



San Jose, California

# **Comprehensive Annual Financial Report**

For Fiscal Year Ended June 30, 2014

# **Santa Clara Valley Water District**

San Jose, California

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2014

Prepared by the General Accounting Services Unit

Najon Chu, Chief Financial Officer  
Anita Ong, Financial Services Unit Manager



**SANTA CLARA VALLEY WATER DISTRICT  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Year Ended June 30, 2014**

**Table of Contents**

**Introductory Section**

Letter of Transmittal .....	1
GFOA Certificate of Achievement .....	12
Organizational Chart .....	13
Board of Directors .....	14

**Financial Section**

Independent Auditor's Report .....	15
Management's Discussion and Analysis (Required Supplementary Information)	17
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position.....	36
Statement of Activities.....	37
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	38
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	40
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	42
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities	44
Statement of Net Position – Proprietary Funds .....	45
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds .....	46
Statement of Cash Flows - Proprietary Funds .....	47
Statement of Fiduciary Net Position - Agency Funds.....	48

## NOTES TO BASIC FINANCIAL STATEMENTS:

(1) The Financial Reporting Entity .....	49
(2) Summary of Significant Accounting Policies .....	50
(3) Cash and Investments .....	57
(4) Reimbursement of Capital Costs .....	64
(5) Investment Income .....	65
(6) Capital Assets .....	66
(7) Short-Term and Long-Term Liabilities .....	68
(8) Property Taxes and Benefit Assessments .....	74
(9) Fund Balances .....	75
(10) Net Position .....	77
(11) Employees' Retirement Plan .....	78
(12) Post-Employment Benefits .....	80
(13) Risk Management .....	86
(14) Transfers In and Out .....	87
(15) Reinstatement .....	88
(16) Commitments .....	89
(17) Contingencies .....	90
(18) Subsequent Events .....	92

## REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress – Other Post Employment Benefit Plan .....	95
Schedule of Revenues, Expenditures and Change in Fund Balances	
Budget and Actual - Budgeted Governmental Funds .....	96
Notes to Required Supplementary Information .....	98

## SUPPLEMENTAL INFORMATION

### Selected Watershed Activities Contained Within the Watershed and Stream Stewardship Fund

Schedule of Revenues, Expenditures and Change in Fund Balances .....	102
Schedule of Revenues, Expenditures and Change in Fund Balances – Budget and Actual .....	104

### Water Enterprise Fund

Schedule of Revenues, Expenses and Change in Net Position – Budget and Actual .....	110
--	-----

### Internal Service Funds

Combining Statement of Net Position .....	113
---	-----

Combining Statement of Revenues, Expenses and Change in Fund Net Position.....	114
Combining Statement of Cash Flows .....	115
Schedule of Revenues, Expenses and Change in Fund Net Position - Budget and Actual .....	116
Agency Funds	
Combining Statement of Changes in Assets and Liabilities.....	119
Capital Assets Used in the Operation of Governmental Activities:	
Schedule By Source .....	121
Schedule By Function and Activity .....	122
Schedule of Changes By Function and Activity .....	123

### **Statistical Section**

Financial Trends	
Net Position by Component.....	126
Change in Net Position .....	128
Fund Balances of Governmental Funds.....	130
Changes in Fund Balances of Governmental Funds.....	132
Revenue Capacity	
Water Sales by Category .....	134
Principal Water Sales Customers.....	135
Water Enterprise Rates Summary.....	136
Assessed and Estimated Actual Value of Taxable Property .....	138
Property Tax Rates - Direct and Overlapping Governments.....	139
Principal Property Tax Payers.....	140
Debt Capacity	
Computation of District Act Debt Margin .....	141
Ratio of Outstanding Debt by Type .....	142
Computation of Direct and Overlapping Debt.....	144
Revenue Bond Coverage .....	145
Demographic and Economic Information:	
Demographic and Economic Statistics.....	146
Principal Employers.....	147
Operating Information	
Full-time Equivalent District Employees by Function/Program.....	148

Operating Indicators by Function/Program.....	149
Flood Control System Historical Operating Results .....	150
Capital Asset Statistics by Function/Program .....	152

# Introductory Section

## Comprehensive Annual Financial Report

November 14, 2014

TO THE BOARD OF DIRECTORS OF THE SANTA CLARA VALLEY WATER DISTRICT:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the Santa Clara Valley Water District (District) for the fiscal year ended June 30, 2014. The Comprehensive Annual Financial Report is prepared in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various activities of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient, reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Vavrinek, Trine, Day & Co., LLP, a firm of licensed certified public accountants. The purpose of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion on the District's financial statements for the fiscal year ended June 30, 2014. The opinion rendered concluded that the financial statements are fairly presented, in all material respects, in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

## Letter of Transmittal (continued)

---

The independent audit of the financial statements of the District is part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements but also on the District's internal controls and compliance over the administration of federal awards. The single audit review is typically completed after the audit of the financial statements and will be issued separately for the Board's acceptance.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditor.

### **District Profile**

The mission of the District is to provide Silicon Valley safe, clean water for a healthy life, environment, and economy.

The District traces its origins to the Santa Clara Valley Water Conservation District, approved by north county voters in 1929. Voters elsewhere in the County eventually formed similar agencies that later consolidated with the original District. Today's District represents a consolidation of four agencies. In 1954, the Central Santa Clara Valley Water Conservation District was annexed to the Santa Clara Valley Water Conservation District. With the 1968 merger of the Santa Clara Valley Water Conservation District and the Santa Clara County Flood Control and Water District, the agency adopted dual missions of providing water supply and flood protection. The South Santa Clara Valley Water Conservation District was renamed the Gavilan Water District in 1980, and upon south county voter approval, was annexed to the Santa Clara Valley Water District in 1987. The merger's catalyst was the belief that a coordinated operation of the County's water supply and flood control systems would result in optimum water resource management.

Throughout its history of consolidations, the District has maintained a relationship with Santa Clara County (County). In 1952, County Supervisors initiated the valley's first flood protection program; they later expanded their efforts to include water importation. In 1968, the District and County decided to merge their water functions, and the governing boards of both agencies agreed the County supervisors would have a role in reviewing and approving the water district's annual budget. On September 14, 2006 Assembly Bill 2435 was passed (effective January 1, 2007) which ends the County's oversight of the District's budget and other procedural holdovers from the 1968 merger.

The Santa Clara Valley Water District (District) operates as a State of California special district under the authority of the District Act (Stats. 1951, c.1405, p.3336, urgency, eff. July 10, 1951, as amended Stats. 1963, c.1941, p.3993, 1). The District is the primary water resources agency for Santa Clara County, California. It is the largest multi-purpose water supply, watershed stewardship, and flood management special district in California. It acts not only as the County's water wholesaler but also as its flood protection agency and is the steward for its streams and creeks, underground aquifers and district-built reservoirs.

## Letter of Transmittal (continued)

---

The District Act governs the structure, function and operations of the District's Board of Directors (Board), which governs the District and directs the Chief Executive Officer. On October 11, 2009, Governor Arnold Schwarzenegger signed into law Assembly Bill 466 (AB466) to amend the District Act. AB466 replaced the former Board structure (five elected/two appointed at-large members) with one in which all seven members would be elected from new districts created through a formal redistricting process. A Redistricting Advisory Committee was formed to draw the District boundaries. On May 14, 2010, the Board officially adopted a new map following testimony from the public, consideration of past testimony during Redistricting Advisory Committee meetings, and consideration of all communications and letters received from the public. A formal election was held for four of the seven board members on November 2, 2010. As required by state law, the District must redraw its boundaries to reflect 2010 Census results. On October 11, 2011, the Board adopted Resolution No. 11-63 selecting the Redistricting Plan, known as the Current Adjusted Map.

The District is the primary water resources agency for nearly two million residents of the County. It encompasses all of the county's approximately 1,300 square miles and serves the area's 15 cities: Campbell, Cupertino, Gilroy, Los Altos, Los Altos Hills, Los Gatos, Milpitas, Monte Sereno, Morgan Hill, Mountain View, Palo Alto, San Jose, Santa Clara, Saratoga, and Sunnyvale. The District also serves the unincorporated areas of the County.

The District sells treated water to 12 water retail companies and cities that service communities within the County via their own distribution systems. There are also private well owners in the County. This demand requires the District to operate and maintain a complex delivery and treatment system that includes 3 water treatment plants, 10 local reservoirs and dams, a state-of-the-art water quality laboratory, dozens of groundwater recharge basin, 3 pump stations and 143 miles of pipelines. Water supplies include local surface water and groundwater, imported water, and recycled water. Water conservation is also an important part of the water supply mix because it offsets water demands.

To ensure an adequate and reliable supply of high-quality water, the District has partnered with cities and water retailers in the county to develop recycled water supplies. About four percent of the County's total water use currently consists of recycled water, limited primarily to landscaping and industrial uses. Recycled water use is expected to expand in coming years. In 2010, the Board approved agreements with the City of San Jose to partner and build a facility to produce about eight million gallons per day of highly purified water. The new Silicon Valley Advanced Water Purification Center in North San Jose commenced full operation in March 2014.

As the primary wholesale water supplier in the County, the District is dedicated to assuring a reliable supply of healthy and clean drinking water. The District provides stream stewardship that encompasses managing flood and storm waters within the County and protecting watersheds and riparian corridors, thereby providing for public safety, and the protection of property and the natural environment along creeks and rivers, and at the edge of the San Francisco Bay. The District makes every effort to provide clean safe water in our creeks and bays; to provide, enhance, and restore creek and bay ecosystems, and to promote additional open space, trails and parks along creeks and in the watersheds.

## Letter of Transmittal (continued)

---

### Factors Affecting Financial Condition

#### Local Economy

The County is located at the southern end of San Francisco Bay that measures approximately 1,312 square miles. The northwestern portion of the County is part of an area referred to as Silicon Valley due to the domination and concentration of technology sector.

Recent economic trends for Silicon Valley indicate that it has finally recovered and gained the economic strength it had before the 2008 recession. The County's unemployment rate declined to 5.4 percent in June 2014, which is below the June 2008 rate of 5.9 percent. According to San Diego-based Dataquick, the median price paid for a home in the Bay Area rose to a new post-recession high in April 2014 as potential buyers continued to scramble in a seller's market of limited supply.<sup>1</sup>

In the second quarter of 2013, the greater Silicon Valley (including Scotts Valley, Fremont, Newark, and Union City) added 46,665 jobs, an increase of 3.4 percent over the prior year. The job growth is driven primarily by computer hardware design, information services, and the Internet industry. The region also added jobs in community infrastructure, health care, construction, and a range of other business services. However, employment in the public sector has declined significantly since 2007.<sup>2</sup>

The County's unemployment rates for the past ten years have gone through ups and downs resulting from the effects of surge in growth in technology industry in the late 1990s to job losses from economic recession in 2008. The unemployment rate in June 2004 was 6.7 percent, which declined to 4.6 percent in June 2006, and then started to go upward with the highest rate of 11.7 percent in January 2010. As the economy started to stabilize, jobs were added that improved the unemployment rate for the County. In June 2014, the County's unemployment rate of 5.4 percent was down from 7.2 percent in June 2013 and lower than the rates of the state and the nation of 7.4 percent and 6.1 percent, respectively.<sup>3</sup>

According to San Diego-based Dataquick, the median price paid for a home in the nine-county Bay Area rose to \$618,000 in June 2014, the highest since it was \$629,000 in November 2007. The Bay Area's median sale price peaked at \$665,000 in June and July 2007, and then dropped to a low of \$290,000 in March 2009.<sup>4</sup> The Santa Clara County Assessor reported that in 2014, the net assessment roll for the County increased by 6.8 percent, from \$335 billion to \$357 billion – the third-highest roll growth in County history. The steady, month-over-month declines in unemployment have fueled a building boom in office and multi-family construction not seen since 2007.<sup>5</sup>

However, the County has to deal with challenges associated with its strong economic growth and prosperity. There is not enough residential units to support new residents; the gap between the highest and lowest earners has increased; due to high median price, less than half of Silicon Valley's first-time homebuyers can afford to purchase a house; and the average annual rental expense is outpacing income gains.<sup>2</sup>

---

<sup>1</sup> "Bay Area Home Prices Continue to Rise; Sales Up from March, Flat YR/YR" - Dataquick, May 14, 2014

<sup>2</sup> 2014 Silicon Valley Index – Joint Venture Silicon Valley Network

<sup>3</sup> State of California, California Labor Market Review

<sup>4</sup> "Bay Area Home Sales Up Slightly; Price Increases Slow" – Dataquick, July 16, 2014

<sup>5</sup> 2014-2015 Assessor's Annual Report, Office of County Assessor, County of Santa Clara

## Letter of Transmittal (continued)

---

In addition, the County, as well as the State of California, is faced with the worst drought the state has experienced for years. On January 17, 2014, Governor Jerry Brown declared an official drought state of emergency and launched a statewide water conservation of 20% cut in water usage. In February, 2014, the District Board of Directors unanimously passed a resolution for mandatory measures to reduce water usage of 20% through December 31, 2014.

### Long-term Financial Planning

The District plans, manages and carries out work to meet policies established by its Board of Directors. Under the District's form of Policy Governance, these "Ends" policies describe the mission, outcomes or results to be achieved by District staff. Balancing the Ends policies are Executive Limitations, which set limits on staff activities in fulfilling the Ends. Alignment of plans and resources which the Ends policies helps the Board fulfill the critical responsibility of defining, balancing and prioritizing "what benefits, for what people, at what cost," and enhances District staff's accountability in using budgeted resources to accomplish those ends.

For fiscal year 2014-15 budget, the District funds activities that carry out its mission through the following three highest-level policies:<sup>6</sup>

- E2 - There is a reliable, clean water supply for current and future generations
- E3 - There is a healthy and safe environment for residents, businesses, and visitors, as well as for future generations.
- E4 - There is water resources stewardship to protect and enhance watersheds and natural resources and to improve the quality of life in Santa Clara County.

The District's largest revenue source is the sale of water, acting as a wholesaler for numerous water supply retailers in Santa Clara County. Water sales for fiscal year 2013-14 were \$172 million. For fiscal year 2014-15, the District Board adopted a 9.9 percent increase (average of \$2.31 per month per household) in the municipal and industrial groundwater production charge for the North County and a 4.6 percent increase (average of \$0.48 per month) for the South County, relative to fiscal year 2013-14. The revenue projection assumes water demand volume of 260,000 acre-feet.<sup>6</sup>

The Five-Year Capital Improvement Plan (CIP) includes a total of 65 capital projects with an estimated cost of over \$3 billion. The District has been and continues to be successful in leveraging funding for its capital projects through partnerships with federal, state, and local agencies. Of the \$3 billion total funding, \$559 million is expected from the District's various partners, such as the U.S. Army Corps of Engineers (USACE), and \$2.465 billion from the District. Of the \$559 million that is expected from the District's partners, \$245 million is advanced by the District and reimbursed later. This \$245 million is included in the CIP, and increases the District's total funding requirement from \$2.465 billion to \$2.710 billion to ensure that the District has adequate funding to advance the reimbursement.<sup>7</sup>

---

<sup>6</sup> Santa Clara Valley Water District – FY2014-15 Operating and Capital Budget

<sup>7</sup> Santa Clara Valley Water District – FY2015-19 Capital Improvement Program

## Letter of Transmittal (continued)

---

In November, 2012, the voters overwhelmingly approved the Safe, Clean Water and Natural Flood Protection (Safe, Clean Water) special parcel tax to fund projects addressing the following community priorities:

- Ensuring safe reliable water for the future;
- Reducing toxins, hazards and contaminants in our waterways;
- Protecting water supply and local dams from the impacts of earthquakes and natural disasters;
- Restoring fish, bird, and wildlife habitat; and
- Providing flood protection to homes, businesses, schools, streets, and highways.

Safe, Clean Water builds on the success of the Clean, Safe Creeks and Natural Flood Protection (Clean, Safe Creeks) plan approved by the voters in 2000. Safe, Clean Water replaces the Clean, Safe Creeks measure in its entirety beginning July 1, 2013. The Safe, Clean Water Program will provide a total of \$548 million of special tax revenue for operations and capital projects. The program will be funded by a combination of revenues from the continuation of an annual special tax, reserves from unspent funds of the Clean, Safe Creeks plan, and state and federal funding. For fiscal year 2014-15, the budget includes \$38.8 million of special parcel tax for this program.

### **Relevant Financial Policies**

#### End of Year Balances

The District policies for end-of-year balance re-appropriations are as follows:

- Any remaining appropriation balances at the end of the fiscal year for capital projects are annually re-appropriated for continued use in those same projects in the following fiscal year. These amounts shall be consistent with the planned expenditure schedule identified in the 5-year CIP;
- Any variances at the end of the current fiscal year in Operating Reserves, Contingent Liability Reserves, Capital Replacement Reserves, and Future Years' Capital Reserves from those estimated in the budget not otherwise re-appropriated above shall result in corresponding adjustments to the estimated reserve appropriations in accordance with District Reserve policy.

#### Debt Management

The District has restricted long-term borrowing to the funding of capital improvement projects and equipment. The term of the debt does not exceed the expected useful life of the assets. The District also maintains a commercial paper program for funding the Water Utility capital projects. Commercial papers are used during the early phases of construction; long-term debt, matching the useful life of the asset, is issued to replace the commercial papers.

#### Budgetary Controls

The District maintains budgetary controls, the objectives of which are to ensure compliance with legal provisions, embodied in the annually appropriated budget approved by the Board. Activities of the governmental funds and proprietary funds are included in the annual appropriated budget. Additionally, as a management tool, project-length financial plans are included in the annual Capital Improvement Plan. The legal level of budgetary control (that is,

## Letter of Transmittal (continued)

---

the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level, further limited by two categories, the operating budget (consisting of total operations, operating projects, and debt service) and the capital budget (consisting of capital project expenditures). The District also maintains an encumbrance accounting system as one process to accomplishing budgetary control. Budget adjustments that increase or decrease revenue projections, appropriations or reserves of any fund require Board approval. Budget and actual comparisons are provided in this report for each fund for which an appropriated annual budget has been adopted. For governmental funds, this comparison is presented on pages 96-97 as part of required supplementary information and selected watershed activities on pages 104-107 as part of supplemental information. For proprietary funds, this comparison is presented on pages 110-111 and 116-117 as part of the combining and individual fund statements and schedules.

The guidelines used by the District in developing this formal budget process are those recommended by the National Advisory Council on State and Local Budgeting, and the Government Finance Officers Association (GFOA).

### Reserve Requirements

The District's financial policies establish the levels at which reserves shall be maintained. District reserve policies address the need for both operating and capital reserves, and funding of contingency and future liabilities.

### **Major Initiatives**

Highlights of activities and accomplishments for the fiscal year ended June 30, 2014 include the following:<sup>8</sup>

- ◆ On July 31, 2013, the District was awarded the District Transparency Certificate of Excellence, July 2013 to June 2015, by the Special District Leadership Foundation. This certificate was awarded in recognition of the District's completion of all transparency program requirements designed to promote transparency in its operations and governance to the public and other stakeholders.
- ◆ The District received recertification on September 24, 2013, under the National Flood Insurance Program's (NFIP) Community Rating System (CRS) as a Class 8, which translates to a 10% discount on flood insurance premiums for many Santa Clara County residents. With over 17,000 policy holders in Santa Clara County and local flood insurance premiums averaging over \$1,000 per policy, the District's efforts facilitate the 10% discount resulting in approximately \$1.7 million in annual savings for County residents.
- ◆ The Santa Clara County re-certified the District as a Green Business and recognized as a "Significant Partner" of the Green Business Program. Now in its 14<sup>th</sup> year, the

---

<sup>8</sup> Santa Clara Valley Water District Newsletters, Santa Clara Valley Water District CEO Bulletins, Fiscal Year 2013-2014 Quarter Performance Reports

## Letter of Transmittal (continued)

---

County's Green Business Program continues to attract environmentally-minded business owners and assist them in the process of lowering the environmental impact in their communities. The County's green business program certifies businesses that exceed standard environmental compliance required by local regulators.

- ◆ On October 4, 2013, elected officials and other dignitaries gathered at the crest of Anderson Dam to celebrate the signing of the long-awaited Santa Clara Valley Habitat Plan (Habitat Plan).

The Habitat Plan benefits the District and its local partners by providing streamlined permitting and mitigation processes. When implemented, the plan will protect 18 endangered species found in watersheds in the County by creating a reserve area where habitat will be preserved for these species. Under the plan, approximately 49,000 acres of land will be managed as a habitat reserve. Protected species include the Western Burrowing Owl, the Bay Checkerspot Butterfly and other serpentine soil species, the California Red Legged Frog, and the California Yellow Legged Frog.

- ◆ On October 8, 2013, the Groundwater Resources Association of California recognized the District with an award for its unique and proactive Domestic Well Testing Program. The Kevin J. Neese Award recognizes significant accomplishments that foster the understanding, development, protection, and management of groundwater.

The District's Domestic Well Testing Program (Program) includes basic water quality testing for substances like nitrate and bacteria. This provides important quality information to well owners and helps the District protect groundwater resources. Over 500 wells have been tested under the program since its inception in 2011.

- ◆ An innovative regional partnership between the District, Santa Clara County Public Health Department, and FIRST 5 Santa Clara County officially launched the "Water to Go" program. The program will fund the installation of 100 refillable water bottle stations at schools and public gathering spaces across the County. Half of these stations will be funded by the District with funding through the Safe, Clean Water and Natural Flood Protection Program approved by County votes in 2012.

These hydration stations will be installed over the next three years and will help local schools comply with the Healthy, Hunger-Free Kids Act (Senate Bill 1413), which requires access to free drinking water during meal times in school food service areas.

On October 24, 2013, the District participated in the launching of this program with the installation of the first water bottle filling station at the Plaza de Cesar Chavez in downtown San Jose.

- ◆ On December 10, 2013, the Board unanimously approved an ordinance to establish a local business preference for some types of procurement of goods and non-professional services. The preference will essentially give local businesses a 5 percent advantage over non-local businesses.

An analysis presented to the Board concluded that local businesses are at a competitive disadvantage due to the high cost of doing business in the County. According to the analysis, the new policy serves the public interest by encouraging businesses to locate

## Letter of Transmittal (continued)

---

and remain in the jurisdiction through the provision of a minimal good faith preference to local businesses.

The ordinance will be applicable only to solicitations (Invitations to Bids or Request for Proposals) for goods and non-professional services more than \$50,000. Non-professional services include auditing, management consulting, real estate, and insurance. The new ordinance was effective on January 10, 2014, 30 days after its adoption.

- ◆ On December 17, 2013, the Board adopted indicators to monitor its own performance. Monitoring Board performance contributes both to the effectiveness of an organization and to the trust that is placed in it by stakeholders and the public it serves.
- ◆ On January 14, 2014, the Board elected District 6 representative, Tony Estremera to serve as Board Chair and Director Brian Schmidt, representing District 7, as Vice-Chair in 2014.
- ◆ In consideration of the worsening water supply outlook for the County, the Board unanimously passed a resolution on February 25, 2014, calling for mandatory measures to reach a water reduction target equal to 20 percent of 2013 water use, through December 31, 2014.

Retail water agencies, local municipalities and the County are recommended to implement mandatory measures as needed to achieve the 20 percent water use reduction target. The District, as a wholesaler provider, relies on retailer water agencies, local municipalities and the County to enact and implement local ordinances and water use reduction measures.

- ◆ On February 25, 2014, the Board authorized grant awards to 11 organizations and municipalities to implement projects that help prevent and remove pollution, educate and increase awareness of pollution, and restore wildlife habitat. More than \$2 million in grant funding was approved for these projects.

The majority of the District's grant funding is from the voter-approved Safe, Clean Water and Natural Flood Protection Program (Safe, Clean Water). Grant cycles from various Safe, Clean Water priorities are expected in each year of the 15 year program.

- ◆ On March 10, 2014, the District signed a Career Pathways Trust Memorandum of Understanding with West Valley College establishing a cooperative and mutually beneficial relationship for the Bay Region Water Consortium Career Pathways Grant. The awarded state grant (AB86 Career Pathways) will serve to invest \$6 million in the San Francisco Bay Area to develop water career pathways from high school to post-secondary education programs, as well as the skilled trades in the water industry. West Valley College will serve as the fiscal sponsor and lead program agency.

As a partner, the District will coordinate and provide access to the following opportunities: paid internships and externships, open houses for students and faculties, participation in water career job fairs and advisory committees, and in-kind commitments of staff time and resources.

## Letter of Transmittal (continued)

---

- ◆ The District has won recognition from WaterReuse as “Agency of the Year” in the large water agency category for its recycled water accomplishments in 2013. The District accepted the award at the 2014 California WaterReuse Annual Conference in Newport Beach on March 17, 2014. The award acknowledges the District’s role as a water reuse leader in California during 2013, including its recent construction of the Silicon Valley Advanced Water Purification Center, robust recycled water outreach program, and collaboration with local agencies to advance recycled water development.
- ◆ In the midst of exceptional drought condition, a new, locally controlled drought-proof water source for Silicon Valley started delivering purified water on March 24, 2014. Located in northern San Jose off Zanker Road, the Silicon Water Advanced Water Purification Center is owned and operated by the District. Over 500 million gallons of purified water or 5.6 million gallons per day of average were produced from April, 2014 to June, 2014. It is the largest facility of its kind in Northern California.

The \$72 million project began construction in November of 2010. The new facility received \$8.25 million from the federal American Recovery and Re-investment Act and \$5.25 million from the California Department of Water Resources. The City of San Jose contributed \$11 million toward the construction and provided a long-term lease for the land. The District funded the remainder of the project cost.

The new facility is using advanced technologies to purify water which has already undergone two levels of quality wastewater treatment, sourced from the San Jose-Santa Clara Regional Wastewater Facility (RWF). At the new purification center, the water goes through three additional high tech processes – microfiltration, reverse osmosis and ultra violet light – to produce water that is so pure, it is expected to match drinking water quality.

- ◆ On April 22, 2014, the Board approved additional funds to support water conservation efforts in response to California’s extraordinary drought. The Board authorized as much as \$1.25 million in additional funds to increase rebate amounts for conservation program and to extend the District’s multi-media water conservation campaign.

The District has offered numerous rebates since 1992 to encourage water conservation as a way of life. But with the ongoing drought, the Board has taken action to add funding to the program to support the increased rebate amounts. The increases in rebate amounts are temporary. In September, 2014, the District will evaluate whether to extend the increase rebate amounts longer.

- ◆ On June 5, 2014, the District was awarded the 2014 James Lee Witt Local Award for Excellence in Floodplain Management from the Association of State Floodplain Managers (ASFPM) in recognition of the District’s innovative and effective Community Rating System (CRS) Program. The award recognizes outstanding programs in floodplain management. ASFPM is a reputable organization with over 6,500 members nationwide.
- ◆ The District’s water quality laboratory scored 100% on Proficiency Testing for the Environmental Laboratory Accreditation Program. The California Department of Public Health requires environmental laboratories to participate in the annual proficiency test. “Blind” samples with unknown content and concentration were sent to the District laboratory and results were reported back to the proficiency testing administrator. This

## Letter of Transmittal (continued)

---

year, the District laboratory achieved a perfect score of 100% over a broad range of microbiological, inorganic, and organic constituents that can potentially be found in the District's source and treated water systems.

### Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Santa Clara Valley Water District for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the 17<sup>th</sup> consecutive year that the District has received this prestigious award. In order to be awarded a Certificate of Achievement, the District must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this CAFR represents the culmination of months of concerted team effort by diverse District staff, including team members from Financial Planning and Management Services Division, Water Supply Division, Information Management Services Division, General Services Division, Human Resources Division, and Office of the District Counsel. Many team members demonstrated a high degree of personal dedication and determination in producing this exemplary document.

In addition, special thanks to District staff in all groups for responding so positively to the requests for detailed information that accompanies each annual audit. The role of Vavrinek, Trine, Day & Co., LLP is also acknowledged for the significant technical contribution and assistance.

Special thanks goes to Anita Ong, Financial Services Unit Manager; the following Accounting staff: Lilian Ramirez, Jaime Salandanan, Guy Canha, Fanny Chan, Leticia Rocha, Trisha Cheung, Christine Hernandez and Ofelia Hsieh; and Chenlei Yao of the Budget and Financial Analyses Unit, for their talent and dedication in preparing this financial report.

Finally, we wish to express our sincere appreciation to the District's Board of Directors and management for providing policy direction and a firm foundation of support for pursuit of excellence in all realms of professional endeavors.



Najon Chu  
Chief Financial Officer



Jesus Nava  
Chief Administrative Officer



Beau Goldie  
Chief Executive Officer



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

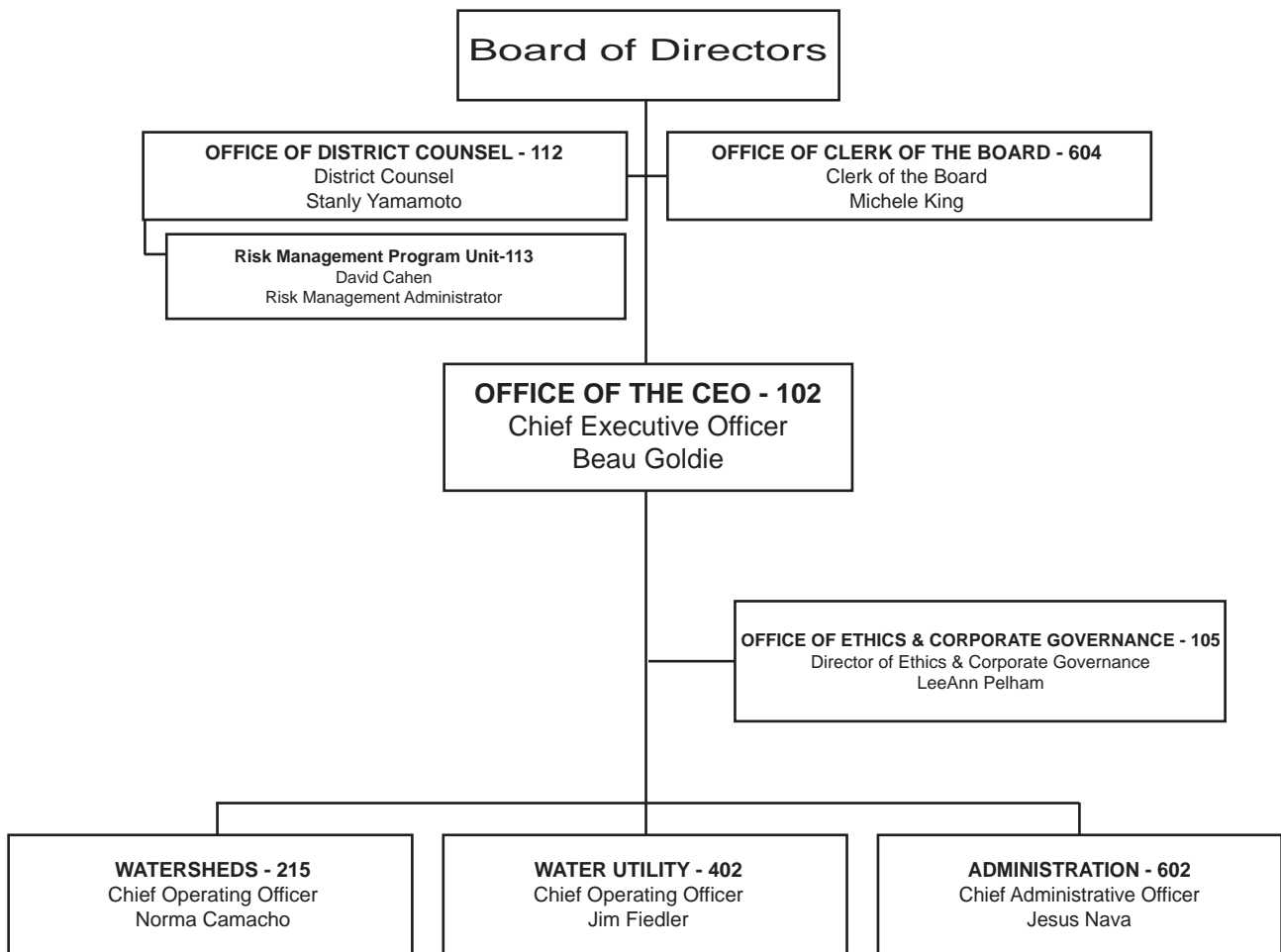
**Santa Clara Valley Water District  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

**Santa Clara Valley Water District  
Board of Directors  
& Executive Management**



# **SANTA CLARA VALLEY WATER DISTRICT DIRECTORY OF OFFICIALS 2013 – 2014**

## **BOARD OF DIRECTORS**

Dennis Kennedy	District 1
Barbara Keegan	District 2
Richard P. Santos	District 3
Linda J. LeZotte	District 4
Nai Hsueh	District 5
Tony Estremera, Chair	District 6
Brian A. Schmidt, Vice Chair	District 7

# Financial Section

Financial Section

## Comprehensive Annual Financial Report

Santa Clara Valley  
Water District





## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Santa Clara Valley Water District  
San Jose, California

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Santa Clara Valley Water District (District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information, the introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 District's internal control over financial reporting and compliance.

*Vavrinek, Trine, Day & Co. LLP*

Palo Alto, California  
November 14, 2014

## Management's Discussion and Analysis

Our discussion and analysis of the Santa Clara Valley Water District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. This information is presented in conjunction with the audited financial statements that follow this section.

### Financial Highlights

- The net position of the District was \$2,127 million as of June 30, 2014. Of this amount, \$272 million (unrestricted but committed and assigned net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's net position increased by \$85.8 million during the current fiscal year. The net position of the governmental activities increased by \$57.9 million and the net position of the business-type activity by \$27.9 million.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$367.3 million, an increase of \$30.2 million in comparison with the prior year fund balances of \$337.1 million.
- The fund balance for the general fund was \$16.1 million, an increase of \$4.6 million from the prior fiscal year. Committed and assigned fund balances were \$16.1 million or 100.0 percent of the total fund balance.
- The fund balances of the watershed and clean safe creek funds were \$334.6 million, increasing by \$25.6 million.

### Overview of the Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by GASB Statement No. 34.

**Government-wide financial statements.** The government-wide financial statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting.

*The statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two 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 District is improving or deteriorating.

*The statement of activities* presents information showing how the District'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).

Both of the government-wide financial statements distinguished functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental*

## Management's Discussion and Analysis (continued)

---

*activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activity*). The governmental activities of the District include general government, watershed management, debt service and construction funding. The business-type activity includes the water utility operation.

The government-wide financial statements include not only the District itself (known as the primary government), but also a legally separate Santa Clara Valley Water District Public Facilities Financing Corporation (the Corporation) for which the District is financially accountable. Financial information for this blended component unit is reported as if it were part of the primary government because its sole purpose is to provide financing to the District under the debt issuance documents of the District. Additional information on this legally separate entity can be found in Note 1(b) in the notes to basic financial statements.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other special districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the District are segregated into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's projects.

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. A reconciliation of both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and change in fund balances to the government-wide statements are provided to facilitate this comparison between *governmental funds* and *governmental activities*.

**Proprietary funds.** The District maintains two-different types of proprietary funds: enterprise funds and internal service funds. Proprietary funds are reported using the accrual basis of accounting. Enterprise funds are used to report the same functions presented as business-type activity in the government-wide financial statements but provide more detail and additional information. The District uses an enterprise fund to account for its water utility operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses internal service funds to account for its fleet of vehicles and computer

## Management's Discussion and Analysis (continued)

equipment, and for its risk management activities. The internal service funds have been included within governmental activities and business-type in the government-wide financial statements.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

**Notes to basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 49-92 of this report.

### Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$2,127.0 million at the end of the current fiscal year.

#### Santa Clara Valley Water District's Net Position (in Thousands)

	Governmental Activities		Business-type Activity		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 397,376	\$ 367,474	\$ 193,944	\$ 170,379	\$ 591,320	\$ 537,853
Capital assets	1,148,864	1,131,929	848,116	811,932	1,996,980	1,943,861
Total assets	<u>1,546,240</u>	<u>1,499,403</u>	<u>1,042,060</u>	<u>982,311</u>	<u>2,588,300</u>	<u>2,481,714</u>
Deferred outflow of resources						
Deferred amount on refunding	4,176	-	2,074		6,250	-
Current liabilities	11,869	11,295	91,056	56,581	102,925	67,876
Litigation claim	-	-	7,386	7,062	7,386	7,062
Long-term liabilities outstanding	142,832	150,295	214,374	215,202	357,206	365,497
Total liabilities	<u>154,701</u>	<u>161,590</u>	<u>312,816</u>	<u>278,845</u>	<u>467,517</u>	<u>440,435</u>
Net position:						
Net investment in capital assets	1,036,853	1,011,082	573,410	575,683	1,610,263	1,586,765
Restricted	214,652	182,760	30,019	30,131	244,671	212,891
Unrestricted	144,210	143,971	127,889	97,652	272,099	241,623
Total net position	<u>\$ 1,395,715</u>	<u>\$ 1,337,813</u>	<u>\$ 731,318</u>	<u>\$ 703,466</u>	<u>\$ 2,127,033</u>	<u>\$ 2,041,279</u>

The largest portion of the District's net position (75.7 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment) less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to citizens and consumers; consequently, these assets

## Management's Discussion and Analysis (continued)

---

are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

For governmental activities, net investment in capital assets increased by \$25.8 million. Major capital projects attributing to the increase include the following (in millions): Lower Silver Creek-R4-6N Babb to Cunningham - \$10.6, Upper Llagas Creek Buena Vista to Wright Avenue - \$6.6, Berryessa Creek from Lower Penitencia Creek to Calaveras Blvd - \$2.5, Sunnyvale East and West Channel - \$2.2, Permanente Creek, San Francisco Bay to Foothill Expressway - \$1.2, and San Francisquito Creek Bay Shoreline - \$1.2

Investment in capital assets for business type activities went down slightly by 0.4% or \$2.3 million from the previous fiscal year. The increase in capital spending for the fiscal year was more than offset by the increase in related debt outstanding.

Current fiscal year major additions to fixed assets for business type activities include the following (in millions): Rinconada Water Treatment Plant Reliability Improvement - \$8.6, Silicon Valley Advanced Water Purification Center - \$5.8, Santa Teresa Water Treatment Plant Incompatible Materials - \$4.5, 5-year Pipeline Rehabilitation - \$4.4, Anderson Dam Seismic Retrofit - \$ 4.3, Rinconada Water Treatment Plant Facility Renewal Program Residual Management Modifications - \$4.3, Water Protection Project - \$3.2, Rinconada Water Treatment Plant Facility Renewal Program Chemical Structure and Pump Valves Upgrades - \$2.7, South County Recycled Water Plant Pipeline - \$1.9, Kirk Diversion Dam and Fish Screen Improvements - \$1.8, Infrastructure Reliability Program – Seismic Study Retrofit Water Treatment Plant - \$ 1.9, Calero-Guadalupe Dams Seismic Retrofits - \$1.7, Microwave Telecommunications - \$1.2, and Water Banking Project - \$1.1.

The balance of unrestricted net position may be used to meet the District's ongoing obligations to citizens, customers, and creditors. The District's unrestricted net position increased by \$30.5 million or 12.6 percent, during the current fiscal year.

## Management's Discussion and Analysis (continued)

### Santa Clara Valley Water District's Changes in Net Position

(in Thousands)

	Governmental Activities		Business-type Activity		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 172,374	\$ 155,718	\$ 172,374	\$ 155,718
Operating grants and contributions	-	-	1,232	980	1,232	980
Capital grants and contributions	25,761	34,935	3,532	4,610	29,293	39,545
General revenues:						
Property taxes	100,568	92,746	26,989	24,200	127,557	116,946
Investment earnings	3,777	3,509	1,624	1,163	5,401	4,672
Miscellaneous	2,568	2,934	3,283	5,561	5,851	8,495
Total revenues	132,674	134,124	209,034	192,232	341,708	326,356
Expenses:						
General government	6,916	6,404	-	-	6,916	6,404
Watersheds	61,302	51,735	-	-	61,302	51,735
Interest on long-term debt	6,116	7,971	-	-	6,116	7,971
Water enterprise	-	-	173,767	161,609	173,767	161,609
Total expenses	74,334	66,110	173,767	161,609	248,101	227,719
Increase in net position before transfers	58,340	68,014	35,267	30,623	93,607	98,637
Transfers	272	(3,729)	(272)	3,729	-	-
Increase in net position	58,612	64,285	34,995	34,352	93,607	98,637
Net position, beginning	1,337,813	1,273,528	703,466	669,114	2,041,279	1,942,642
Prior period adjustment	(710)	-	(7,143)	-	(7,853)	-
Net position, ending	\$ 1,395,715	\$ 1,337,813	\$ 731,318	\$ 703,466	\$ 2,127,033	\$ 2,041,279

## Management's Discussion and Analysis (continued)

---

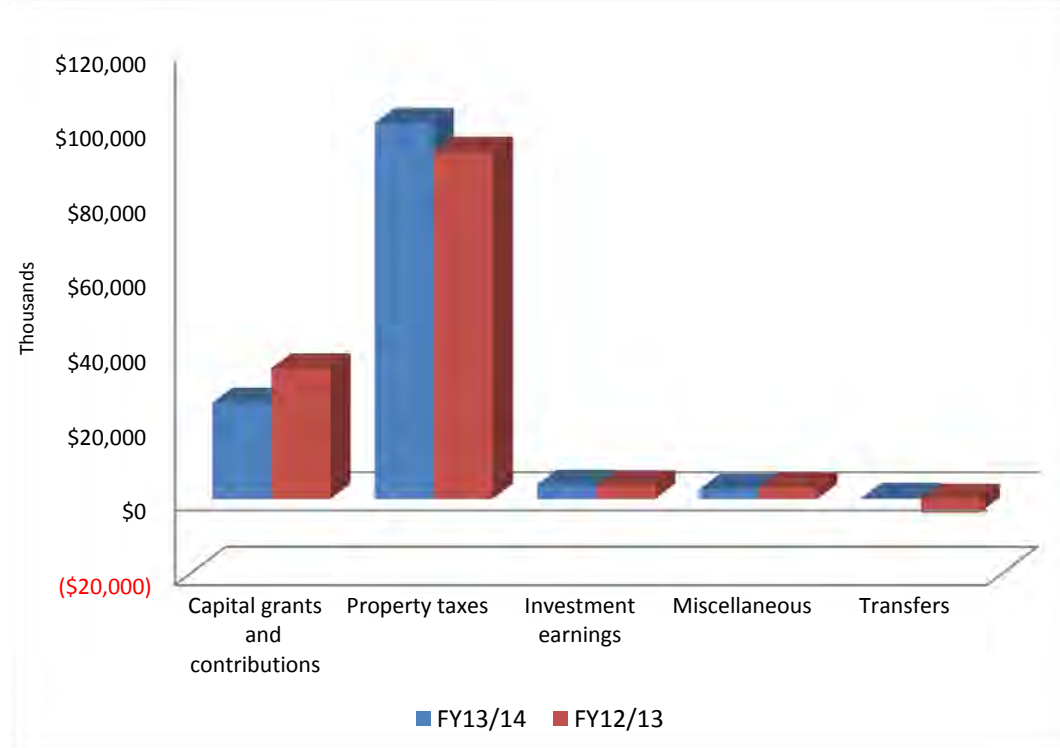
**Governmental activities.** Net position in governmental activities increased by \$57.9 million during the fiscal year. Revenue receipts came from property tax (\$100.6 million), capital grants (\$25.8 million) and other revenues (\$6.3 million). Operations and operating project charges for the fiscal year amounted to \$74.3 million. The implementation of GASB 65 caused a \$710 thousand adjustment to fund balance to write off bond issuance cost previously being amortized.

Compared to the prior fiscal year, revenues declined \$1.5 million while expenses increase \$8.2 million. Key elements of the changes in revenues and expenses from prior year are as follows:

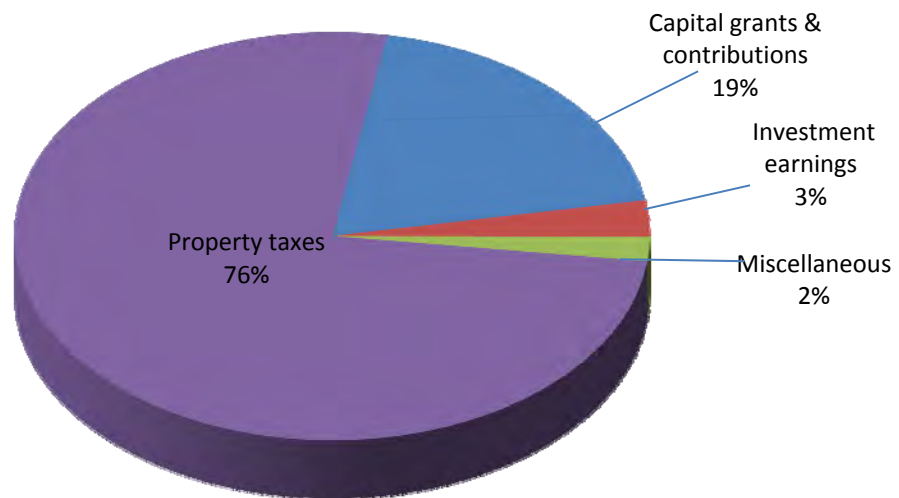
- Capital grants and contributions decreased \$9.2 million or 26.3% due to the \$3.0 million drop in benefits tax assessment and \$ 6.1 million decline in reimbursement of capital cost.
- Property taxes increased \$7.8 million or 8.4% reflective of the upward trend in the real estate market in the valley.
- Watersheds expenditures were higher by \$9.6 million or 18.5% due to the increase in the spending for operations & operating projects, and higher direct benefit charges.
- Interest on long-term debt was lower by \$1.9 million or 23.3% from the prior fiscal year. The decline is mainly due to the one-time charge incurred in the previous year associated with the refunding of the 2003A Certificate of Participation.

## Management's Discussion and Analysis (continued)

### Revenue by Sources – Governmental Activities (FY 13/14 & FY 12/13)

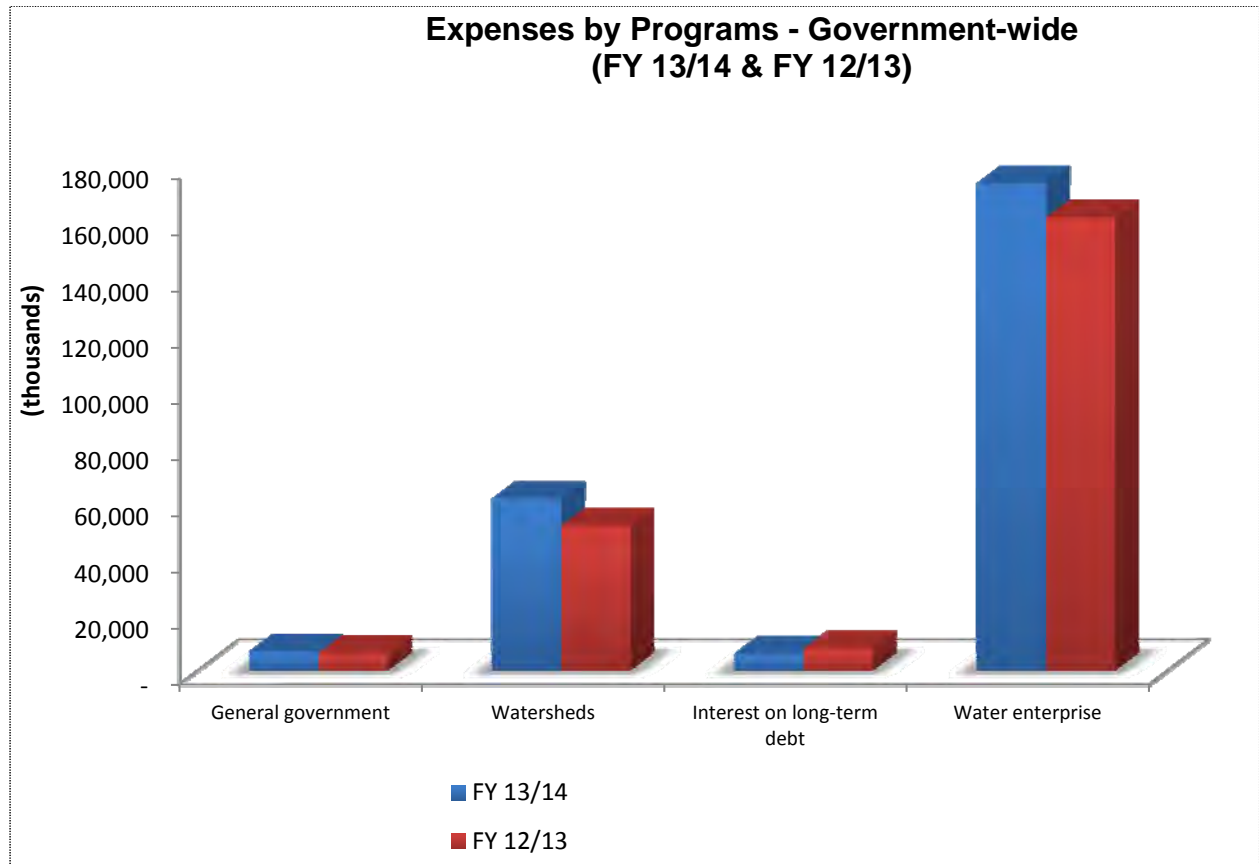


### Revenues by Sources – Governmental Activities (FY 13/14)



## Management's Discussion and Analysis (continued)

---



## Management's Discussion and Analysis (continued)

---

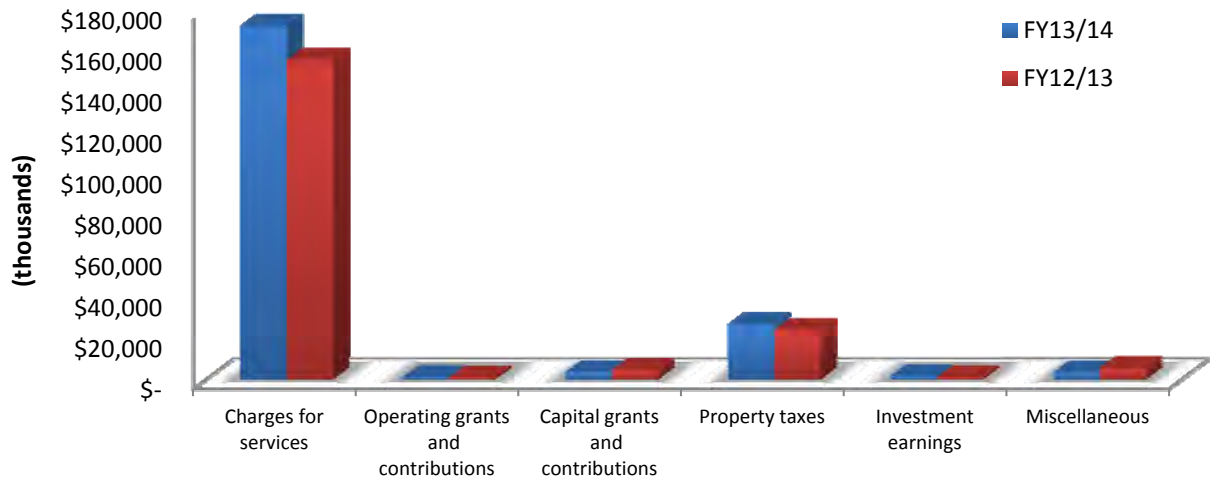
**Business-type activity.** Net position in business-type activity increased by \$27.9 million during the fiscal year. Charges for services of \$172.3 million were offset by \$173.8 million operating expenses. The remaining revenue receipts came from property taxes (\$27.0 million), capital and operating grants (\$4.8 million), investment earning (\$1.6 million) and miscellaneous (\$3.3 million). The implementation of GASB 65 caused a \$7.1 million adjustment to fund balance to write off bond issuance cost previously being amortized.

Compared to the prior fiscal year, revenues increased \$16.8 million while expenses increased \$12.2 million. Key elements of the changes in revenues and expenses from prior year are as follows:

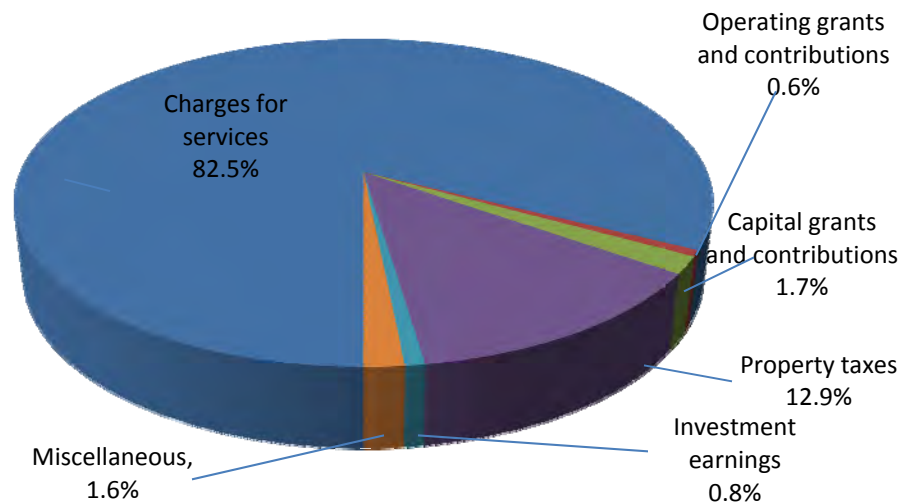
- Charges for services went up \$16.6 million or 10.7%. The increase was due to the rise in volume of ground water deliveries by 35.8 %, as well as the 9% average increase in the ground water and treated water rates. The additional volume of total water sales can be attributed to dry weather experienced during the fiscal year.
- Capital grants and contributions decreased \$1.1 million or 23.4% due to the higher reimbursement receipt in the prior year from the Department of Water Resource for the San Luis Bypass Feasibility Study Program.
- Property taxes increased \$2.8 million or 11.5%, reflecting the increase in the assessed value of property in the valley due to the improving trend in the real estate market.
- Miscellaneous revenues were \$2.8 million or 41% lower from the previous fiscal year due to a \$2.3 million one-time purchase of imported water by the United States Bureau of Reclamation made during the prior year.
- Water enterprise expenses increased by \$12.2 million or 7.5% as a result of increase in water purchases and the added program cost from the campaign efforts to address the drought being experienced in California.

## Management's Discussion and Analysis (continued)

**Revenues by Sources - Business Activity  
(FY 13/14 & FY 12/13)**



**Revenues by Source – Business Activity  
(FY 13/14)**



## **Management's Discussion and Analysis (continued)**

---

### **Financial Analysis of the District's Funds**

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### **Governmental funds.**

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. As of June 30, 2014, the District's governmental funds reported combined ending fund balances of \$367.3 million, an increase of \$30.3 million for the fiscal year.

Compared to the prior year, revenues decreased by \$5.6 million while total expenditure declined by \$9.7 million. The drop in revenues was due to lower reimbursement of capital cost of \$6.1 million and the conclusion of the American Recovery & Reinvestment Act (ARRA) program reimbursement from the Department of Agriculture, Natural Resource Conservation Service. The decrease in expenditures was due to the \$7.9 million decline in capital improvement projects from lower operating and capital projects budget, as well as delays in the implementation of some of these projects. Debt service payments also went down by \$2.9 million due to the higher scheduled principal payment made in the prior fiscal year for the 2004A and 2012A Certificates of Participation.

Approximately \$140.9 million or 38.3% of the total fund balance amount (\$367.3 million) constitutes committed and assigned for specific purposes. The remainder of the fund balance is restricted to indicate that it is not available for new spending because of the external enforceable limitations on its use to: 1) fund Clean, Safe Creek and Natural Flood Protection projects (\$209.9 million), 2) pay debt service (\$6.2 million), and 3) provide funds for projects funded by bond proceeds (\$10.4 million).

#### **General fund**

The general fund is the chief operating fund of the District supporting all administrative and strategic support services costs for the organization. It accounts for all financial resources except those required to be accounted for in another fund and is supported primarily by overhead reimbursements from other funds. At the end of the current fiscal year, the restricted, committed and assigned fund balance of the General Fund was \$16.1 million. Total fund balance increase of \$4.6 million came from \$0.9 million excess of revenues over expenditures and \$3.7 in net transfers in from the Water Enterprise and Watershed & Stream Stewardship Funds for the Peoplesoft application system upgrade.

#### **Special revenue funds**

The special revenue funds are used to account for specific revenue sources for which expenditures are restricted by law or regulation to finance particular watershed functions or activities of the District. The available fund balances at the end of the current fiscal year for the special revenue funds were \$334.6 million, which increased during the current fiscal year by \$25.6 million or 8.3%. Fund balance for the Clean Safe Creek & Natural Flood Protection Program increased by \$31.8 million or 17.9% while Watershed and Stream Stewardship fund balance decreased \$6.2 million or 4.7%.

## Management's Discussion and Analysis (continued)

---

The increase in fund balance in the Clean, Safe Creeks & Nature Flood fund balance is \$15.7 million or 97.6% higher than the prior fiscal year. The increase is mainly from increases in property tax receipts (\$1.2 million), investment income (\$1.4 million), transfer in (\$11.3 million), and \$1.8 million savings in capital spending.

The Watershed and Stream Stewardship fund balance decreased by \$6.2 million for the fiscal year, compared to the \$5.0 million increase from the prior year. The \$11.9 million transfer to the Clean, Safe Creek & Natural Flood Protection Fund accounted for most of the decrease in fund balance.

### **COP debt service fund**

The COP debt service fund is used to account for resources used for debt service payments. It has a total fund balance of \$6.2 million, all of which is reserved for payment of debt service. The fund balance is at the same level as last year.

### **COP construction fund**

The COP construction fund is used to account for resources used for the acquisition or construction of major capital projects within the governmental fund types. It has a fund balance of \$10.3 million from the proceeds of the 2012A Certificate of Participation (COP) to be used for future construction projects.

**Proprietary funds.** The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

**Water Enterprise fund.** The Water Enterprise is a fund that accounts for operations in a manner similar to a private business enterprise. Operations are accounted for in such a manner as to show net income or loss and the fund is intended to be entirely or predominantly self supported from user charges.

Net position of the Water Enterprise Fund at the end of the fiscal year was \$709.9 million, an increase of \$29.6 million for the fiscal year. The current year operation increased the fund balance by \$36.7 million. There is a prior period adjustment associated with the implementation of GASB 65 that decreased the fund balance by \$7.1 million. The current year change in net position from operations of \$36.7 million is \$2.0 million or 5.8% higher than the previous year.

Operating revenues were up \$16.5 million or 9.9% mainly from higher revenues from ground water production of \$22.2 million. Treated water revenue, meanwhile, went down by \$6.0 million.

Operating expenses increased by \$8.7 million. Sources of supply and water treatment went up by \$5.9 million and \$1.6 million respectively, while raw water expenses went down by \$1.8 million. The following expenses also increased: depreciation (\$1.9 million), and administrative charges (\$0.9 million)

Net non-operating revenues declined by \$755 thousand. The drop is mainly from the \$2.3 million one-time purchase of imported water made by the United States Bureau of

## Management's Discussion and Analysis (continued)

---

Reclamation during the prior year that offset the increases realized in all other non-operating revenues sources.

Capital contribution decreased by \$1.1 million due to the higher reimbursement receipt in the prior year from the Department of Water Resource for the San Luis Bypass Feasibility Study Program.

**State Water Project fund.** The State Water Project fund was established and approved by the Board of Directors on October 26, 2010. This fund accounts for the State Water Project Tax receipts pursuant to Section 1B of Article 13A of the California Constitution to pay for county-wide voter-approved State Water Project contract obligations. Funds are used to pay for the Water System Revenue Bond and other related capital expenditures billed by the State of California Department of Water Resources and are accounted for in such a manner as to restrict the use of the funds exclusively for the State Water Project related costs.

Operating expenses increased by \$4.3 million or 21.4% due to higher volume of water purchases made during the fiscal year.

Net non-operating revenues went up \$2.5 million mainly from the increase in property tax revenue of \$2.4 million.

**Internal Service Funds.** The District has two internal service funds, the Equipment Fund and the Risk Management Fund. Revenues to the funds are generated from fees charged to the District operating programs for services provided.

The Equipment Fund charges replacement and maintenance costs to all operations, operating, and capital projects based on equipment assignment and hourly usage of equipment on projects. The amount required to fund the replacement and maintenance cost of the Equipment Fund is determined during the budget process and varies yearly depending upon need. Net position of the Equipment Fund for the fiscal increased by \$1.6 million to end at \$9.5 million.

Operating revenues increased by \$2.5 million compared to the prior fiscal year, reflective of the increases in computer equipment and vehicle service charges. Operating expenses increased by only \$265 thousand compared to the prior fiscal year, mostly from equipment maintenance.

The Risk Management Fund charges premiums based on exposure levels by project for liability, property, worker's compensation and self-insurance costs. Revenues required to properly fund the Risk Management Fund are determined during the budget process and varies yearly depending upon need. Net position of the Risk Management Fund went down \$1.8 million mainly due to a one-time general liability claim settlement of approximately \$1 million made during the current fiscal year.

## Management's Discussion and Analysis (continued)

### General Fund Budgetary Highlights

The table below shows that the Final Budget of \$53.9 million has a negligible net increase of \$22 thousand as compared with Adopted Budget of \$53.88 million.

Adopted Budget	+ Capital Projects Budget Remaining Carry-forward	+ Current Year Budget Adjustments	= Final Budget
\$53,881K	22K	-	\$53,903K

Total expenditures (budgetary basis) for the current fiscal year of \$53.9 million is 12% higher than the prior fiscal year.

### Capital Assets

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$1,997.0 million (net of accumulated depreciation). The investment in capital assets includes intangible rights, land, buildings, structures and improvements (which include the flood control improvement), machinery and equipment. During fiscal year 2013-14, the total increase in the District's investment in capital assets was 2.7 percent (a 1.5 percent increase for governmental activities and a 4.4 percent increase for the business-type activity).

Major capital projects in progress, some of which are completed during the current fiscal year, include the following (in millions):

- Lower Silver Creek-R4-6N. Babb to Cunningham - \$10.6
- Upper Llagas Creek Buena Vista to Wright Avenue - \$6.6
- Berryessa Creek from Lower Penitencia Creek to Calaveras Blvd - \$2.5
- Sunnyvale East and West Channel - \$2.2
- Permanente Creek, San Francisco Bay to Foothill Expressway - \$1.2
- San Francisquito Creek Bay Shoreline - \$1.2
- Rinconada Water Treatment Plant Reliability Improvement - \$8.6
- Silicon Valley Advanced Water Purification Center - \$5.8
- Santa Teresa Water Treatment Plant Incompatible Materials - \$4.5
- 5-year Pipeline Rehabilitation - \$4.4
- Anderson Dam Seismic Retrofit - \$ 4.3
- Rinconada Water Treatment Plant Facility Renewal Program Residual Management Modifications - \$4.3
- Water Protection Project - \$3.2
- Rinconada Water Treatment Plant Facility Renewal Program Chemical Structure and Pump Valves Upgrades - \$2.7
- South County Recycled Water Plant Pipeline - \$1.9
- Kirk Diversion Dam and Fish Screen Improvements - \$1.8
- Infrastructure Reliability Program – Seismic Study Retrofit Water Treatment Plant - \$ 1.9
- Calero-Guadalupe Dams Seismic Retrofits - \$1.7

## Management's Discussion and Analysis (continued)

- Microwave Telecommunications - \$1.2
- Water Banking Project - \$1.1

<b>Capital Assets</b> (net of depreciation) (Dollars in Thousands)						
	Governmental activities		Business-type activity		Total	
	2014	2013	2014	2013	2014	2013
Land	\$159,254	\$157,705	\$17,594	\$17,594	\$176,848	\$175,299
Contract water and storage rights	-	-	53,026	55,449	53,026	55,449
Buildings	31,062	27,365	82,789	2,699	113,851	30,064
Structures and improvements	631,227	630,597	478,742	418,425	1,109,969	1,049,022
Equipment	12,003	12,012	9,477	6,225	21,480	18,237
Construction in progress	312,218	301,218	206,488	311,540	518,706	612,758
Intangibles - Easements	3,101	3,032	-	-	3,101	3,032
<b>Total</b>	<b>\$1,148,865</b>	<b>\$1,131,929</b>	<b>\$848,116</b>	<b>\$811,932</b>	<b>\$1,996,981</b>	<b>\$1,943,861</b>

Information on the District's capital assets activity for the current fiscal year can be found in Note 6 on pages 66-67 of this report.

### Debt Administration

At the end of the current fiscal year, the District had total long-term debt outstanding of \$358.3 million. This District's long-term obligations outstanding as of June 30, 2014 consisted of the following:

## Management's Discussion and Analysis (continued)

(Dollars in Thousands)						
	Governmental activities		Business-type activity		Total	
	2014	2013	2014	2013	2014	2013
Certificates of participation	\$ 115,045	\$ 123,100	\$ -	\$ -	\$ 115,045	\$ 123,100
Revenue bonds	-	-	81,150	83,885	81,150	83,885
Revenue bonds-COP	-	-	115,895	119,895	115,895	119,895
Compensated absences	8,302	8,098	4,789	4,631	13,091	12,729
Litigation claim	-	-	7,386	7,062	7,386	7,062
Semitropic water banking	-	-	5,359	6,045	5,359	6,045
State revolving fund loan	-	-	4,893	5,172	4,893	5,172
Bond Discount	-	-	(753)	(791)	(753)	(791)
Deferred amount on refunding	(4,176)	(4,519)	(2,074)	(2,196)	(6,250)	(6,715)
Deferred interest swap	-	-	-	(6,726)	-	(6,726)
Premium on bond issue	-	-	2,436	2,541	2,436	2,541
Premium on refunded debt	11,522	12,617	-	-	11,522	12,617
Claims payable	7,011	6,679	-	-	7,011	6,679
Other post employment benefits	952	4,320	605	2,746	1,557	7,066
Total	<u>\$ 138,656</u>	<u>\$ 150,295</u>	<u>\$ 219,686</u>	<u>\$ 222,264</u>	<u>\$ 358,342</u>	<u>\$ 372,559</u>

The District's total obligations decreased by \$14.2 million during fiscal year 2013-14. All decreases in obligations were from the normal repayment of principal on existing outstanding debt, reduction in other post employment benefits liability, as well as the write-off of the deferred interest swap and bond issuance cost as required by GASB 65. The objective of GASB 65 is to (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows or inflow of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflow of resources (expenses or expenditures) or inflow of resources (revenues).

The credit ratings of the District's Watershed Certificates of Participation are AAA from Fitch, Aa1 from Moody's and AA+ from Standard & Poor's. The credit ratings of the Water Utility Enterprise Fund revenue bonds are Aa1 from Moody's and AA from Standard & Poor's.

Additional information on the District's long-term debt can be found in Note 7 on pages 68-74 of this report.

### Economic Factors and Next Year's Budgets

The annual budget outlines the District's mission, "Provide Silicon Valley safe, clean water for a healthy life, environment and economy".

The FY2014-15 budget is an investment in the future, both in terms of infrastructure and human capital. It provides adequate investments to protect, maintain and modernize drinking water and flood protection infrastructure; it ensures there is a sustainable and capable workforce that takes us into the future.

The budget is comprised of \$236.3 million in net operating outlays and \$232.8 million in capital projects. It focuses on:

## **Management's Discussion and Analysis (continued)**

---

- Increasing the operational reliability of drinking water, expanding the availability of recycled water, increasing our budget in conservation program
- Maintaining flood protection channels to protect communities
- Continuing to provide stream stewardship to safely transport storm water and provide wildlife habitat

The \$469.1 million total operating and capital budget is driven by a large capital improvement program to repair, replace and modernize aging infrastructure and deliver the Safe, Clean, Water and Natural Flood Protection projects.

### **Requests for Information**

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors, with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need any additional information, contact the General Accounting Unit at 5750 Almaden Expressway, San Jose, CA 95118, or call (408) 265-2600.



## **BASIC FINANCIAL STATEMENTS**

# SANTA CLARA VALLEY WATER DISTRICT

## Statement of Net Position

June 30, 2014

(Dollars in Thousands)

	Governmental Activities	Business-type Activity	Total
<b>ASSETS</b>			
Cash and investments (Note 3)	\$ 373,088	\$ 160,409	\$ 533,497
Restricted cash and investments (Note 3)	16,922	6,922	23,844
Receivables (net):			
Accounts	1,107	26,941	28,048
Interest	1,049	-	1,049
Taxes	213	114	327
Prepaid Insurance on Bond Issuance	49	561	610
Deposits and other assets	415	3,529	3,944
Internal balances	4,532	(4,532)	-
Capital assets (Note 6):			
Contract water and storage rights, net	-	53,026	53,026
Depreciable, net	674,292	571,008	1,245,300
Nondepreciable	474,573	224,082	698,655
Total assets	<u>1,546,240</u>	<u>1,042,060</u>	<u>2,588,300</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on refunding	<u>4,176</u>	<u>2,074</u>	<u>6,250</u>
 <b>LIABILITIES</b>			
Accounts payable	7,204	13,692	20,896
Accrued liabilities	2,303	5,630	7,933
Commercial paper, net of discount (Note 7)	-	67,800	67,800
Deposits payable	894	3,249	4,143
Accrued interest payable	1,468	672	2,140
Unearned revenue	-	13	13
Noncurrent liabilities (Note 7):			
Litigation claim (Note 17)	-	7,386	7,386
Due within one year	11,440	7,240	18,680
Due in more than one year	131,392	207,134	338,526
Total liabilities	<u>154,701</u>	<u>312,816</u>	<u>467,517</u>
 <b>NET POSITION (Note 10)</b>			
Net investment in capital assets	1,036,853	573,410	1,610,263
Restricted			
Debt service	4,790	6,250	11,040
Clean Safe Creek - Other Activities	209,862		209,862
WU State Revolving Loan Requirements	-	401	401
WU San Felipe Emergency	-	4,001	4,001
WU Operating	-	13,140	13,140
WU Rate Stabilization	-	1,751	1,751
WU State Water Projects	-	4,476	4,476
Unrestricted	144,210	127,889	272,099
Total net position	<u>\$ 1,395,715</u>	<u>\$ 731,318</u>	<u>\$ 2,127,033</u>

See accompanying notes to basic financial statements

# SANTA CLARA VALLEY WATER DISTRICT

Statement of Activities  
For the Year Ended June 30, 2014  
(Dollars in Thousands)

Function	Governmental Activities			Business-Type Activity	Total
	General Government	Watersheds	Interest on Long-term Debt		
<b>Expenses:</b>					
Operations and operating projects	\$ 6,916	\$ 61,302	\$ 6,116	\$ 74,334	\$ 248,101
<b>Program revenues:</b>					
Charges for services	-	-	-	172,374	172,374
Operating grants and contributions	-	-	-	1,232	1,232
Capital grants and contributions	-	25,761	-	3,532	29,293
Net program revenue (expense)	<u>\$ (6,916)</u>	<u>\$ (35,541)</u>	<u>\$ (6,116)</u>	<u>3,371</u>	<u>(45,202)</u>
<b>General revenues:</b>					
Property taxes (Note 8)				100,568	127,557
Unrestricted investment earnings				3,777	5,401
Miscellaneous				2,568	5,851
<b>Transfers (Note 14)</b>				<u>272</u>	<u>-</u>
<b>Total general revenues and transfers</b>				<u>107,185</u>	<u>138,809</u>
<b>Change in net position</b>				<u>58,612</u>	<u>93,607</u>
<b>Net position, beginning of year</b>				<u>1,337,813</u>	<u>2,041,279</u>
<b>Prior period adjustment (Note 15)</b>				<u>(710)</u>	<u>(7,853)</u>
<b>Net position, beginning of year, restated</b>				<u>1,337,103</u>	<u>2,033,426</u>
<b>Net position, end of year</b>				<u><u>\$ 1,395,715</u></u>	<u><u>\$ 2,127,033</u></u>

See accompanying notes to basic financial statements.

# SANTA CLARA VALLEY WATER DISTRICT

Balance Sheet  
Governmental Funds  
June 30, 2014  
(Dollars in Thousands)

	General	Watershed & Stream Stewardship
<b>ASSETS</b>		
Cash and investments (Note 3)	\$ 19,129	\$ 128,399
Restricted cash and investments (Note 3)	-	77
Receivables:		
Accounts	6	65
Interest	1,043	-
Taxes	19	194
Deposits and other assets	7	9
Total assets	<u>\$ 20,204</u>	<u>\$ 128,744</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 3,010	\$ 2,842
Accrued liabilities	1,079	576
Deposits payable	23	567
Total liabilities	<u>4,112</u>	<u>3,985</u>
<b>Fund balances (Note 9):</b>		
Restricted Fund Balance	-	-
Committed Fund Balance	10,882	93,683
Assigned Fund Balance	5,210	31,076
Total fund balances	<u>16,092</u>	<u>124,759</u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 20,204</u></u>	<u><u>\$ 128,744</u></u>

See accompanying notes to basic financial statements.

Clean, Safe Creek & Natural Flood Protection Program	COP Debt Service	COP Construction Fund	Total Governmental Funds
\$ 210,599	\$ -	\$ -	\$ 358,127
214	6,252	10,379	16,922
1,036	-	-	1,107
-	-	-	1,043
-	-	-	213
90	-	-	106
<u>\$ 211,939</u>	<u>\$ 6,252</u>	<u>\$ 10,379</u>	<u>\$ 377,518</u>
\$ 1,128	\$ -	\$ -	\$ 6,980
645	-	-	2,300
304	-	-	894
<u>2,077</u>	<u>-</u>	<u>-</u>	<u>10,174</u>
209,862	6,252	10,379	226,493
-	-	-	104,565
-	-	-	36,286
<u>209,862</u>	<u>6,252</u>	<u>10,379</u>	<u>367,344</u>
<u>\$ 211,939</u>	<u>\$ 6,252</u>	<u>\$ 10,379</u>	<u>\$ 377,518</u>

# **SANTA CLARA VALLEY WATER DISTRICT**

## **Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2014 (Dollars in Thousands)**

Amount reported for governmental activities in the statement of net position are different because:

Fund balances of governmental funds	\$ 367,344
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the balance sheet of governmental funds.	1,142,534
Internal service funds are used by management to charge the costs of equipment and risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	18,509
Interest payable on long-term debt does not require the use of current financial resources and, therefore, interest payable is not accrued as a liability in the balance sheet of governmental funds.	(1,468)
Accrued interest income for monies held in the restricted bond trust accounts are not available to pay for current period debt payments, and therefore, are not included in the balance sheet of governmental funds.	6
Debt issuance costs are capitalized on the government-wide statement of net position, whereas, they are reported as expenditures in the governmental funds.	49
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the balance sheet of governmental funds:	
Certificates of participation	(115,045)
Deferred amount on refunding	4,177
Net original issue premium	(11,523)
Compensated absences	(7,960)
Other post employment benefits	<u>(908)</u>
Net position of governmental activities	<u><u>\$ 1,395,715</u></u>

See accompanying notes to basic financial statements



# SANTA CLARA VALLEY WATER DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2014 (Dollars in Thousands)

	General	Watershed & Stream Stewardship
<b>Revenues:</b>		
Property taxes (Note 8)	\$ 5,678	\$ 57,631
Benefit assessments (Note 8)	-	16,143
Use of money and property:		
Investment income (Note 5)	110	985
Rental	-	1,338
Reimbursement of capital costs (Note 4)	-	4,024
Other	40	687
Total revenues	<u>5,828</u>	<u>80,808</u>
<b>Expenditures:</b>		
<b>Current:</b>		
Operations and operating projects	3,486	39,485
<b>Capital improvement projects</b>	1,443	18,407
<b>Debt service:</b>		
Principal repayment	-	-
Interest and fiscal agent fees	-	15
Total expenditures	<u>4,929</u>	<u>57,907</u>
Excess (deficiency) of revenues over (under) expenditures	<u>899</u>	<u>22,901</u>
<b>Other financing sources (uses):</b>		
Transfers in (Note 14)	5,658	2,887
Transfers out (Note 14)	(1,909)	(31,978)
Total other financing sources (uses)	<u>3,749</u>	<u>(29,091)</u>
Net change in fund balances	4,648	(6,190)
Fund balances, beginning of year	11,444	130,949
Fund balances, end of year	<u>\$ 16,092</u>	<u>\$ 124,759</u>

See accompanying notes to basic financial statements.

Clean, Safe Creek & Natural Flood Protection Program	COP Debt Service	COP Construction Fund	Total Governmental Funds
\$ 37,259	\$ -	\$ -	\$ 100,568
-	-	-	16,143
1,389	42	30	2,556
271	-	-	1,609
5,594	-	-	9,618
1	-	-	728
44,514	42	30	131,222
7,455		-	50,426
17,016		-	36,866
-	8,055	-	8,055
-	5,843	-	5,858
24,471	13,898	-	101,205
20,043	(13,856)	30	30,017
11,948	13,869	-	34,362
(203)	-	-	(34,090)
11,745	13,869	-	272
31,788	13	30	30,289
178,074	6,239	10,349	337,055
\$ 209,862	\$ 6,252	\$ 10,379	\$ 367,344

# **SANTA CLARA VALLEY WATER DISTRICT**

## **Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2014 (Dollars in Thousands)**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 30,289
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$27,028) exceed depreciation (\$10,649) in the current period.	16,379
Repayment of the principal of long-term debt consumes the current financial resources of governmental funds while it does not have any effect on net position. Certificates of participation	8,055
Accrued interest expense on long-term debt is reported in the government-wide statement of activities, but they do not require the use of current financial resources. This amount represents the net change in accrued interest expense not reported in governmental funds.	85
Amortization of deferred amount on refunding and discounts is not recognized in the governmental funds, including write off of refunding, discounts and issuance cost associated with the refunding of 2003 bond. In the government-wide statements, it is capitalized and amortized over the life of the related debts. Deferred amount on refunding Prepaid Insurance Amortization Net original issue premium	(343) (4) 1,094
Internal service funds are used by management to charge the costs of equipment and risk management to individual funds. The net revenue of internal service funds is reported with governmental activities.	30
Some revenues and expenses reported in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds: Compensated absences Other post employment benefits Interest from monies held in restricted bank accounts	(190) 3,211 6
Change in net position of governmental activities	<u>\$ 58,612</u>

See accompanying notes to basic financial statements

# SANTA CLARA VALLEY WATER DISTRICT

## Statement of Net Position

### Proprietary Funds

June 30, 2014

(Dollars in Thousands)

	Business-type Activity			Governmental
	Water	State Water	Total	Activities
	Enterprise Fund	Project Fund	Enterprise Funds	Internal
				Service Funds
<b>ASSETS</b>				
Current assets:				
Cash and investments (Note 3)	\$ 154,521	\$ 5,888	\$ 160,409	\$ 14,961
Receivables:				
Accounts	26,781	160	26,941	-
Taxes	17	97	114	-
Deposits and other assets	3,529	-	3,529	309
Total current assets	<u>184,848</u>	<u>6,145</u>	<u>190,993</u>	<u>15,270</u>
Non current assets:				
Restricted cash and investments (Note 3)	6,922	-	6,922	-
Prepaid Insurance on Bond Issuance	561	-	561	-
Capital assets: (Note 6)				
Contract water rights, net	32,249	20,777	53,026	-
Depreciable, net	571,008	-	571,008	6,331
Nondepreciable	224,082	-	224,082	-
Total non current assets	<u>834,822</u>	<u>20,777</u>	<u>855,599</u>	<u>6,331</u>
Total assets	<u>1,019,670</u>	<u>26,922</u>	<u>1,046,592</u>	<u>21,601</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amount on refunding	<u>2,074</u>	<u>-</u>	<u>2,074</u>	<u>-</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	12,730	962	13,692	224
Accrued liabilities	5,630	-	5,630	4
Commercial paper, net of discount (Note 7)	67,800	-	67,800	-
Deposits payable	3,249	-	3,249	-
Accrued interest payable	672	-	672	-
Unearned revenue	13	-	13	-
Claims payable (Note 13)	-	-	-	476
Revenue bonds - current (Note 7)	5,753	-	5,753	-
Other Debt (Note 7)	1,486	-	1,486	79
Total current liabilities	<u>97,333</u>	<u>962</u>	<u>98,295</u>	<u>783</u>
Non current liabilities:				
Litigation claim (Note 17)	7,386	-	7,386	-
Long-term debt: (Note 7)				
Revenue bonds (net of unamortized discount)	192,975	-	192,975	-
Claims payable (Note 13)	-	-	-	6,535
Other post employment benefits payable (Note 12)	605	-	605	44
Other debt	13,555	-	13,555	262
Total long-term debt	<u>207,135</u>	<u>-</u>	<u>207,135</u>	<u>6,841</u>
Total non current liabilities	<u>214,521</u>	<u>-</u>	<u>214,521</u>	<u>6,841</u>
Total liabilities	<u>311,854</u>	<u>962</u>	<u>312,816</u>	<u>7,624</u>
<b>NET POSITION (Note 10)</b>				
Net investment in capital assets	552,633	20,777	573,410	6,331
Restricted				
Debt service	6,250	-	6,250	-
State revolving loan requirement	401	-	401	-
San Felipe operations	4,001	-	4,001	-
Operating reserves	13,140	-	13,140	-
Rate stabilization	1,751	-	1,751	-
State water projects	-	4,476	4,476	-
Unrestricted	<u>131,714</u>	<u>707</u>	<u>132,421</u>	<u>7,646</u>
Total net position	\$ 709,890	\$ 25,960	\$ 735,850	\$ 13,977
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund.	(4,532)	-	(4,532)	
Net position of business-type activities	<u>\$ 705,358</u>	<u>\$ 25,960</u>	<u>\$ 731,318</u>	

See accompanying notes to basic financial statements.

**SANTA CLARA VALLEY WATER DISTRICT**  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2014  
(Dollars in Thousands)

	Business-type Activity			Governmental Activities
	Water Enterprise Fund	State Water Fund	Total Enterprise Funds	Internal Service Funds
<b>Operating revenues:</b>				
Ground water production charges	\$ 84,308	\$ -	\$ 84,308	\$ -
Treated water charges	86,386	-	86,386	-
Surface and recycled water revenue	1,680	-	1,680	-
Charges for services	-	-	-	12,242
Other	838	-	838	-
Total operating revenues	173,212	-	173,212	12,242
<b>Operating expenses:</b>				
Sources of supply	53,812	23,648	77,460	-
Water treatment	31,843	-	31,843	-
Transmission and distribution:				
Raw water	9,322	-	9,322	-
Treated water	1,868	-	1,868	-
Administration and general	19,332	-	19,332	5,554
Claims and Adjustments	324	-	324	-
Equipment maintenance	-	-	-	6,114
Depreciation and amortization	23,949	944	24,893	1,171
Total operating expenses	140,450	24,592	165,042	12,839
Operating income (loss)	32,762	(24,592)	8,170	(597)
<b>Nonoperating revenues (expenses):</b>				
Property taxes (Note 8)	5,069	21,920	26,989	-
Investment income (Note 5)	1,624	-	1,624	121
Operating grants	1,232	-	1,232	-
Rental income	100	-	100	-
Other	1,113	1,232	2,345	231
Interest and fiscal agent fees	(8,450)	-	(8,450)	-
Net nonoperating revenues (expenses)	688	23,152	23,840	352
Income before capital contributions and transfers	33,450	(1,440)	32,010	(245)
Capital contributions (Note 4)	3,532	-	3,532	-
Transfers in (Note 14)	2,562	-	2,562	-
Transfers out (Note 14)	(2,834)	-	(2,834)	-
Change in net position	36,710	(1,440)	35,270	(245)
Net position, beginning of year	680,323	27,400	707,723	14,222
Prior period adjustment (Note 15)	(7,143)	-	(7,143)	-
Net position, beginning of year, restated	673,180	27,400	700,580	14,222
Net position, end of year	709,890	25,960	735,850	13,977
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund.	(4,532)	-	(4,532)	
Net position of business-type activities	<u>\$ 705,358</u>	<u>\$ 25,960</u>	<u>\$ 731,318</u>	

Reconciliation of the Statement of Revenues, Expenses and Change in Net Position to the Statement of Activities:

Amounts reported as business-type activities in the statement of activities are different because:

Net change in net position - enterprise funds	\$ 35,270
Adjustment to the net effect of the current year activity between the internal service funds and the enterprise funds	(275)
Change in net position of business-type activities (page 37)	<u>\$ 34,995</u>

See accompanying notes to basic financial statements.

# SANTA CLARA VALLEY WATER DISTRICT

## Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2014 (Dollars in Thousands)

	Business-type Activity			Governmental Activities
	Water Enterprise Fund	State Water Fund	Total Enterprise Funds	Internal Service Funds
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ 175,420	\$ 252	\$ 175,672	\$ 12,359
Payments to suppliers	(59,346)	(22,686)	(82,032)	(7,773)
Payments to employees	(53,010)	-	(53,010)	(3,738)
Payments for internal services used	(4,532)	-	(4,532)	-
Other receipts	1,113	1,232	2,345	231
Net cash provided by (used for) operating activities	59,645	(21,202)	38,443	1,079
<b>Cash flows from noncapital financing activities:</b>				
Property taxes received	5,069	21,856	26,925	-
Transfers in from other funds	2,562	-	2,562	-
Transfers out to other funds	(2,834)	-	(2,834)	-
Net cash provided by noncapital financing activities	4,797	21,856	26,653	-
<b>Cash flows from capital and related financing activities:</b>				
Principal payments on general obligation bonds	(6,734)	-	(6,734)	-
Issuance of commercial papers, net of principal payments of other loans	30,730	-	30,730	-
Capital contributions received	3,532	-	3,532	-
Interest and fiscal agent fees paid	(8,285)	-	(8,285)	-
Acquisition of contract water rights	(7,650)	-	(7,650)	-
Acquisition and construction of capital assets	(53,428)	1	(53,427)	(1,727)
Net cash used by capital and related financing activities	(41,835)	1	(41,834)	(1,727)
<b>Cash flows from investing activities:</b>				
Increase in restricted investments	(293)	-	(293)	-
Rental income received	100	-	100	-
Interest received on cash and investments	1,624	-	1,624	121
Net cash provided by investing activities	1,431	-	1,431	121
Net increase (decrease) in cash and cash equivalents	24,038	655	24,693	(527)
Cash and cash equivalents, beginning of year	130,483	5,233	135,716	15,488
Cash and cash equivalents, end of year	<u>\$ 154,521</u>	<u>\$ 5,888</u>	<u>\$ 160,409</u>	<u>\$ 14,961</u>
<b>Cash and cash equivalents are reported on the Statement of Net Position as follows:</b>				
Cash and investments	\$ 154,521	\$ 5,888	\$ 160,409	\$ 14,961
Restricted cash and investments	6,922	-	6,922	-
Less cash and investments not meeting the definition of cash equivalents	(6,922)	-	(6,922)	-
Cash and cash equivalents, end of year	<u>\$ 154,521</u>	<u>\$ 5,888</u>	<u>\$ 160,409</u>	<u>\$ 14,961</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 32,762	\$ (24,592)	\$ 8,170	\$ (597)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>				
Depreciation and amortization	23,949	944	24,893	1,171
Other receipts	1,113	1,232	2,345	231
Operating grants	1,232	-	1,232	-
<b>Change in operating assets and liabilities:</b>				
Decrease in deposits and other assets	(616)	-	(616)	-
(Increase)/decrease in accounts receivable	(711)	252	(459)	1
Increase in due to due from other funds	1,699	-	1,699	116
(Increase)/decrease in property tax receivable	(12)	-	(12)	-
Decrease /(increase) in prepaid asset	-	-	-	24
Decrease/(increase) in inventory	46	-	46	23
Decrease in accounts payable	2,217	962	3,179	(79)
Increase/(decrease) in accrued liabilities	(988)	-	(988)	3
Decrease in deposits payable	612	-	612	-
Increase in claims payable	-	-	-	332
Increase in litigation claim	324	-	324	-
Increase/(decrease) in other post employment benefits & compensated absences	(1,982)	-	(1,982)	(146)
Net cash provided (used) by operating activities	<u>\$ 59,645</u>	<u>\$ (21,202)</u>	<u>\$ 38,443</u>	<u>\$ 1,079</u>
<b>Noncash investing, capital, and financing activity:</b>				
Purchase of capital assets on account	\$ (1)	\$ -	\$ (1)	\$ -

See accompanying notes to basic financial statements.

# **SANTA CLARA VALLEY WATER DISTRICT**

## **Statement of Fiduciary Net Position**

**Agency Funds**

**June 30, 2014**

**(Dollars in Thousands)**

### **ASSETS**

Cash and investments (Note 3)	\$ 193
Total assets	<u>193</u>

### **LIABILITIES**

Deposits payable	<u>193</u>
Total liabilities	<u>\$ 193</u>

See accompanying notes to basic financial statements.

## **SANTA CLARA VALLEY WATER DISTRICT**

### **Notes to Basic Financial Statements**

**For the Year Ended June 30, 2014**

#### **(1) THE FINANCIAL REPORTING ENTITY**

##### **(a) Description of the Reporting Entity**

Santa Clara Valley Water District (District) is a special district created by an act of the legislature of the State of California (State) in 1951 and as amended. The District encompasses all of Santa Clara County.

The District is governed by a seven member Board of Directors (District Board). Each member is elected from equally divided districts drawn through a formal process. The term of office of a director is four years.

On October 12, 2009, Assembly Bill 466 was signed by the Governor of California revising the composition of the board of the District by requiring the board to transition to an all-elected board that, on or after noon on December 3, 2010, consists of seven directors who are elected pursuant to specified requirements. The board also would be required to adopt a resolution establishing boundaries of the seven electoral districts. On May 14, 2010, the Board of Directors adopted a resolution that officially set the boundaries of the seven electoral districts. In November, 2010, two directors were elected to represent the new electoral districts constituting a new board of seven members. As required by state law, the District must redraw its boundaries to reflect 2010 Census results. On October 11, 2011, the Board of Directors adopted Resolution No. 11-63 selecting the Redistricting Plan, known as the Current Adjusted Map.

The District has broad powers relating to all aspects of flood control and storm waters within the District, whether or not such waters have their sources within the District. It is also authorized to store and distribute water for use within its jurisdictional boundaries and authorized to provide sufficient water for present or future beneficial use of the lands and inhabitants of the District. The District acquires, stores, and distributes water for irrigation, residential, fire protection, municipal, commercial, industrial, and all other uses. The District also directly supports the caring for the environment and the community through careful stewardship.

As required by generally accepted accounting principles (GAAP) in the United States of America, the accompanying basic financial statements present the District and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational and financial relationship with the District.

##### **(b) Blended Component Unit**

The Santa Clara Valley Water District Public Facilities Financing Corporation (the Corporation) was established on December 16, 1987 for the purpose of providing assistance to the District in financing the acquisition, construction and improvement of public buildings, works and equipment for the District. Although legally separate from the District, the Corporation is reported as if it were part of the primary government because its sole purpose is to provide financing to the District under the debt issuance documents of the District. The operations of the Corporation are accounted for in the debt service and capital project funds.

**SANTA CLARA VALLEY WATER DISTRICT**  
Notes to Basic Financial Statements (Continued)  
For the Year Ended June 30, 2014

Separate financial statements are not issued for the Corporation.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Presentation**

*Government-wide Financial Statements*

The statement of net position and statement of activities display information about the primary government (the District) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the *governmental* and *business-type activities* of the District. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from the business-type activity, which rely to a significant extent on fees charged to external parties.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities. All internal balances in the statement of net position have been eliminated except those representing balances between the government activities and business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, internal service fund transactions have been eliminated. However, transactions between the governmental and business-type activities have not been eliminated.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activity of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

When both restricted and unrestricted net position is available, restricted resources are used for qualified expenditures for capital improvement projects before any unrestricted resources are spent.

*Fund Financial Statements*

The fund financial statements provide information about the District's funds, including agency funds and the blended component unit. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The fund financial statements present all governmental funds, the water enterprise fund, and the state water project fund.

**SANTA CLARA VALLEY WATER DISTRICT**  
Notes to Basic Financial Statements (Continued)  
For the Year Ended June 30, 2014

The District reports the following governmental funds:

- The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the District that are not accounted for through other funds.
- The *Watershed and Stream Stewardship Fund* is funded by the District's one percent property tax allocation and used to protect, restore, or enhance the watersheds, streams and natural resources therein. Starting from fiscal year 2008-09, this fund was redefined to consolidate all watershed stewardship activities from a portion of the District's ad valorem property tax allocation.

The Watershed and Stream Stewardship Fund includes the following watershed activities that were based on their geographic boundaries:

- ◆ The *Lower Peninsula Watershed* is defined by geographic boundaries encompassing the tributaries and watersheds of San Francisquito Creek, Matadero Creek, Barron Creek, Adobe Creek, Stevens Creek, and Permanente Creek. The geographic area includes the Cities of Palo Alto, Los Altos, Los Altos Hills, Mountain View, and portions of Cupertino.
- ◆ The *West Valley Watershed* is defined by geographic boundaries encompassing the tributaries and watersheds of the Guadalupe Slough, Sunnyvale West Outfall, Sunnyvale East Outfall, Calabazas Creek, San Tomas Aquino Creek, and Saratoga Creek. The geographic area includes portions of the Cities of Sunnyvale, Cupertino, Monte Sereno, San Jose, Santa Clara, Campbell, Saratoga and the Town of Los Gatos.
- ◆ The *Guadalupe Watershed* is defined by geographic boundaries encompassing the tributaries and watersheds of the Guadalupe River. The major tributaries are Los Gatos Creek, Canoas Creek, Ross Creek, Guadalupe Creek, and Alamos Creek. The geographic area includes portions of the Cities of Santa Clara, San Jose, Campbell, Monte Sereno, and the Town of Los Gatos.
- ◆ The *Coyote Watershed* is defined by geographic boundaries encompassing the tributaries and watersheds of Coyote Creek. The major tributaries are Lower Penitencia Creek, Scott Creek, Berryessa Creek, Upper Penitencia Creek, Silver Creek, Thompson Creek, Fisher Creek, and Packwood Creek. The geographic area includes the City of Milpitas and portions of the Cities of San Jose and Morgan Hill.
- ◆ The *Uvas/Llagas Watershed* is defined by geographic boundaries encompassing the tributaries and watersheds of the Pajaro River in Santa Clara County. The major tributaries are Little Llagas Creek, Llagas Creek, west branch of Llagas Creek, Uvas-Carnadero Creek, Pescadero Creek, and Pacheco Creek. The Uvas/Llagas Watershed Fund is comprised of mostly unincorporated area and includes the City of Gilroy and portions of the Cities of San Jose and Morgan Hill.

**SANTA CLARA VALLEY WATER DISTRICT**  
Notes to Basic Financial Statements (Continued)  
For the Year Ended June 30, 2014

- The *Clean, Safe Creeks and Natural Flood Protection Program* is used to manage specific revenues and expenditures approved with the passage of Measure B in November 2000.
- The *COP Debt Service Fund* is used to account for monies being held for reserve requirements and arbitrage rebate for the District's debt payments.
- The *COP Construction Fund* is used to account for COP proceeds used for the construction of major capital projects with their respective watersheds.

The District reports the following proprietary funds:

- The *Water Enterprise Fund* accounts for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.
- The *State Water Project Fund* accounts for all revenues and costs associated with the State Water Project.
- The *Internal Service Funds* account for the financing of goods or services provided by one department or agency of the District to other departments or agencies on a cost-reimbursement basis.
  - The *Equipment Fund* accounts for the maintenance and operation of the District's vehicle fleet, heavy construction, and information system equipment.
  - The *Risk Management Fund* accounts for the monies set aside to pay for all claims, judgments, and premium cost.

The District reports *Agency Funds* (fiduciary fund type) to account for assets held by the District as an agent for private organizations and/or other governments.

- The *Deposit Fund* is used to account for the collection and payment of funds held in trust for specific restricted purposes.

**(b) Basis of Accounting**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, benefit assessments and grants. On an accrual basis, revenues from property taxes and benefit assessments are recognized in the fiscal year for which the taxes and assessments are levied; revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied; and revenue from investments is recognized when earned.

**SANTA CLARA VALLEY WATER DISTRICT**  
Notes to Basic Financial Statements (Continued)  
For the Year Ended June 30, 2014

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property taxes, benefit assessments, interest, grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences are recorded when payment is due. Capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water enterprise fund is the sale of water to outside customers and of the District's internal service funds are charges for services provided to internal departments. Operating expenses for the enterprise fund and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Proprietary fund *operating* revenues, such as charges for services, result from the exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. *Non-operating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Agency funds are used to account for assets held by the District in a fiduciary capacity as an agent for individuals, private organizations, other governments and/or other funds. Funds held in the Deposit Fund use the accrual method of accounting.

**(c) Cash and Investments**

While maintaining safety and liquidity, the District maximizes its investment return by pooling its available cash for investment purposes. Interest earnings are apportioned among funds based upon the average monthly cash balance of each fund and are allocated to each fund on a monthly basis.

The District reported investments in nonparticipating interest earnings contracts (including guaranteed investment contracts) at cost, and all other investments at fair value. The fair value of investments is based on current market prices.

For purposes of the Statement of Cash Flows, the proprietary funds consider all highly liquid investments with a maturity of three months or less when purchased (including restricted investments), and their equity in the cash and investment pool to be cash equivalents.

**(d) Inventory**

Proprietary fund inventory consists of materials and supplies held for consumption. The cost of all inventory acquired is recorded as an expense at the time of purchase. At the end of the accounting period, the inventory values of materials and supplies on hand are determined using a current cost method which approximates market value. For financial statement purposes inventories are presented under deposits and other assets.

**SANTA CLARA VALLEY WATER DISTRICT**  
Notes to Basic Financial Statements (Continued)  
For the Year Ended June 30, 2014

**(e) Capital Assets**

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets of governmental activities include pipelines, channel linings, floodwalls, levees, bridge flood proofing, box culverts and re-vegetation. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets including assets under capital leases used in operations are depreciated or amortized using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and proprietary funds.

The estimated useful lives are as follows:

Water treatment facilities	50 Years
Buildings, structures, and trailers	25 – 50 Years
Flood control projects	30 – 100 Years
Dams, structures, and improvements	80 Years
Office furniture, fixtures, and equipment	5 - 20 Years
Automobiles and trucks	6 - 12 Years
Computer equipment	5 Years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

**(f) Amortization of Contract Water Rights**

The District has contracted with the State for water deliveries from the State Water Project through calendar year 2035. A portion of the payments under this contract represent reimbursement of capital costs for transportation facilities (the capital cost component). The Water Enterprise Fund capitalizes the capital cost component and amortizes such component, using the straight-line method, over the remaining entitlement period.

**(g) Amortization of Water Banking Rights**

The District has contracted with the Semitropic Water Storage District and its Improvement Districts for the water banking and exchange program. The program is in effect through calendar year 2035. Participation in the program provides the District a 35% allocation for storage rights at the Semitropic Water Storage District facility, totaling 350,000 acre-feet. The Water Enterprise Fund has capitalized the cost of the program and amortizes its cost over the 40 year entitlement period using the straight-line method.

**SANTA CLARA VALLEY WATER DISTRICT**  
Notes to Basic Financial Statements (Continued)  
For the Year Ended June 30, 2014

**(h) Amortization of Water Delivery Rights**

The District has contracted with the United States Department of the Interior Bureau of Reclamation for water deliveries from Central Valley through calendar year 2027. A portion of this contract represents reimbursement of capital costs for general construction in the San Felipe Division facilities. The Water Enterprise Fund capitalized the capital cost component and amortizes such component, using the straight-line method, over the remaining entitlement period.

**(i) Receivables**

Receivables include amounts due from water utility customers as well as amounts due for property taxes and interest on investments. All receivables are shown net of an allowance for doubtful accounts of \$6,000.

**(j) Accrued Vacation and Sick Leave Pay**

It is the policy of the District to permit employees to accumulate earned but unused vacation and sick leave benefits. Vested or accumulated vacation and sick leave are reported as noncurrent liabilities on the statement of net position.

Maximum vacation accruals may not exceed three times the employee's annual accrual rate, per employee. All regular full-time employees are eligible for twelve (12) days of sick leave per fiscal year. Unused sick leave may be carried forward to the following fiscal year without limitation. Upon retirement, up to 480 hours of accrued sick leave shall be paid to the eligible employee at the rate of 50% of the equivalent cash value. Upon resignation with ten or more years of service, or upon separation by layoff regardless of service, up to 480 hours of accrued sick leave shall be paid off at the rate of 25% of the cash value.

**(k) Bond Premiums, Discounts and Issuance Costs**

Water Enterprise bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond discounts. Refunding costs associated with debt refinancing are reported as deferred outflows of resources. Issuance costs are recorded as an expense of the current period.

On the statement of net position and the statement of activities the 2004 COP, 2006A COP, and 2012A COP premiums and discounts are deferred and amortized over the life of the certificates. COP payable are reported net of the applicable bond premium. Prepaid insurance associated with the issuance of debts are reported as prepaid expenses.

**(l) Accounting for Encumbrances**

The District employs encumbrance accounting as a significant aspect of budgetary control. Under encumbrance accounting, purchase orders, contracts and other commitments for expenditure of funds are recorded as assignment of fund balance since they are not treated as current expenditures or outstanding liabilities at year end for GAAP financial reporting.

**SANTA CLARA VALLEY WATER DISTRICT**  
Notes to Basic Financial Statements (Continued)  
For the Year Ended June 30, 2014

**(m) Net position**

The District's fund net position is classified based primarily to the extent to which the District is bound to observe constraints imposed upon the use of the resources. When both restricted and unrestricted resources are available for expenses, the District expends the restricted funds and then the unrestricted funds.

**(n) Estimates**

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**(o) New Pronouncements**

***Future Accounting Pronouncements:***

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on the District's financial reporting process. Future new standards which may impact the District include the following:

**GASB Statement No. 68** – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The objective of this Statement is to improve accounting and financial reporting by state and local government for pensions. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trust or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement. This Statement is not effective until beginning after June 15, 2014. The District has not determined the effect of this Statement.

**GASB Statement No. 70** – In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*. This Statement requires a government that extends a non-exchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. This Statement is not effective until beginning after June 15, 2013. GASB Statement No. 70 does not have any impact on the District's financial statement.

**GASB Statement No. 71** – In November 2013, GASB issued Statement no. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement

**SANTA CLARA VALLEY WATER DISTRICT**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

date of the government's beginning net pension liability. Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. This Statement should be applied simultaneously with the provisions of Statement 68. The District has not determined the effect of this Statement.

**(3) CASH AND INVESTMENTS**

Total District cash and investments based on fair market value at June 30, 2014 are as follows (in thousands):

Statement of Net Position:	
Cash and investments	\$ 533,497
Restricted cash and investments	23,844
Statement of Fiduciary Net Position:	
Cash and investments	193
	<u>\$ 557,534</u>

**Investments**

At June 30, 2014, cash and investments based on fair market value consist of the following (in thousands):

U.S. Government Agencies	\$ 397,561
U.S. Treasury Obligations	25,618
Medium Term Notes	13,194
Local Agency Investment Fund	60,395
Guaranteed Investment Contracts	4,745
Santa Clara County Investment Pool	8
Mutual Funds	46,412
Time Certificates of Deposit	1,736
Money Market Funds	538
Total Investments	<u>550,207</u>
Carrying amount of cash	7,327
Total Cash and Investments	<u>\$ 557,534</u>

As of June 30, 2014, the fair market value of the District's investment in the State investment pool (LAIF) is \$60,395,000 which consists of \$50,015,000 in non-restricted cash and \$10,380,000 in restricted bond proceeds. The \$10.4 million bond proceeds are related to the 2012A Certificate of Participation Acquisition and Construction fund. The total amount invested by all public agencies in LAIF at that date is \$64,846,169,000. Of that amount, 98.14 percent is invested in non-derivative financial products and 1.86 percent in asset-backed

**SANTA CLARA VALLEY WATER DISTRICT**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

securities and medium-term and short-term structured notes. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair market value of the District's position in LAIF.

As of June 30, 2014, the District's investment in the Santa Clara County Investment Pool (Pool) is \$8 thousand which is restricted for repayment of funds advanced by the County in fiscal year 2012 for redemption of the 1963 water utility bonds. The Pool has established a treasury oversight committee to monitor and review the management of public funds maintained in the Pool. Participants' equity in the Pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. The value of the District shares in the Pool is determined on an amortized cost basis, which is different than the fair market value of the District's position in the Pool. The District's investment in the Pool is stated at fair market value, available upon demand and considered a cash equivalent.

**Authorized Investments by the District**

The District's Investment Policy and the California Government Code allow the District to invest in the following types of investments, provided the credit ratings of the issuers are acceptable to the District. The following items also identify certain provisions of the District and California Government Code that address interest rate risk, credit risk, and concentration of credit risk. This list does not address the District's investments of debt proceeds held by fiscal agents that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the Entity's investment policy.

**SANTA CLARA VALLEY WATER DISTRICT**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	N/A	None	None
U.S. Government Agency Issues (A)	5 years	N/A	None	None
Bankers Acceptances	180 days	AA-	40%	4.8%
		A-1 (short term) or		
		AA- (long term)		
Commercial Paper	90 days		15%	1.8%
Negotiable Certificates of Deposit	1 year	AA-	30%	3.6%
				\$250,000 & FDIC
Nonnegotiable Certificates of Deposit	5 years	Satisfactory CRA	5%	Membership
Collateralized Repurchase Agreements	30 days	AA-	None	None
Medium Term Notes	5 years	AA-	15%	1.8%
Municipal Obligations	5 years	AA-	15%	1.8%
California Local Agency Investment Fund (B)	N/A	N/A	(B)	(B)
Mutual Funds	N/A	AAA	10%	--

(A) Securities issued by agencies of the federal government such as the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), the Federal Agricultural Mortgage Corporation of America and the Tennessee Valley Authority.

(B) LAIF will accept no more than \$50 million of an agency's unrestricted funds while placing no constraints on funds relating to unspent bond proceeds.

### **Restricted Cash and Investments for Bond Interest and Redemption**

Under the provisions of the District's revenue bond resolutions and Installment Purchase Agreement for the 2012A & 2007B Certificates of Participation (COP) and 2006A & 2006B Water Utility Revenue and Refunding Bonds, a portion of the proceeds from these debt issuances is required to be held in custody accounts by a fiscal agent as trustee. As of June 30, 2014, the amount invested in assets held by fiscal agent amounted to \$7.7 million for certificates of participation and \$5 million for revenue bonds and was equal to or in excess of the amount required at that date.

As of June 30, 2014, the District also has \$0.4 million safe drinking water state revolving loan fund which is a reserve fund for debt service payment to the California State Department of Water Resources.

### **Restricted Cash and Investments for Capital Projects**

The District has construction and acquisition funds from the 2012A Certificates of Participation (COP) which is used to pay for the capital projects on flood control and watershed improvements authorized by the COP indenture. At June 30, 2014, the balance of this fund is \$10.4 million. The District has also issued commercial paper to provide for any District purposes, including but not limited to, capital expenditure, investment and reinvestment, and the discharge of any obligation or indebtedness of the District. At June 30, 2014, the balance of the unspent commercial paper proceeds is \$18 thousand.

**SANTA CLARA VALLEY WATER DISTRICT**  
Notes to Basic Financial Statements (Continued)  
For the Year Ended June 30, 2014

**Restricted Cash and Investments for Watershed Management Projects**

The District has entered into certain cost sharing agreements with the U.S. Army Corps of Engineers (the Corps). Under these agreements the District is required to deposit monies into escrow accounts to be used by the Corps for watershed management projects. At June 30, 2014, the District's restricted deposits held in escrow for construction of the Guadalupe Watershed and Clean Safe Creek & Natural Flood management projects amounted to \$291,000.

**Authorized Investments by Debt Agreements**

The District must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the District fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in instruments which at the time of such investment are legal investments under the laws of the State of California, District ordinances, policies, and bond indentures. The following table identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>
U.S. Treasury Obligations (A)	N/A	N/A
U.S. Agency Securities (B)	N/A	N/A
State Obligations (C)	N/A	A
Commercial Paper	270 days	A1
Unsecured CD's, deposit accounts, time deposits, bankers acceptances	365 days	A-1
FDIC Insured Deposit (D)	N/A	N/A
Money Market Funds	N/A	AAAm
Collateralized Repurchase Agreements (E)	N/A	A-1
Investment Agreements (F)	N/A	AA-
Investment Approved in Writing by the Certificate Insurer (G)	N/A	N/A
Local Agency Investment Fund of the State of CA	N/A	N/A

(A) Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, provided, that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee.

(B) Direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed

**SANTA CLARA VALLEY WATER DISTRICT**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("FHLMCs"); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association ("FNMA's"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMA's"); guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; local authority Certificates of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; guaranteed transit Certificates of the Washington Metropolitan Area Transit Authority; Resolution Funding Corporation securities.

(C) Direct obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and "A" or better by S&P.

(D) Deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than \$3 million, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation.

(E) Repurchase agreements collateralized by Direct Obligations, GNMA's, FNMA's or FHLMCs with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "P-1" or "A3" or better by Moody's and "A-1" or "A-" or better by S&P, provided: (1) a master repurchase agreement or specific written repurchase agreement governs the transaction; and (2) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent ("Agent") for the Trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50 million or (iii) a bank approved in writing for such purpose by the Certificate Insurer, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee; and (3) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. if such securities is created for the benefit of the Trustee; and (4) the repurchase agreement has a term of 180 days or less, and the Trustee or the agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and (5) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%.

(F) Investment agreements, guaranteed investment contracts, funding agreement, or any other form of corporate note representing the unconditional obligations of entities or agencies with the unsecured long-term debt obligations or claims-paying ability rated in one of the top two rating categories by Moody's and S&P.

(G) Any investment approved in writing by the Certificate Insurer.

**SANTA CLARA VALLEY WATER DISTRICT**  
Notes to Basic Financial Statements (Continued)  
For the Year Ended June 30, 2014

**Interest Rate Risk**

Interest Rate Risk is the risk that changes in market interest rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair market value to changes in market interest rates. The District generally manages its own interest rate risk by holding investments to maturity.

Information about the sensitivity of the fair value of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution to the District's investments by maturity or earliest call date (in thousands):

	Total	12 Months or less	13 to 24 Months	25 to 60 Months	More than 60 Months
U.S. Government Agencies	\$ 287,506	\$ 99,166	\$ 65,803	\$ 122,537	\$ -
U.S. Government Agencies - Callable	110,055	-	19,758	90,297	-
U.S. Treasury Obligations	25,618	-	15,011	10,208	399
Medium Term Notes	13,194	-	10,122	3,072	-
Local Agency Investment Fund	60,395	60,395	-	-	-
Guaranteed Investment Contracts	4,745	-	-	-	4,745
Santa Clara County Investment Pool	8	8	-	-	-
Mutual Funds	46,412	46,412	-	-	-
Time Certificates of Deposit	1,736	-	1,736	-	-
Money Market Funds	538	538	-	-	-
Total Investments	<u>\$ 550,207</u>	<u>\$ 206,519</u>	<u>\$ 112,430</u>	<u>\$ 226,114</u>	<u>\$ 5,144</u>

**Credit Risk**

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 the California Government Code, the District's investment policy, or debt agreements and the actual rating as of June 30, 2014 for each investment type as provided by Standard and Poor's (in thousands):

**SANTA CLARA VALLEY WATER DISTRICT**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

	Total	Minimum Legal Rating	Exempt from Disclosure	Rating as of Year-end			
				AAA	AA+	AA	Not Rated
U.S. Government Agencies	\$ 397,561	AA-	\$ -	\$ -	\$ 397,561	\$ -	\$ -
U.S. Treasury Obligations	25,618	N/A	25,618	-	-	-	-
Medium Term Notes	13,194	AA-	-	3,099	998	9,097	-
Local Agency Investment Fund	60,395	N/A	-	-	-	-	60,395
Guaranteed Investment Contracts	4,745	N/A	-	-	-	-	4,745
Santa Clara County Investment Pool	8	N/A	-	-	-	-	8
Mutual Funds	46,412	AAA	-	46,412	-	-	-
Time Certificates of Deposit	1,736	N/A	-	-	-	-	1,736
Money Market Funds	538	N/A	-	-	-	-	538
Total Investments	<u>\$ 550,207</u>		<u>\$ 25,618</u>	<u>\$ 49,511</u>	<u>\$ 398,559</u>	<u>\$ 9,097</u>	<u>\$ 67,422</u>

### Concentration of Credit Risk

The District's investment policy regarding the amount that can be invested in any one issuer is stipulated by the California Government Code. However, the District is required to disclose investments that represent a concentration of five percent or more of investments in any one issuer, held by individual District Funds in the securities of issuers other than U.S. Treasury securities, mutual funds and external investments pools. At June 30, 2014, those investments consisted of (in thousands):

Issuer	Investment Type	Reported Amount
<b>Government-Wide</b>		
Federal Home Loan Mortgage Corp.	U.S. Government Agency	\$130,646
Federal National Mortgage Association	U.S. Government Agency	139,643
Federal Home Loan Bank	U.S. Government Agency	89,536
Federal Farm Credit Bank	U.S. Government Agency	37,736

### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District 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.

Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its Agent having a fair market value of 105% to 150% of the District's cash on deposit. All of the District's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in trust department of the financial institutions in the District's name.

**SANTA CLARA VALLEY WATER DISTRICT**  
Notes to Basic Financial Statements (Continued)  
For the Year Ended June 30, 2014

**(4) REIMBURSEMENT OF CAPITAL COSTS**

The District derives certain revenues from reimbursements of capital costs by local, state, federal agencies and other outside sources. The following is a summary of such reimbursements in fiscal year 2013/14 (in thousands):

	Governmental Activity	Business-type Activity
Local Agencies:		
City of Morgan Hill	\$ 1,020	\$ -
San Benito County Water District	-	520
City of Sunnyvale	-	202
State Agency:		
Department of Water Resources	8,598	325
Bay Area Clean Water		2,485
Total	<u>\$ 9,618</u>	<u>\$ 3,532</u>

**SANTA CLARA VALLEY WATER DISTRICT**  
Notes to Basic Financial Statements (Continued)  
For the Year Ended June 30, 2014

**(5) INVESTMENT INCOME**

The District earns income from the investment of cash not required for current expenditures. Beginning after June 15, 1997, the Governmental Accounting Standard Board issued GASB pronouncement number 31 to establish accounting and financial reporting standards for all investments. One provision of this standard was to report investments at fair value in the balance sheets. Because of this requirement, investment income must be adjusted upwards or downwards to reflect the fair value change from one fiscal year to the next fiscal year. In making the adjustment, the investment income earned directly by the investments is modified.

The following represents the investment income as reported in the financial statements, the current year GASB 31 fair value adjustment, and the unadjusted investment income at June 30, 2014 (in thousands):

	Interest as Reported	FY 2014 GASB 31 Fair Value Adjustment	Interest Earned Before Adjustment
<b>Fund:</b>			
General	\$ 110	\$ 52	\$ 58
Watershed & Stream Steward	985	378	607
Clean, Safe, Creek	1,389	523	866
COP Debt Service	42	-	42
COP Construction	30	-	30
Water Enterprise	1,624	399	1,225
Equipment	21	8	13
Risk Insurance	100	37	63
Total Interest	<u>\$ 4,301</u>	<u>\$ 1,397</u>	<u>\$ 2,904</u>

**SANTA CLARA VALLEY WATER DISTRICT**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

**(6) CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2014 was as follows (in thousands):

	Balance July 1, 2013	Additions	Deletions	Transfers / Reclassified	Balance June 30, 2014
<b>Governmental Activities</b>					
Nondepreciable capital assets:					
Land	\$ 157,705	\$ 1,555	\$ (5)	\$ -	\$ 159,255
Intangibles - easement	3,032	68	-	-	3,100
Construction in progress	301,218	33,354	(8,769)	(13,585)	312,218
Total nondepreciable capital assets	461,955	34,977	(8,774)	(13,585)	474,573
Depreciable capital assets:					
Buildings	37,504	-	-	4,503	42,007
Structures and improvements	714,943	-	-	9,082	724,025
Equipment:					
Governmental funds	21,148	826	(952)	-	21,022
Internal service funds	19,804	1,733	(3,167)	-	18,370
Total depreciable capital assets	793,399	2,559	(4,119)	13,585	805,424
Less accumulated depreciation					
Buildings	(10,139)	(806)	-	-	(10,945)
Structures and improvements	(84,346)	(8,452)	-	-	(92,798)
Equipment:					
Governmental funds	(14,911)	(1,391)	952	-	(15,350)
Internal service funds	(14,029)	(1,171)	3,161	-	(12,039)
Total accumulated depreciation	(123,425)	(11,820)	4,113	-	(131,132)
Net depreciable capital assets	669,974	(9,261)	(6)	13,585	674,292
Total capital assets, net	\$ 1,131,929	\$ 25,716	\$ (8,780)	\$ -	\$ 1,148,865
<b>Business-type activity</b>					
Nondepreciable capital assets:					
Land	\$ 17,594	\$ -	\$ -	\$ -	\$ 17,594
Construction in progress	311,540	52,746	-	(157,798)	206,488
Total nondepreciable capital assets	329,134	52,746	-	(157,798)	224,082
Depreciable capital assets:					
Contract water and storage rights	165,063	7,650	-	-	172,713
Buildings	2,992	-	-	80,987	83,979
Structures and improvements	638,425	-	-	72,614	711,039
Equipment	21,862	681	(807)	4,197	25,933
Total depreciable capital assets	828,342	8,331	(807)	157,798	993,664
Less accumulated depreciation and amortization					
Contract water and storage rights	(109,614)	(10,073)	-	-	(119,687)
Buildings	(293)	(897)	-	-	(1,190)
Structures and improvements	(220,000)	(12,297)	-	-	(232,297)
Equipment:	(15,637)	(1,626)	807	-	(16,456)
Total accumulated depreciation and amortization	(345,544)	(24,893)	807	-	(369,630)
Net depreciable capital assets	482,798	(16,562)	-	157,798	624,034
Total capital assets, net	\$ 811,932	\$ 36,184	\$ -	\$ -	\$ 848,116

During fiscal year 2013-14, new construction in progress increased by \$24.6 million in the governmental activities. The breakdown of additions to the construction in progress was as

**SANTA CLARA VALLEY WATER DISTRICT**  
Notes to Basic Financial Statements (Continued)  
For the Year Ended June 30, 2014

follows: \$9.4 million to the watersheds, and \$15.2 million to the Clean Safe Creek & Natural Flood Protection Fund. There were 44 in progress and completed projects during the fiscal year with the major projects listed below (in millions):

- Lower Silver Creek-R4-6 N. Babb to Cunningham - \$10.6
- Upper Llagas Creek Buena Vista to Wright Avenue - \$6.6
- Lower Berryessa Creek Lower Penitencia Calaveras - \$2.5
- Sunnyvale East and West Channel - \$2.2
- Permanente Creek, San Francisco Bay to Foothill Expressway - \$1.2
- San Francisquito Creek Bay Shoreline - \$1.2

New construction in progress increased in the business-type activities by \$52.8 million. There were forty-six in progress and completed projects during the fiscal year with major project listed below (in millions):

- Rinconada Water Treatment Plant Reliability Improvement - \$8.6
- Silicon Valley Advanced Water Purification Center - \$5.8
- Santa Teresa Water Treatment Plant Incompatible Materials - \$4.5
- 5-year Pipeline Rehabilitation - \$4.4
- Anderson Dam Seismic Retrofit - \$ 4.3
- Rinconada Water Treatment Plant Facility Renewal Program Residual Management Modifications - \$4.3
- Water Protection Project - \$3.2
- Rinconada Water Treatment Plant Facility Renewal Program Chemical Structure and Pump Valves Upgrades - \$2.7
- South County Recycled Water Plant Pipeline - \$1.9
- Kirk Diversion Dam and Fish Screen Improvements - \$1.8
- Infrastructure Reliability Program – Seismic Study Retrofit Water Treatment Plant - \$ 1.9
- Calero-Guadalupe Dams Seismic Retrofits - \$1.7
- Microwave Telecommunications - \$1.2
- Water Banking Project - \$1.1

Depreciation expense was charged to projects of the primary government as follows (in thousands):

General government	\$ 2,222
Watersheds	8,427
Capital assets held by the District's internal service funds are charged to the various functions based on their usage of assets.	<u>1,171</u>
Total depreciation expense – governmental activities	<u>\$11,820</u>
 Total depreciation and amortization expense – business-type activity	
Water enterprise	<u>\$24,893</u>

**SANTA CLARA VALLEY WATER DISTRICT**  
Notes to Basic Financial Statements (Continued)  
For the Year Ended June 30, 2014

**(7) SHORT-TERM AND LONG-TERM LIABILITIES**

**(a) Short-term debt**

On December 17, 2002, the District Board of Directors authorized a commercial paper program. The commercial paper program allows the District to finance capital expenditures while taking advantage of short term rates. This program is used in conjunction with issuing long-term liabilities to obtain the least cost financing for the District.

On May 15, 2012, the District Board of Directors authorized the execution and delivery of certain agreements in connection with the District's commercial paper program in an aggregate principal amount not to exceed \$100 million. The proceeds of the commercial paper may be used for any District purposes, including but not limited to, capital expenditure, investment and reinvestment, and the discharge of any obligation or indebtedness of the District.

As of June 30, 2014, the outstanding non-taxable commercial paper issued was \$39.5 million with an interest rate of 0.06% to 0.18% maturing August 29, 2014, while the outstanding taxable commercial paper was \$28.3 million with interest rate of 0.12% maturing on August 29, 2014.

The District's short-term debt outstanding consists of the following, as of June 30, 2014 (in millions):

	<u>Authorized</u>	<u>Issued</u>	<u>Available</u>
Commercial Paper Program	\$100	\$67.8	\$32.2

**SANTA CLARA VALLEY WATER DISTRICT**  
Notes to Basic Financial Statements (Continued)  
For the Year Ended June 30, 2014

**(b) Long-term liabilities**

The District's long-term liabilities outstanding consisted of the following (in thousands):

<u>Type of indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Authorized and Issued</u>	<u>June 30, 2014</u>	<u>Due Within One Year</u>
<b>General long-term obligations</b>					
Certificates of participation					
2004A Certificates of participation	2024	2.5 - 5%	32,965	\$ 9,340	\$ 1,505
2007A Certificates of participation	2030	4% - 5%	78,780	62,735	2,705
2012A Certificates of participation	2024	3% - 5%	52,955	42,970	4,145
Compensated absences				8,302	1,515
Claims payable				7,011	476
Other post employment benefits				952	-
Premium on refunded debt				11,522	1,094
Total general long-term obligations				<u>\$ 142,832</u>	<u>\$ 11,440</u>
Deferred amount on refunding				<u>\$ (4,176)</u>	<u>\$ (343)</u>
<b>Enterprise Fund Debt</b>					
2006A Water revenue bond	2035	3.5% - 5%	74,265	\$ 59,475	\$ 2,205
2006B Water revenue bond	2035	5.15%-5.31%	25,570	21,675	635
2007A Water revenue COP bond	2037	4% - 5.0%	77,270	70,070	1,690
2007B Water revenue COP bond	2037	5.55%-floating	53,730	45,825	1,155
Bond discount				(753)	(38)
Premium on debt issuance				2,436	106
Compensated absences				4,789	1,201
Other post employment benefits				605	-
Semitropic water banking agreement	2035		46,900	5,359	-
State revolving fund loan	2027		6,350	4,893	286
Litigation claim				7,386	-
Total enterprise fund debt				<u>\$ 221,760</u>	<u>\$ 7,240</u>
Deferred amount on refunding				<u>\$ (2,074)</u>	<u>\$ (123)</u>

**SANTA CLARA VALLEY WATER DISTRICT**  
Notes to Basic Financial Statements (Continued)  
For the Year Ended June 30, 2014

The following is a summary of changes in long-term liabilities as of June 30, 2014 (in thousands):

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Due Within One Year
<b>Governmental activities:</b>					
2004A COP	\$ 10,825	\$ -	\$ (1,485)	\$ 9,340	\$ 1,505
2007A COP	65,310	-	(2,575)	62,735	2,705
2012A COP	46,965	-	(3,995)	42,970	4,145
Compensated absences	8,098	4,861	(4,657)	8,302	1,515
Claims payable	6,679	332	-	7,011	476
Other post employment benefits	4,320	-	(3,368)	952	-
Premium on refunded debt	12,617	-	(1,095)	11,522	1,094
Total governmental activities long-term liabilities	<u>\$ 154,814</u>	<u>\$ 5,193</u>	<u>\$ (17,175)</u>	<u>\$ 142,832</u>	<u>\$ 11,440</u>
Deferred amount on refunding	<u>\$ (4,519)</u>	<u>\$ -</u>	<u>\$ 343</u>	<u>\$ (4,176)</u>	<u>\$ (343)</u>
<b>Business-type activities:</b>					
2006A revenue bonds	\$ 61,610	\$ -	\$ (2,135)	\$ 59,475	\$ 2,205
2006B revenue bonds	22,275	-	(600)	21,675	635
2007A COP revenue bonds	71,650	-	(1,580)	70,070	1,690
2007B COP revenue bonds	48,245	-	(2,420)	45,825	1,155
Bond discount on refunding	(791)	-	38	(753)	(38)
Deferred interest rate swap	(6,726)	-	6,726	-	-
Premium on debt issuance	2,541	-	(105)	2,436	106
Compensated absences	4,631	3,853	(3,695)	4,789	1,201
Other post employment benefits	2,746	-	(2,141)	605	-
Semitropic water banking agreement	6,045	-	(686)	5,359	-
State revolving fund loan	5,172	-	(279)	4,893	286
Litigation claim	7,062	324	-	7,386	-
Total business-type activities long-term liabilities	<u>\$ 224,460</u>	<u>\$ 4,177</u>	<u>\$ (6,877)</u>	<u>\$ 221,760</u>	<u>\$ 7,240</u>
Deferred amount on refunding	<u>\$ (2,196)</u>	<u>\$ -</u>	<u>\$ 122</u>	<u>\$ (2,074)</u>	<u>\$ (123)</u>

**SANTA CLARA VALLEY WATER DISTRICT**  
Notes to Basic Financial Statements (Continued)  
For the Year Ended June 30, 2014

The aggregate maturities of long-term debt are as follows (in thousands):

	<u>Governmental activities</u>		<u>Business-type activity</u>	
Year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest and amortization</u>
2015	\$ 8,355	\$ 5,480	\$ 5,971	\$ 9,924
2016	7,630	5,063	6,268	9,632
2017	8,020	4,681	6,565	9,328
2018	8,385	4,310	6,877	9,017
2019	8,805	3,891	7,204	8,691
2020 - 2024	44,615	13,489	41,550	37,917
2025 - 2029	23,750	5,050	51,882	27,354
2030 - 2034	5,485	274	51,535	14,551
2035 - 2037	-	-	24,086	2,720
Total Requirements	<u>\$ 115,045</u>	<u>\$ 42,238</u>	<u>\$ 201,938</u>	<u>\$ 129,134</u>
Add: unamortized premium on issuance	\$ 11,522		\$ 2,436	
Less: unamortized discount on refunding	-		(753)	
Add: compensated absences	8,302		4,789	
Add: claims payable	7,011		-	
Add: other post employment benefits	952		605	
Add: semitropic water banking agreement	-		5,359	
Add: litigation claim	-		7,386	
Total principal outstanding at June 30, 2014	<u>\$ 142,832</u>		<u>\$ 221,760</u>	
Deferred amount on refunding	<u>\$ (4,176)</u>		<u>\$ (2,074)</u>	

**Governmental Activities**

The following provides a brief description of the District's debt for governmental activities outstanding as of June 30, 2014:

2004A Certificates of Participation

In January 2004, the District issued \$32,965,000 of Refunding and Improvement Certificates of Participation. The proceeds of the 2004A Certificates were used to refinance \$38,915,000 of the remaining 1994A Certificates of Participation and new certificates were issued to finance the cost of certain other flood control improvements. The District purchased a surety bond to fund the Debt Service Reserve Fund. The District has pledged its flood control system's revenue to secure the semi-annual installments of debt service payment.

**SANTA CLARA VALLEY WATER DISTRICT**  
Notes to Basic Financial Statements (Continued)  
For the Year Ended June 30, 2014

2007A Certificates of Participation

In February 2007, the District issued \$78,780,000 of Refunding and Improvement Certificates of Participation, Series 2007A. The proceeds of the 2007A Certificates of Participation were used to refinance \$73,050,000 of the remaining 2000A and 2000B Certificates of Participation and new certificates were issued to finance the cost of certain other flood control improvements. The District purchased a surety bond to fund the Debt Service Reserve Fund. Additionally, the District used funds accumulated in the 2000A and 2000B Debt Service Reserve Fund to reduce the size of the 2007A issuance. As a result, the 2000A and 2000B Certificates of Participation are considered defeased and the liabilities have been removed from the Statement of Net position. The District has pledged its flood control system's revenue to secure the semi-annual installments of debt service payment.

2012A Certificates of Participation

In November 2012, the District issued \$52,955,000 of Refunding and Improvement Certificates of Participation, Series 2012A. The proceeds of 2012A Certificates of Participation were used to refinance \$52,360,000 of the 2003A Certificates of Participation and new certificates were issued to finance the cost of certain other flood control improvements. The District has pledged its flood control system's revenue to secure the semi-annual installments of debt service payment.

Claims Payable

The District is self-insured and reports all its risk management activities in its Risk Management Internal Service Fund. Detailed information and calculation of the claims payable account balance are explained in Note 13, Risk Management.

**Business-type Activity**

The following provides a brief description of the District's debt for business-type activity outstanding as of June 30, 2014:

2006A/B Water Enterprise Revenue Bonds

In December 2006, the District issued \$99,835,000 of Water Utility System Refunding Revenue Bonds, Series 2006A and Taxable Series 2006B. The proceeds of \$57,415,000 of the 2006A and 2006B Bonds were used to refinance \$55,265,000 of the remaining 2000A and 2000B and the proceeds of \$42,420,000 of 2006A and 2006B Bonds were used to repay approximately \$40.9 million of commercial paper notes. The District funded the 2006A Debt Service Reserve Fund with proceeds of the 2000A Debt Service Reserve Fund and purchased a surety bond to fund the 2006B Debt Service Reserve Fund. Additionally, the District used funds accumulated in the 2000A and 2000B Debt Service Reserve Funds, and other 2000A and 2000B Bonds accounts to reduce the size of the 2006A and 2006B Bonds issuance. As a result, the 2000A and 2000B Bonds are considered defeased and the liabilities have been removed from the Statement of Net position. The District has pledged its net water utility revenues to secure the semi-annual debt service payments.

**SANTA CLARA VALLEY WATER DISTRICT**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

The 2006A Debt Service Reserve Fund is invested in an Investment Agreement by and between FSA Capital Management Services LLC (FSA) and U.S. Bank National Association (US Bank) as Fiscal Agent dated as of May 3, 2007. On January 22, 2013, FSA was downgraded by Moody's to A2. Pursuant to the provisions of the Investment Agreement, FSA delivered collateral with a par value of \$5.5 million to Wells Fargo Bank National Association, and entered into a Third Party Custodian Agreement executed on March 18, 2013 among US Bank (Fiscal Agent), FSA (Provider) and Wells Fargo Bank (the Custodian).

2007A/B Water Enterprise Revenue Certificates of Participation

In October 2007, the District issued \$131,000,000 of Water Utility Revenue Certificates of Participation Bonds, Series 2007A and Taxable Series 2007B. The proceeds of the 2007A and 2007B bonds will be used to finance capital construction projects in the Water Utility Enterprise. The District funded the 2007A Debt Reserve Fund by purchasing a surety. The 2007A issuance was \$77,270,000 fixed rate bonds with a 30 year maturity. The 2007B issuance of \$53,730,000 are floating rate notes based on the three month LIBOR rate plus 32 basis points with a 30 year maturity. The District has pledged its net water utility revenues to secure the semi-annual debt service payments for the 2007A issuance and quarterly debt service payments for the 2007B issuance.

The District entered into two interest rate locks in anticipation of the issuance of the 2007 Series A and B. The interest rate locks successfully locked in the interest rate the District had been projecting in its water rate financing models on a net present value basis. The interest rate locks were terminated at the time of bonds issuance in which the District paid the counterparties a termination fee in the amount of \$8.5 million.

Semitropic Water Banking Agreement

In December 1995, the Santa Clara Valley Water District entered into a water banking and exchange program with Semitropic Water Storage District and its Improvement Districts that entitles the District to storage, withdrawal, and exchange rights for the District's State Water Project supplies. The Santa Clara Valley Water District's share of the total program capital costs is \$46.9 million based on a 35 percent vesting in the program. The District pays the program capital costs when storing and recovering water. At June 30, 2014, the District has paid \$41.5 million towards the base fee obligation of this agreement.

State Revolving Fund Loan

In November 2004, the District entered into a loan agreement with the State of California Department of Water Resources, on behalf of State of California Department of Health Services, under the Safe Drinking Water State Revolving Fund Law of 1997 for \$6.3 million. The loan was used to fund the construction of filter-to-waste and wash water clarification projects at the Santa Teresa Water Treatment Plant. At June 30, 2014, the District has paid \$1.4 million towards the principal balance of this obligation.

Litigation Claim

In fiscal year 2009, the District recorded a liability of \$5.9 million, which was the potential judgment amount from the tentative ruling on the case Great Oaks Water Company vs. Santa Clara Valley Water District. On February 3, 2010, the judge issued Judgment After Trial and ordered the District to pay Great Oaks Water Company \$5.9 million plus post judgment

**SANTA CLARA VALLEY WATER DISTRICT**  
Notes to Basic Financial Statements (Continued)  
For the Year Ended June 30, 2014

interest of \$886.62 per day. The District recorded post judgment interest of \$160 thousand in fiscal year 2009-10, \$324 thousand in fiscal year 2010-11, \$325 thousand in fiscal year 2011-12, \$324 thousand in fiscal years 2012-13 and 2013-14. Additional information regarding this litigation is disclosed in Note 17 (a), Contingencies.

Compensated Absences

Compensated absences are paid out of the general fund as an employee benefit expense in the year the expense is realized. Prior to fiscal year 2009, all funds reimbursed the general fund on a pro-rata basis of salary expense cost for the payment of these payouts at the end of each year and the funds were held in the reserve as designated for compensated absences. On June 24, 2008, the Board authorized the transfer of \$17.7 million from the compensated absences reserve to a trust fund to prefund other post employment benefits. Effective fiscal year 2008, the compensated absences liability for the year has been recognized in the District's enterprise funds.

Other Post Employment Benefits (OPEB)

The District provides post-employment healthcare benefits to retired employees and/or their surviving spouses in accordance with negotiated memoranda of understanding with employee groups and adoption by the Board of Directors. The District implemented the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* during fiscal year 2007-08. OPEB expense and obligation are recognized in the proprietary funds in full accrual basis while governmental funds are in modified accrual basis. OPEB expense and obligation reported in government wide financial statements are recognized in full accrual basis. Additional information on OPEB is disclosed in Note 12, Post Employment Benefits.

Compliance with Bond Covenants

Resolutions associated with the District's bonds and certificates of participation contain a number of covenants, limitations, and restrictions. The District believes it is in compliance with all significant covenants, limitations, and restrictions.

**(8) PROPERTY TAXES AND BENEFIT ASSESSMENTS**

The District derives certain revenues from the assessment of property tax parcel levies and the levy of benefit assessments and a special parcel tax. The property tax levy is composed of three categories: (1) a 1 percent tax allocation; (2) voter approved levy to service the 1963 Water General Obligation bonds (G.O. bonds); and (3) voter approved levy to repay capital and operating costs related to imported water from the State Water Project. Benefit Assessments are collected as part of duly authorized debt repayment phase of the voter-approved assessments. In November 2000, voters approved a 15-year special parcel tax to fund the countywide Clean, Safe Creeks and Natural Flood Protection Program. The levy became effective July 1, 2001 and is based on the proportionate storm water runoff for each property.

Property tax and benefit assessment revenues recorded for the year ended June 30, 2014 are as follow (in thousands):

**SANTA CLARA VALLEY WATER DISTRICT**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

	General Fund	Special Revenue Funds	Water Enterprise Fund
Property taxes:			
1% tax allocation	\$ 5,678	\$ 57,631	\$ 5,072
Special parcel tax	-	37,259	-
Voter approved indebtedness:			
State water	-	-	21,920
G.O. bonds	-	-	(3)
Total taxes	5,678	94,890	26,989
Benefit assessments	-	16,143	-
Total property taxes and benefit assessments	<u>\$ 5,678</u>	<u>\$ 111,033</u>	<u>\$ 26,989</u>

The County is responsible for the assessment, collection, and apportionment of property taxes for the District. The amount of property tax levies is restricted by Article 13A of the California State Constitution (commonly referred to as Proposition 13). The District is responsible for determining the amount of benefit assessment, special parcel tax, and State Water Project Debt Service. Secured property taxes and benefit assessments are each payable in equal installments, November 1 and February 1, and become delinquent on December 10 and April 10, respectively. The lien date is January 1 of each year. Property taxes are accounted for as collected and remitted by the District within the governmental fund revenues. The proprietary fund records property taxes as they are levied. Property taxes on the unsecured roll are due on the March 1 lien date and become delinquent if still unpaid on August 31.

The District has elected to participate in the "Teeter Plan" offered by the County whereby the District receives 100 percent of secured property and supplemental property taxes levied in exchange for foregoing any interest and penalties collected on the related delinquent taxes.

**(9) FUND BALANCES**

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily to the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

- Nonspendable fund balance includes net resources that cannot be spent because they are either a) not spendable because of their form b) must be maintained intact pursuant to legal or contractual requirements.
- Restricted fund balance includes amounts that are subject to limitations imposed by either a) creditors, grantors, contributors or laws and regulations of other governments, or b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance includes spendable resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, the District Board, through adopted resolutions. Those constraints remain binding unless the District Board removes or

**SANTA CLARA VALLEY WATER DISTRICT**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

changes in the same manner to previously commit those resources. These District Board's actions must occur prior to June 30<sup>th</sup> of the applicable fiscal year.

- Assigned fund balance includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The intent can be established or changed at the discretion of the District Board, or an official designated for that purpose, the Chief Executive Officer, in accordance with the provisions of the Governance Policies of the Board, Policy No. EL-5, *Purchasing and Contracts*.
- Unassigned fund balance represents residual net resources that have not been restricted, committed, or assigned. This includes the residual General Fund balance and residual fund deficits, if any, of other governmental funds.

Spending Prioritization in Using Available Resources:

When an expenses is incurred for purposes for which both restricted resources and unrestricted resources fund balance are available, the District's considers restricted resources to be spent first.

When committed, assigned, and unassigned resources can be used for the same purpose, the District's flow assumption is to spend in the sequence of committed resources first, assigned second, and unassigned last.

The various fund balances are established by actions of the Board of Directors and can be increased, reduced or eliminated by similar actions with the exception of encumbrances on the assigned fund balance, which can be reduced or eliminated without the action of the Board of Directors. The District's reserves amounts are reviewed annually to ensure compliance with the District's reserve policy. Changes to the restricted, committed and assigned reserves are presented to the Board of the Directors for review and approval. Detailed schedule of fund balances as of June 30, 2014 is as follows (in thousands):

**SANTA CLARA VALLEY WATER DISTRICT**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

	General	Watershed & Stream Steward	Clean, Safe Creek & Natural Flood Protection Program (CSC)	COP Debt Service	COP Con- struction	Total Govern- mental Funds
<b>Restricted Fund Balance:</b>						
Debt Service	\$ -	\$ -	\$ -	\$ 6,252	\$ -	\$ 6,252
Debt Service Proceeds	-	-	-	-	10,379	10,379
CSC-Encumbrance	-	-	29,722	-	-	29,722
CSC-Operating and Capital Contingencies	-	-	24,887	-	-	24,887
CSC-Market Valuation	-	-	42	-	-	42
CSC-Current Authorized Capital Projects	-	-	155,211	-	-	155,211
Total restricted fund balance	-	-	209,862	6,252	10,379	226,493
<b>Committed Fund Balance:</b>						
Operating & Capital Contingencies	7,328	54,763	-	-	-	62,091
Current Authorized Capital Projects	3,550	38,894	-	-	-	42,444
Market Valuation	4	26	-	-	-	30
Total committed fund balance	10,882	93,683	-	-	-	104,565
<b>Assigned Fund Balance:</b>						
Operating and Capital Projects Encumbrances	5,210	31,076	-	-	-	36,286
Total assigned fund balance	5,210	31,076	-	-	-	36,286
Total fund balances	\$ 16,092	\$ 124,759	\$ 209,862	\$ 6,252	\$ 10,379	\$ 367,344

**(10) NET POSITION**

The business-type activities fund financial statements utilize a net position presentation. Net position are categorized as invested capital assets (net of related debt), restricted and unrestricted.

*Net Investment in Capital Assets* - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

*Restricted Net position* – This category presents external restrictions imposed by creditors, grantors, contributors, laws, or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

*Unrestricted Net position* – This category represents net position of the District, not restricted for any project or other purpose.

**SANTA CLARA VALLEY WATER DISTRICT**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

Below is the detailed schedule of the proprietary funds' net position as of June 30, 2014 (in thousands):

	Water Enterprise Fund	State Projects Fund	Equipment Fund	Risk Management Fund
<b>Restricted Net Position</b>				
Debt Service	\$ 6,250	\$ -	\$ -	\$ -
State Revolving Loan Requirement	401	-	-	-
San Felipe Emergency Reserve	4,001	-	-	-
Operating Reserve per Bond Covenant	13,140	-	-	-
Rate Stabilization	1,751	-	-	-
State Water Projects	-	4,476	-	-
Operating and Capital Projects				
Encumbrances	-	-	-	-
Total restricted net position	<u>25,543</u>	<u>4,476</u>	<u>-</u>	<u>-</u>
<b>Unrestricted Net Position</b>				
Operating & Capital Contingencies	18,578	-	873	-
Currently Authorized Projects	35,114	-	-	-
Market Valuation	32	-	1	2
Property Self-Insurance/Catastrophic	-	-	-	4,390
Floating Rate Debt Payment Stabilization	353	-	-	-
Supplemental Water Supply	9,729	-	-	-
Encumbrances	67,908	707	2,330	50
Total unrestricted net position	<u>131,714</u>	<u>707</u>	<u>3,204</u>	<u>4,442</u>
<b>Net investment in capital assets</b>	<u>552,633</u>	<u>20,777</u>	<u>6,326</u>	<u>5</u>
<b>Net Position</b>	<u><u>\$ 709,890</u></u>	<u><u>\$ 25,960</u></u>	<u><u>\$ 9,530</u></u>	<u><u>\$ 4,447</u></u>

**(11) EMPLOYEES' RETIREMENT PLAN**

**Plan Description**

All permanent employees are eligible to participate in the miscellaneous plan with the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries based on member's years of service, age and final compensation. District employees vest after five years of service and are eligible to receive retirement benefits at age fifty. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and District's ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, CA 95811.

**SANTA CLARA VALLEY WATER DISTRICT**  
Notes to Basic Financial Statements (Continued)  
For the Year Ended June 30, 2014

**Funding Policy**

District employees are required to contribute 8.0 percent of their annual covered salary to CalPERS. The District makes the contributions required of District employees on their behalf and for their account. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the District for fiscal year 2013-14 was 17.749 percent.

In January 2003, the District amended its contract with CalPERS to include the enhanced retirement formula of 2.5 percent at 55. In December 2011, the District and its bargaining units agreed on a new three year Memorandum of Understanding (MOU), January 1, 2012 to December 31, 2014. The current MOUs implemented a contract amendment with CalPERS to add a second-tier retirement formula of 2.0 percent at 60. District employees hired on or after March 19, 2012 are covered under this formula with a required contribution of 7.0 percent of their annual covered salary to CalPERS. Under the Public Employees' Pension Reform Act of 2013 (PEPRA), district employees hired after January 1, 2013 will have a third-tier retirement formula of 2.0 percent at 62 and they are required to contribute 6.75% of their annual covered salary to CalPERS. In addition, the current MOUs require all District employees to contribute 3.0 percent of their salary to reimburse the District's annual required employer contribution. The contribution requirements of plan members are established by State statute and employer contribution rate is established and may be amended by CalPERS.

**Annual Pension Cost**

For fiscal year 2013-14, the District's annual pension cost of \$13,706,044 for CalPERS was equal to the District's required and actual contributions, which included \$11,431,636 employer contribution and \$2,274,408 "on-behalf" employee contribution. The required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.50 percent investment rate of return (net of administrative expenses) and (b) projected annual salary increases that vary by duration of service. Both (a) and (b) included an inflation component of 2.75 percent. The actuarial value of CalPERS assets was determined using a technique that smoothes the effects of short-term volatility in the market value of investments over a three-year period. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. All annual pension costs are paid upon receipt of invoices.

**THREE-YEAR TREND INFORMATION FOR CalPERS**

(Dollars in Thousands)

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$14,379	100%	\$ -
6/30/2013	12,842	100%	-
6/30/2014	13,706	100%	-

**SANTA CLARA VALLEY WATER DISTRICT**  
Notes to Basic Financial Statements (Continued)  
For the Year Ended June 30, 2014

**FUNDED STATUS OF PLAN**

(Dollars in Thousands)

Actuarial Valuation Date	Entry Age Normal Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability/ (Excess Assets) (a)-(b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	Unfunded (Overfunded) Actuarial Accrued Liability As a % of Payroll [(a)-(b)]/(c)
6/30/2010	\$ 487,009	\$ 400,422	\$ 86,587	82.2%	\$ 81,624	106.1%
6/30/2011	528,826	429,944	98,882	81.3%	80,604	122.7%
6/30/2012	565,851	457,603	108,248	80.9%	76,988	140.6%

**(12) POST-EMPLOYMENT BENEFITS**

The District provides post-employment health care benefits, in accordance with negotiated memoranda of understanding with employee groups and adoption by the Board of Directors, for retired employees and/or their surviving spouses, and to certain employees who retire due to disability who meet the eligibility requirements and elect the option. The District must be the employee's last CalPERS employer, and the retiree must be receiving a monthly CalPERS retirement pay. As of June 30, 2014, there were 397 retirees and surviving spouses receiving these health care benefits.

**SANTA CLARA VALLEY WATER DISTRICT**  
Notes to Basic Financial Statements (Continued)  
For the Year Ended June 30, 2014

	Hire/Retirement Date	Eligibility Rule (Years of Continuous Service)	District's Required Contribution
<b><u>Classified</u></b>  Employee Association (AFSCME – Local 101)  Engineers Society (IFPTE- Local 21)  Professional Managers Association (IFPTE – Local 21)	Retired prior to July 1, 1988		Fixed amount of \$165 per month
	Retired from July 1, 1988 through June 30, 1990	10 years	100% medical premium for retiree
	Retired from July 1, 1990 or later and hired prior to December 30, 2006	10 years	100% medical premium for retiree
		15 years	100% medical premium for retiree plus one eligible dependent
	Retired from July 1, 1990 or later and hired between December 30, 2006 and March 1, 2007	10 years	Retiree is covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less.
		15 years	Retiree plus one eligible dependent are covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less.
	Hired on or after March 1, 2007	15 years	Retiree is covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less.
		20 years	Retiree plus one eligible dependent are covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less

**SANTA CLARA VALLEY WATER DISTRICT**  
Notes to Basic Financial Statements (Continued)  
For the Year Ended June 30, 2014

	Hire/Retirement Date	Eligibility Rule (Years of Continuous Service)	District's Required Contribution
<b>Unclassified</b>  At Will	Retired prior to July 1, 1988		Fixed amount of \$165 per month
	Retired from July 1, 1988 through June 30, 1990	10 years	100% medical premium for retiree
	Retired from July 1, 1990 through June 18, 1995	10 years	100% medical premium for retiree
		15 years	100% medical premium for retiree plus one eligible dependent
	Retired from June 19, 1995 through October 21, 1996	10 years	100% medical premium for retiree
		15 years	100% medical premium for retiree plus one eligible dependent
		25 years	100% medical, dental, and vision coverages for the retiree plus two or more eligible dependents
Retired from October 22, 1996 or later and hired prior to December 30, 2006	10 years	100% medical premium for retiree	
	15 years	100% medical, dental, and vision coverages for the retiree plus one eligible dependent	
	25 years	100% medical, dental, and vision coverages for the retiree plus two or more eligible dependents	
	Hired on or after December 30, 2006 and prior to March 1, 2007	10 years	Medical coverage is provided for retiree. Medical premium cost sharing is required with the same contribution percentage as active employees and based on the medical premium amount applicable to active employees or retirees, whichever is less.
15 years		Medical, dental, and vision coverages are provided for retiree and one eligible dependent. Medical premium cost sharing is required with the same contribution percentage as active employees and based on the medical	

**SANTA CLARA VALLEY WATER DISTRICT**  
Notes to Basic Financial Statements (Continued)  
For the Year Ended June 30, 2014

	Hire/Retirement Date	Eligibility Rule (Years of Continuous Service)	District's Required Contribution
<b><u>Unclassified</u></b>  At Will	Hired on or after December 30, 2006 and prior to March 1, 2007	15 years (con't)  25 years	premium amount applicable to active employees or retirees, whichever is less.  Medical, dental, and vision coverages are provided for retiree plus two or more eligible dependents. Medical premium cost sharing is required with the same contribution percentage as active employees and based on the medical premium amount applicable to active employees or retirees, whichever is less.
	Hired on or after March 1, 2007	15 years  20 years	Retiree is covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less.  Retiree plus one eligible dependent are covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less

As of August 1, 2007, all current retirees not yet 65 years of age and Medicare eligible and all future retirees who are Medicare eligible must enroll themselves in Medicare when they reach the eligibility date for Medicare. Their Medicare eligible dependents who are enrolled in the District's health plan must also enroll in Medicare upon their eligibility date. The District reimburses the ongoing Medicare Part B cost incurred by the retiree and/or dependent payable quarterly.

After an evaluation of the cost savings realized in implementing the Medicare enrollment plan since August 2007, the District decided to expand the Medicare enrollment requirement to all retirees and their eligible dependents that are enrolled in the District's medical plan. As of July 1, 2009, all Medicare eligible retirees and their eligible dependents were required to enroll in Medicare. The District's reimburses the Medicare Part B penalty charged by the Social Security Administration to the retirees/dependents due to late enrollment.

**SANTA CLARA VALLEY WATER DISTRICT**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

The District provides the unclassified group of retiree \$50,000 life insurance upon retirement with a five-year phase out in declining increments of \$10,000 per year after retirement.

During fiscal year 2007-08, the District implemented the provisions of Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers of Postemployment Benefits Other than Pensions*. This Statement establishes standards for the measurement, recognition, and financial reporting for employers providing postemployment benefits other than pensions (OPEB). The provisions of this Statement are implemented prospectively and do not affect prior year's financial statements.

On June 24, 2008, the District's Board of Directors adopted a resolution approving the agreement and election of the District to prefund OPEB through CalPERS under its California Employer's Retiree Benefit Trust (CERBT) Program. On September 9, 2008, the District joined CERBT, an agent multiple-employer plan consisting of an aggregation of single-employer plans. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Employees' Retirement System, P. O. Box 942703, Sacramento, CA 94229-2703.

#### **Funding Policy**

The District's policy is to prefund these benefits as part of its multi-year financial planning strategy. On June 24, 2008, the Board of Directors approved the reallocation of \$17.7 million from its existing reserve for the initial prefunding of the unfunded liability for the first year of reporting. Subsequent years' funding, pursuant to the annual budget approved by the Board of Directors, would be phased in to gradually reach full funding by the sixth year in order to limit its immediate impact on groundwater charge increases and the funding of core services within limited available revenues.

#### **Annual OPEB Cost and Net OPEB Obligation**

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and the amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**SANTA CLARA VALLEY WATER DISTRICT**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

The following table shows the components of the District's annual OPEB cost for fiscal year 2013-14, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 11,112,004
Interest on net OPEB obligation	529,933
Adjustment to annual required contribution	<u>(466,998)</u>
Annual OPEB cost (expense)	11,174,939
Contributions made – FY14 cost	\$ (11,174,939)
Contributions made – Prior years' unfunded ARC	<u>( 5,508,959)</u>
Total Contributions made in FY14	<u>( 16,683,898)</u>
Increase (decrease) in Net OPEB obligation	( 5,508,959)
Net OPEB obligation, June 30, 2013	<u>7,065,773</u>
Net OPEB obligation, June 30, 2014	<u><u>\$ 1,556,814</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the current year and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 11,095,000	87.38%	\$ 11,328,192
6/30/2013	11,080,800	138.47%	7,065,773
6/30/2014	11,174,939	149.30%	1,556,814

**Funded Status and Funding Progress**

As of July 1, 2013, the latest valuation date, the funded status of the OPEB plan, was as follows:

Actuarial accrued liability (AAL)	\$ 169,864,833
Actuarial value of plan assets	\$ 51,888,319
Unfunded actuarial accrued liability (UAAL)	\$ 117,976,514
Funded ratio (actuarial value of plan assets/AAL)	31%
Covered payroll	\$ 81,600,000
UAAL as a percentage of covered payroll	144.6%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made in the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the accrued liabilities for benefits.

**SANTA CLARA VALLEY WATER DISTRICT**  
Notes to Basic Financial Statements (Continued)  
For the Year Ended June 30, 2014

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The July 1, 2013 actuarial valuation used the Entry Age Normal (EAN) cost method. The actuarial assumptions included a discount rate of 7.5% and a 3.25% inflation rate. Healthcare cost trend rates ranged from an initial rate range of 8% to 4.5%. The unfunded liability is being amortized as a percent of payroll over 30 years on a closed basis. The remaining years in amortization period at June 30, 2014 was 24 years.

**(13) RISK MANAGEMENT**

The District 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 District reports all of its risk management activities in its Risk Management Internal Service Fund.

The District's deductibles and maximum coverage are as follows (in thousands):

<u>Coverage Descriptions</u>	<u>Deductibles</u>	Commercial Insurance <u>Coverage</u>
General liability	\$2,000	\$50,000
Workers' compensation	1,000	Statutory
Property damage (subject to policy sub-limits)	50	250,000
Fidelity (Crime) - Directors	5	1,000
Fidelity (Crime) – Non-Directors	10	2,000
Non-owned aircraft liability	-	5,000
Boiler and machinery	50	100,000

Claims expenses and liabilities are reported for self-insured deductibles when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported, allocated and unallocated claims adjustment expenses and incremental claim expense. Claim liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. At June 30, 2014, the liability for self-insurance claims was \$7,011,000. This liability is the District's best estimate based on available information. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

**SANTA CLARA VALLEY WATER DISTRICT**  
Notes to Basic Financial Statements (Continued)  
For the Year Ended June 30, 2014

Changes in the reported liability since June 30, 2012 are as follows (in thousands):

	General Liability	Workers' Compensation	Total
Claims payable at June 30, 2012	\$ 1,859	\$ 4,271	\$ 6,130
Current year premiums, incurred claims and changes in estimates	1,273	(210)	1,063
Claim payments	(221)	(293)	(514)
Claims payable at June 30, 2013	<u>2,911</u>	<u>3,768</u>	<u>6,679</u>
Current year premiums, incurred claims and changes in estimates	1,976	620	2,596
Claim payments	(1,922)	(342)	(2,264)
Claims payable at June 30, 2014	<u><u>\$ 2,965</u></u>	<u><u>\$ 4,046</u></u>	<u><u>\$ 7,011</u></u>

**(14) TRANSFERS IN AND OUT**

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) move receipts to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and 3) move debt proceeds held in the construction fund to the funds incurring the construction expense.

In the year ended June 30, 2014, \$13.9 million was transferred from the governmental funds to service debt payments; \$2.6 million was transferred for the Open Space credit on property tax receipts, and \$20.4 million was transferred to reimburse capital costs.

**SANTA CLARA VALLEY WATER DISTRICT**  
Notes to Basic Financial Statements (Continued)  
For the Year Ended June 30, 2014

Interfund transfers for the year ended June 30, 2014, is as follows (in thousands):

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	Clean Safe Creek & Natural Flood	\$ 203
	Water Enterprise	2,834
	Watershed & Stream Stewardship	2,622
Watershed & Stream Stewardship	Lower Peninsula Watershed	726
	West Valley Watershed	453
	Guadalupe Watershed	984
	Coyote Watershed	722
	Uvas/Llagas Watershed	(2)
Clean Safe Creek & Natural Flood	Watershed & Stream Stewardship	11,948
COP Debt Service Fund	General Fund	628
	Lower Peninsula Watershed	4,694
	West Valley Watershed	915
	Guadalupe Watershed	4,236
	Coyote Watershed	3,395
Water Enterprise	General Fund	1,281
	Watershed & Stream Stewardship	1,281
Total interfund transfers		<u><u>\$ 36,920</u></u>

**(15) RESTATEMENT**

During fiscal year 2013-14, the District implemented GASB 65, *“Items Previously Reported as Assets and Liabilities”*. It was determined that debt issuance costs do not meet the definition of an asset or a deferred outflow and should be recognized as an outflow of resources in the period in which they were incurred.

Following is a summary of the effect of the adjustment to net position (in thousands):

Net Position	Governmental Activities	Business-Type Activities	Total
Beginning Balance, as previously reported	\$ 1,337,813	\$ 703,466	\$ 2,041,279
Cost of Issuance	(710)	(7,143)	(7,853)
Beginning Balance, restated	<u><u>\$ 1,337,103</u></u>	<u><u>\$ 696,323</u></u>	<u><u>\$ 2,033,426</u></u>

**SANTA CLARA VALLEY WATER DISTRICT**  
Notes to Basic Financial Statements (Continued)  
For the Year Ended June 30, 2014

**(16) COMMITMENTS**

**(a) Contract and Purchase Commitments**

As of June 30, 2014, the proprietary funds had open purchase commitments of approximately \$137.0 million related to new or existing contracts and agreements. Governmental funds had encumbrances of approximately \$66.0 million as reflected in the accompanying basic financial statements. These encumbrances represent commitments for the expenditure of funds and do not represent expenditures or liabilities.

**(b) San Felipe Project Water Deliveries**

The District has contracted with the U.S. Department of the Interior for water deliveries from the Central Valley Project through the San Felipe Division. The contract requires the District to operate and maintain Reach 1, Reach 2, and Reach 3 of the facilities.

During fiscal year 2006-07, the District amended this contract. The amended contract provided for compliance with the Central Valley Project Improvement Act and converted the repayment of the San Felipe Division facilities from a water service contract to a repayment contract with fixed semi-annual payments. The semi-annual payments for January 2007 through July 2016 are \$7,466,867. The amended contract preserved the attributes of a water service contract for other Central Valley Project costs.

The estimated commitment for the payment of allocated capital and capital interest charges of the contracted water service component as of September 30, 2012 was \$6,306,471. The total commitment, including applicable interest, of the repayment contract was \$439,261,342. The remaining commitment as of June 30, 2014 was \$327,258,840.

**(c) Participation Rights in Storage Facilities**

In December 1995, the District entered into a water banking and exchange program with Semitropic Water Storage District and its Improvement Districts that entitles the District to storage, withdrawal, and exchange rights for the District's State Water Project supplies. The District's share of the total program capital costs is \$46.9 million based on a 35 percent vesting in the program. The District pays the program capital costs when storing and recovering Tier 1 water. The agreement terminates in December 2035.

The District pays the program capital costs when storing and recovering Tier 1 water. As of June 30, 2014, the District has paid \$41.5 million towards the base fee obligation of this agreement. During the first 10 years the District has a reservation for the full 35 percent allocation; by January 1, 2006, if the District's contributions towards the program capital costs did not equal \$46.9 million the District's permanent storage allocation will be reduced. The District decided to utilize its total allowable storage rights at 35 percent on January 1, 2006.

The District currently has a storage allocation of 350,000 acre-feet. As of June 30, 2014, the District has 259,493 acre-feet of water in storage. The participation rights are amortized using the straight-line method over the life of the agreement. Amortization of \$21,691,250 has been recorded through fiscal year 2014.

**SANTA CLARA VALLEY WATER DISTRICT**  
Notes to Basic Financial Statements (Continued)  
For the Year Ended June 30, 2014

**(17) CONTINGENCIES**

**(a) Litigation**

As a public entity and due to its size and its activities, at virtually all times, the District is a defendant, co-defendant, or cross-defendant in court cases in which money damages are sought. Such a case is Great Oaks Water Company v. Santa Clara Valley Water District, Santa Clara County Superior Court Case No. 107-CV-087884; Cal. Court of Appeals Nos. HO35260 and HO35885 ("Great Oaks case").

In 2005, Great Oaks Water Company (hereinafter "Great Oaks") filed an administrative claim alleging that the groundwater charges for 2005-06 violated the Santa Clara Valley Water District Act (California Water Code, Appendix 60) and sought a partial refund. After the claim was deemed denied, Great Oaks filed its lawsuit that subsequently included an allegation that the groundwater production charges violated Proposition 218, or Article XIID of the state constitution because proceeds are used to fund projects and services that benefit the general public, not just payers. Great Oaks demanded a partial refund as well as declaratory, injunctive and mandamus relief.

On February 3, 2010, the Honorable Kevin Murphy issued Judgment After Trial and decided that the District owes Great Oaks a refund of groundwater charges in the amount of \$4,623,096 plus interest at 7% per annum. The award of pre-judgment interest as of December 1, 2009, amounts to \$1,285,524. Judge Murphy also awarded post-judgment interest at the rate of \$886.62 per day until the date of the entry of judgment. Judge Murphy also decided that the District owes Great Oaks damages in the amount of \$1,306,830. Recovery of this damages amount is in the alternative to the award of refund described above.

The District does not believe that the trial court decision regarding its 2005-06 groundwater production charges is supported by the record. The District has timely appealed this decision to the Sixth District Court of Appeals and its decision is anticipated in 2014.

In accordance with the requirements of *GASB Statement No. 62*, the District has recorded a liability in the amount of \$5.93 million, which includes the Judgment After Trial decision amount plus interest in fiscal year 2008-09. The District recorded \$160 thousand in fiscal year 2009-10, \$324 thousand in fiscal year 2010-11, \$325 thousand in fiscal year 2011-12, and \$324 thousand in fiscal years 2012-13 and 2013-14 as liability for the post-judgment interest from January 1, 2010 through June 30, 2014 at the rate of \$886.62 per day. The total liability as of June 30, 2014 in the amount of \$7.386 million is presented under the caption "Litigation Claim" in the Statement of Net position – Proprietary Funds. The interest for fiscal year 2014 of \$324 thousand is presented under the caption "Claims and Adjustments" in the Statement of Revenues, Expenses, and Changes in Net position – Proprietary Funds.

Great Oaks has filed refund actions for subsequent years of annual groundwater charges, all of which are currently stayed:

Santa Clara Superior Court Case Nos. 107-CV-087884; 108-CV-119465;  
108-CV-123064; 109-CV-146018; 110-CV-178947; 111-CV-205462;  
112-CV-228340; and 113-CV-249349.

If the trial court's judgment in the Great Oaks case is affirmed in full, Great Oaks would recover some \$6 million for 2005, and could recover refunds of groundwater charges paid in 2006, 2007, 2008, 2009, 2010, 2011, 2012, and 2013 plus interest. By its nine cases, Great

**SANTA CLARA VALLEY WATER DISTRICT**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

Oaks could recover amounts in excess of \$45 million. Great Oaks' actions covering fiscal year 2008-09 and forward are validation actions challenging the annual resolutions setting the groundwater production charge.

Additionally, Shatto Corporation, Mike Rawitser Golf Shop and Santa Teresa Golf Club have filed a refund action, Santa Clara Superior Court Case No. 111-CV-195879. This action is currently stayed. Other water retailers including San Jose Water Company, the cities of Morgan Hill, Gilroy, and Santa Clara and the Los Altos Golf and Country Club, and Stanford University dispute the District's groundwater charges and have subsequently entered tolling agreements with the District pending the final decision in the Great Oaks case.

For the fiscal year ended June 30, 2014, total groundwater revenues amounted to approximately \$84 million. The above referenced claims could result in refunds of a significant portion of groundwater production charges paid between 2005 and 2008 and could result in refunds of all groundwater production revenue collected since 2008. The District believes, however, that, as in the Great Oaks case, it has meritorious defenses to these claims, and does not believe that it will ultimately be liable for any payments or refunds which would materially impair its operations or the District's ability to pay its debts and other obligations.

The outcome of the above-described actions and disputes is not presently determinable. The District cannot predict the outcome of the cases and any statements on potential liability referenced above are purely estimates.

Other than the case noted above, the outcome of other lawsuits is not presently determinable. Counsel for the District has indicated that material losses, if any, arising from these lawsuits are adequately provided with self-insured District funds or under indemnification agreements or insurance coverage and therefore, would not have material effect on June 30, 2014 basic financial statements.

**(b) Grants and Subventions**

The District has received federal and state grants for specific purposes that are subject to review and audit. Although such audits could result in expenditure disallowances under grant terms, any required reimbursements are not expected to be material.

**(c) Central Valley Project**

On June 7, 1977, the District entered into a contract with the U.S. Bureau of Reclamation for water service from the San Felipe Division of the Federal Central Valley Project (CVP). The CVP water service provides for both agricultural operation and maintenance (O&M) and municipal and industrial (M&I) water deliveries to the District up to a total maximum annual entitlement of 152,500 acre-feet per year. The contract specified initial water rates for O&M and M&I water service and provided for periodic adjustments for the respective water rates in accordance with prevailing CVP water rate policies commencing in the year 1993 for the in-basin M&I rate component; 1996 for the agricultural O&M rate component; 2001 for the full agricultural water rate; and 2008 for the out-of-basin M&I rate component. The methodology of CVP water rate setting has historically recovered current year operating costs and the applicable construction costs over 50 years.

**SANTA CLARA VALLEY WATER DISTRICT**  
**Notes to Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2014**

The District's initial CVP water rates were determined based on a November 1974 CVP water rate policy and estimated construction costs of the San Felipe Division. The actual construction costs of the San Felipe Division were significantly higher than the estimates used in the initial rate calculation, and changes in the Federal Reclamation Law during the 1980's have led to the development of new CVP water rate policies. These policies, coupled with the terms of the original contract, resulted in the District facing significant increases for repayment of the San Felipe Division.

In compliance with the Central Valley Improvement Act (CVPIA), the District entered into negotiations, along with all other CVP contractors, with the U.S. Bureau of Reclamation for contract renewal. Because of concerns related to litigation challenging the renewal process, the District entered into an amended contract. The amendment maintained the basic provisions of the original contract, implemented provisions of CVPIA, and allowed the establishment of a fixed repayment for the San Felipe Division facilities.

**(c) Perchlorate**

In 2003, perchlorate was discovered at the Olin Corporation facility and over a wide area in the Llagas subbasin in South County, impacting a number of water supply wells. The investigation and clean-up of the contamination are under the jurisdiction of the Central Coast Regional Water Quality Control Board. As of June 2014, perchlorate is present above the Maximum Contaminant Level (MCL) in less than 10 water supply wells. The perchlorate plume exceeding MCLs extends off-site for approximately 3 miles. Olin's remedial efforts focused on clean-up of the site, including soil removal and groundwater treatment, from 2004 through 2012. Olin's ongoing remediation effort is focused on clean-up of the off-site groundwater plume. The groundwater extraction and treatment systems were expanded to include 2 off-site extraction wells in 2012.

**(18) SUBSEQUENT EVENTS**

Subsequent events have been evaluated through November 14, 2014, which is the date of the financial statements were issued. There are no reportable subsequent events through this date.

**Required  
Supplementary  
Information**



**SANTA CLARA VALLEY WATER DISTRICT**  
Schedule of Funding Progress - Other Post Employment Benefit Plan  
June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
	( a )	( b )	( b-a )	( a/b )	( c )	( [b-a]/c )
12/31/2008	\$ 19,580,319	\$ 150,156,794	\$ 130,576,475	13.0%	\$ 76,369,316	171.0%
6/30/2011	32,273,200	156,061,200	123,788,000	20.7%	81,761,500	151.4%
6/30/2013	51,888,319	169,864,833	117,976,514	30.5%	81,600,000	144.6%

# SANTA CLARA VALLEY WATER DISTRICT

## Schedule of Revenues, Expenditures and Change in Fund Balances - Budget and Actual Budgeted Governmental Funds For the Year Ended June 30, 2014 (Dollars in Thousands)

	General Fund			Variance with
	Original Budget	Final Budget	Budgetary Basis Actual	Final Budget Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 4,710	\$ 4,710	\$ 5,678	\$ 968
Use of money and property:				
Investment income	50	50	110	60
Rental	-	-	-	-
Reimbursement of capital costs	-	-	-	-
Other	89	89	40	(49)
Total revenues	<u>4,849</u>	<u>4,849</u>	<u>5,828</u>	<u>979</u>
<b>Expenditures:</b>				
<b>Operating budget:</b>				
Operations and operating projects	45,382	45,379	43,373	2,006
Debt service:				
Principal repayment	628	628	628	-
Interest and fiscal charges	5	5	2	3
Total operating budget	<u>46,015</u>	<u>46,012</u>	<u>44,003</u>	<u>2,009</u>
<b>Capital budget:</b>				
Capital improvement projects	7,866	7,891	4,655	3,236
Total expenditures	<u>53,881</u>	<u>53,903</u>	<u>48,658</u>	<u>5,245</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(49,032)</u>	<u>(49,054)</u>	<u>(42,830)</u>	<u>6,224</u>
<b>Other financing sources (uses):</b>				
Intra-district overhead reimbursement	42,450	42,450	41,232	(1,218)
Transfers in	5,659	5,659	5,659	-
Transfers out	(1,281)	(1,281)	(1,281)	-
Total other financing sources	<u>46,828</u>	<u>46,828</u>	<u>45,610</u>	<u>(1,218)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financial uses	<u>\$ (2,204)</u>	<u>\$ (2,226)</u>	2,780	<u>\$ 5,006</u>
<b>Reconciliation of GAAP and budgetary basis:</b>				
Expenditures of prior year encumbrances recognized on the GAAP basis:				
Operations and operating projects			\$ (1,587)	
Capital improvement projects			(354)	
Current year encumbrances recognized on the budgetary basis:				
Operations and operating projects			1,316	
Capital improvement projects			2,493	
Fund Balances, beginning of year			<u>11,444</u>	
Fund Balances, end of year			<u>\$ 16,092</u>	

See accompanying notes to required supplementary information

Watershed & Stream Stewardship				Clean, Safe Creeks & Natural Flood Protection			
Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
\$ 48,700	\$ 48,700	\$ 57,631	\$ 8,931	\$ 37,456	\$ 37,456	\$ 37,259	\$ (197)
538	538	985	447	808	808	1,389	581
-	-	1,338	1,338	164	164	271	107
16,378	16,378	4,024	(12,354)	8,094	8,094	5,594	(2,500)
2,106	2,106	687	(1,419)	-	-	1	1
67,722	67,722	64,665	(3,057)	46,522	46,522	44,514	(2,008)
45,238	44,295	38,996	5,299	13,353	13,548	10,163	3,385
-	-	-	-	-	-	-	-
-	-	14	(14)	-	-	-	-
45,238	44,295	39,010	5,285	13,353	13,548	10,163	3,385
18,000	39,778	22,951	16,827	117,851	156,708	29,203	127,505
63,238	84,073	61,961	22,112	131,204	170,256	39,366	130,890
4,484	(16,351)	2,704	19,055	(84,682)	(123,734)	5,148	128,882
-	-	-	-	-	-	-	-
2,903	2,903	2,887	(16)	12,792	12,792	11,948	(844)
(16,336)	(16,336)	(15,837)	499	(57)	(57)	(203)	(146)
(13,433)	(13,433)	(12,950)	483	12,735	12,735	11,745	(990)
\$ (8,949)	\$ (29,784)	(10,246)	\$ 19,538	\$ (71,947)	\$ (110,999)	16,893	\$ 127,892
		\$ (1,014)				\$ (516)	
		(11,778)				(3,389)	
		1,450				3,225	
		15,398				15,575	
		130,949				178,074	
		\$ 124,759				\$ 209,862	

## **SANTA CLARA VALLEY WATER DISTRICT**

### **Notes to Required Supplementary Information**

**For the Year Ended June 30, 2014**

The District annually adopts a budget in June to be effective July 1 for the ensuing fiscal year. Annual appropriated budgets are adopted for the general fund, special revenue funds, and for all proprietary funds. The COP construction and COP debt service funds are not budgeted.

Legal budgetary (expenditure) control is established at the fund level, further controlled within the fund at the category level. The categories are defined as the operating budget (operations and maintenance, debt service, and operating projects) and the capital budget (capital improvement projects) in the budget and actual budgetary basis schedules. The amounts stated therein as proposed expenditures become appropriations to the various District organization units. The Board may amend the budget by motion during the fiscal year. The District Chief Executive Officer is authorized to transfer appropriations within budget categories by fund. All unencumbered appropriations for operations and maintenance, operating projects and debt service lapse at fiscal year-end. The encumbered appropriation balance is carried forward to the succeeding year and is not re-appropriated. Unexpended appropriations for capital projects are carried forward until project completion or termination.

The budget process is based upon accounting for certain transactions on a basis other than the Generally Accepted Accounting Principles (GAAP) basis. The results of operations are presented in the budget and actual schedules in accordance with the budgetary basis to provide a meaningful comparison with the budget. The major differences between the budgetary basis and GAAP basis are as follows:

- Certain accruals (primarily accrued vacation and sick leave pay) are excluded from the budgetary basis because such amounts are budgeted on a cash basis.
- Year-end encumbrances are recognized as expenditures on the budgetary basis, while encumbered amounts are not recognized as expenditures on the GAAP basis until incurred.
- Certain budgeted debt service expenditures in special revenue funds are recorded as operating transfers out on a GAAP basis.
- Intra-district overhead reimbursement on a budgetary basis is reflected as a reimbursement of expenditures on a GAAP basis.

Reported budget amounts reflect the annual budget as originally adopted and as subsequently amended by the District Board of Directors. The budget amounts are based on estimates of the District's expenditures/expenses and the proposed means of financing them. The final budget of capital improvement projects includes budget adjustments related to capital projects' period year balance forward. Actual expenditures for capital items, as in the case of special revenue funds, may vary significantly from budget due to timing of such expenditures.

**Supplemental  
Information**



---

---

**Schedule of Revenues, Expenditures and Change in Fund Balances – Selected Watershed Activities Contained Within the Watershed and Stream Stewardship Funds**

**Schedule of Revenues, Expenditures and Change in Fund Balances – Budget and Actual Selected Watershed Activities Contained Within the Watershed and Stream Stewardship Fund**

---

---

# SANTA CLARA VALLEY WATER DISTRICT

## Schedule of Revenues, Expenditures and Change in Fund Balances

Selected Watershed Activities Contained  
Within the Watershed and Stream Stewardship Fund  
For the Year Ended June 30, 2014  
(Dollars in Thousands)

	Lower Peninsula Watershed	West Valley Watershed
<b>Revenues:</b>		
Benefit assessments (Note 8)	\$ 4,279	\$ 2,477
Total revenues	4,279	2,477
<b>Expenditures:</b>		
<b>Debt service:</b>		
Interest and fiscal charges	8	2
Total expenditures	8	2
Excess (deficiency) of revenues over (under) expenditures	4,271	2,475
<b>Other financing sources (uses):</b>		
Transfers in (Note 16)	-	-
Transfers out (Note 16)	(4,271)	(2,475)
Total other financing sources (uses)	(4,271)	(2,475)
Net change in fund balances	-	-
Fund balances, beginning of year	-	-
Fund balances, end of year	\$ -	\$ -

Guadalupe Watershed	Coyote Watershed	Uvas/Llagas Watershed	Total
\$ 5,225	\$ 4,163	\$ (1)	\$ 16,143
5,225	4,163	(1)	16,143
4	3	1	18
4	3	1	18
5,221	4,160	(2)	16,125
-	-	-	-
(5,221)	(4,160)	2	(16,125)
(5,221)	(4,160)	2	(16,125)
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

# SANTA CLARA VALLEY WATER DISTRICT

## Schedule of Revenues, Expenditures and Change in Fund Balances - Budget and Actual Selected Watershed Activities Contained Within the Watershed and Stream Stewardship Fund For the Year Ended June 30, 2014 (Dollars in Thousands)

	Lower Peninsula Watershed			Variance with
	Original Budget	Final Budget	Budgetary Basis Actual	Final Budget Positive (Negative)
<b>Revenues:</b>				
Benefit assessments	\$ 4,279	\$ 4,279	\$ 4,279	\$ -
Total revenues	<u>4,279</u>	<u>4,279</u>	<u>4,279</u>	<u>-</u>
<b>Expenditures:</b>				
<b>Operating budget:</b>				
Debt service:				
Principal repayment	3,546	3,546	3,546	-
Interest and fiscal charges	<u>14</u>	<u>14</u>	<u>8</u>	<u>6</u>
Total operating budget	<u>3,560</u>	<u>3,560</u>	<u>3,554</u>	<u>6</u>
Total expenditures	<u>3,560</u>	<u>3,560</u>	<u>3,554</u>	<u>6</u>
Excess (deficiency) of revenues over (under) expenditures	<u>719</u>	<u>719</u>	<u>725</u>	<u>6</u>
<b>Other financing sources (uses):</b>				
Transfers out	<u>(719)</u>	<u>(719)</u>	<u>(725)</u>	<u>(6)</u>
Total other financing sources (uses)	<u>(719)</u>	<u>(719)</u>	<u>(725)</u>	<u>(6)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financial uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

West Valley Watershed				Guadalupe Watershed			
Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
\$ 2,485	\$ 2,485	\$ 2,477	(8)	\$ 5,245	\$ 5,245	\$ 5,225	\$ (20)
2,485	2,485	2,477	(8)	5,245	5,245	5,225	(20)
2,028	2,028	2,022	6	4,252	4,252	4,236	16
4	4	2	2	8	8	4	4
2,032	2,032	2,024	8	4,260	4,260	4,240	20
2,032	2,032	2,024	8	4,260	4,260	4,240	20
453	453	453	-	985	985	985	-
(453)	(453)	(453)	-	(985)	(985)	(985)	-
(453)	(453)	(453)	-	(985)	(985)	(985)	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

# SANTA CLARA VALLEY WATER DISTRICT

## Schedule of Revenues, Expenditures and Change in Fund Balances - Budget and Actual (Continued) Selected Watershed Activities Contained Within the Watershed and Stream Stewardship Fund For the Year Ended June 30, 2014 (Dollars in Thousands)

Coyote Watershed			
	Original Budget	Final Budget	Budgetary Basis Actual
			Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Benefit Assessments	\$ 4,140	\$ 4,140	\$ 4,163
Total revenues	<u>4,140</u>	<u>4,140</u>	<u>4,163</u>
<b>Expenditures:</b>			
<b>Operating budget:</b>			
Debt service:			
Principal repayment	3,444	3,444	3,437
Interest and fiscal charges	<u>7</u>	<u>7</u>	<u>3</u>
Total operating budget	<u>3,451</u>	<u>3,451</u>	<u>3,440</u>
Total expenditures	<u>3,451</u>	<u>3,451</u>	<u>3,440</u>
Excess (deficiency) of revenues over (under) expenditures	<u>689</u>	<u>689</u>	<u>723</u>
<b>Other financing sources (uses):</b>			
Transfers out	<u>(689)</u>	<u>(689)</u>	<u>(723)</u>
Total other financing sources (uses)	<u>(689)</u>	<u>(689)</u>	<u>(723)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Uvas / Llagas Watershed			
Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ (1)	\$ (1)
-	-	(1)	(1)
-	-	-	-
-	-	1	(1)
-	-	1	(1)
-	-	1	(1)
-	-	(2)	(2)
-	-	2	2
-	-	2	2
\$ -	\$ -	\$ -	\$ -



## **Water Enterprise Fund**

---

---

### **Schedule of Revenues, Expenses and Change in Fund Net Position Budget and Actual**

---

---

# SANTA CLARA VALLEY WATER DISTRICT

## Schedule of Revenues, Expenses and Change in Net Position - Budget and Actual Water Enterprise Fund For the Year Ended June 30, 2014 (Dollars in Thousands)

	Water Enterprise Fund			
	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 4,210	\$ 4,210	\$ 5,069	\$ 859
Intergovernmental services	1,631	1,631	1,232	(399)
Ground water production charges	63,035	63,035	84,308	21,273
Treated water charges	89,699	89,699	86,386	(3,313)
Surface and recycled water revenue	1,571	1,571	1,680	109
Investment income	525	525	1,624	1,099
Capital reimbursements	4,060	4,060	3,532	(528)
Other	1,273	1,273	2,051	778
Total revenues	<u>166,004</u>	<u>166,004</u>	<u>185,882</u>	<u>19,878</u>
<b>Expenses:</b>				
<b>Current:</b>				
Operations and operating projects	117,316	119,745	114,840	4,905
<b>Debt Service:</b>				
Principal repayment	5,714	5,714	5,714	-
Interest and fiscal charges	11,795	11,795	8,285	3,510
<b>Capital outlay:</b>				
Capital improvement projects	93,275	115,466	84,643	30,823
Total expenses	<u>228,100</u>	<u>252,720</u>	<u>213,482</u>	<u>39,238</u>
Excess (deficiency) of revenues over (under) expenses	<u>(62,096)</u>	<u>(86,716)</u>	<u>(27,600)</u>	<u>59,116</u>
<b>Other financing (uses):</b>				
Transfers in	2,562	2,562	2,562	-
Transfers out	<u>(3,395)</u>	<u>(3,395)</u>	<u>(2,834)</u>	<u>561</u>
Excess (deficiency) of revenues and other financing sources over (under) expenses	<u>\$ (62,929)</u>	<u>\$ (87,549)</u>	<u>\$ (27,872)</u>	<u>\$ 59,677</u>
<b>Reconciliation of GAAP and budgetary basis:</b>				
Depreciation and amortization expense not budgeted			(23,949)	
Capitalized expenditures			61,077	
Debt principal and GAAP basis accruals for interest payable			(1,595)	
GAAP basis expenses and other liabilities			2,441	
Expenses of prior year encumbrances recognized on the GAAP basis:				
Operations and operating projects			(11,518)	
Capital improvement projects			(23,582)	
Current year encumbrances recognized on the budgetary basis:				
Operations and operating projects			10,950	
Capital improvement projects			43,615	
Net position, beginning of year			<u>680,323</u>	
Net position, end of year			<u>\$ 709,890</u>	

State Water Fund				Total			
Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
\$ 21,000	\$ 21,000	\$ 21,920	\$ 920	\$ 25,210	\$ 25,210	\$ 26,989	\$ 1,779
-	-	-	-	1,631	1,631	1,232	(399)
-	-	-	-	63,035	63,035	84,308	21,273
-	-	-	-	89,699	89,699	86,386	(3,313)
-	-	-	-	1,571	1,571	1,680	109
-	-	-	-	525	525	1,624	1,099
-	-	-	-	4,060	4,060	3,532	(528)
1,000	1,000	1,232	232	2,273	2,273	3,283	1,010
22,000	22,000	23,152	1,152	188,004	188,004	209,034	21,030
23,275	23,275	21,413	\$ 1,862	140,591	143,020	136,253	6,767
-	-	-	-	5,714	5,714	5,714	-
-	-	-	-	11,795	11,795	8,285	3,510
-	-	-	-	93,275	115,466	84,643	30,823
23,275	23,275	21,413	1,862	251,375	275,995	234,895	41,100
(1,275)	(1,275)	1,739	3,014	(63,371)	(87,991)	(25,861)	62,130
-	-	-	-	2,562	2,562	2,562	-
-	-	-	-	(3,395)	(3,395)	(2,834)	561
\$ (1,275)	\$ (1,275)	\$ 1,739	\$ 3,014	\$ (64,204)	\$ (88,824)	\$ (26,133)	\$ 62,691
		(944)				(24,893)	
		-				61,077	
		-				(1,595)	
		-				2,441	
		(2,689)				(14,207)	
		-				(23,582)	
		454				11,404	
		-				43,615	
		27,400				707,723	
		\$ 25,960				\$ 735,850	

## Internal Service Funds

---

The Internal Service Funds are similar to Enterprise Funds except that services are rendered to other District units rather than to the District's customers. This fund type consists of the Equipment Fund and the Risk Management Fund.

**Equipment Fund** - to account for the maintenance and operation of the District's vehicle fleet, heavy construction, and information system equipment. Financing is provided through rental charges to operations based upon usage.

**Risk Management Fund** - to account for the monies set aside to pay for all claims, judgments, and premium costs. Financing is provided through premiums charged to District operations.

---

# SANTA CLARA VALLEY WATER DISTRICT

## Combining Statement of Net Position

### Internal Service Funds

June 30, 2014

(Dollars in Thousands)

	Equipment	Risk Management	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments (Note 3)	\$ 3,564	\$ 11,397	\$ 14,961
Prepaid assets	-	262	262
Inventory	47	-	47
Total current assets	<u>3,611</u>	<u>11,659</u>	<u>15,270</u>
Noncurrent assets:			
Capital assets (Note 6)			
Depreciable assets	18,353	18	18,371
Accumulated depreciation	(12,027)	(13)	(12,040)
Total noncurrent assets	<u>6,326</u>	<u>5</u>	<u>6,331</u>
Total assets	<u>9,937</u>	<u>11,664</u>	<u>21,601</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	157	67	224
Accrued liabilities	4	-	4
Claims payable (Note 13)	-	476	476
Other Debts (Note 7)	48	31	79
Total current liabilities	<u>209</u>	<u>574</u>	<u>783</u>
Non current liabilities:			
Claims payable (Note 13)	-	6,535	6,535
Other post employment benefits payable (Note 12)	26	18	44
Other Debts (Note 7)	172	90	262
Total non current liabilities	<u>198</u>	<u>6,643</u>	<u>6,841</u>
Total liabilities	<u>407</u>	<u>7,217</u>	<u>7,624</u>
<b>NET POSITION (Note 10)</b>			
Net investment in capital assets	6,326	5	6,331
Unrestricted	3,204	4,442	7,646
Total net position	<u>\$ 9,530</u>	<u>\$ 4,447</u>	<u>\$ 13,977</u>

**SANTA CLARA VALLEY WATER DISTRICT**

Combining Statement of Revenues, Expenses and  
Change in Fund Net Position  
Internal Service Funds  
For the Year Ended June 30, 2014  
(Dollars in Thousands)

	Equipment	Risk Management	Total
<b>Operating revenues:</b>			
Vehicle service charges	\$ 5,173	\$ -	\$ 5,173
Computer equipment use charges	3,499	-	3,499
Self-insurance service charges	-	3,570	3,570
Total operating revenues	8,672	3,570	12,242
<b>Operating expenses:</b>			
Administration and general	-	5,555	5,555
Equipment maintenance	6,114	-	6,114
Depreciation and amortization	1,170	-	1,170
Total operating expenses	7,284	5,555	12,839
Operating (loss)	1,388	(1,985)	(597)
<b>Nonoperating revenues:</b>			
Investment income (Note 5)	21	100	121
Other	198	33	231
Total nonoperating revenues	219	133	352
Change in net position	1,607	(1,852)	(245)
Net position, beginning of year	7,923	6,299	14,222
Net position, end of year	\$ 9,530	\$ 4,447	\$ 13,977

# SANTA CLARA VALLEY WATER DISTRICT

## Combining Statement of Cash Flows

### Internal Service Funds

For the Year Ended June 30, 2014

(Dollars in Thousands)

	Equipment	Risk Management	Total
<b>Cash flows from operating activities:</b>			
Receipts from customers and users	\$ 8,742	\$ 3,617	\$ 12,359
Payments to suppliers	(3,892)	(3,881)	(7,773)
Payments to employees	(2,385)	(1,353)	(3,738)
Other receipts	198	33	231
Net cash provided (used) by operating activities	2,663	(1,584)	1,079
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	(1,727)	-	(1,727)
<b>Cash flows from investing activities:</b>			
Interest received on cash and investments	21	100	121
Net increase/(decrease) in cash and cash equivalents	957	(1,484)	(527)
Cash and cash equivalents, beginning of year	2,607	12,881	15,488
Cash and cash equivalents, end of year	\$ 3,564	\$ 11,397	\$ 14,961
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 1,388	\$ (1,985)	\$ (597)
<b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</b>			
Depreciation and amortization	1,170	1	1,171
Other receipts	198	33	231
<b>Change in operating assets and liabilities:</b>			
Increase (decrease) in accounts receivable	-	1	1
Increase in Due to Due from other funds	70	46	116
Increase in prepaid assets	-	24	24
Increase in inventory	23	-	23
Decrease in accounts payable	(105)	26	(79)
Decrease in accrued liabilities	3	-	3
Decrease/(increase) in claims payable	-	332	332
Decrease in other post employment benefits and compensated absences	(84)	(62)	(146)
Net cash used for operating activities	\$ 2,663	\$ (1,584)	\$ 1,079

# SANTA CLARA VALLEY WATER DISTRICT

## Schedule of Revenues, Expenses and Change in Fund Net Position - Budget and Actual Internal Service Funds For the Year Ended June 30, 2014 (Dollars in Thousands)

	Equipment			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Investment income	\$ 16	\$ 16	\$ 21	\$ 5
Vehicle service charges	5,178	5,178	5,173	(5)
Computer equipment use charges	3,506	3,506	3,499	(7)
Gain on sale of fixed assets	80	80	198	118
Self-insurance service charges	-	-	-	-
Other	-	-	-	-
Total revenues	<u>8,780</u>	<u>8,780</u>	<u>8,891</u>	<u>111</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Operations and operating projects	5,424	5,424	5,299	125
Capital equipment acquisition	4,233	4,233	4,015	218
Total expenditures	<u>9,657</u>	<u>9,657</u>	<u>9,314</u>	<u>343</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (877)</u>	<u>\$ (877)</u>	(423)	<u>\$ 454</u>
<b>Reconciliation of GAAP and budgetary basis:</b>				
Depreciation and amortization expense not budgeted			(1,170)	
Capitalized expenditures			1,733	
Net change in prepaid assets recognized on the GAAP basis			-	
GAAP basis expenses and other liabilities			91	
Expenditures of prior year encumbrances recognized on the GAAP basis:				
Operations and operating projects			(14)	
Capital improvement projects			(473)	
Current year encumbrances recognized on the budgetary basis:				
Operations and operating projects			277	
Capital improvement projects			1,586	
Net position, beginning of year			<u>7,923</u>	
Net position, end of year			<u>\$ 9,530</u>	

Risk Management				Total			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
\$ 62	\$ 62	\$ 100	\$ 38	\$ 78	\$ 78	\$ 121	\$ 43
-	-	-	-	5,178	5,178	5,173	(5)
-	-	-	-	3,506	3,506	3,499	(7)
-	-	-	-	80	80	198	118
3,855	3,855	3,570	(285)	3,855	3,855	3,570	(285)
-	-	33	33	-	-	33	33
<u>3,917</u>	<u>3,917</u>	<u>3,703</u>	<u>(214)</u>	<u>12,697</u>	<u>12,697</u>	<u>12,594</u>	<u>(103)</u>
4,223	6,164	5,540	624	9,647	11,588	10,839	749
-	-	-	-	4,233	4,233	4,015	218
<u>4,223</u>	<u>6,164</u>	<u>5,540</u>	<u>624</u>	<u>13,880</u>	<u>15,821</u>	<u>14,854</u>	<u>967</u>
<u>\$ (306)</u>	<u>\$ (2,247)</u>	(1,837)	<u>\$ 410</u>	<u>\$ (1,183)</u>	<u>\$ (3,124)</u>	(2,260)	<u>\$ 864</u>
		-				(1,170)	
		-				1,733	
		(24)				(24)	
		65				156	
		(79)				(93)	
		-				(473)	
		23				-	
		-				300	
		-				1,586	
		<u>6,299</u>				<u>14,222</u>	
		<u>\$ 4,447</u>				<u>\$ 13,977</u>	

## Agency Funds

---

---

Agency funds are used to account for assets held by the District in a fiduciary capacity as an agent for individuals, private organizations, other governments and/or other funds.

**Deposit Fund** - The fund is used to account for the collection and payment of expenditures for funds held in trust for specific restricted purposes.

---

---

**SANTA CLARA VALLEY WATER DISTRICT**  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Year Ended June 30, 2014  
(Dollars in Thousands)

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
<b><u>Deposit Fund</u></b>				
<b>Assets:</b>				
Cash and investments (Note 3)	\$ 171	\$ 49	\$ 27	\$ 193
Total assets	<u>\$ 171</u>	<u>\$ 49</u>	<u>\$ 27</u>	<u>\$ 193</u>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 11	\$ 11	\$ -
Deposits payable	171	49	27	193
Total liabilities	<u>\$ 171</u>	<u>\$ 60</u>	<u>\$ 38</u>	<u>\$ 193</u>

## **Capital Assets Used in the Operation of Governmental Activities**

---

---

Land, improvements to land, buildings, and equipment that are used in operations and that have initial useful lives extending beyond a single reporting period.

---

---

**SANTA CLARA VALLEY WATER DISTRICT**  
Capital Assets Used in the Operation of Governmental Activities  
Schedule By Source  
June 30, 2014  
(Dollars in Thousands)

**Governmental activities capital assets:**

Land	\$ 159,254
Buildings	42,007
Structures and improvements	724,025
Equipment	39,392
Construction in process	312,218
Intangibles - Easements	<u>3,101</u>
<b>Total governmental funds capital assets</b>	<b><u><u>\$ 1,279,997</u></u></b>

**Investments in governmental activities capital assets by source:**

General fund	\$ 88,959
Special revenue funds:	
Watershed & Stream Stewardship	994,930
Clean Safe Creeks	177,738
Internal service funds	<u>18,370</u>
<b>Total governmental funds capital assets</b>	<b><u><u>\$ 1,279,997</u></u></b>

**SANTA CLARA VALLEY WATER DISTRICT**  
**Capital Assets Used in the Operation of Governmental Activities**  
**Schedule By Function and Activity**  
**June 30, 2014**  
(Dollars in Thousands)

<b>Function and Activity</b>	<b>Land</b>	<b>Buildings</b>	<b>Structures and Improvements</b>	<b>Equipment</b>	<b>Construction in Progress</b>	<b>Intangibles Easements</b>	<b>Total</b>
<b>CEO Support Operations</b>							
Chief Executive Office	\$ -	\$ -	\$ -	\$ 379	\$ -	\$ -	\$ 379
Public Affairs	-	-	-	17	-	-	17
<b>Watershed Operations</b>							
Chief Operating Office	-	-	-	5,115	-	-	5,115
<b>Watershed Management Division</b>							
Watershed Business Management	-	-	-	107	-	-	107
Watershed Planning	-	-	-	38	-	-	38
Lower Peninsula/West Valley Mgmt.	-	-	-	98	-	-	98
Guadalupe Watershed Mgmt.	-	-	-	415	-	-	415
Coyote & Uvas/Llagas Mgmt.	-	-	-	28	-	-	28
<b>Capital Program Services Division</b>							
Capital Program Services Departments	-	-	-	329	-	-	329
<b>Water Utility Enterprise Operations</b>							
Chief Operating Office	-	-	-	139	-	-	139
Water Utility Enterprise	-	-	-	216	-	-	216
<b>Administration</b>							
Chief Administrative Office	-	-	-	230	-	-	230
Clerk Of The Board	-	-	-	-	-	-	-
<b>Financial Services Division</b>							
Office of Administrative Services	-	-	-	52	-	-	52
Business And Finance Program	-	-	-	1,643	-	-	1,643
<b>Information Management Division</b>							
Information Management Division	-	-	-	194	-	-	194
Information Mgmt. Support Departments	-	-	-	5,020	-	-	5,020
<b>General Services Division</b>							
Technical Services Division	-	-	-	12	-	-	12
Technical Services Support Division	-	-	-	1,024	-	-	1,024
Records and Library	-	-	-	168	-	-	168
Warehouse Services	-	-	-	5,643	-	-	5,643
Equipment Management	-	-	-	8,696	-	-	8,696
<b>Human Resources Program</b>							
Human Resources Program	-	-	-	61	-	-	61
<b>Other:</b>							
District-wide property	159,254	42,007	724,025	9,768	312,218	3,101	1,250,373
<b>Total capital assets</b>	<b>\$ 159,254</b>	<b>\$ 42,007</b>	<b>\$ 724,025</b>	<b>\$ 39,392</b>	<b>\$ 312,218</b>	<b>\$ 3,101</b>	<b>\$ 1,279,997</b>

**SANTA CLARA VALLEY WATER DISTRICT**  
**Capital Assets Used in the Operation of Governmental Activities**  
**Schedule of Changes By Function and Activity**  
**For the Year Ended June 30, 2014**  
(Dollars in Thousands)

<b>Function and Activity</b>	<b>Governmental Capital Assets July 1, 2013 (Restated)</b>	<b>Additions</b>	<b>Deductions</b>	<b>Governmental Capital Assets June 30, 2014</b>
<b>CEO Support Operations</b>				
Chief Executive Office	\$ 408	\$ -	\$ (29)	\$ 379
Public Affairs	17	-	-	17
<b>Watershed Operations</b>				
Chief Operating Office	4,557	719	(161)	5,115
<b>Watershed Management Division</b>				
Watershed Business Management	107	-	-	107
Watershed Planning	38	-	-	38
Lower Peninsula/West Valley Mgmt.	98	-	-	98
Guadalupe Watershed Mgmt.	415	-	-	415
Coyote & Uvas/Llagas Mgmt.	28	-	-	28
<b>Capital Program Services Division</b>				
Capital Program Services Departments	334	-	(5)	329
<b>Water Utility Enterprise Operations</b>				
Chief Operating Office	139	-	-	139
Water Utility Enterprise	227	-	(11)	216
<b>Administration</b>				
Chief Administrative Office	235	-	(5)	230
Clerk Of The Board	5	-	(5)	-
<b>Financial Services Division</b>				
Office of Administrative Services	52	-	-	52
Business And Finance Program	1,692	-	(49)	1,643
<b>Information Management Division</b>				
Information Management Division	103	91	-	194
Information Mgmt. Support Departments	5,720	598	(1,298)	5,020
<b>General Services Division</b>				
Technical Services Division	12	-	-	12
Technical Services Support Division	1,091	-	(67)	1,024
Records and Library	168	-	-	168
Warehouse Services	8,131	-	(2,488)	5,643
Equipment Management	7,547	1,149	-	8,696
<b>Human Resources Program</b>				
Human Resources Program	61	-	-	61
<b>Other:</b>				
District-wide property	1,224,170	34,978	(8,775)	1,250,373
	<u>\$ 1,255,355</u>	<u>\$ 37,535</u>	<u>\$ (12,893)</u>	<u>\$ 1,279,997</u>

Note: July 1, 2013 balances were restated to include internal service funds capital assets.



# Statistical Section

## Comprehensive Annual Financial Report

Santa Clara Valley  
Water District



# SANTA CLARA VALLEY WATER DISTRICT

## **Statistical Section**

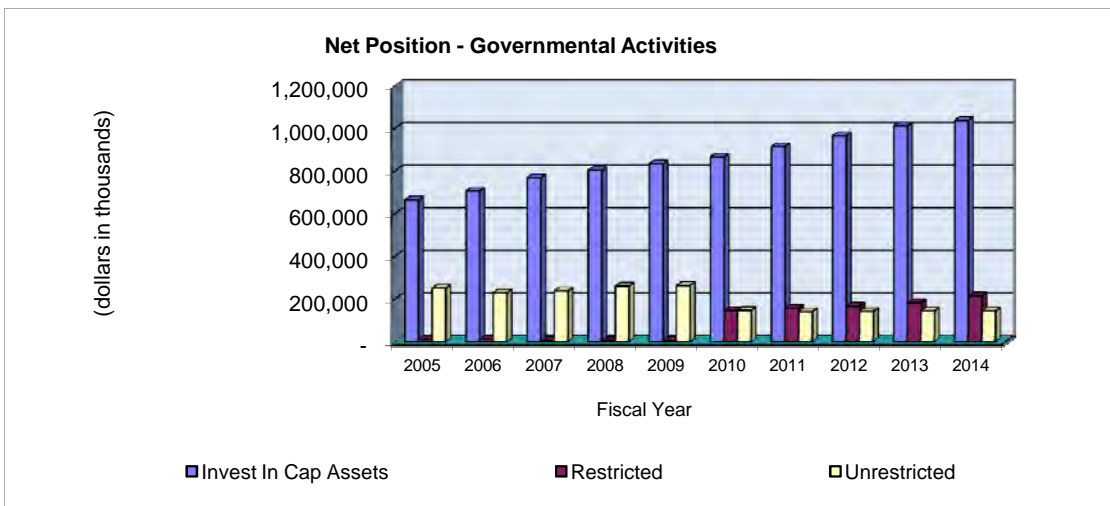
This part of the District's comprehensive annual financial statement report presents detailed information as a context for understanding what the information in the financial statement, note disclosures, and required supplementary information says about the District's overall financial health.

<b><u>Contents</u></b>	<b>Page</b>
<b>Financial Trends</b>	126
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	134
These schedules contain information to help the reader assess the District's most significant local revenue source, water sales.	
<b>Debt Capacity</b>	141
These schedules present information to help the reader assess the affordability of the District's current level of outstanding debt and the District's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	147
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
<b>Operating Information</b>	149
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	

The District implemented GASB Statement No. 44 in fiscal year 2005/06; newly required schedules presenting information in the Statistical Section beginning in that year.

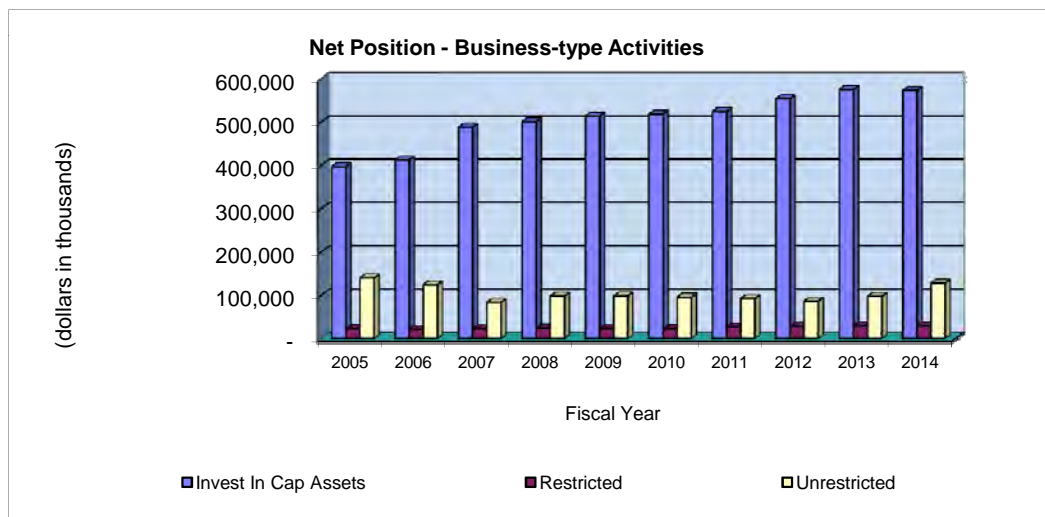
Santa Clara Valley Water District  
Net Position by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(dollars in thousands)

	2005	2006	2007	2008
<b>Governmental activities</b>				
Net Investment in capital assets	\$ 664,735	\$ 706,201	\$ 768,503	\$ 803,594
Restricted	10,661	11,447	6,519	5,482
Unrestricted	251,220	228,844	238,292	260,865
<b>Total governmental activities net position</b>	<b>\$ 926,616</b>	<b>\$ 946,492</b>	<b>\$ 1,013,314</b>	<b>\$ 1,069,941</b>
<b>Business-type activities</b>				
Net Investment in capital assets	\$ 397,271	\$ 412,458	\$ 487,993	\$ 500,821
Restricted	22,939	21,256	22,729	24,011
Unrestricted	140,045	124,540	83,380	98,098
<b>Total business-type activities net position</b>	<b>\$ 560,255</b>	<b>\$ 558,254</b>	<b>\$ 594,102</b>	<b>\$ 622,930</b>
<b>Primary government</b>				
Net Investment in capital assets	\$ 1,062,006	\$ 1,118,659	\$ 1,256,496	\$ 1,304,415
Restricted	33,600	32,703	29,248	29,493
Unrestricted	391,265	353,384	321,672	358,963
<b>Total primary government net position</b>	<b>\$ 1,486,871</b>	<b>\$ 1,504,746</b>	<b>\$ 1,607,416</b>	<b>\$ 1,692,871</b>



Source: Santa Clara Valley Water District General Accounting Unit

2009	2010	2011	2012	2013	2014
\$ 834,814	\$ 866,291	\$ 915,118	\$ 964,394	\$ 1,011,082	\$ 1,036,853
5,502	145,370	157,221	166,845	182,760	214,652
264,074	146,800	141,640	142,289	143,971	144,210
<u>\$ 1,104,390</u>	<u>\$ 1,158,461</u>	<u>\$ 1,213,979</u>	<u>\$ 1,273,528</u>	<u>\$ 1,337,813</u>	<u>\$ 1,395,715</u>
\$ 514,102	\$ 518,237	\$ 524,557	\$ 554,316	\$ 575,683	\$ 573,410
22,824	22,944	26,824	28,082	30,131	30,019
98,288	95,656	92,661	86,716	97,652	127,889
<u>\$ 635,214</u>	<u>\$ 636,837</u>	<u>\$ 644,042</u>	<u>\$ 669,114</u>	<u>\$ 703,466</u>	<u>\$ 731,318</u>
\$ 1,348,916	\$ 1,384,528	\$ 1,439,675	\$ 1,518,710	\$ 1,586,765	\$ 1,610,263
28,326	168,314	184,045	194,927	212,891	244,671
362,362	242,456	234,301	229,005	241,623	272,099
<u>\$ 1,739,604</u>	<u>\$ 1,795,298</u>	<u>\$ 1,858,021</u>	<u>\$ 1,942,642</u>	<u>\$ 2,041,279</u>	<u>\$ 2,127,033</u>



Santa Clara Valley Water District  
Change in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(dollars in thousands)

	2005	2006	2007
<b>Expenses</b>			
Governmental activities:			
General government:	\$ 4,846	\$ 7,149	\$ 9,065
Watersheds	46,188	48,406	47,604
Interest on long-term debt	11,735	9,344	8,746
Total governmental activities expenses	<u>62,769</u>	<u>64,899</u>	<u>65,415</u>
Business-type activities:			
Water enterprise	115,340	137,846	129,374
Total primary government expenses	<u>\$ 178,109</u>	<u>\$ 202,745</u>	<u>\$ 194,789</u>
<b>Program Revenues</b>			
Governmental activities:			
Capital grants and contributions	\$ 19,135	\$ 24,613	\$ 24,844
Business-type activities:			
Charges for services	104,831	108,009	125,234
Operating grants and contributions	2,039	1,269	2,818
Capital grants and contributions	313	1,407	105
Total business-type activities program revenues	<u>107,183</u>	<u>110,685</u>	<u>128,157</u>
Total primary government program revenues	<u>\$ 126,318</u>	<u>\$ 135,298</u>	<u>\$ 153,001</u>
 Net (expense)/revenue			
Governmental activities	\$ (43,634)	\$ (40,286)	\$ (40,571)
Business-type activities	(8,157)	(27,161)	(1,217)
Total primary government net expense	<u>\$ (51,791)</u>	<u>\$ (67,447)</u>	<u>\$ (41,788)</u>
 <b>General Revenues and Other Changes in Net Position</b>			
Governmental activities:			
Property taxes	\$ 46,396	\$ 50,923	\$ 78,801
Unrestricted investment earnings	9,188	6,616	12,802
Miscellaneous	2,408	2,136	2,392
Transfers	(387)	487	2,429
Total governmental activities	<u>57,605</u>	<u>60,162</u>	<u>96,424</u>
Business-type activities:			
Property taxes	20,085	19,338	21,491
Unrestricted investment earnings	3,614	3,086	6,401
Miscellaneous	2,756	3,223	3,469
Transfers	387	(487)	(2,429)
Total business-type activities	<u>\$ 26,842</u>	<u>\$ 25,160</u>	<u>\$ 28,932</u>
 <b>Change in Net Position</b>			
Governmental activities	\$ 13,971	\$ 19,876	\$ 55,853
Business-type activities	18,685	(2,001)	27,715
Total primary government	<u>\$ 32,656</u>	<u>\$ 17,875</u>	<u>\$ 83,568</u>

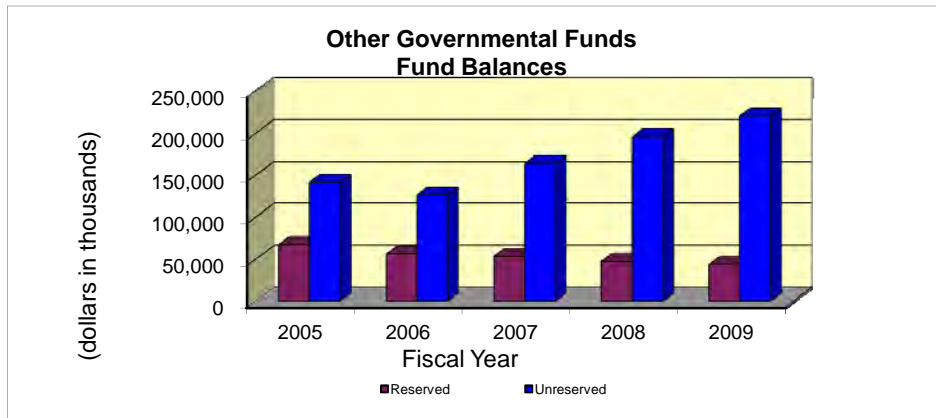
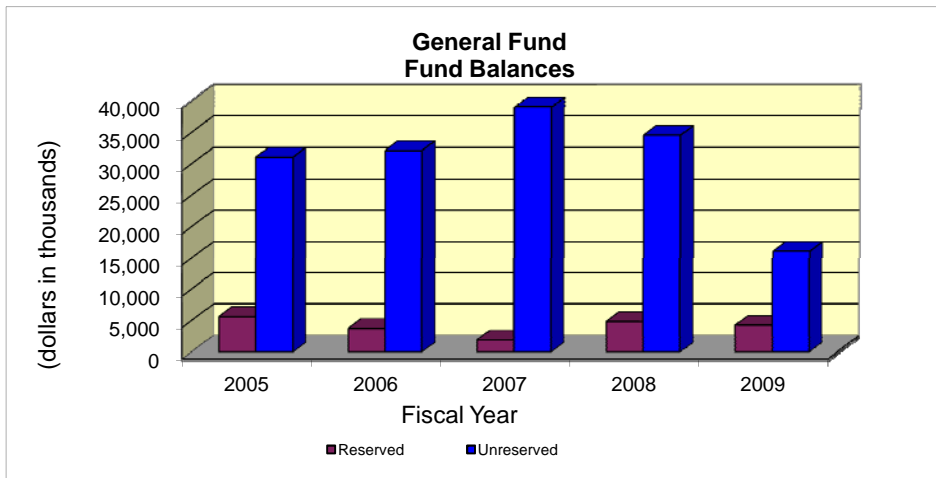
Source: Santa Clara Valley Water District General Accounting Unit

2008	2009	2010	2011	2012	2013	2014
\$ 11,617	\$ 12,602	\$ 9,317	\$ 9,954	\$ 5,408	\$ 6,404	\$ 6,916
47,676	45,440	51,841	54,562	50,292	51,735	61,302
8,503	8,269	7,841	7,476	7,034	7,971	6,116
<u>67,796</u>	<u>66,311</u>	<u>68,999</u>	<u>71,992</u>	<u>62,734</u>	<u>66,110</u>	<u>74,334</u>
141,889	168,753	155,145	155,389	158,888	161,609	173,767
<u>\$ 209,685</u>	<u>\$ 235,064</u>	<u>\$ 224,144</u>	<u>\$ 227,381</u>	<u>\$ 221,622</u>	<u>\$ 227,719</u>	<u>\$ 248,101</u>
\$ 21,869	\$ 20,072	\$ 23,690	\$ 38,578	\$ 32,611	\$ 34,935	\$ 25,761
135,477	136,356	120,264	121,347	141,783	155,718	172,374
2,437	3,923	1,696	1,458	1,111	980	1,232
708	-	1,602	10,443	11,803	4,610	3,532
<u>138,622</u>	<u>140,279</u>	<u>123,562</u>	<u>133,248</u>	<u>154,697</u>	<u>161,308</u>	<u>177,138</u>
<u>\$ 160,491</u>	<u>\$ 160,351</u>	<u>\$ 147,252</u>	<u>\$ 171,826</u>	<u>\$ 187,308</u>	<u>\$ 196,243</u>	<u>\$ 202,899</u>
\$ (45,927)	\$ (46,239)	\$ (45,309)	\$ (33,414)	\$ (30,123)	\$ (31,175)	\$ (48,573)
(3,267)	(28,474)	(31,583)	(22,141)	(4,191)	(301)	3,371
<u>\$ (49,194)</u>	<u>\$ (74,713)</u>	<u>\$ (76,892)</u>	<u>\$ (55,555)</u>	<u>\$ (34,314)</u>	<u>\$ (31,476)</u>	<u>\$ (45,202)</u>
\$ 83,417	\$ 87,425	\$ 86,852	\$ 86,217	\$ 88,247	\$ 92,746	\$ 100,568
15,736	12,897	7,098	3,337	2,253	3,509	3,777
2,003	3,457	5,161	2,189	2,453	2,934	2,568
1,398	(6,539)	269	(2,811)	(3,281)	(3,729)	272
<u>102,554</u>	<u>97,240</u>	<u>99,380</u>	<u>88,932</u>	<u>89,672</u>	<u>95,460</u>	<u>107,185</u>
22,945	21,372	24,241	23,181	22,327	24,200	26,989
9,556	8,245	3,787	1,779	1,082	1,163	1,624
992	4,602	5,447	1,575	2,573	5,561	3,283
(1,398)	6,539	(269)	2,811	3,281	3,729	(272)
<u>\$ 32,095</u>	<u>\$ 40,758</u>	<u>\$ 33,206</u>	<u>\$ 29,346</u>	<u>\$ 29,263</u>	<u>\$ 34,653</u>	<u>\$ 31,624</u>
\$ 56,627	\$ 51,001	\$ 54,071	\$ 55,518	\$ 59,549	\$ 64,285	\$ 58,612
28,828	12,284	1,623	7,205	25,072	34,352	34,995
<u>\$ 85,455</u>	<u>\$ 63,285</u>	<u>\$ 55,694</u>	<u>\$ 62,723</u>	<u>\$ 84,621</u>	<u>\$ 98,637</u>	<u>\$ 93,607</u>

Santa Clara Valley Water District  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)  
(dollars in thousands)

Data prior to GASB 54 implementation

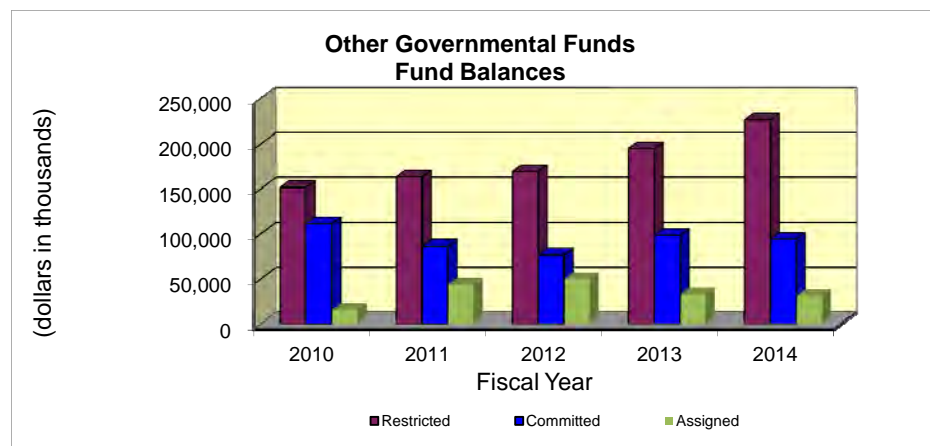
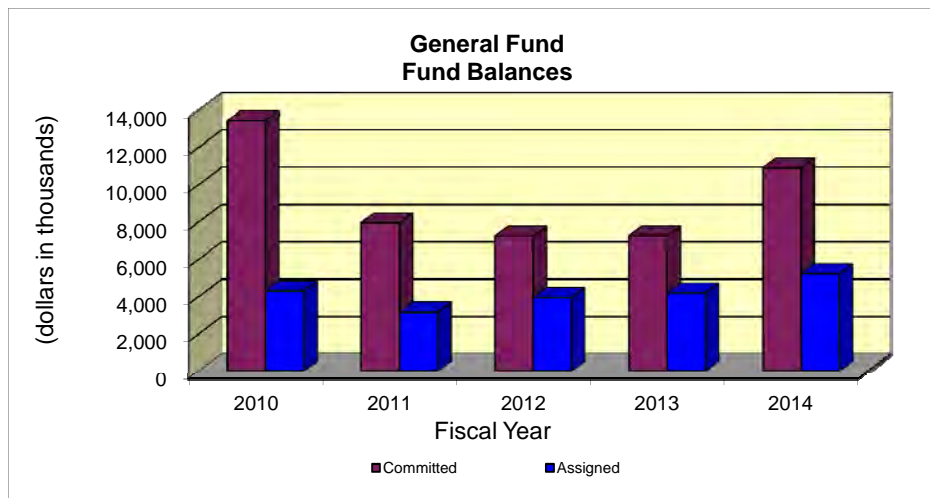
	2005	2006	2007	2008	2009
General Fund					
Reserved	\$ 5,645	\$ 3,742	\$ 1,942	\$ 4,848	\$ 4,257
Unreserved	31,094	32,131	39,073	34,581	16,117
Total general fund	<u>\$ 36,739</u>	<u>\$ 35,873</u>	<u>\$ 41,015</u>	<u>\$ 39,429</u>	<u>\$ 20,374</u>
All other governmental funds					
Reserved, reported in:					
Special revenue funds	\$ 34,053	\$ 26,232	\$ 18,709	\$ 21,091	\$ 21,897
Capital project fund	18,651	14,609	24,867	17,729	12,618
Debt service fund	14,270	14,964	9,660	8,569	8,623
Unreserved, reported in:					
Special revenue funds	141,295	126,304	164,002	195,721	220,252
Capital project fund	-	-	-	-	-
Total all other governmental funds	<u>\$ 208,269</u>	<u>\$ 182,109</u>	<u>\$ 217,238</u>	<u>\$ 243,110</u>	<u>\$ 263,390</u>



Santa Clara Valley Water District  
Fund Balances of Governmental Funds (continued)  
Last Ten Fiscal Years  
(modified accrual basis of accounting)  
(dollars in thousands)

*Data incorporating GASB 54 implementation*

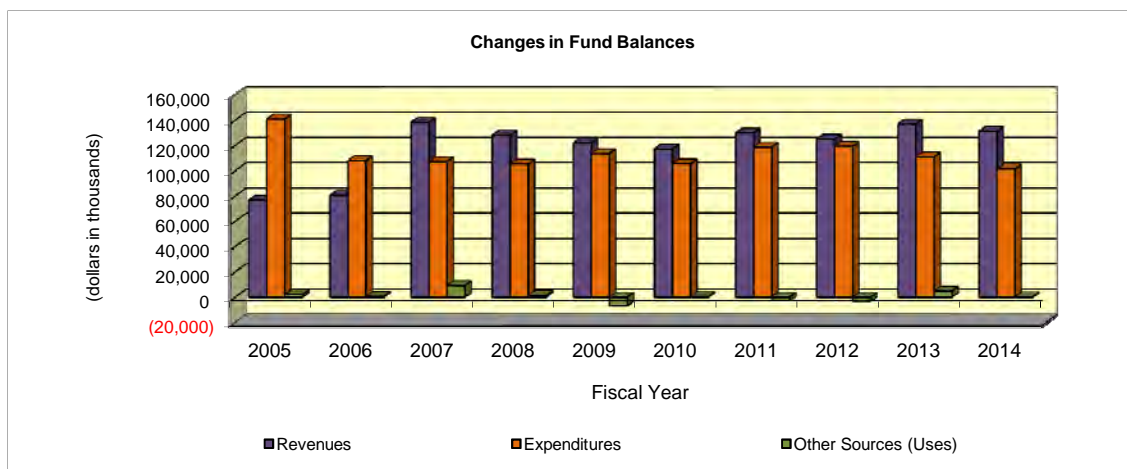
	Restated 2010	Restated 2011	2012	2013	2014
<b>General Fund</b>					
Committed	\$ 13,429	\$ 7,945	\$ 7,244	\$ 7,257	\$ 10,882
Assigned	4,308	3,157	3,941	4,187	5,210
<b>Total general fund</b>	<u>\$ 17,737</u>	<u>\$ 11,102</u>	<u>\$ 11,185</u>	<u>\$ 11,444</u>	<u>\$ 16,092</u>
<b>All other governmental funds</b>					
Restricted	\$ 151,614	\$ 163,372	\$ 169,294	\$ 194,662	\$ 226,493
Committed	111,338	86,183	76,465	98,134	93,683
Assigned	15,215	43,486	49,510	32,815	31,076
<b>Total all other governmental funds</b>	<u>\$ 278,167</u>	<u>\$ 293,041</u>	<u>\$ 295,269</u>	<u>\$ 325,611</u>	<u>\$ 351,252</u>



Source: Santa Clara Valley Water District General Accounting Unit

Santa Clara Valley Water District  
Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)  
(dollars in thousands)

	2005	2006	2007	2008
<b>Revenues</b>				
Property taxes	\$ 46,396	\$ 50,923	\$ 78,801	\$ 83,417
Benefit assessments	19,187	19,212	19,213	17,866
Use of money and property:				
Investment income	7,537	6,360	11,442	14,259
Rental	1,463	1,533	1,480	1,309
Reimbursement of capital costs	1,171	1,765	26,784	10,533
Other	912	584	482	650
<b>Total Revenues</b>	<b>76,666</b>	<b>80,377</b>	<b>138,202</b>	<b>128,034</b>
<b>Expenditures</b>				
Operations and operating project	42,974	41,707	46,021	47,216
Capital improvement projects	80,011	49,685	43,943	41,384
Debt Service:				
Payment to refunded bond escrow agent	-	-	667	-
Principal repayment	7,125	7,380	7,690	8,600
Interest and fiscal charges	10,716	9,133	8,840	7,946
<b>Total expenditures</b>	<b>140,826</b>	<b>107,905</b>	<b>107,161</b>	<b>105,146</b>
Excess of revenues over (under) expenditures	(64,160)	(27,528)	31,041	22,888
<b>Other financing sources (uses)</b>				
Transfers in	33,039	34,607	27,312	31,322
Transfers out	(30,863)	(34,105)	(24,590)	(29,924)
Proceeds from issuance of debt	-	-	78,780	-
Payment to refunded bond escrow agent	-	-	(76,478)	-
Net original issue premium	-	-	4,206	-
<b>Total other financing sources (uses)</b>	<b>2,176</b>	<b>502</b>	<b>9,230</b>	<b>1,398</b>
<b>Net change in fund balances</b>	<b>\$ (61,984)</b>	<b>\$ (27,026)</b>	<b>\$ 40,271</b>	<b>\$ 24,286</b>
Debt service as a percentage of non-capital expenditures	28.8%	26.2%	27.1%	26.0%

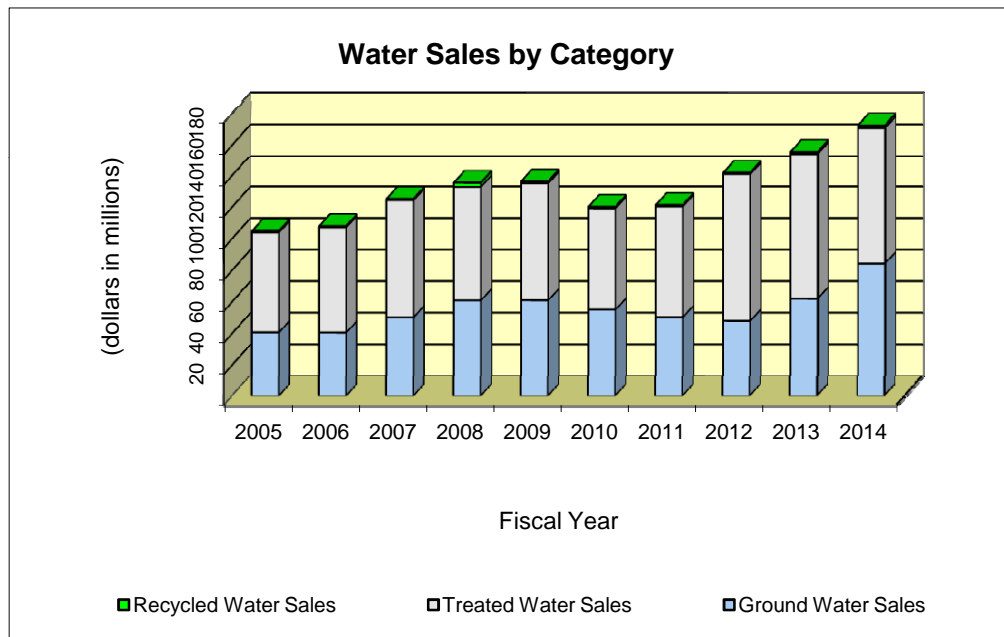


Source: Santa Clara Valley Water District General Accounting Unit

2009	2010	2011	2012	2013	2014
\$ 87,425 19,255	\$ 82,372 19,226	\$ 86,217 19,091	\$ 88,247 19,131	\$ 97,226 19,178	\$ 100,568 16,143
11,475	6,565	2,860	1,621	1,785	2,556
1,300	1,312	1,388	1,416	1,423	1,609
1,311	4,480	19,487	13,480	15,757	9,618
1,012	3,167	701	922	1,415	728
<u>121,778</u>	<u>117,122</u>	<u>129,744</u>	<u>124,817</u>	<u>136,784</u>	<u>131,222</u>
57,710	46,998	53,778	51,353	49,198	50,426
39,188	41,727	48,478	51,394	44,809	36,866
-	-	-	-	-	-
8,715	9,045	9,280	9,720	10,935	8,055
7,931	7,509	7,158	6,758	5,919	5,858
<u>113,544</u>	<u>105,279</u>	<u>118,694</u>	<u>119,225</u>	<u>110,861</u>	<u>101,205</u>
<u>8,234</u>	<u>11,843</u>	<u>11,050</u>	<u>5,592</u>	<u>25,923</u>	<u>30,017</u>
32,604	30,589	20,950	24,375	21,190	34,362
(39,613)	(30,292)	(23,761)	(27,656)	(24,919)	(34,090)
-	-	-	-	52,955	-
-	-	-	-	(53,495)	-
-	-	-	-	8,947	-
<u>(7,009)</u>	<u>297</u>	<u>(2,811)</u>	<u>(3,281)</u>	<u>4,678</u>	<u>272</u>
<u>\$ 1,225</u>	<u>\$ 12,140</u>	<u>\$ 8,239</u>	<u>\$ 2,311</u>	<u>\$ 30,601</u>	<u>\$ 30,289</u>
22.2%	25.6%	23.2%	23.0%	25.7%	18.8%

Santa Clara Valley Water District  
Water Sales by Category  
Last Ten Fiscal Years  
(dollars in thousands)

Fiscal Year	Ground Water Sales	Treated Water Sales	Surface & Recycled Water Sales	Total Water Sales
2005	\$ 40,798	\$ 63,219	\$ 814	\$ 104,831
2006	40,675	66,614	720	108,009
2007	50,251	74,165	818	125,234
2008	60,998	71,879	2,600	135,477
2009	61,103	74,012	1,241	136,356
2010	55,189	64,157	918	120,264
2011	50,384	70,135	828	121,347
2012	48,030	92,904	849	141,783
2013	62,084	92,359	1,275	155,718
2014	84,308	86,386	1,680	172,374



Source: Santa Clara Valley Water District - Wells & Water Production Unit

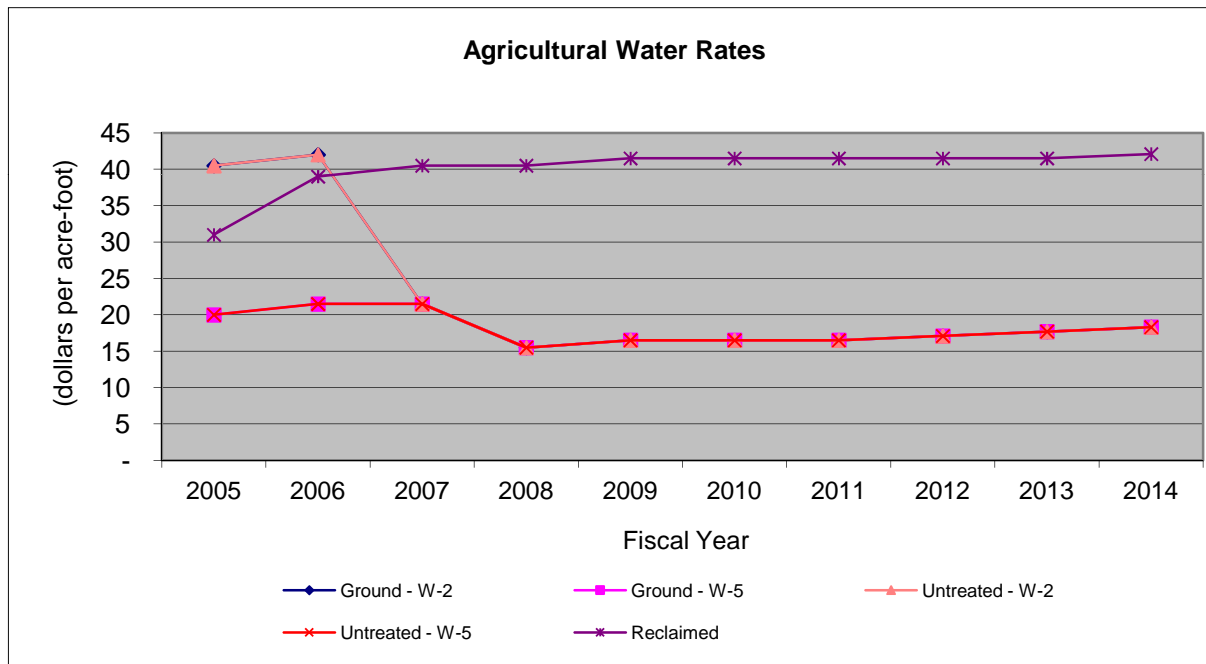
Santa Clara Valley Water District  
Principal Water Sales Customers  
Current year and Nine years ago  
(dollars in thousands)

Water Customer	Fiscal Year 2014			Fiscal Year 2005		
	Water Sales	Rank	Percent of Total Water Sales	Water Sales	Rank	Percent of Total Water Sales
San Jose Water Company	\$ 99,641	1	57.81%	\$ 58,504	1	55.81%
City of Santa Clara	13,168	2	7.64%	7,922	2	7.56%
City of San Jose	11,981	3	6.95%	7,757	3	7.40%
California Water Service Co.	10,757	4	6.24%	6,608	4	6.30%
City of Sunnyvale	8,103	5	4.70%	6,133	5	5.85%
Great Oaks Water Company	6,622	6	3.84%	4,903	6	4.68%
City of Gilroy	2,687	7	1.56%	1,591	9	1.52%
City of Cupertino	2,659	8	1.54%	1,672	8	1.59%
City of Morgan Hill	2,629	9	1.53%	1,503	10	1.43%
City of Milpitas	2,391	10	1.39%	1,957	7	1.87%
Total	<u>\$ 160,638</u>		<u>93.20%</u>	<u>\$ 98,550</u>		<u>94.01%</u>
Total Water Sales	<u>\$ 172,374</u>			<u>\$ 104,831</u>		

Source: Santa Clara Valley Water District - Revenue Management Unit

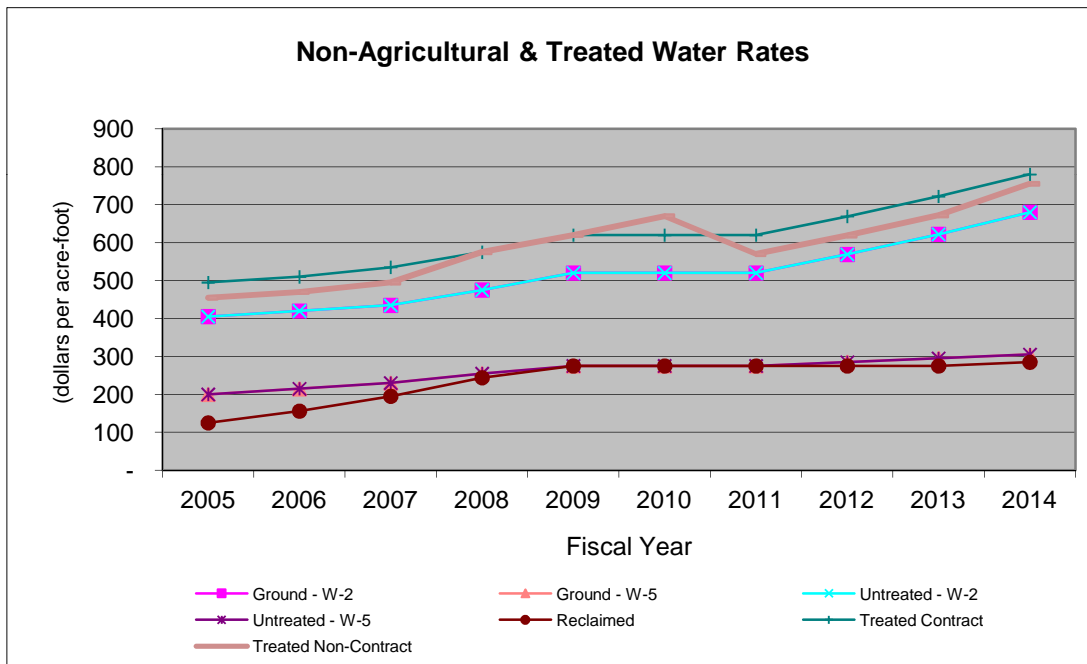
Santa Clara Valley Water District  
Water Enterprise Rates Summary  
Last Ten Fiscal Years  
(rates in dollars per acre-foot)

Fiscal Year	Groundwater Rates				Treated Water Rates	
	Zone W-2		Zone W-5		Contract	Non Contract
	AG	Non-AG	AG	Non-AG		
2005	\$ 40.50	\$ 405.00	\$ 20.00	\$ 200.00	\$ 495.00	\$ 455.00
2006	42.00	420.00	21.50	215.00	510.00	470.00
2007	21.50	435.00	21.50	230.00	535.00	495.00
2008	15.50	475.00	15.50	255.00	575.00	575.00
2009	16.50	520.00	16.50	275.00	620.00	620.00
2010	16.50	520.00	16.50	275.00	620.00	670.00
2011	16.50	520.00	16.50	275.00	620.00	570.00
2012	17.10	569.00	17.10	285.00	669.00	619.00
2013	17.70	622.00	17.70	295.00	722.00	672.00
2014	18.30	680.00	18.30	305.00	780.00	755.00



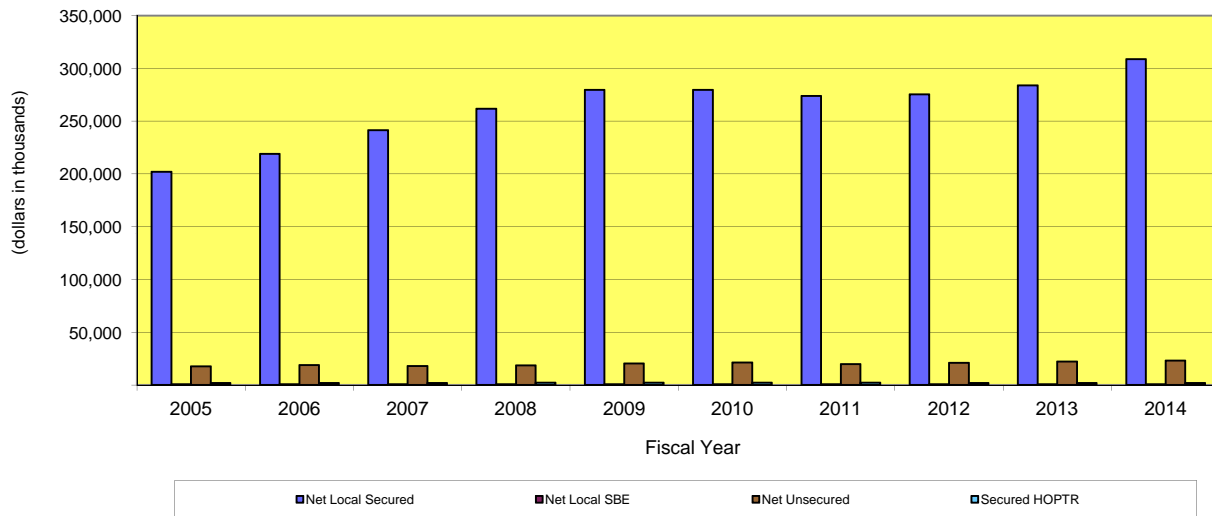
Source: Santa Clara Valley Water District - Wells & Water Production Unit

Untreated Water Rates				Reclaimed Water Rates	
Zone W-2		Zone W-5		AG	Non-AG
AG	Non-AG	AG	Non-AG		
\$ 40.50	\$ 405.00	\$ 20.00	\$ 200.00	\$ 31.00	\$ 125.00
42.00	420.00	21.50	215.00	39.00	156.00
21.50	435.00	21.50	230.00	40.50	195.00
15.50	475.00	15.50	255.00	40.50	244.00
16.50	520.00	16.50	275.00	41.50	275.00
16.50	520.00	16.50	275.00	41.50	275.00
16.50	520.00	16.50	275.00	41.50	275.00
17.10	569.00	17.10	285.00	41.50	275.00
17.70	622.00	17.70	295.00	41.50	275.00
18.30	680.00	18.30	305.00	42.10	285.00



Santa Clara Valley Water District  
Assessed and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years  
(dollars in thousands)

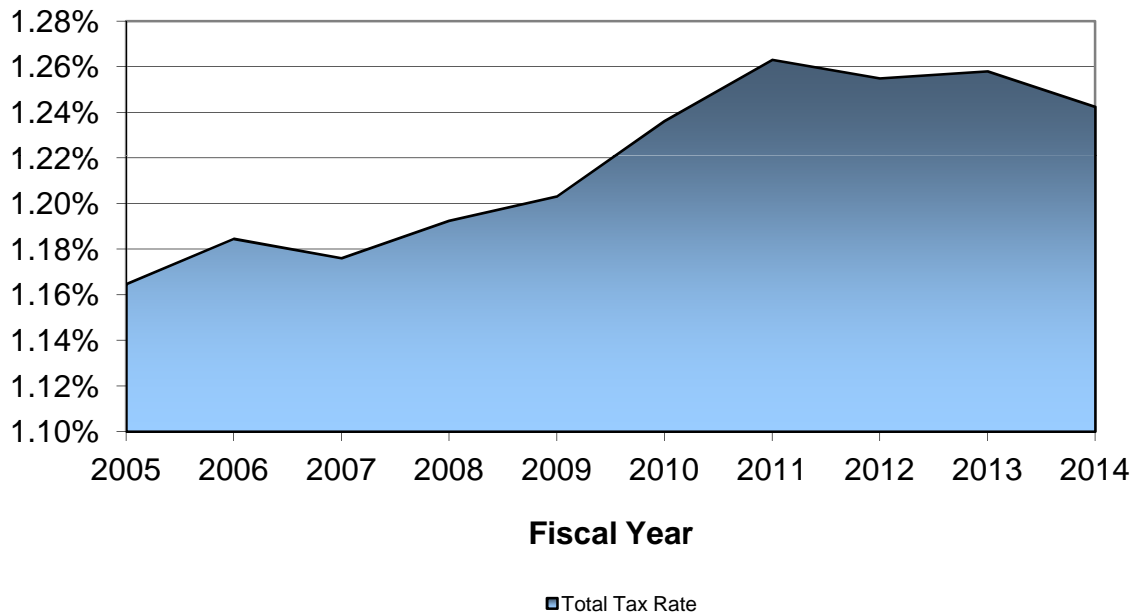
Fiscal Year	Net Local Secured	SBE	Total Secured	Net Unsecured	Exempt Valuation			Total District Direct Tax
					Total	Secured HOPTR	Total	
2005	\$ 201,958,267	\$ 549,864	\$ 193,655,564	\$ 17,712,736	\$ 215,732,555	\$ 1,945,661	\$ 217,700,179	\$ 20,028.42
2006	218,911,222	713,130	202,508,131	18,802,938	220,220,867	1,956,373	222,166,528	17,328.99
2007	241,363,008	587,685	219,624,352	17,998,934	238,427,290	1,963,081	240,383,663	17,307.62
2008	261,930,112	537,968	262,468,080	18,578,048	281,046,128	1,992,833	283,038,961	20,095.77
2009	279,767,066	554,935	280,322,001	20,381,412	300,703,413	2,005,174	302,708,587	18,465.22
2010	279,623,760	602,948	280,226,708	21,112,122	301,338,830	2,007,990	303,346,820	22,447.66
2011	274,020,130	595,208	274,615,338	19,652,921	294,268,259	2,007,881	296,276,140	21,331.88
2012	275,581,705	557,469	276,139,174	20,791,740	296,930,914	1,978,658	298,909,572	19,130.21
2013	283,903,536	525,302	284,428,838	22,225,683	306,654,521	1,951,818	308,606,339	21,293.84
2014	308,939,519	596,002	309,535,521	23,021,092	332,556,613	1,920,733	334,477,346	23,413.41



Source: County of Santa Clara Property Tax Apportionment Division

Santa Clara Valley Water District  
Property Tax Rates-Direct and Overlapping Governments  
Last Ten Fiscal Years

Fiscal Year	Basic County Wide Levy	County	Cities	Santa Clara Valley Water District	Schools and Other Districts	Total Tax Rate
2005	1.0000%	0.0388%	0.0247%	0.0092%	0.1118%	1.1647%
2006	1.0000%	0.0388%	0.0258%	0.0078%	0.1036%	1.1845%
2007	1.0000%	0.0388%	0.0310%	0.0072%	0.1177%	1.1760%
2008	1.0000%	0.0388%	0.0331%	0.0071%	0.1134%	1.1924%
2009	1.0000%	0.0388%	0.0323%	0.0061%	0.1259%	1.2031%
2010	1.0000%	0.0388%	0.0326%	0.0074%	0.1574%	1.2362%
2011	1.0000%	0.0388%	0.0350%	0.0072%	0.1820%	1.2630%
2012	1.0000%	0.0388%	0.0334%	0.0064%	0.1763%	1.2549%
2013	1.0000%	0.0388%	0.0316%	0.0069%	0.1807%	1.2580%
2014	1.0000%	0.0388%	0.0279%	0.0070%	0.1687%	1.2424%



Source: County of Santa Clara, Department of Finance (tax rate area 17-028)

Santa Clara Valley Water District  
Principal Property Tax Payers  
Current year and Nine years ago  
(Dollars in thousands)

Taxpayer	Fiscal Year 2014 <sup>(3)</sup>			Fiscal Year 2005 <sup>(2)</sup>		
	Taxable Assessed Value <sup>(1)</sup>	Rank	Percentage of Taxable Assessed Value	Taxable Assessed Value <sup>(1)</sup>	Rank	Percentage of Taxable Assessed Value
Stanford University	\$ 4,399,094	1	1.42%			
Cisco Technology, Inc.	1,477,132	2	0.48%	\$ 933,885	8	0.42%
Sobrato Interests	1,329,687	3	0.43%	1,337,625	2	0.60%
The Irvine Company LLC	1,290,220	4	0.42%			
Blackhawk Parent LLC	1,006,870	5	0.32%			
Essex Portfolio LP	860,637	6	0.28%			
Google, Inc	844,704	7	0.27%			
Apple Computer, Inc.	807,413	8	0.26%			
Intel Corporation	722,609	9	0.23%	1,397,104	1	0.63%
Campus Holdings, Inc.	713,843	10	0.23%			
Spieker Properties, LP				1,323,541	3	0.60%
Pacific Gas and Electric Co.				1,017,862	4	0.46%
SBC California				862,379	5	0.39%
Hewlett Packard Co.				986,789	6	0.44%
Berg & Berg Developers				923,140	7	0.42%
Arrillaga, Perry et al				803,387	9	0.36%
Applied Materials, Inc.				807,579	10	0.36%
Total	<u>\$ 13,452,209</u>		<u>4.34%</u>	<u>\$ 10,393,291</u>		<u>4.68%</u>
Net Assessed Value of Taxable Property	<u>\$ 310,860,252</u>			<u>\$ 222,166,528</u>		

<sup>(1)</sup> The taxable assessed value includes tax assessments on real property and personal property.

<sup>(2)</sup> Source: Santa Clara County Tax Collector, Systems Division

<sup>(3)</sup> Source: Prepared for the Santa Clara Valley Water District by California Municipal Statistics, Inc.

Santa Clara Valley Water District  
 Computation of District Act Debt Margin  
 June 30, 2014  
 (Dollars in Thousands)

Authorized short-term debt under authority of District Act Section 25.6	\$8,000
Outstanding short-term debt under Section 25.6, June 30, 2014	<u>0</u>
District Act Section 25.6 debt margin on short-term debt	<u><u>\$8,000</u></u>

Note: California law authorizes the issuance of debt that is not subject to the Section 25.6 District Act limit and the District has issued commercial paper short term debt in a transaction with the Santa Clara Valley Water District Public Facilities Financing Corporation and others.

The Santa Clara Valley Water District's debt issuance practices are governed by the provisions of California law. The Codes do not set a formal debt limit for water districts. However, the short term borrowing authority set in Section 25.6 of the special legislation which formed the Santa Clara Valley Water District (the District Act) provides a limit on short term debt (maturity of less than five years) of \$8,000,000 that can be borrowed under authority of that Section. The District is in compliance with its District Act and the other provisions of California law provide additional independent authority for debt.

Santa Clara Valley Water District  
Ratio of Outstanding Debt by Type  
Last Ten Fiscal Years  
(dollars in thousands, except per capita)

Fiscal Year	Governmental Activities		Business-type Activities	
	General Obligation Bonds	Certificate of Participation	General Obligation Bonds	Revenue Bonds
2005	\$ -	\$ 185,666	\$ 4,565	\$ 55,379
2006	-	178,418	3,205	54,313
2007	-	177,355	2,630	100,262
2008	-	168,857	2,025	224,479
2009	-	161,238	1,390	222,470
2010	-	151,294	910	217,992
2011	-	142,112	405	213,307
2012	-	132,494	-	208,418
2013	-	131,199	-	201,780
2014	-	122,392	-	201,547

Source: Santa Clara Valley Water District General Accounting Unit

Total Primary Government	Percentage of Personal Income	Per Capita
\$ 249,075	0.2858%	\$ 142
239,230	0.2481%	135
280,247	0.2692%	155
395,361	n/a	215
385,098	n/a	207
370,196	n/a	195
355,824	n/a	188
340,912	n/a	179
332,979	n/a	181
323,939	n/a	173

Santa Clara Valley Water District  
Computation of Direct and Overlapping Debt  
June 30, 2014

2013-14 Assessed Valuation: \$ 334,477,345,478

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>District's Share of Debt 6/30/14</u>
Santa Clara County	100%	\$804,700,000
Foothill-DeAnza Community College District	100%	605,879,288
San Jose-Evergreen Community College District	100%	431,844,948
Other Community College Districts	.052 - 98.9%	368,054,392
Gilroy Unified School District	100%	173,707,495
Palo Alto Unified School District	100%	319,849,249
San Jose Unified School District	100%	526,407,986
Santa Clara Unified School District	100%	416,910,000
Other Unified School Districts	1.358 - 100%	186,942,893
Campbell Union High School District	100%	152,410,000
East Side Union High School District	100%	663,161,952
Fremont Union High School District	100%	290,570,108
Other High School Districts	94.820 - 100%	105,071,501
Campbell School District	100%	160,685,056
Cupertino Union School District	100%	261,223,462
Evergreen School District and Community Facilities District No. 92-1	100%	100,671,562
Franklin McKinley School District	100%	86,345,198
Los Altos School District	100%	76,158,560
Los Gatos Union School District	100%	102,870,000
Moreland School District	100%	94,832,888
Oak Grove School District	100%	109,739,352
Sunnyvale School District	100%	130,814,650
Other School Districts	5.215 - 100%	419,229,398
City of Gilroy	100%	31,820,000
City of Palo Alto	100%	73,215,000
City of San Jose	100%	421,380,000
City of Saratoga	100%	11,055,000
Saratoga Fire Protection District	100%	3,908,737
El Camino Hospital District	100%	140,010,000
City Community Facilities Districts	100%	56,775,000
City of San Jose Special Assessment Bonds	100%	17,935,000
Other City 1915 Act Bonds (Estimated)	100%	55,176,830
<b>Santa Clara Valley Water District Benefit Assessment District</b>	<b>100%</b>	<b>115,045,000</b>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$7,514,400,505</b>

Ratios to 2013 - 14 Assessed Valuation:

**Direct Debt (\$115,045,000)** **0.03%**  
Total Direct and Overlapping Tax and Assessment Debt 2.25%

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>	<u>% Applicable</u>	<u>District's Share of Debt 6/30/14</u>
Santa Clara County General Fund Obligations	100%	\$ 224,317,683 (1)
Santa Clara County Pension Obligations	100%	375,419,144
Santa Clara County Office of Education Certificates of Participation	100%	9,730,000
Foothill-De Anza Community College District General Fund Obligations	100%	13,468,694
San Jose-Evergreen Community College District OPEB	100%	47,450,000
West Valley - Mission Community College District General Fund Obligations	99%	64,409,550
Gilroy Unified School District Certificates of Participation	100%	30,850,000
Other Unified School District General Fund Obligations	100%	32,935,000
East Side Union High School District Benefit Obligations	100%	30,795,000
Other Union High School District General Fund Obligations	94.809 - 100%	21,843,504
Alum Rock Union School District Certificates of Participation	100%	25,000,000
Other School District General Fund Obligations	22.080-100%	13,635,456
City of Cupertino Certificates of Participation	100%	42,020,000
City of Gilroy Certificates of Participation	100%	45,550,000
City of San Jose General Fund Obligations	100%	706,145,000
City of Santa Clara General Fund Obligations	100%	25,246,000
City of Sunnyvale General Fund Obligations	100%	22,195,000
Other City General Fund Obligations	100%	33,680,843
Santa Clara County Vector Control District Certificates of Participation	100%	3,275,000
Mid-peninsula Regional Park District General Fund Obligations	68.86%	92,123,844
<b>TOTAL OVERLAPPING GENERAL FUND DEBT</b>		<b>\$ 1,860,089,718</b>

OVERLAPPING TAX INCREMENT DEBT \$2,323,848,984

**TOTAL DIRECT DEBT** **\$115,045,000**  
**TOTAL COMBINED OVERLAPPING DEBT** **\$11,583,294,207**

**COMBINED TOTAL DEBT** **\$ 11,698,339,207 (2)**

(1) Excludes \$533,496,637 in lease revenue bonds that are repaid with VCM and airport operating revenues.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2013 - 14 Assessed Valuation:

**Total Direct Debt (\$115,045,000)** **0.03%**  
Combined Total Debt 3.50%

Ratios to Redevelopment Incremental Valuation (\$35,215,222,404):

Total Overlapping Tax Increment Debt 6.60%

**Source:** Prepared for the Santa Clara Valley Water District by California Municipal Statistics, Inc.

Santa Clara Valley Water District  
Revenue Bond Coverage  
Last Ten Fiscal Years  
(Dollars in Thousands)

Fiscal Year	Adjusted Revenue	Adjusted Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage Factor
				Principal*	Interest*	Total	
2005	\$ 115,069	\$ 79,909	\$ 35,160	\$ 1,060	\$ 2,992	\$ 4,052	8.6772
2006	118,513	99,973	18,540	1,105	2,947	4,052	4.5755
2007	140,439	94,813	45,626	1,720	3,554	5,274	8.6511
2008	151,509	94,363	57,146	2,135	8,703	10,838	5.2727
2009	156,579	105,535	51,044	2,345	9,480	11,825	4.3166
2010	135,810	102,564	33,246	4,814	8,446	13,260	2.5072
2011	133,676	108,093	25,583	5,020	8,019	13,039	1.9620
2012	154,750	111,505	43,245	5,230	7,945	13,175	3.2824
2013	171,066	111,120	59,946	6,973	7,596	14,569	4.1146
2014	182,295	118,158	64,137	7,002	7,523	14,525	4.4156

Source: Santa Clara Valley Water District General Accounting Unit

\* Does not include debt service on general obligation debt

In July 1994, the District refunded its outstanding water revenue bonds and restructured its debt covenants under a Master Resolution governing the issuance of all Water Utility System debt obligations. This restructuring of debt covenants included the method of calculating revenue bond coverage.

For fiscal year 2013-14, operating revenue of \$174,444 has been increased by \$7,851 and operating expense of \$140,450 has been decreased by \$24,341 as prescribed by the Master Resolution. These adjustments relate primarily to intergovernmental revenues and depreciation and amortization, other post employment benefits, compensated absences and claims and adjustment expenses. The complete calculation can be obtained from the Finance Department at 5750 Almaden Expressway, San Jose, CA 95118.

Santa Clara Valley Water District  
Demographic and Economic Statistics  
For Santa Clara County  
Last Ten Fiscal Years

Fiscal Year	Population <sup>(1)</sup>	Personal Income (thousands of dollars) <sup>(2)</sup>	Per Capita Personal Income	Consumer Price Index <sup>(3)</sup>	School Enrollment <sup>(4)</sup>	Total Employment <sup>(5)</sup>	Unemployment Rate <sup>(5)</sup>
2005	1,759,585	\$ 87,154,432	\$ 49,531	1.1%	253,065	774,700	5.7%
2006	1,773,258	95,670,811	53,952	3.9%	254,622	775,300	5.0%
2007	1,808,058	105,575,784	58,392	2.6%	255,722	809,500	4.7%
2008	1,837,075	105,978,791	57,689	4.7%	259,116	822,700	6.0%
2009	1,857,621	103,568,953	55,754	0.2%	261,945	787,700	11.8%
2010	1,880,876	102,589,854	54,544	1.1%	265,544	879,100	11.3%
2011	1,890,909	111,880,131	59,167	1.1%	266,267	798,200	9.9%
2012	1,899,567	122,259,021	64,362	0.9%	270,109	794,236	8.5%
2013	1,842,254	n/a	n/a	1.4%	273,701	865,900	6.8%
2014	1,868,558	n/a	n/a	3.0%	276,175	879,500	5.4%

Source: <sup>(1)</sup> State of California - Department of Finance

<sup>(2)</sup> U.S. Department of Commerce - Bureau of Economic Analysis

<sup>(3)</sup> U.S. Department of Labor - Bureau of Labor Statistics - San Francisco Bay Region

<sup>(4)</sup> State of California - Department of Education and Santa Clara County Office of Education

<sup>(5)</sup> State of California - Employment Development Department

n/a Current information not available

Santa Clara Valley Water District  
Principal Employers  
Current Year and Nine Years ago  
(*unaudited*)

Company or Organization	Fiscal Year 2014			Fiscal Year 2005		
	Employees <sup>(2)</sup>	Rank	Percentage of Total County Employment	Employees <sup>(3)</sup>	Rank	Percentage of Total County Employment
Apple Computer	16,000	1	1.72%			
County of Santa Clara	15,800	2	1.70%			
Cisco Systems, Inc.	15,633	3	1.68%			
Kaiser Permanente	13,500	4	1.45%			
Stanford University	11,707	5	1.26%			
Google, Inc.	11,000	6	1.18%			
Oracle Corp.	8,000	7	0.86%			
Stanford Hospital & Clinics	7,689	8	0.83%	5,500	4	0.67%
Lockheed Martin Space Systems	7,000	9	0.75%	8,000	1	0.98%
Santa Clara Valley Health & Hospital	6,462	10	0.70%	3,500	10	0.43%
LSI Logic Corporation				7,000	2	0.86%
Intel Corp.				6,000	3	0.74%
Solelectron Corp.				5,000	5	0.61%
Maxim Integrated Products, Inc.				4,706	6	0.58%
Fujitsu IT Holdings, Inc.				4,500	7	0.55%
SGI/ Silicon Graphics, Inc.				4,443	8	0.54%
Hewlett-Packard Co.				4,000	9	0.49%
Total	<u>112,791</u>		<u>12.13%</u>	<u>52,649</u>		<u>6.45%</u>
Total County Employment <sup>(1)</sup>	<u>929,700</u>			<u>815,600</u>		

Source: (1) State Employment Development Department, Labor Market Information Division

(2) Silicon Valley Business Journal July 18, 2014

(3) Rich's Business Information - Santa Clara County

Santa Clara Valley Water District  
Full-time Equivalent District Employees by Function/Program  
Fiscal Year 2006 - 2014

Function/Program	Fiscal Year								
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Office of the CEO	16	15	10	13	12	11	10	10	10
Office of the District Counsel	4	5	6	11	11	9	9	9	9
Community & Government Relations	16	15	10	20	20	7	8	8	8
County-Wide Watershed Management	134	134	122	122	119	117	105	98	98
Capital Programs	153	153	152	152	145	143	126	117	112
Water Utility Operations	23	23	39	43	43	43	43	43	43
Water Supply	31	31	27	11	11	11	11	11	11
Water Conservation	10	10	10	10	10	10	10	10	10
Surface & Groundwater Management	32	32	35	34	34	34	34	34	34
Water Quality	25	25	24	22	22	22	22	22	22
Control Systems	11	11	11	11	11	11	11	11	11
Water Utility Maintenance	31	31	25	23	23	23	23	23	23
Treated Water Operations	33	33	36	36	36	36	36	36	36
Raw Water Operations	23	23	26	25	25	25	25	25	25
Administrative & Business Management	12	12	5	11	11	11	8	8	8
Clerk of the Board	7	7	8	10	12	12	12	12	12
Organizational Training & Development	6	6	16	10	6	6	6	6	6
Business Support Services	17	17	28	18	16	16	16	16	16
Library & Records	8	8	8	5	5	6	6	6	6
Budget Office	7	7	9	4	8	8	8	8	8
Accounting	20	20	19	18	18	18	18	18	16
Information & Systems Management	46	46	38	42	43	43	39	39	39
Technical Services	6	6	6	3	3	3	3	3	3
Wells & Water Production	15	15	13	20	20	18	18	18	18
Real Estate & Right-of-Way	9	9	9	8	8	8	8	8	8
Equipment Management	11	11	12	12	12	12	12	12	12
Warehouse & Inventory Control	8	8	7	7	7	6	6	6	6
Facilities Maintenance	14	14	15	15	15	15	15	15	15
Purchasing	10	10	10	9	9	9	9	9	9
Permits	-	-	14	16	16	16	16	16	13
Contracts Administration	5	5	5	6	6	5	4	4	4
Human Resources & Benefits	27	27	21	21	21	21	21	21	19
Health & Safety	8	8	7	6	6	6	6	6	10
Total	<u>778</u>	<u>777</u>	<u>783</u>	<u>774</u>	<u>764</u>	<u>741</u>	<u>704</u>	<u>688</u>	<u>680</u>

Source: SCVWD Human Resources & Benefits Unit

Santa Clara Valley Water District  
Operating Indicators by Function/Program  
Fiscal Years 2006 - 2014

Function/Program	Fiscal Year								
	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>District Well Ordinance Program</b>									
New Wells	713	1,194	674	846	583	775	541	443	513
Destroyed Wells	707	954	931	620	663	653	531	502	744
Well Permits	1,955	2,692	2,031	2,047	1,564	1,626	1,740	1,265	1,697
Well Inspections	1,420	2,269	1,852	1,685	1,286	1,517	1,350	1,080	1,398
<b>Watershed Management</b>									
Miles of Vegetation Removed/Managed	188	272	202	187	185	175	241	221	206
Cubic Yards of Sediment Removed	39,420	96,329	33,523	7,383	17,409	15,623	32,456	21,456	34,596
Miles of Bank Erosion Protection	1.2	0.8	0.9	1.4	-	2	0.5	1.1	2.1
<b>Laboratory Services Unit</b>									
Water Samples Tested (approx.)	146,000	120,499	84,056	119,190	99,385	132,638	111,265	158,082	170,055
Water Quality Violations	-	-	-	-	-	-	-	-	-
<b>Water Measurement Division</b>									
Meter Readings/Site Visits	6,627	6,612	6,200	7,418	5,934	5,981	5,939	6,019	5,964
Meter Repairs/Preventative Maintenance	200	463	281	342	302	328	316	313	272
Backflow Device Testings	120	203	102	200	190	170	151	177	159
<b>Community Projects Review</b>									
Permits Issued	401	365	242	213	217	229	220	257	201
Land Development Review Requests	2,342	1,708	1,313	1,336	1,080	1,030	964	865	940
Underground Service Alerts	40,356	35,026	38,676	39,079	27,782	28,651	37,348	46,599	53,782
Requests for Flood Zone Information	246	108	109	109	91	90	70	72	51
Environmental Impact Reports Reviewed	144	202	90	130	115	107	55	33	65
Water Resource Protec. Ordinance Violations	23	22	24	136	121	125	234	193	184
<b>Human Resources</b>									
Permanent Positions Hired	63	41	30	19	20	13	17	21	31
Temporary Workers Employed	150	98	100	54	49	121	112	140	247
Employment Applications Processed	1,445	1,973	1,795	952	1,163	1,000	2,685	1,524	4,236
<b>Health &amp; Safety</b>									
Ergonomic Assessments	42	67	73	62	46	44	36	39	38
Confined Space Assessments	200	211	346	193	210	247	117	139	261
Employee Safety Committee Meetings	12	12	9	11	12	10	11	9	11
<b>Projects Managed by Type:</b>									
Capital Projects	128	134	244	179	178	138	129	126	131
Operating Projects	62	64	86	67	56	46	48	43	36
Operations Projects	350	379	448	400	373	354	365	396	394

**Source:** Various Government Departments

Santa Clara Valley Water District  
Flood Control System  
Historical Operating Results  
Combined Statement of Revenues and Debt Service Coverage  
Last Ten Fiscal Years  
(Dollars in Thousands)

	2005	2006	2007	2008
Flood Control System Revenues:				
Benefit assessment, gross <sup>1</sup>	\$ 19,381	\$ 19,406	\$ 19,407	\$ 18,047
Property tax <sup>3</sup>	16,187	20,281	44,677	48,012
Investment income <sup>3</sup>	4,177	2,733	4,206	5,678
Rental income <sup>3</sup>	1,360	1,414	1,383	1,238
Other <sup>3</sup>	832	179	421	557
Total Flood Control System Revenue	<u>\$ 41,937</u>	<u>\$ 44,013</u>	<u>\$ 70,094</u>	<u>\$ 73,532</u>
Debt Service:				
1994A Certificates of participation, net	\$ -	\$ -	\$ -	\$ -
2000A Certificates of participation	5,544	5,539	5,334	-
2003A Certificates of participation	3,824	7,478	7,593	7,330
2004A Certificates of participation	4,953	2,289	2,285	2,287
2007A Certificates of participation	-	-	-	4,640
2012A Certificates of participation	-	-	-	-
Total Debt Service	<u>\$ 14,321</u>	<u>\$ 15,306</u>	<u>\$ 15,212</u>	<u>\$ 14,257</u>
Coverage	2.93	2.88	4.61	5.16

<sup>1</sup> The benefit assessment presented on the Statement of Revenues, Expenditures and

Changes in Fund Balances are net of collection fees. For the purpose of the Flood Control System Debt Service Coverage, collection fees are excluded. Therefore, the benefit assessments presented above have been increased by:

FY2014 - \$163  
FY2013 - \$194  
FY2012 - \$193  
FY2011 - \$193  
FY2010 - \$194  
FY2009 - \$195  
FY2008 - \$181  
FY2007 - \$194  
FY2006 - \$194  
FY2005 - \$194

In accordance with voter authorizations, benefit assessments are set at 1.25 of gross debt service allocable to flood control projects starting during fiscal year 2001.

Source: Santa Clara Valley Water District General Accounting Unit

<u>2009<sup>3</sup></u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 19,450	\$ 19,420	\$ 19,284	\$ 19,324	\$ 19,372	\$ 16,306
50,660	45,010	47,567	48,457	55,647	57,631
5,137	2,671	1,099	560	249	985
1,159	1,137	1,139	1,210	1,208	1,338
903	1,045	564	798	1,327	687
<u>\$ 77,309</u>	<u>\$ 69,283</u>	<u>\$ 69,653</u>	<u>\$ 70,349</u>	<u>\$ 77,803</u>	<u>\$ 76,947</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
7,533	7,433	6,958	6,018	1,141	-
2,304	2,488	2,395	2,285	2,380	1,398
5,759	5,757	5,761	5,759	5,757	5,761
-	-	-	-	6,443	6,111
<u>\$ 15,596</u>	<u>\$ 15,678</u>	<u>\$ 15,114</u>	<u>\$ 14,062</u>	<u>\$ 15,721</u>	<u>\$ 13,270</u>
4.96	4.42	4.61	5.00	4.95	5.80

<sup>3</sup> Effective July 1, 2008, special revenue funds - Lower Peninsula Watershed, West Valley Watershed, Guadalupe Watershed, Coyote Watershed and Uvas/Llagas Watershed - were redefined as benefit assessment funds comprised of voter-approved debt repayment phase of the benefit assessment program. The total revenues presented in the Combining Schedule of Revenues, Expenditures and Changes in Fund Balances of Selected Watershed Activities Contained Within the Watershed and Stream Watershed Fund include only benefit assessments. Other revenues were presented in the Statement of Revenues, Expenditures and Changes in Fund Balances of the Watershed and Stream Stewardship Fund.

For the purpose of the Flood Control System Debt Service Coverage, revenues that are allocable to the special revenue funds were included in the calculation of the coverage.

Santa Clara Valley Water District  
Capital Asset Statistics by Function/Program  
Fiscal Year 2006 - 2014

Function/Program	Fiscal Year								
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Water Utility Enterprise									
Acres of groundwater recharge ponds	393	393	393	393	393	393	393	393	393
Miles of canals	17	17	17	17	17	17	17	17	17
Miles of pipeline	142	143	143	143	143	143	144	144	144
Miles of tunnels	8	8	8	8	8	8	8	8	8
Number of treatment plants	3	3	3	3	3	3	4	4	4
Number of pumping stations	3	5	5	5	5	5	5	5	5
Number of treated water reservoirs	1	1	1	1	1	1	1	1	1
Water Utility Operations									
Process Control Instrumentation	660	899	998	987	1,071	1,128	1,161	1,406	1,680
Mechanical Drives	47	50	50	50	54	54	54	72	61
Chemical Mixers	85	90	86	86	87	87	87	89	111
Electrical Motors	341	357	376	375	381	407	432	452	512
Power Distribution Equipment	227	247	572	618	640	736	913	1,248	1,673
Pumps	436	442	469	469	475	496	515	547	601
Utility Vaults & Structures	988	988	955	958	1,019	1,050	1,051	1,062	1,095
Chemical & Water Storage Tanks	120	162	167	169	170	179	192	199	176
Valves	678	884	945	950	994	1,059	1,070	1,613	1,702
Valve Operators	365	467	490	492	524	577	579	799	869
Generators	13	19	21	21	23	23	26	25	27
Flow Meters	188	225	247	256	258	271	296	381	387
Electric Drives	119	148	148	152	152	160	170	173	208
Blowers & Compressors	166	166	167	167	168	164	174	146	208
Miscellaneous Equipment	296	297	301	315	429	459	467	477	3,306
Watersheds									
Miles of creeks and rivers managed for flood control	700	700	700	700	700	700	700	700	700
Number of reservoirs	10	10	10	10	10	10	10	10	10
Total District reservoir capacity (acre-feet)	169,415	169,415	169,415	169,415	169,415	169,415	169,415	169,415	169,415
Acres of Wildlife Habitat Restored								569	569
Fleet Equipment									
Class I Passenger Vehicles	227	224	223	204	202	190	190	185	186
Class II Heavy Duty Trucks	70	70	70	72	78	79	78	82	84
Class III Tractors, Const. Equip., Generators, Forklifts	29	27	27	26	25	25	26	24	27
Class IV Misc. Small Tools & Engines	946	998	498	520	597	648	643	655	474

**Source:** Various Government Departments



## FY 2013-14 Comprehensive Annual Financial Report

**Santa Clara Valley  
Water District**



Santa Clara Valley Water District  
5750 Almaden Expressway  
San Jose, CA 95118-3686  
Phone: (408) 265-2600  
Fax: (408) 266-0271  
**[www.valleywater.org](http://www.valleywater.org)**