock for \$63 million. The bonds are payable by installment payments according to the Installment Purchase Agreement. Interest is payable semi-annually August 1 and February 1, and the principal is due annually on August 1.

In September 11, 2017, CLWA issued \$50,745,000 of Revenue Bonds through Upper Santa Clara Valley Joint Powers Authority, to provide funds to prepay \$12,900,000 of the Division's outstanding 2010 Series B Revenue Refunding Certificates of Participation (2010 Series B Refunding) and to acquire certain capital improvements to the Division's retail water system. The difference between the refunding debt and the refunded debt was being netted against the new debt and amortized over the life of the refunding debt. The bonds are payable by installment payments according to the Installment Purchase Agreement. Interest is payable semi-annually August 1 and February 1, and the principal is due annually on August 1. The loss on defeasance of debt totaling \$1,322,398 is recorded in deferred outflows of resources and will be amortized over the remaining life of the 2017 Series A Revenue Refunding Bonds.

Annual debt service requirements on the 2017 Series A Revenue Refunding Bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,035,000	\$ 2,218,625	\$ 5,253,625
2021	3,315,000	2,059,875	5,374,875
2022	3,615,000	1,886,625	5,501,625
2023	3,925,000	1,698,125	5,623,125
2024	4,255,000	1,493,625	5,748,625
2025-2029	21,720,000	3,877,075	25,597,075
2030-2034	2,960,000	1,179,500	4,139,500
2035-2039	3,560,000	563,181	4,123,181
2040-2041	1,580,000	54,744	1,634,744
Total	47,965,000	15,031,375	62,996,375
Add: bond premium	8,681,031		
Less current portion	(3,035,000)		
Total non-current	<u>\$ 53,611,032</u>		

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

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**Note 9: Long-Term Debt (Continued)**

***Events of Default on Agency Bonds***

Upon the occurrence and continuation of an event of default on the Agency's outstanding bonds, the principal amounts of (and accrued interest on) the respective bonds can be accelerated and declared immediately due and payable by the registered bondholders of a majority in aggregate principal amount of the then outstanding bonds upon written notice delivered to the Agency. Failure to pay debt service when due and the occurrence of certain insolvency or bankruptcy-related events are events of default. Failure to observe or perform the covenants and agreements under the Indenture for a period of 60 days after written notice of such failure is given to the Agency is also an event of default unless the Agency has taken all action reasonably possible to remedy such failure within 60 days and the Agency diligently proceeds to remedy the failure. A default by the Agency under any agreement governing parity debt which continues after the applicable grace period, if any, is also an event of default.

***Municipal Leasing Associates, Inc. (2007)***

On October 18, 2007, Newhall County Water District (currently part of the Agency as Newhall Water Division) entered into an Installment Sale Agreement (Agreement) with the Municipal Leasing Associates, Inc. (MLA). MLA provided \$5,500,000 for the purpose of financing the cost of the District's project. The Agreement was amended on October 26, 2012. The original 4.5% installment note was payable over twenty years in semi-annual installments of principal and interest of \$209,976. The amended agreement is payable in semi-annual installments of \$226,905 of principal and interest at 3% payable in April and October each year and matures October 2024.

Annual debt service requirements on the Municipal Leasing Associates, Inc. (2007) agreement are as follows:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 388,143	\$ 65,666	\$ 453,809
2021	399,875	53,935	453,810
2022	411,961	41,848	453,809
2023	424,413	29,397	453,810
2024	437,241	16,569	453,810
2025	223,550	3,353	226,903
Total	2,285,183	210,768	2,719,501
Less current portion	(388,143)		
Total non-current	\$ 1,900,393		

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

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**Note 9: Long-Term Debt (Continued)**

***Municipal Leasing Associates, Inc. (2009)***

On April 1, 2009, Newhall County Water District (currently part of the Agency as Newhall Water Division) entered into an Installment Sale Agreement (Agreement) with the Municipal Leasing Associates, Inc. (MLA). MLA provided \$2,000,000 for the purpose of financing costs related to the construction of the new administrative facility. The Agreement was amended on June 8, 2016. The original 4.65% installment note was payable over twenty years in semi-annual installments of principal and interest of \$77,342. The amended agreement is payable in semi-annual installments of \$74,320 of principal and interest at 2.4% payable in June and December each year and matures June 2021.

Annual debt service requirements on the Municipal Leasing Associates, Inc. (2009) agreement are as follows:

Year	Principal	Interest	Total
2020	\$ 142,578	\$ 6,076	\$ 148,654
2021	146,019	2,633	148,652
Total	288,597	8,709	297,306
Less current portion	(142,578)		
Total non-current	\$ 146,019		

SANTA CLARITA VALLEY WATER AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019

Note 10: Net Position

	<u>2019</u>
<b>Net investment in capital assets</b>	
Capital assets, net	\$ 731,447,504
Certificate of participation, current	(8,915,000)
Certificate of participation, non-current	(52,535,274)
Revenue bonds, current	(10,175,000)
Revenue bonds, non-current	(206,865,224)
1999 Series A cap appreciation bonds accretion since issuance	(71,003,709)
Notes payable, current	(530,721)
Notes payable, non-current	(2,043,059)
Fiscal agent cash	5,428,604
<b>Total net investment in capital assets</b>	<u>384,808,121</u>
<b>Restricted net position:</b>	
<b>Restricted for capital projects:</b>	
Restricted - cash and cash equivalents	4,712,277
Restricted - investments	10,147,536
Restricted - accrued interest receivable	59,407
Restricted - accounts receivable, other	388,297
Restricted - accounts payable	(1,937,534)
<b>Total restricted for capital projects</b>	<u>13,369,983</u>
<b>Restricted for state water contract</b>	
Restricted - investments	64,728,731
Restricted - property tax receivable	1,216,962
Restricted - accrued interest receivable	285,034
Restricted - accounts receivable, other	560,121
Restricted - prepaid expense	188,337
Restricted - accounts payable	(1,603,945)
<b>Total restricted for state water contract</b>	<u>65,375,240</u>
<b>Restricted for debt service:</b>	
Restricted - cash and cash equivalents with fiscal agent	(5,131,326)
Restricted - accrued interest receivable	1,339
Restricted - interest payable	(861,827)
<b>Total restricted for debt service</b>	<u>(5,991,814)</u>
<b>Total restricted net position</b>	<u>72,753,409</u>
<b>Unrestricted net position:</b>	
<b>Non-spendable net position:</b>	
Materials and supplies inventory	2,146,057
Prepaid expenses and other assets	5,392,358
<b>Total non-spendable net position</b>	<u>7,538,415</u>
<b>Spendable net position is designated as follows:</b>	
Unrestricted	<u>165,657,364</u>
<b>Total spendable net position</b>	<u>165,657,364</u>
<b>Total unrestricted net position</b>	<u>173,195,779</u>
<b>Total net position</b>	<u>\$ 630,757,309</u>

## SANTA CLARITA VALLEY WATER AGENCY

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED JUNE 30, 2019

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#### Note 11: Risk Management

The Agency is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. As of June 30, 2019, the Agency limits and deductibles for liability, property, and workers compensation programs of the ACWA/JPIA are as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$1,000,000, combined single limit per occurrence. The ACWA/JPIA purchased additional excess coverage layers: \$59 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.
- Property loss is paid at the replacement cost for buildings, fixed equipment, and personal property on file, if replaced within two years after the loss, otherwise paid on actual cash value basis, subject to a \$5,000 deductible per loss; and actual cash value for mobile equipment, subject to a \$1,000 deductible per loss, and licensed vehicles, subject to a \$500 deductible per loss. ACWA/JPIA purchased excess coverage for a combined total of \$100 million per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to various deductibles depending on the type of equipment.
- Workers compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law, and Employer's Liability Coverage up to \$4 million. The Agency is self-insured up to \$2 million and excess loss insurance has been purchased. In addition to the above, the Agency also has the following insurance coverage.
- Crime coverage up to \$1,000,000 per loss includes public employee dishonesty, including Public Officials who are required by law to give bonds for the faithful performance of their service, forgery or alteration and computer fraud, subject to a \$1,000 deductible.
- Cyber liability coverage up to \$2,000,000 per occurrence with an aggregate of \$5,000,000 includes defense costs and damages for security, privacy, and media liability; fees and expenses incurred from cyber extortion; as well as costs to restore network business interruption and digital asset protection, subject to a \$50,000 deductible.

There were no reductions in insurance coverage in the year ended June 30, 2019. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There was no IBNR claims payable as of June 30, 2019.

#### Note 12: Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2019, that have effective dates that may impact future financial presentations.



**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

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**Note 12: Governmental Accounting Standards Board Statements Issued, Not Yet Effective (Continued)**

***Governmental Accounting Standards Board Statement No. 87***

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The impact of the implementation of this Statement to the Agency's financial statements has not been assessed at this time.

**Note 13: Commitments and Contingencies**

***Department of Water Resources (DWR) Water Contract Commitment***

On April 30, 1963, a contract was entered into between the State of California acting by and through the Department of Water Resources and CLWA (the Contract), pursuant to the provisions of the California Water Resources Development Bond Act, the State Central Valley Project Act, and other applicable laws of the State of California.

The contract provides for a maximum annual water entitlement to the Agency of up to 41,500 acre feet. As amended, on January 1, 1991, the Agency began receiving the Devil's Den agricultural entitlement of 12,700 acre feet. In March 1999, the Agency purchased an additional 41,000 acre feet from Wheeler Ridge-Maricopa Water Storage District, bringing the total maximum entitlement to 95,200 acre feet. The agreement contemplated water delivery of 20,100 acre feet beginning in 1981, with increasing deliveries through the years until the maximum entitlement was reached in 1991.

However, as of June 30, 2003, the water delivery objectives of the Contract cannot be achieved unless additional conservation features are constructed. The term of the Contract is for the project re-payment period or 75 year, whichever is longer, and provides for a pledge of certain SCV Water revenues to the bondholders of the State under the Bond Act.

Provision is made in the Contract for two general charges: (1) a Delta water charge and (2) a transportation charge, which are divided into components. The Delta water charge is intended to return to the State all costs of project conservation facilities including capital, maintenance, operation, and replacement components, and is charged to SCV Water on the basis of water entitlement and/or delivery. The transportation charge is for facilities necessary to deliver water to the contractors and also includes a capital, maintenance, operation, and replacement component.

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

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**Note 13: Commitments and Contingencies (Continued)**

At June 30, 2019, the Agency's remaining estimated commitment for these charges is as follows:

On May 22, 2007, SCV Water entered into a 30-year agreement with the Buena Vista Water Storage District and Rosedale-Rio Bravo Water Storage District for the acquisition of 11,000 acre-feet (AF) of water supply per year for a 30-year period. The purchase price was established in FY 2006/07 at \$486.85 per AF, or \$5,335,350. The purchase price is adjusted each calendar year by Consumer Price Index (All Urban Consumers – All Items – Southern California Area) and every 10 years based on historical changes to the cost of the State Water Project. The current purchase price is \$882.60 per AF.

<u>Calendar year ending December 31</u>	<u>Amount</u>
2019	\$ 23,719,296
2020	27,465,054
20201	28,329,211
2022	28,752,611
2023	28,752,096
2024-2028	143,894,712
2029-2033	142,262,331
2034-2035	57,379,772
Total	<u>\$ 480,555,083</u>

Payments due under the DWR and BVRRB agreements are similar in nature to a long-term operating lease, since the Agency does not take title to any assets of the DWR and BVRRB at the end of the water delivery period. Accordingly, no liability under this contract is recorded in the Statement of Net Position.

***Litigation***

In the ordinary course of operations, the Agency is subject to claims and litigation from outside parties. After consultation with legal counsel, the Agency believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

***Grant Awards***

Grant funds received by the Agency are subject to audit by the grantor agencies. Such an audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the Agency believes that such disallowances, if any, would not be significant.

**SANTA CLARITA VALLEY WATER AGENCY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

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**Note 13: Commitments and Contingencies (Continued)**

***Construction Contracts***

The Agency has a variety of agreements with private parties relating to the installation, improvement, or modification of water facilities, and distribution systems, and other Agency activities. The financing of such contracts is being provided primarily from the Agency's replacement reserves and advances for construction. The Agency has committed to approximately \$7,168,844 of open construction contracts as of June 30, 2019.

The contracts outstanding include:

<b>Project Name</b>	<b>Total Approved Contract</b>	<b>Construction Costs to Date</b>	<b>Balance to Complete</b>
Magic Mountain Parkway Phase 6A	\$ 7,168,844	\$ -	\$ 7,168,844

**SANTA CLARITA VALLEY WATER AGENCY (SCVWA)**

**COST-SHARING MULTIPLE EMPLOYER MISCELLANEOUS PLANS  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS <sup>(1)</sup>**

	<b>2019</b>	<b>2018</b>
	<u>6/30/2018</u>	<u>6/30/2017</u>
Measurement Date		
Proportion of the Net Pension Liability	0.13844%	0.13729%
Proportionate Share of the Net Pension Liability	\$ 13,340,534	\$ 13,615,322
Covered Payroll	\$ 13,319,776	\$ 13,148,794
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	100.2%	103.5%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.3%	73.3%

**Notes to Schedule of Proportionate Share of the Net Pension Liability:**

Benefit Changes: None

Changes of Assumptions: In 2017, the accounting discount rate reduced from 7.65 to 7.15 percent. In 2018, demographic assumptions and inflate rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

<sup>(1)</sup> Historical information is required only for measurement for which GASB 68 is applicable. The Agency has presented information for those year for which information is available until a full 10-year trend is compiled.

**SANTA CLARITA VALLEY WATER AGENCY (SCVWA)**

**COST-SHARING MULTIPLE EMPLOYER MISCELLANEOUS PLANS  
SCHEDULE OF PLAN CONTRIBUTIONS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS <sup>(1)</sup>**

	<b>2019</b>	<b>2018</b>
Actuarially Determined Contribution	\$ 2,182,797	\$ 1,759,981
Contribution in Relation to the Actuarially Determined Contribution	<u>(2,182,797)</u>	<u>(1,759,981)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 15,958,119	\$ 13,319,776
Contributions as a Percentage of Covered Payroll	13.7%	13.2%

**Notes to Schedule of Plan Contributions:**

Methods and assumptions used to determine contribution rates:

Valuation Date:	June 30, 2016
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll
Remaining amortization period:	21 Years as of the Valuation Date
Assets valuation method:	Market Value
Inflation:	2.75% compounded annually
Salary Increases:	3.00% compounded annually
Investment rate of return:	7.375% compounded annually (net of investment and
Retirement age:	50 and 57 years
Mortality:	Scale BB published by the Society of Actuaries

<sup>(1)</sup> Historical information is required only for measurement for which GASB 68 is applicable. The Agency has presented information for those year for which information is available until a full 10-year trend is compiled.

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS <sup>(1)</sup>

Measurement Date	<b>2019</b>	<b>2018</b>
	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 991,161	\$ 312,585
Interest on the total OPEB liability	1,432,518	742,964
Actual and expected experience difference	-	4,214
Changes in assumptions	841,942	(2,687,699)
Changes in benefit terms	-	637,826
Benefit payments	<u>(571,142)</u>	<u>(273,181)</u>
Net change in total OPEB liability	2,694,479	(1,263,291)
Total OPEB liability - beginning	<u>18,971,850</u>	<u>20,235,141</u>
<b>Total OPEB liability - ending (a)</b>	<b><u>21,666,329</u></b>	<b><u>18,971,850</u></b>
<b>Plan Fiduciary Net Position</b>		
Contribution - employer	1,900,160	1,298,476
Net investment income	1,088,901	938,262
Benefit payments	(571,142)	(273,181)
Administrative expense	(7,502)	(3,116)
Other expenses	<u>(18,101)</u>	<u>-</u>
Net change in plan fiduciary net position	2,392,316	1,960,441
Plan fiduciary net position - beginning	<u>13,714,823</u>	<u>11,754,382</u>
<b>Plan fiduciary net position - ending (b)</b>	<b><u>16,107,139</u></b>	<b><u>13,714,823</u></b>
<b>Net OPEB Liability - ending (a) - (b)</b>	<b><u>\$ 5,559,190</u></b>	<b><u>\$ 5,257,027</u></b>
Plan fiduciary net position as a percentage of the total OPEB liability	74.3%	72.3%
Covered-employee payroll	\$ 5,990,450	\$ 7,273,299
Net OPEB liability as a percentage of covered-employee payroll	92.8%	72.3%

**Notes to Schedule:**

<sup>(1)</sup> Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

**SANTA CLARITA VALLEY WATER AGENCY (SCVWA)**

**SCHEDULE OF PLAN CONTRIBUTIONS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS <sup>(1)</sup>**

	<b>2019</b>	<b>2018</b>
Actuarially Determined Contribution	\$ 2,377,824	\$ 601,683
Contribution in Relation to the Actuarially Determined Contributions	(2,377,824)	(601,683)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,990,450	\$ 7,273,299
Contributions as a percentage of covered-employee payroll	39.7%	8.3%

**Notes to Schedule of Plan Contributions:**

Actuarial methods and assumptions used to set the actuarially determined contribution for Fiscal Year 2019 were from the June 30, 2018 actuarial valuation.

Valuation Date:	June 30, 2018
Actuarial Cost Method:	Entry Age Normal, Level Percentage of Payroll
Amortization Method:	Level percent of pay
Amortization Period:	28 years
Asset Valuation Method:	Market value of assets
Discount Rate:	7.00%
General Inflation:	2.75%
Medical Trend:	7.5% in 2019 to 5% in steps of 0.5%.
Mortality:	CalPERS 2014 experience study
Mortality Improvement:	Mortality Improvement Scale 2017 for post-retirement mortality
All Other Assumptions	Same as those used to determine the total OPEB liability

<sup>(1)</sup> Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2019

	Regional Water Division	Santa Clarita Water Division	Newhall Water Division	Valencia Water Division
<b>Assets:</b>				
Current:				
Cash and cash equivalents	\$ 4,574,115	\$ 10,384,134	\$ 1,700,421	\$ 3,212,276
Investments	94,666,130	44,886,790	10,796,882	12,316,731
Receivables:				
Accounts	2,409,464	4,357,951	1,531,719	4,346,734
Property tax	1,302,680	-	9,044	-
Accrued interest	545,925	246,644	12,748	-
Accounts - other	5,558,940	9,221	45,030	783,246
Prepaid costs	5,015,977	133,350	40,380	390,988
Due from other funds	2,849,324	121,514	130,713	564,144
Materials and supplies inventory	-	878,382	675,629	592,046
Internal balances	95,350,536	-	-	(95,350,536)
Restricted:				
Cash and cash equivalents	4,712,305	-	-	-
Investments	10,147,536	-	-	-
Cash with fiscal agent	5,863,580	-	-	-
Receivables:				
Property tax	1,216,962	-	-	-
Accrued interest	345,984	-	-	-
Accounts - other	537,098	-	-	-
<b>Total Current Assets</b>	<b>235,096,556</b>	<b>61,017,986</b>	<b>14,942,566</b>	<b>(73,144,371)</b>
Noncurrent:				
Investments - restricted	64,728,731	-	-	-
Net OPEB asset	-	-	-	70,589
Capital assets - not being depreciated	55,959,288	20,028,683	10,240,018	7,185,368
Capital assets - net of accumulated depreciation	385,531,447	91,454,806	68,660,816	92,387,078
<b>Total Noncurrent Assets</b>	<b>506,219,466</b>	<b>111,483,489</b>	<b>78,900,834</b>	<b>99,643,035</b>
<b>Total Assets</b>	<b>741,316,022</b>	<b>172,501,475</b>	<b>93,843,400</b>	<b>26,498,664</b>
<b>Deferred Outflows of Resources:</b>				
Deferred pension outflows	2,775,724	1,439,576	261,283	776,227
Deferred OPEB outflows	1,866,250	903,583	823,930	314,856
Loss on defeasance of debt	-	1,322,398	-	-
<b>Total Deferred Outflows of Resources</b>	<b>4,641,974</b>	<b>3,665,557</b>	<b>1,085,213</b>	<b>1,091,083</b>



SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2019

	<u>Regional Water Division</u>	<u>Santa Clarita Water Division</u>	<u>Newhall Water Division</u>	<u>Valencia Water Division</u>
<b>Liabilities:</b>				
Current:				
Accounts payable	2,939,556	3,057,357	722,560	2,467,728
Accounts payable - restricted	3,541,479	-	-	-
Accrued liabilities	309,891	113,674	61,091	155,170
Accrued interest	3,647,285	956,042	12,801	427,380
Unearned revenues	-	620,075	296,384	36,600
Deposits payable	-	-	-	98,168
Due to other funds	-	1,748,508	741,106	1,176,081
Advances for construction	-	3,036,253	-	6,828,002
Other current liabilities	-	-	-	3,800,765
Accrued compensated absences	235,742	104,370	63,198	84,999
Certificate of participation	8,915,000	-	-	-
Notes payable	-	-	530,721	-
Revenue bonds	7,140,000	3,035,000	-	-
<b>Total Current Liabilities</b>	<b><u>26,728,953</u></b>	<b><u>12,671,279</u></b>	<b><u>2,427,861</u></b>	<b><u>15,074,893</u></b>
Noncurrent:				
Net OPEB liability	2,348,354	1,145,617	2,135,808	-
Net pension liability	6,431,019	3,260,733	1,749,704	1,899,078
Accrued compensated absences	707,227	313,109	189,594	254,998
Certificate of participation	123,538,983	-	-	-
Notes payable	-	-	2,043,059	-
Revenue bonds	153,254,193	53,611,031	-	-
<b>Total Noncurrent Liabilities</b>	<b><u>286,279,776</u></b>	<b><u>58,330,490</u></b>	<b><u>6,118,165</u></b>	<b><u>2,154,076</u></b>
<b>Total Liabilities</b>	<b><u>313,008,729</u></b>	<b><u>71,001,769</u></b>	<b><u>8,546,026</u></b>	<b><u>17,228,969</u></b>
<b>Deferred Inflows of Resources:</b>				
Deferred pension inflows	535,497	271,514	145,693	158,132
Deferred OPEB inflows	1,344,736	676,342	1,260,927	-
<b>Total Deferred Inflows of Resources</b>	<b><u>1,880,233</u></b>	<b><u>947,856</u></b>	<b><u>1,406,620</u></b>	<b><u>158,132</u></b>
<b>Net Position:</b>				
Net investment in capital assets	154,071,207	54,837,458	76,327,054	99,572,402
Restricted	72,753,409	-	-	-
Unrestricted	204,244,418	49,379,949	8,648,913	(89,369,756)
<b>Total Net Position</b>	<b><u>\$ 431,069,034</u></b>	<b><u>\$ 104,217,407</u></b>	<b><u>\$ 84,975,967</u></b>	<b><u>\$ 10,202,646</u></b>

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2019

	Upper Santa Clara Valley	Devil's Den Water District	Groundwater Sust agency	Totals
<b>Assets:</b>				
Current:				
Cash and cash equivalents	\$ 6,899	\$ 11,601	\$ 25,000	\$ 19,914,446
Investments	7,048	242,761	-	162,916,342
Receivables:				
Accounts	-	-	-	12,645,868
Property tax	-	17	-	1,311,741
Accrued interest	45	1,549	-	806,911
Accounts - other	-	-	-	6,396,437
Prepaid costs	-	-	-	5,580,695
Due from other funds	-	-	-	3,665,695
Materials and supplies inventory	-	-	-	2,146,057
Internal balances	-	-	-	-
Restricted:				
Cash and cash equivalents	-	-	-	4,712,305
Investments	-	-	-	10,147,536
Cash with fiscal agent	-	-	-	5,863,580
Receivables:				
Property tax	-	-	-	1,216,962
Accrued interest	-	-	-	345,984
Accounts - other	-	-	-	537,098
<b>Total Current Assets</b>	<b>13,992</b>	<b>255,928</b>	<b>25,000</b>	<b>238,207,657</b>
Noncurrent:				
Investments - restricted	-	-	-	64,728,731
Net OPEB asset	-	-	-	70,589
Capital assets - not being depreciated	-	-	-	93,413,357
Capital assets - net of accumulated depreciation	-	-	-	638,034,147
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>796,246,824</b>
<b>Total Assets</b>	<b>13,992</b>	<b>255,928</b>	<b>25,000</b>	<b>1,034,454,481</b>
<b>Deferred Outflows of Resources:</b>				
Deferred pension outflows	-	-	-	5,252,810
Deferred OPEB outflows	-	-	-	3,908,619
Loss on defeasance of debt	-	-	-	1,322,398
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,483,827</b>

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2019

	Upper Santa Clara Valley	Devil's Den Water District	Groundwater Sust agency	Totals
<b>Liabilities:</b>				
Current:				
Accounts payable	-	2,665	-	9,189,866
Accounts payable - restricted	-	-	-	3,541,479
Accrued liabilities	-	-	-	639,826
Accrued interest	-	-	-	5,043,508
Unearned revenues	-	-	-	953,059
Deposits payable	-	-	-	98,168
Due to other funds	-	-	-	3,665,695
Advances for construction	-	-	-	9,864,255
Other current liabilities	-	-	-	3,800,765
Accrued compensated absences	-	-	-	488,309
Certificate of participation	-	-	-	8,915,000
Notes payable	-	-	-	530,721
Revenue bonds	-	-	-	10,175,000
<b>Total Current Liabilities</b>	<b>-</b>	<b>2,665</b>	<b>-</b>	<b>56,905,651</b>
Noncurrent:				
Net OPEB liability	-	-	-	5,629,779
Net pension liability	-	-	-	13,340,534
Accrued compensated absences	-	-	-	1,464,928
Certificate of participation	-	-	-	123,538,983
Notes payable	-	-	-	2,043,059
Revenue bonds	-	-	-	206,865,224
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>352,882,507</b>
<b>Total Liabilities</b>	<b>-</b>	<b>2,665</b>	<b>-</b>	<b>409,788,158</b>
<b>Deferred Inflows of Resources:</b>				
Deferred pension inflows	-	-	-	1,110,836
Deferred OPEB inflows	-	-	-	3,282,005
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,392,841</b>
<b>Net Position:</b>				
Net investment in capital assets	-	-	-	384,808,121
Restricted	-	-	-	72,753,409
Unrestricted	13,992	253,263	25,000	173,195,779
<b>Total Net Position</b>	<b>\$ 13,992</b>	<b>\$ 253,263</b>	<b>\$ 25,000</b>	<b>\$ 630,757,309</b>

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
YEAR ENDED JUNE 30, 2019

	Regional Water Division	Santa Clarita Water Division	Newhall Water Division	Valencia Water Division
<b>Operating Revenues:</b>				
Water consumption sales and services	\$ 29,417,182	\$ 18,788,103	\$ 12,712,003	\$ 32,610,396
Other charges and services	14,687,778	15,506,358	320,954	904,407
<b>Total Operating Revenues</b>	<b>44,104,960</b>	<b>34,294,461</b>	<b>13,032,957</b>	<b>33,514,803</b>
<b>Operating Expenses:</b>				
Source of supply	-	12,544,001	2,949,148	8,836,825
Pumping	182,942	2,746,954	1,257,751	2,104,359
Transmission and distribution	-	4,448,859	559,223	1,188,568
Water Treatment	5,296,643	910,236	354,284	431,443
Administration and general	6,227,411	767,737	4,603,038	8,256,419
Depreciation expense	18,389,819	5,216,152	3,247,280	4,409,877
Maintenance	3,263,353	-	-	-
Engineering	1,588,867	709,943	-	-
Water Quality	1,094,842	702,119	481,947	-
Water Resources Management	5,792,111	-	-	530,407
	288,298	-	-	-
<b>Total Operating Expenses</b>	<b>42,124,286</b>	<b>28,046,001</b>	<b>13,452,671</b>	<b>25,757,898</b>
Operating Income (Loss)	1,980,674	6,248,460	(419,714)	7,756,905
<b>Nonoperating Revenues (Expenses):</b>				
Taxes	57,578,026	-	621,980	-
Interest revenue	7,610,154	416,719	(16,289)	(579,603)
Interest expense	(11,298,342)	(1,982,743)	(84,246)	(4,112,217)
Other revenue (expenses)	873,599	897,850	134,484	-
State Water Contract	(20,182,520)	-	-	-
Gain (loss) on disposal of capital assets	1,933	19,422	(5,184)	(840,857)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>34,582,850</b>	<b>(648,752)</b>	<b>650,745</b>	<b>(5,532,677)</b>
Income (Loss) Before Capital Contributions	36,563,524	5,599,708	231,031	2,224,228
Capital Contributions	-	2,803,347	1,555,591	-
Changes in Net Position	36,563,524	8,403,055	1,786,622	2,224,228
<b>Net Position:</b>				
Beginning of Year, as previously reported	394,438,933	95,814,352	83,189,345	7,978,418
Restatements	66,577	-	-	-
Beginning of Fiscal Year, as restated	394,505,510	95,814,352	83,189,345	7,978,418
<b>End of Fiscal Year</b>	<b>\$ 431,069,034</b>	<b>\$ 104,217,407</b>	<b>\$ 84,975,967</b>	<b>\$ 10,202,646</b>

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
YEAR ENDED JUNE 30, 2019

	Upper Santa Clara Valley	Devil's Den Water District	Groundwater Sust agency	Totals
<b>Operating Revenues:</b>				
Water consumption sales and services	\$ -	\$ -	\$ -	\$ 93,527,684
Other charges and services	-	-	-	31,419,497
<b>Total Operating Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>124,947,181</b>
<b>Operating Expenses:</b>				
Source of supply	-	-	-	24,329,974
Pumping	-	-	-	6,292,006
Transmission and distribution	-	-	-	6,196,650
Water Treatment	-	-	-	6,992,606
Administration and general	24,179	2,960	135,000	20,016,744
Depreciation expense	-	-	-	31,263,128
Maintenance	-	-	-	3,263,353
Engineering	-	-	-	2,298,810
Water Quality	-	-	-	2,278,908
Water Resources	-	-	-	6,322,518
Management	986	3,125	-	292,409
<b>Total Operating Expenses</b>	<b>25,165</b>	<b>6,085</b>	<b>135,000</b>	<b>109,547,106</b>
Operating Income (Loss)	(25,165)	(6,085)	(135,000)	15,400,075
<b>Nonoperating Revenues (Expenses):</b>				
Taxes	-	5,615	-	58,205,621
Interest revenue	28,981	6,733	-	7,466,695
Interest expense	-	-	-	(17,477,548)
Other revenue (expenses)	-	-	-	1,905,933
State Water Contract	-	-	-	(20,182,520)
Gain (loss) on disposal of capital assets	-	-	-	(824,686)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>28,981</b>	<b>12,348</b>	<b>-</b>	<b>29,093,495</b>
Income (Loss) Before Capital Contributions	3,816	6,263	(135,000)	44,493,570
Capital Contributions	-	-	160,000	4,518,938
Changes in Net Position	3,816	6,263	25,000	49,012,508
<b>Net Position:</b>				
Beginning of Year, as previously reported	-	-	-	581,421,048
Restatements	10,176	247,000	-	323,753
Beginning of Fiscal Year, as restated	10,176	247,000	-	581,744,801
<b>End of Fiscal Year</b>	<b>\$ 13,992</b>	<b>\$ 253,263</b>	<b>\$ 25,000</b>	<b>\$ 630,757,309</b>

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2019

	Regional Water Division	Santa Clarita Water Division	Newhall Water Division	Valencia Water Division
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers and users	\$ 39,497,799	\$ 35,107,956	\$ 12,519,116	\$ 33,421,208
Cash paid to suppliers for goods and services	(16,956,702)	(22,133,125)	(5,923,979)	(10,510,936)
Cash paid to employees for services	(7,369,500)	(1,635,787)	(3,656,622)	(8,991,536)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>15,171,597</b>	<b>11,339,044</b>	<b>2,938,515</b>	<b>13,918,736</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Repayment made to other funds	(2,849,324)	(121,514)	(130,713)	(564,144)
Repayment received from other funds	-	1,748,508	741,106	1,176,081
Internal balances	1,221,012	-	-	(1,221,012)
Proceeds from property taxes	58,176,635	-	631,156	-
Payments for state water contract	(20,182,520)	-	-	-
Proceeds from non-operating revenues	873,599	897,850	134,484	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>37,239,402</b>	<b>2,524,844</b>	<b>1,376,033</b>	<b>(609,075)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Capital contributions	-	2,803,347	1,555,591	-
Acquisition and construction of capital assets	(16,847,148)	(4,143,474)	(2,768,333)	(3,158,152)
Principal paid on capital debt	(15,440,000)	(2,780,000)	(515,972)	-
Interest paid on capital debt	(9,060,096)	(2,306,412)	(86,491)	(4,105,479)
Proceeds from sales of capital assets	1,933	26,602	-	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(41,345,311)</b>	<b>(6,399,937)</b>	<b>(1,815,205)</b>	<b>(7,263,631)</b>
<b>Cash Flows from Investing Activities:</b>				
Interest received	7,322,974	326,777	8,405	(579,603)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>7,322,974</b>	<b>326,777</b>	<b>8,405</b>	<b>(579,603)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>18,388,662</b>	<b>7,790,728</b>	<b>2,507,748</b>	<b>5,466,427</b>
Cash and Cash Equivalents at Beginning of Year	166,303,735	47,480,196	9,989,555	10,062,580
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 184,692,397</b>	<b>\$ 55,270,924</b>	<b>\$ 12,497,303</b>	<b>\$ 15,529,007</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ 1,980,674	\$ 6,248,460	\$ (419,714)	\$ 7,756,905
<b>Adjustments to Reconcile Operating Income (loss) Net Cash Provided (used) by Operating Activities:</b>				
Depreciation	18,389,819	5,216,152	3,247,280	4,409,877
(Increase) decrease in accounts receivable	(4,600,522)	648,546	373,571	(195,763)
(Increase) decrease in inventory	-	(97,755)	77,414	(153,638)
(Increase) decrease in prepaid expense	(7,493)	(48,066)	24,871	160,721
Increase (decrease) in accounts payable	846,695	1,277,263	(466,729)	56,026
Increase (decrease) in due to other governments	-	-	-	-
Increase (decrease) in deposits payable	-	352,629	-	98,168
Increase (decrease) in advances for construction	-	-	-	(690,041)
Increase (decrease) in unearned revenue	(6,639)	164,949	(887,412)	4,000
Increase (decrease) in accrued liabilities	90,047	8,971	3,368	1,357,312
Increase (decrease) in net OPEB liability and related items	(1,969,171)	(2,118,433)	1,813,601	(317,414)
Increase (decrease) in net pension liability and related items	237,851	(346,748)	(904,391)	1,368,163
Increase (decrease) in compensated absences	210,336	33,076	76,656	64,420
<b>Total Adjustments</b>	<b>13,190,923</b>	<b>5,090,584</b>	<b>3,358,229</b>	<b>6,161,831</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 15,171,597</b>	<b>\$ 11,339,044</b>	<b>\$ 2,938,515</b>	<b>\$ 13,918,736</b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>				
Amortization of Premiums/Discounts	\$ 1,450,621	\$ 267,806	\$ -	\$ -

## SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2019

	Upper Santa Clara Valley	Devil's Den Water District	Groundwater Sust agency	Totals
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers and users	\$ -	\$ -	\$ -	\$ 120,546,079
Cash paid to suppliers for goods and services	(26,903)	(7,998)	(135,000)	(55,694,643)
Cash paid to employees for services	-	-	-	(21,653,445)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(26,903)</b>	<b>(7,998)</b>	<b>(135,000)</b>	<b>43,197,991</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Repayment made to other funds	-	-	-	(3,665,695)
Repayment received from other funds	-	-	-	3,665,695
Internal balances	-	-	-	-
Proceeds from property taxes	-	5,648	-	58,813,439
Payments for state water contract	-	-	-	(20,182,520)
Proceeds from non-operating revenues	-	-	-	1,905,933
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>-</b>	<b>5,648</b>	<b>-</b>	<b>40,536,852</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Capital contributions	-	-	160,000	4,518,938
Acquisition and construction of capital assets	-	-	-	(26,917,107)
Principal paid on capital debt	-	-	-	(18,735,972)
Interest paid on capital debt	-	-	-	(15,558,478)
Proceeds from sales of capital assets	-	-	-	28,535
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>-</b>	<b>-</b>	<b>160,000</b>	<b>(56,664,084)</b>
<b>Cash Flows from Investing Activities:</b>				
Interest received	28,969	6,332	-	7,113,854
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>28,969</b>	<b>6,332</b>	<b>-</b>	<b>7,113,854</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>2,066</b>	<b>3,982</b>	<b>25,000</b>	<b>34,184,613</b>
Cash and Cash Equivalents at Beginning of Year	11,881	250,380	-	234,098,327
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 13,947</b>	<b>\$ 254,362</b>	<b>\$ 25,000</b>	<b>\$ 268,282,940</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ (25,165)	\$ (6,085)	\$ (135,000)	\$ 15,400,075
<b>Adjustments to Reconcile Operating Income (loss) Net Cash Provided (used) by Operating Activities:</b>				
Depreciation	-	-	-	31,263,128
(Increase) decrease in accounts receivable	-	-	-	(3,774,168)
(Increase) decrease in inventory	-	-	-	(173,979)
(Increase) decrease in prepaid expense	-	-	-	130,033
Increase (decrease) in accounts payable	-	(1,913)	-	1,711,342
Increase (decrease) in due to other governments	(1,738)	-	-	(1,738)
Increase (decrease) in deposits payable	-	-	-	450,797
Increase (decrease) in advances for construction	-	-	-	(690,041)
Increase (decrease) in unearned revenue	-	-	-	(725,102)
Increase (decrease) in accrued liabilities	-	-	-	1,459,698
Increase (decrease) in net OPEB liability and related items	-	-	-	(2,591,417)
Increase (decrease) in net pension liability and related items	-	-	-	354,875
Increase (decrease) in compensated absences	-	-	-	384,488
<b>Total Adjustments</b>	<b>(1,738)</b>	<b>(1,913)</b>	<b>-</b>	<b>27,797,916</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (26,903)</b>	<b>\$ (7,998)</b>	<b>\$ (135,000)</b>	<b>\$ 43,197,991</b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>				
Amortization of Premiums/Discounts	\$ -	\$ -	\$ -	\$ 1,718,427

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

To the Board of Directors  
Santa Clarita Valley Water Agency  
City of Santa Clarita, California

We have audited, in accordance with the 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 Santa Clarita Valley Water Agency, (the Agency) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 6, 2020.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify the following deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies: 2019-001.



To the Board of Directors  
Santa Clarita Valley Water Agency  
City of Santa Clarita, California

### **Compliance and Other Matters**

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

### **Agency's Response to Findings**

The Agency's response to the findings identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

A handwritten signature in cursive script that reads "Lance, Soll &amp; Lughard, LLP".

Brea, California  
March 6, 2020



To the Board of Directors  
Santa Clarita Valley Water Agency  
City of Santa Clarita, California

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

### **Year-End Closing Process**

**Reference Number:** 2019-001

**Condition:**

Various adjusting entries were received throughout the duration of the audit to correct errors in account balances identified by LSL and the Agency.

**Criteria:**

The trial balance received at the beginning of audit fieldwork is expected to be complete and free from material errors.

**Cause of Condition:**

The Agency has four divisions with separate accounting systems and personnel overseeing the trial balances. As such, there is a lack of sufficient controls to ensure the final account balance are properly reconciled and the trial balances received by each division are complete.

**Effect or Potential Effect of Condition:**

Unreconciled account balances could result in a material misstatement in the Agency's financial statements.

**Recommendation:**

We recommend the Agency implement controls to ensure that all account balances are properly reconciled prior to providing a final trial balance.

**Management's Response and Corrective Action:**

Management agrees with the audit finding. The agency will be replacing the separate accounting systems with one unified system. This will significantly improve internal controls with one set of Agency-wide financial statements. This will allow for timely review of account balances.

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ITEM NO.  
2.3

**Upper Santa Clara Valley  
Joint Powers Authority**

**Approve Receiving and Filing the  
First Quarter FY 2019/20  
Investment Report**


**September 30, 2019**

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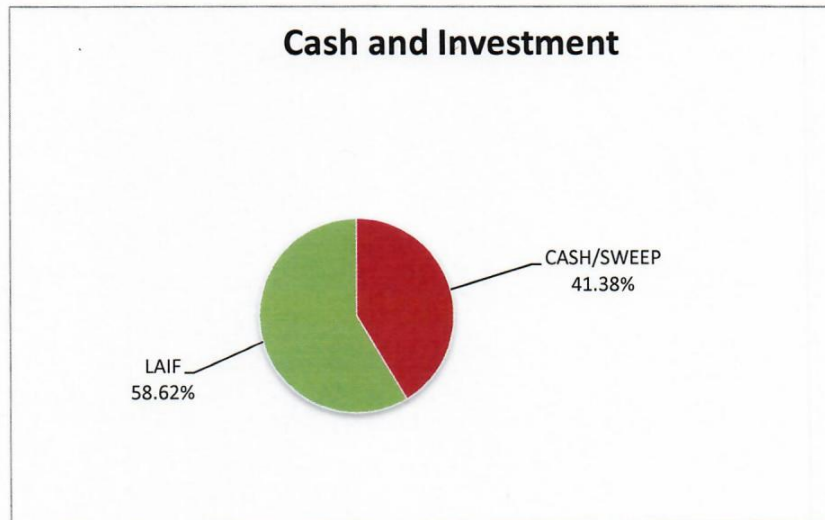
**Upper Santa Clara Valley Joint Powers Authority  
Cash and Investment Summary  
As of September 30, 2019**

	BALANCE	% OF TOTAL	WGHTD. AVG. YIELD	
Cash & Sweep Account	\$ 5,000	41.38%	0.000%	41.38%
LAIF	7,082	58.62%	2.340%	58.62%
<b>Total Cash and Investment</b>	<b>\$ 12,082</b>	<b>100.00%</b>		

We certify the cash and investment balances of the Upper Santa Clara Valley Joint Powers Authority:

  
\_\_\_\_\_  
Rochelle Patterson  
Treasurer

  
\_\_\_\_\_  
Amy Aguer  
Controller



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**Upper Santa Clara Valley Joint Powers Authority**  
**Cash and Investment Activity**  
**As of September 30, 2019**

	CASH & SWEEP	LAIF	TOTAL
Cash & Investments @ 6/30/2019	\$ 5,000	\$ 7,082	\$ 12,082
Cash & Sweep Transactions:			
Receipts:	-		-
	-		-
Disbursements:	-		-
	-		-
Investment Transactions:			
LAIF Transactions:			
Interest Deposited		-	-
Interest Receivable - 6/30/19		-	-
SCV Water Pass-Through Investment	-	-	-
Note: Interest accrued in Qtr Ended 6/30/19			
Cash & Investments @ 9/30/2019	\$ 5,000	\$ 7,082	\$ 12,082

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**Upper Santa Clara Valley  
Joint Powers Authority**

**Approve Receiving and Filing the  
Second Quarter FY 2019/20  
Investment Report**

**December 31, 2019**

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**Upper Santa Clara Valley Joint Powers Authority  
Cash and Investment Summary  
As of December 31, 2019**

	BALANCE	% OF TOTAL	WGHTD. AVG. YIELD	
Cash & Sweep Account	\$ 5,000	41.23%	0.000%	41.23%
LAIF	7,126	58.77%	2.043%	58.77%
<b>Total Cash and Investment</b>	<b>\$ 12,126</b>	<b>100.00%</b>		

We certify the cash and investment balances of the Upper Santa Clara Valley Joint Powers Authority:



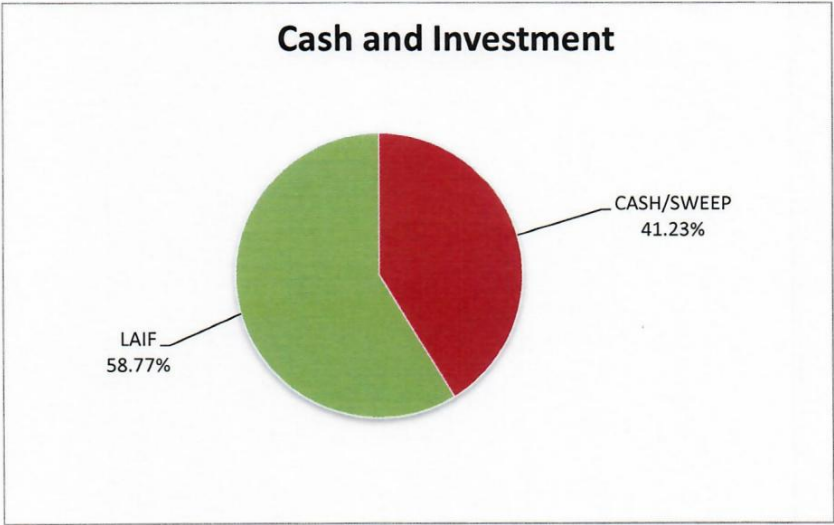
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Rochelle Patterson  
Treasurer



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Amy Aguer  
Controller



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**Upper Santa Clara Valley Joint Powers Authority**  
**Cash and Investment Activity**  
**As of December 31, 2019**

	CASH & SWEEP	LAIF	TOTAL
Cash & Investments @ 9/30/2019	\$ 5,000	\$ 7,082	\$ 12,082
Cash & Sweep Transactions:			
Receipts:	-		-
	-		-
Disbursements:	-		-
	-		-
Investment Transactions:			
LAIF Transactions:			
Interest Deposited	-	44	44
Interest Receivable	-	-	-
SCV Water Pass-Through Investment	-	-	-
Note: Interest accrued in Qtr Ended 6/30/19			
Cash & Investments @ 12/31/2019	\$ 5,000	\$ 7,126	\$ 12,126