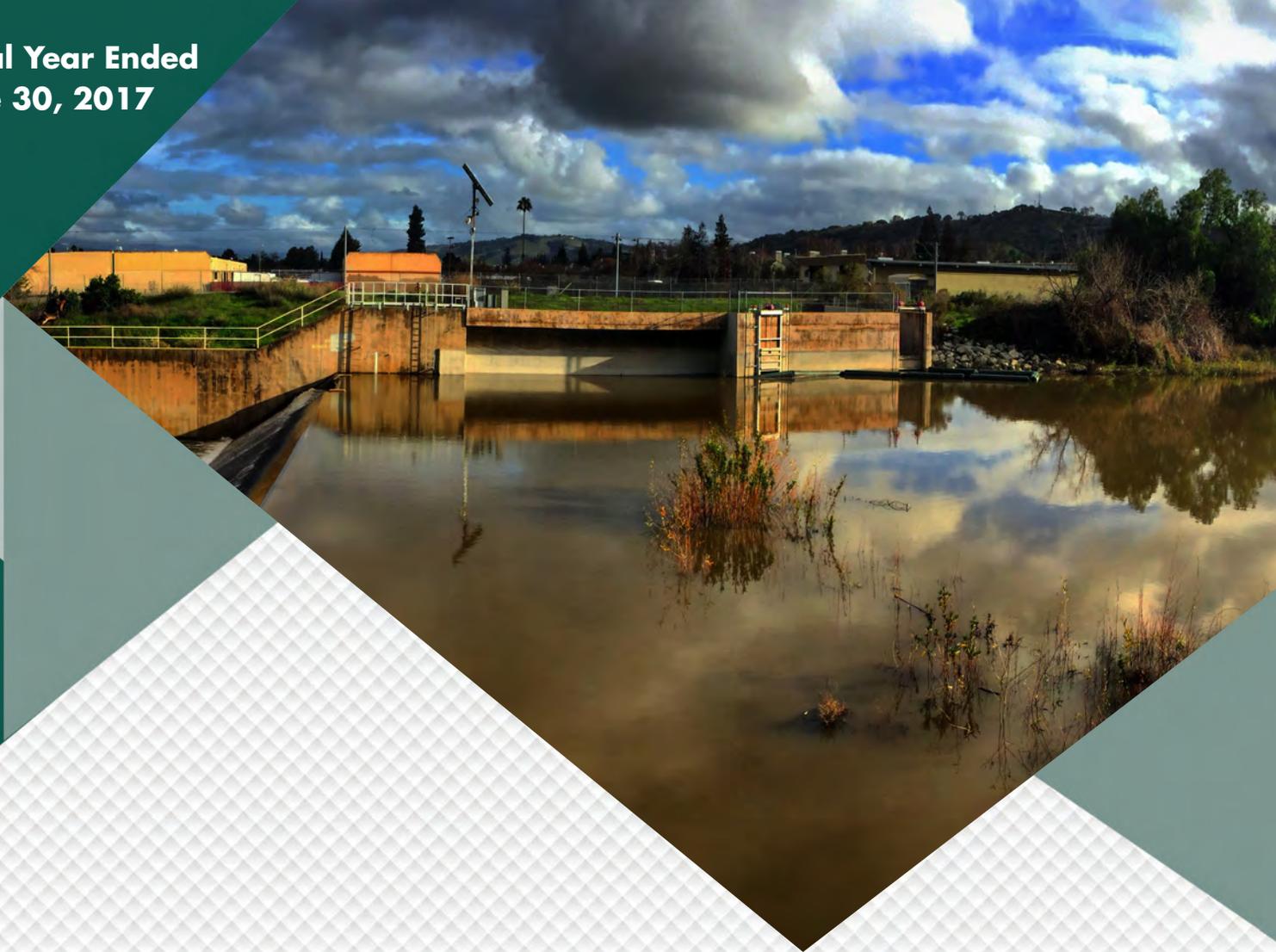


**Fiscal Year Ended  
June 30, 2017**



# **Comprehensive Annual Financial Report**

San José, California

Santa Clara Valley  
Water District



Santa Clara Valley  
Water District



# **Santa Clara Valley Water District**

San Jose, California

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2017

Prepared by the General Accounting Services Unit

Darin Taylor, Chief Financial Officer  
Gloria del Rosario, Accounting Manager

Santa Clara Valley  
Water District



**SANTA CLARA VALLEY WATER DISTRICT  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Year Ended June 30, 2017**

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# Comprehensive Annual Financial Report

Introductory Section



November 17, 2017

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, 2017. The Comprehensive Annual Financial Report is prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America 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, 2017, 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, 2017. 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.

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

## Letter of Transmittal (continued)

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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 applicable when Federal funded expenditures exceed \$750 thousand and 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 ended 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.

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)

## Letter of Transmittal (continued)

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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 8 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, 1 advanced water purification center, 10 local reservoirs and dams, a state-of-the-art water quality laboratory, dozens of groundwater recharge basins, 5 pump stations and 144 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 5% 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. In November 2016, after 15 months of intensive water quality testing and systems monitoring, tests results showed that highly purified water produced from treated wastewater is just as safe to drink as regular tap water. Currently, purified water produced by the Silicon Valley Advanced Water Purification Center is not used for potable (drinking) purposes, and is instead blended with existing recycled water to enhance its quality for non-potable purposes such as irrigation, cooling towers and industrial applications

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)

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### 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.

Silicon Valley's growth continues to outpace California and the nation as a whole in many categories. Recent studies show that jobs, income, investments, innovation and office construction continue to rise, creating new opportunities for the region's residents and talented people from around the world. But while businesses are thriving and unemployment is reaching new lows, the years of economic expansion is posing challenges in traffic congestion, commute times and housing costs.

Few real estate markets in the U.S. have soared higher over the past few years than Silicon Valley, and there are no signs of slowing down in the near future. As employment growth accelerates and the region's population continues to grow rapidly, housing remains a critical issue. The region's low housing inventory, combined with a growing need for more residential construction to accommodate population growth, has driven home prices up to near 2006 levels. High prices have led to increasing average household sizes and a larger share of the population living in multi-generational households. The Santa Clara County Assessor reported that in 2017, the net assessment roll for the County increased by 8%, from \$388 billion to \$419 billion.<sup>1</sup>

The job growth in Silicon Valley (including San Mateo and Santa Clara Counties, Fremont, Newark, Union City and Scotts Valley) has been accelerating since 2010. With this sustained job growth, the unemployment rate is lower than it has been in over a decade, and the region has far surpassed pre-recession employment levels. Since the low in 2010, the total number of jobs in Silicon Valley has grown by 23%.<sup>2</sup> The job growth in Silicon Valley is occurring across nearly all major areas of economic activities and is comprised of: Community Infrastructure Services (49.3%), Innovation and Information Products and Services (25.7%), Business Infrastructure and Services (16.3%), Other (5.0%), and Other Manufacturing (3.6%).<sup>2</sup>

Silicon Valley's unemployment rate was 3.3% in November 2016 (compared to 3.1% in San Francisco, 5% in California, and 4.4% in the U.S. overall) and is at the lowest it has been in more than a decade.<sup>2</sup>

Silicon Valley continues to be a high-income, low-poverty region relative to the rest of the state and the nation. Income growth is as important a measure of Silicon Valley's economic vitality as is job growth. Silicon Valley median household income gains have outpaced inflation for four years in a row, with the median household income in Silicon Valley 1.6 times higher than in California overall. Likewise, Silicon Valley's poverty rate remains low compared to San Francisco, California, or the U.S.

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<sup>1</sup> 2016-2017 Assessor's Annual Report, Office of County Assessor, County of Santa Clara

<sup>2</sup> 2017 Silicon Valley Index – Joint Venture Silicon Valley Network

## Letter of Transmittal (continued)

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Silicon Valley's economic engine is still going strong. Businesses are expanding, unemployment is reaching new lows, and the region's population continues to grow both in number and in its diversity. Silicon Valley continues to be a high-income area, with average annual earnings reaching their highest level to date. However, the region is straining under the demands of growth. The cost of living in Silicon Valley is higher than in California or other parts of the country, and the continuous growth is overwhelming the region's transportation infrastructure. Silicon Valley has a limited amount of developable space, and despite the increasing trend toward more densely-packed housing, not enough units are being built to accommodate the region's rapidly growing population. As a region's attractiveness continues to increase, home sales, average home prices and rental rates all tend to increase.

In June 2017, the Santa Clara Valley Water District Board of Directors voted to continue its call for water use reductions of 20% compared to 2013 water use. While statewide and local conditions have improved significantly, the Board emphasized that dry conditions could return, and the community's water savings achievements should be continued. From the beginning of the drought response initiated in 2014, the District has worked with water retailers, cities and the County to increase water conservation efforts and public outreach, and to implement other actions to reduce water use. Even though the call for water use reductions has been lowered from 30% to 20% in June 2016, coordination continues to be a focus for the District. Through these efforts, water retailer use data through May 2017 indicates a 27% savings compared to 2013 water use in the same period<sup>3</sup>. This is above the 20% target set by the Board in June 2017. The significant and sustained increases in water savings in 2015, 2016, and 2017 indicate that the District's, retailer's, city's, and County's efforts, along with actions at the state level, had an effect on water use behavior.

### 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 with 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 2018 budget, the District funds activities that carry out its mission through the following three highest-level policies.<sup>4</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.

<sup>3</sup> Santa Clara Valley Water District – Monthly Water Use Status Report, July 2017

<sup>4</sup> Santa Clara Valley Water District – FY2017-18 Operating and Capital Budget

## Letter of Transmittal (continued)

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The District's largest revenue source is water charges, acting as a wholesaler for numerous water supply retailers in Santa Clara County. Water revenues for fiscal year 2017 were \$191 million. For fiscal year 2017-18, the District Board adopted a 9.6% increase (average of \$3.55 per month per household) in the municipal and industrial groundwater production charge for the North County and a 6.4% increase (average of \$0.86 per month) for the South County, relative to fiscal year 2016-17. The revenue projection assumes water demand volume of 217,000 acre-feet.<sup>4</sup>

The Five-Year Capital Improvement Plan (CIP) includes a total of 66 capital projects with an estimated cost of over \$4.45 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 \$4.45 billion total funding, \$691 million is expected from the District's various partners, such as the U.S. Army Corps of Engineers (USACE), and \$3.762 billion from the District. Of the \$691 million that is expected from the District's partners, \$213 million is advanced by the District and reimbursed later. This \$213 million is included in the CIP, and increases the District's total funding requirement from \$3.762 billion to \$3.975 billion to ensure that the District has adequate funding to advance the reimbursement.<sup>5</sup>

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 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 2017-18, the budget includes \$42.5 million of tax revenue 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;

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<sup>4</sup> Santa Clara Valley Water District – FY2017-18 Operating and Capital Budget

<sup>5</sup> Santa Clara Valley Water District – FY2018-22 Capital Improvement Program

## Letter of Transmittal (continued)

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- Any variances at the end of the current fiscal year in Operating and Capital Reserves and Contingent Liability 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.

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, 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 starting on pages 100 as part of required supplementary information and selected watershed activities starting on pages 106 as part of supplemental information. For proprietary funds, this comparison is presented starting on pages 112 and 118 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.

## Letter of Transmittal (continued)

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### Major Initiatives

Highlights of activities and accomplishments for the fiscal year ended June 30, 2017 include the following:<sup>6</sup>

- ◆ On July 27, 2016, the San Jose Downtown Streets Team (DST) provided a report to the Homeless Encampment Ad Hoc Committee showing that the District has invested about \$198 thousand in the Clean Creeks, Healthy Communities Initiative. The four-year program is an interdisciplinary partnership with the City of San Jose and DST to recruit un-housed persons from encampments for creek cleanups, while providing incentives and assistance for them to find permanent housing. As of that report date, 63 individuals, who were previously living in encampments, have been successfully placed into permanent housing.
- ◆ On August 5, 2016, the District, as partner agency to the San Francisquito Creek Joint Powers Authority, participated in a groundbreaking event to celebrate the San Francisquito Creek Flood Protection project coming to fruition. Expected to be completed by 2018, the goal of the project is to provide 100-year creek flood protection to 5,700 homes and businesses in the San Francisquito Creek floodplain.
- ◆ On August 22, 2016, then Interim CEO Norma Camacho accepted an award from the Bay Area Council recognizing the District for its \$1.5 million contribution to place the Measure AA on the June 7, 2016, ballot. Measure AA, the San Francisco Bay Restoration Authority's "Clean and Healthy Bay" parcel tax, will raise over \$500 million dollars in funding, of which approximately \$60 million will be directed to the South Bay for flood protection and restoration efforts.
- ◆ On August 25, 2016, the District received first place in the National Association of Flood and Stormwater Management Agencies (NAFSMA) Excellence in Communications Awards in the category of Public Awareness of Flooding – Campaign. The District carried out a paid media campaign, as well as increased community outreach.
- ◆ On August 30, 2016, the United States Department of the Interior, Bureau of Reclamation (Bureau) notified the District that it anticipated awarding \$4 million in federal funding for the District's South Santa Clara County Recycled Water Project. The Bureau completed its review and ranked the District's funding application highly.
- ◆ On September 8, 2016, the District participated in an important regional exercise called Urban Shield/Yellow Command, administered and facilitated by the Bay Area Urban Areas Security Initiative. The goal is to exercise local, state, and federal response capabilities to distribute portable water to 1.8 million households in the San Francisco Bay Area following a catastrophic earthquake.
- ◆ On September 17, 2016, the District, in partnership with the Creek Connections Action Group, coordinated another successful countywide cleanup event. From Palo Alto to Gilroy, 43 sites participated in the 32<sup>nd</sup> annual Coastal Cleanup Day. A total of 1,883 volunteers cleaned 60.75 miles of creek and shoreline removing approximately 27.5 tons of trash and over three tons of recyclables.

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<sup>6</sup> Santa Clara Valley Water District Newsletters, Santa Clara Valley Water District CEO Bulletins

## Letter of Transmittal (continued)

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- ◆ Through October 13, 2016, the District removed nearly 85,000 cubic yards of sediment from creeks covering 20 sites and 12 streams, three times the average quantity removed in a normal year. This record-breaking sediment removal was accomplished, unlike in prior years, because regulatory approvals allowed the season to start on June 15, 2016. Additionally, there were virtually no environmental related delays and work proceeded efficiently.
- ◆ On January 20, 2017, the District held a groundbreaking ceremony at the Los Altos City Council Chambers to mark the beginning of construction on the Permanente Creek Flood Protection Project. The project will provide natural flood protection for approximately 2,200 properties and prevent flooding of Middlefield Road and Central Expressway in Mountain View and Los Altos.
- ◆ On February 8, 2017, Fitch Ratings, Inc. upgraded the District's Water Utility credit rating to 'AA+' from 'AA', and adjusted the Watersheds credit rating to the same level as Water Utility rating of 'AA+' from 'AAA'. These ratings reflect very high credit quality as a result of the District's large size, diverse sources of revenues, strong liquidity position, economic strength of the service area, strong management team, and the Board's leadership in maintaining a strong financial position. The Fitch upgrade for the Water Utility credit is a strong positive for the District, and should allow the District to borrow at lower costs for future debt issuances to finance the Water Utility Capital Improvement Plan.
- ◆ On March 2, 2017, the District held its first of nine series outreach visits to the Boys and Girls Clubs of Silicon Valley to build an on-going relationship with the nine clubhouse locations in San Jose and Morgan Hill to provide hands-on learning and understanding of local water resources to a new audience.
- ◆ In March 2017, the District issued \$59,390,000 of Refunding and Improvement Certificates of Participation, Series 2017A. The debt proceeds were used to refund the outstanding 2004A Certificates of Participation, refinance the 2007A Certificates of Participation, finance the cost of certain flood control improvements, and pay costs of issuance. The bonds were sold on a negotiated basis and resulted in \$9 million of net present value savings.
- ◆ In May 2017, the District issued \$54.7 million of tax-exempt Water Utility Refunding Revenue Bonds, Series 2017A. The debt proceeds were used to refund the outstanding Water Utility Revenue Certificates of Participation, Series 2007A and pay costs of issuance. The bonds were sold on a competitive basis which resulted in \$11.2 million of net present value savings.

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<sup>6</sup> Santa Clara Valley Water District Newsletters, Santa Clara Valley Water District CEO Bulletins

## Letter of Transmittal (continued)

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### 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, 2016. This was the 20<sup>th</sup> consecutive year that the District has received this prestigious award. 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.

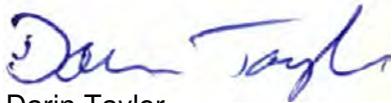
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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.

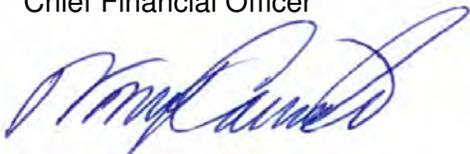
In addition, special thanks to District staff in all groups for responding so positively to the requests for detailed information that accompanies each annual audit. The role of Vavrinek, Trine, Day & Co., LLP is also acknowledged for the significant technical contribution and assistance.

Special thanks go to Gloria del Rosario, General Accounting Unit Manager; the following Accounting staff: Jaime Salandanan, Guy Canha, Fanny Chan, Leticia Rocha, Trisha Cheung, Christine Hernandez, Ofelia Hsieh and Gloria Chou; and Chenlei Yao of the Budget and Financial Planning 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 the pursuit of excellence in all realms of professional endeavors.



Darin Taylor  
Chief Financial Officer



Norma Camacho  
Chief Executive Officer



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
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**Santa Clara Valley Water District  
California**

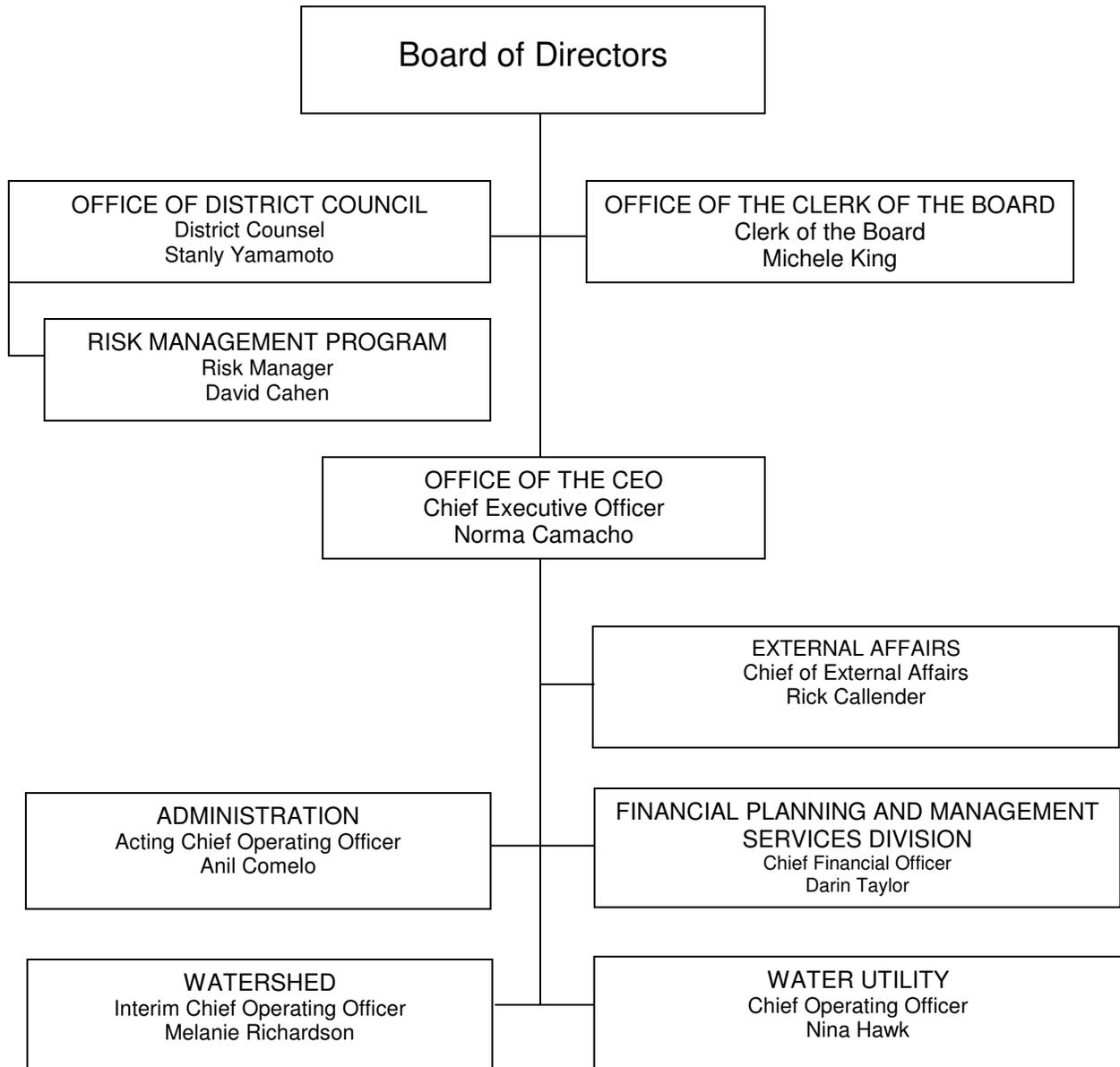
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO

# SANTA CLARA VALLEY WATER DISTRICT

## Board of Directors & Executive Management



**SANTA CLARA VALLEY WATER DISTRICT  
DIRECTORY OF OFFICIALS  
2016 – 2017**

**BOARD OF DIRECTORS**

John L. Varela, Chair	District 1
Barbara Keegan, Chair	District 2
Richard P. Santos, Vice Chair	District 3
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Tony Estremera	District 6
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Santa Clara Valley  
Water District





# Comprehensive Annual Financial Report

**Financial Section**

Santa Clara Valley  
Water District



**Financial Section**



## 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, 2017, 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 and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 2017, 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, schedule of changes in net pension liability and related ratios, schedule of employer pension contributions, 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, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 27, 2017, 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 27, 2017

## 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, 2017. This information is presented in conjunction with the audited financial statements that follow this section.

### Financial Highlights

- The net position of the District was \$2,188.5 million as of June 30, 2017. Of this amount, \$88.9 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 \$121.5 million during the current fiscal year. The net position of the governmental activities increased by \$60.5 million and the net position of the business-type activity by \$61 million.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$351.5 million, a decrease of \$10.6 million in comparison with the prior fiscal year fund balances of \$362.1 million.
- The fund balance for the general fund was \$12.3 million, a decrease of \$2.9 million from the prior fiscal year. Committed and assigned fund balances were \$12.3 million or 100% of the total fund balance.
- The fund balances of the Watershed & Stream Stewardship and Safe, Clean Water & Natural Flood Protection funds were \$324.1 million, a decrease of \$14.7 million from the prior fiscal year.

### 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 Generally Accepted Accounting Principles (GAAP).

**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, deferred outflow, liabilities, and deferred inflow, with the difference between them 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., earned but uncollected taxes and earned but unused vacation leave).

## Management's Discussion and Analysis (continued)

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Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental 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, and construction and debt service funding. The business-type activity includes the water utility operation fund.

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 enterprise funds to account for its water utility operations fund. Internal service funds are 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 equipment, and for

## Management's Discussion and Analysis (continued)

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 starting on page 47 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 and deferred outflows exceeded liabilities and deferred inflows by \$2,188.5 million at the end of the current fiscal year.

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

(in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 392,906	\$ 396,919	\$ 229,637	\$ 258,088	\$ 622,543	\$ 655,007
Capital assets	1,310,343	1,238,639	1,061,689	962,392	2,372,032	2,201,031
Total assets	<u>1,703,249</u>	<u>1,635,558</u>	<u>1,291,326</u>	<u>1,220,480</u>	<u>2,994,575</u>	<u>2,856,038</u>
Deferred outflow of resources	<u>26,089</u>	<u>12,734</u>	<u>20,902</u>	<u>9,643</u>	<u>46,991</u>	<u>22,377</u>
Current liabilities	19,326	11,565	60,701	32,747	80,027	44,312
Litigation claim	-	-	-	7,386	-	7,386
Long-term liabilities outstanding	<u>232,748</u>	<u>217,014</u>	<u>532,111</u>	<u>529,281</u>	<u>764,859</u>	<u>746,295</u>
Total liabilities	<u>252,074</u>	<u>228,579</u>	<u>592,812</u>	<u>569,414</u>	<u>844,886</u>	<u>797,993</u>
Deferred inflow of resources	<u>4,573</u>	<u>7,515</u>	<u>5,891</u>	<u>5,891</u>	<u>10,464</u>	<u>13,406</u>
Net position:						
Net investment in capital	1,213,840	1,135,593	623,828	598,075	1,837,668	1,733,668
Restricted	209,873	210,198	52,118	24,552	261,991	234,750
Unrestricted	48,978	66,407	39,895	32,191	88,873	98,598
Total net position	<u>\$ 1,472,691</u>	<u>\$ 1,412,198</u>	<u>\$ 715,841</u>	<u>\$ 654,818</u>	<u>\$ 2,188,532</u>	<u>\$ 2,067,016</u>

The largest portion of the District's net position (84%) 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 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.

## Management's Discussion and Analysis (continued)

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For governmental activities, net investment in capital assets increased by \$78.2 million or 6.9% compared to the prior fiscal year. Capital assets, net of depreciation, increased by \$71.7 million. Long term liabilities, which include related debt outstanding, went up by \$15.7 million.

Current fiscal year major additions to capital assets for governmental activities include the following in (in millions):

- \$13.8 - San Francisquito Early Implementation
- \$13.4 - Berryessa Creek, Lower, Penitencia Phase 2
- \$9.8 - Lower Silver Creek - R4-6 North Babb to Cunningham
- \$7.8 - Lower Berryessa Creek Lower Penitencia Calaveras
- \$6.7 - Permanente Creek Bay – Foothill Clean Safe Creek
- \$6.1 - Canoas Creek Rodent Damage Repair
- \$2.8 - Upper Llagas Creek
- \$2.3 - Lower Penitencia Creek Improvements
- \$1.9 - Main/Madrone Pipeline Restoration
- \$1.6 - Guadalupe River Upper
- \$1.2 - Sunnyvale East and West Channels
- \$1.1 - Cunningham Flood Detention

For business type activities, net investment in capital assets increased by \$25.7 million or 4.3% over the previous fiscal year. Capital asset, net of depreciation, increased by \$99.3 million. Long term liabilities, which include related debt outstanding, went up by \$2.8 million.

Current fiscal year major additions to capital assets for business type activities include the following (in millions):

- \$41.8 - Rinconada Water Treatment Plant Reliability Improvement
- \$15.3 - Penitencia Force Main Seismic Retrofit
- \$10.3 - Wolfe Road Recycled Water Facility
- \$7.6 - Penitencia Del Main Seismic Retrofit
- \$6.8 - Fluoridation at Water Treatment Plants
- \$5.8 - Indirect Potable Reuse-Plan C
- \$4.7 - Anderson Dam Seismic Retrofit
- \$4.2 - Penitencia Water Treatment Plant Clearwall Recoat and Repair
- \$4.1 - Infrastructure Reliability Program, Water Treatment Plant Buildings Seismic Retrofit
- \$3.2 - South County Recycled Water
- \$2.8 - Rinconada Water Treatment Plant Facility Renewal Program Residual Management Modifications
- \$2.5 - Guadalupe Dam Seismic Retrofit Design and Construction
- \$2.1 - Calero Dam Seismic Retrofit Design and Construction
- \$1.8 - 5-year Pipeline Rehabilitation
- \$1.1 - Dam Safety Seismic Stability
- \$1.1 - South County Recycled Water Pipeline
- \$1.0 - Almaden Dam Improvements

## Management's Discussion and Analysis (continued)

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 decreased by \$9.7 million or 9.9%, during the current fiscal year.

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

(in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Water charges for services	\$ -	\$ -	\$ 190,896	\$ 151,235	\$ 190,896	\$ 151,235
Operating grants and contributions	-	-	2,037	2,074	2,037	2,074
Capital grants and contributions	16,609	19,426	17,527	3,177	34,136	22,603
General revenues:						
Property taxes	123,325	114,418	44,786	30,535	168,111	144,953
Investment earnings	1,186	5,004	979	2,925	2,165	7,929
Miscellaneous	4,051	3,592	2,527	4,892	6,578	8,484
Total revenues	<u>145,171</u>	<u>142,440</u>	<u>258,752</u>	<u>194,838</u>	<u>403,923</u>	<u>337,278</u>
Expenses:						
General government	9,339	5,940	-	-	9,339	5,940
Watersheds	69,166	57,745	-	-	69,166	57,745
Interest on long-term debt	4,271	5,977	-	-	4,271	5,977
Water enterprise	-	-	199,631	207,282	199,631	207,282
Total expenses	<u>82,776</u>	<u>69,662</u>	<u>199,631</u>	<u>207,282</u>	<u>282,407</u>	<u>276,944</u>
Increase in net position before transfers	62,395	72,778	59,121	(12,444)	121,516	60,334
Transfers	(1,902)	(19,873)	1,902	19,873	-	-
Change in net position	60,493	52,905	61,023	7,429	121,516	60,334
Net position, beginning	1,412,198	1,359,293	654,818	647,389	2,067,016	2,006,682
Net position, ending	<u>\$ 1,472,691</u>	<u>\$ 1,412,198</u>	<u>\$ 715,841</u>	<u>\$ 654,818</u>	<u>\$ 2,188,532</u>	<u>\$ 2,067,016</u>

## Management's Discussion and Analysis (continued)

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**Governmental activities.** Net position in governmental activities increased by \$60.5 million during the fiscal year. Net revenues from operations of \$62.4 million, which was partially offset by the transfer out of \$1.9 million, added to net position.

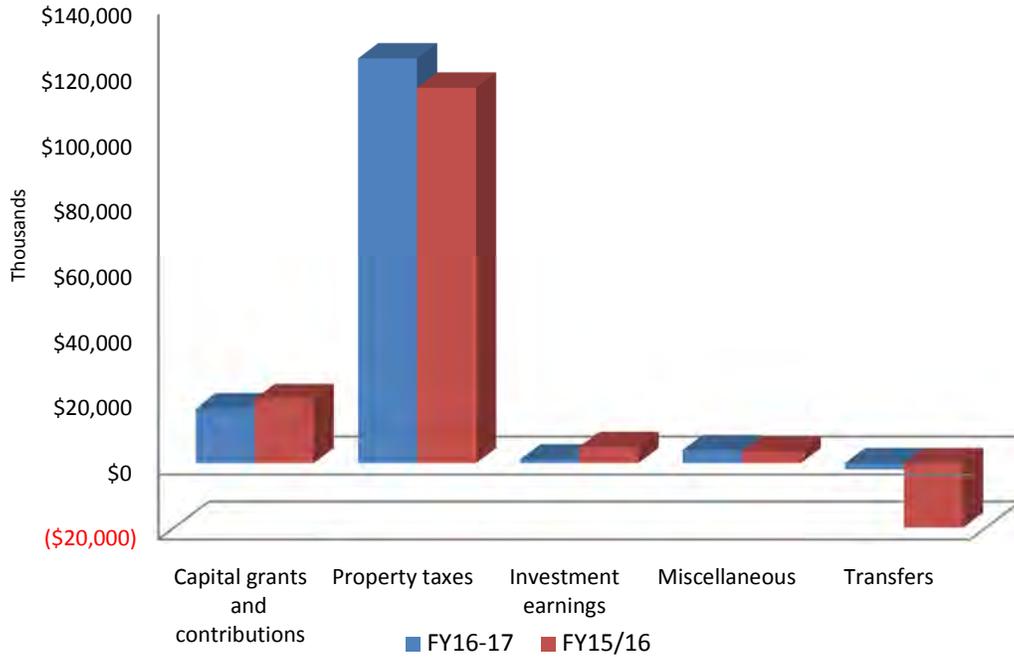
The fiscal year net revenue of \$62.4 million came from property tax (\$123.3 million), capital grants (\$16.6 million), other revenues (\$5.2 million), and operating expenses \$82.8 million.

Compared to the prior fiscal year, both revenues and expenses increased by \$2.7 million and \$13.1 million, respectively. Key elements of the changes in revenues and expenses from prior year are as follows:

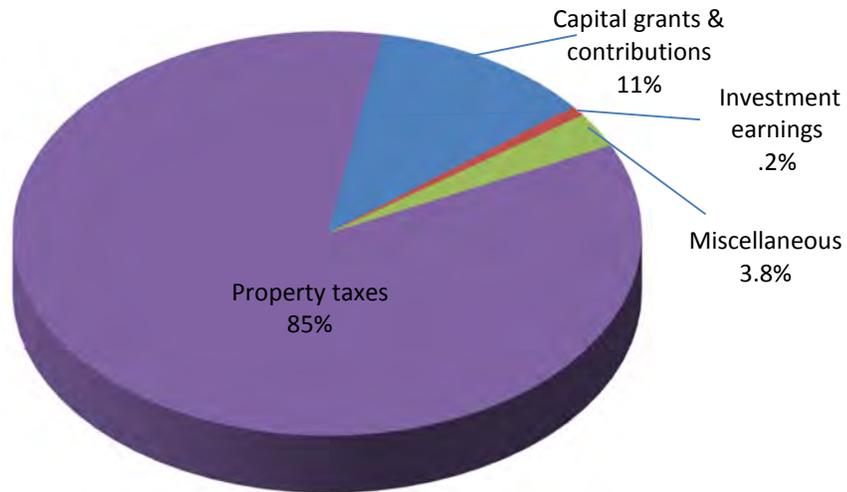
- Capital grants and contributions decreased \$2.8 million or 14.5% due largely to the decrease in capital costs reimbursements from the Department of Water Resources.
- Property taxes increased \$8.9 million or 7.7% reflective of the upward trend in the real estate market in the valley.
- Investment earnings were \$3.8 million or 76.3% lower, as a result of the decrease in the fair market value of investments at the end of the fiscal year, compared to the positive fair market value at the end of the prior period.
- General government expenditures were higher by \$3.4 million or 57.2% compared to fiscal year 2016, accounting for higher retirement contributions to CalPERS, and higher salaries and benefits due to the cost of living increase and increase in staffing levels compared to the previous fiscal year.
- Watersheds expenditures were higher by \$11.4 million or 19.8% compared to fiscal year 2016 as \$6.7 million more was spent on engineering services for various projects, \$2.5 million more for salaries and benefits due to the cost of living increase and increase in staffing levels compared to the previous fiscal year, and \$1.1 million for rental equipment.
- Interest on long-term debt was lower by \$1.7 million or 28.5% from the prior fiscal year. The decline is mainly due to the decrease in accrued interest payable which coincides with the lower principal balance outstanding at the end of fiscal year 2017 compared to fiscal year end 2016.

Management's Discussion and Analysis (continued)

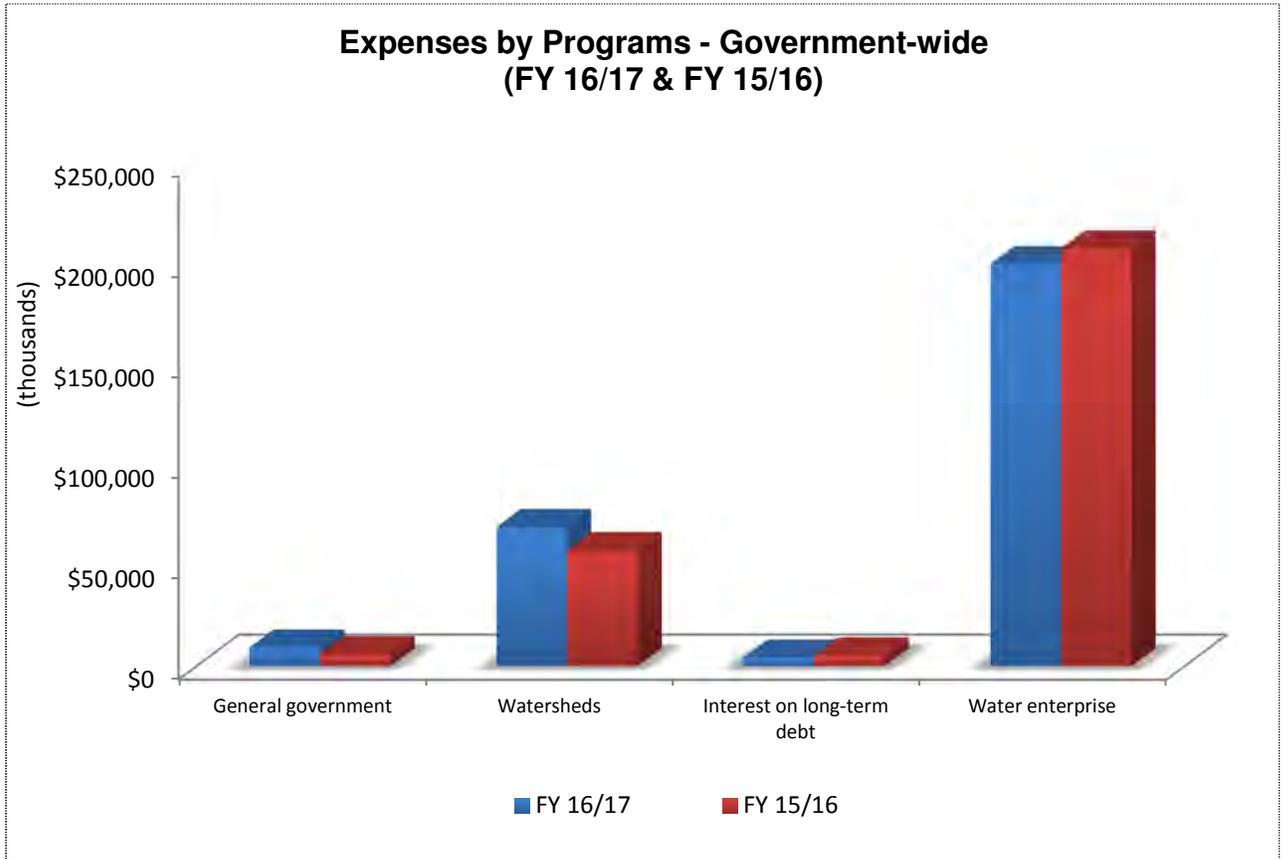
**Revenue by Sources – Governmental Activities  
(FY 16/17 & FY 15/16)**



**Revenues by Sources – Governmental Activities  
(FY 16/17)**



## Management's Discussion and Analysis (continued)



## Management's Discussion and Analysis (continued)

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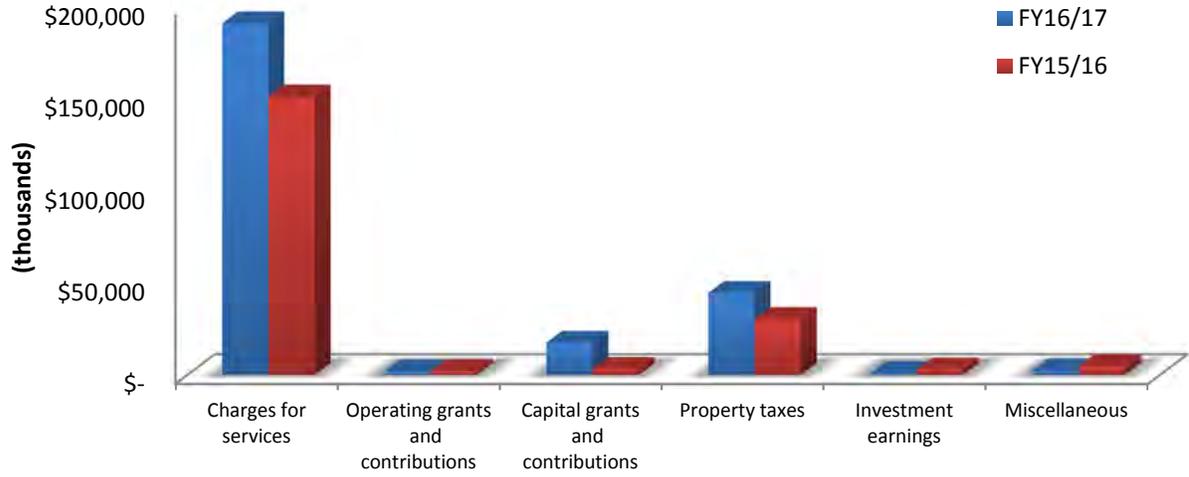
**Business-type activities.** Net position in business-type activities increased by \$61 million during the fiscal year. Fiscal year revenue included water charges for services (\$190.9 million), property taxes (\$44.8 million), capital and operating grants (\$17.5 million), miscellaneous revenue (\$2.5 million), operating grants and contributions (\$2 million) and investment earnings (\$1 million). Operating expenses, mainly from water purchases, were \$199.6 million. Without the transfer in of \$1.9 million, net revenue was \$59.1 million.

Compared to the prior fiscal year, total revenues increased \$63.9 million and expenses decreased \$7.7 million. Key elements of the changes in revenues and expenses from prior year are as follows:

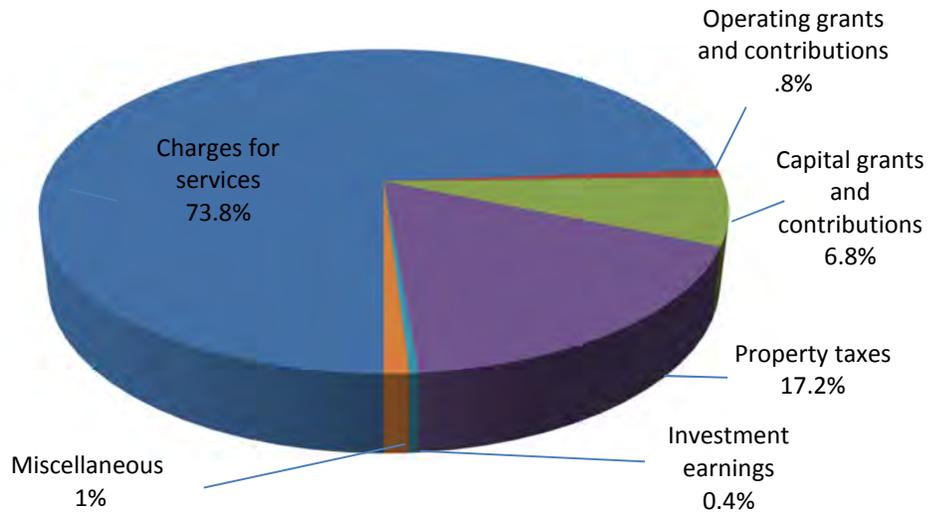
- Water charges for services were \$39.7 million or 26.2% higher than last fiscal year, reflecting the increase in rates from the prior year. Groundwater revenue increased \$6.8 million or 11.14% and treated water revenue increased \$32.8 million or 36.74%. The increase in treated water revenue is also due to higher water usage.
- Capital grants and contributions increased \$14.4 million compared to the prior fiscal year due to higher capital cost reimbursement receipts from Apple, Inc. (\$4.3 million), the Association of Bay Area Governments (\$2.5 million), City of Sunnyvale (\$1.4 million), and the Department of Water Resources (\$5.7 million).
- Property taxes were \$14.3 million or 46.7% higher than last fiscal year. The increase was due to the upward trend in the real estate market and the State Water Fund receiving a significant amount of prior year property tax in the current fiscal year.
- Water enterprise expenses decreased by \$7.7 million or 3.7% year over year. Lower conservation rebate expense, which was much lower at \$3 million compared to \$12.3 million in fiscal year 2016, more than offset the increase in salaries and benefits expense resulting from the cost of living increase and increased staffing levels over the prior fiscal year. Water banking expense was also down \$4.8 million, along with claims and judgment expense which was down \$7.4 million as a result of reversing the Great Oaks case liability accrued in a prior period.

Management's Discussion and Analysis (continued)

**Revenues by Sources - Business Activity  
(FY 16/17 & FY 15/16)**



**Revenues by Source – Business Activity  
(FY 16/17)**



## Management's Discussion and Analysis (continued)

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### 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, 2017, the District's governmental funds reported combined ending fund balances of \$351.5 million, a decrease of \$10.6 million for the fiscal year.

Compared to the prior year, revenues increased by \$3.5 million and total expenditures increased by \$29.6 million. Property taxes went up \$8.9 million due to the upward trend of property values in the area. Investment income fell \$2.8 million as a result of the negative fair market value adjustment recognized at the end of the fiscal year. Reimbursements of capital cost revenue, namely from the Department of Water Resources, were \$2.9 million lower. Proceeds from the 2017A Watersheds Refunding Bonds issuance were \$68.9 million and were largely offset by the \$60.4 million payment to the bond escrow agent for the refunding. Offsetting the increase in net revenue were net transfers out of \$1.9 million made to the Water Enterprise Fund.

Approximately \$131.4 million or 37.4% of the total fund balance amount (\$351.5 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 Safe, Clean Water & Natural Flood Protection projects (\$205 million), 2) pay debt service (\$6.2 million), and 3) provide funds for projects funded by bond proceeds (\$8.9 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 committed and assigned fund balance of the General Fund was \$12.3 million. The total fund balance decrease of \$2.9 million is attributable to \$1.7 million net expenditures and \$1.1 million of transfers out exceeding transfers in.

#### 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 \$324.1 million, which decreased during the current fiscal year by \$14.7 million or 4.3%. Fund balance for the Watershed & Stream Stewardship fund decreased \$13.7 million or 10.3% compared to last fiscal year, reflecting transfers out to the COP Debt Service Fund. The fund balance in the Safe, Clean Water

## Management's Discussion and Analysis (continued)

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& Natural Flood Protection fund balance was \$205 million, with total revenues of \$43.9 million and total expenditures of \$46.3 million. Net transfers out of \$1.4 million resulted in a \$1 million fund balance decrease between the fiscal years.

### **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.

### **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 total fund balance of \$8.9 million, all of which is reserved for major capital projects.

**Proprietary funds.** The District's proprietary funds provide a detailed breakdown of the same type of information found in the government-wide financial statements.

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

Net position of the Water Enterprise fund at the end of the fiscal year was \$682.7 million, an increase of \$50.2 million from the prior fiscal year. Operating revenues went up \$39.7 million or 26.2%, reflecting increased billing rates year over year. The increase in treated water revenue is also due to higher water usage.

Operating expenses decreased by \$9.6 million, or 5.8%. Lower conservation rebate expense and lower water banking expense compared to fiscal year 2016 largely contributed to the year over year decrease.

Net non-operating expenditures were \$6.7 million compared to net non-operating revenues of \$183 thousand in fiscal year 2016. Investment income was \$1.9 million less than last year as a result of the negative fair market value adjustment recognized at the end of the fiscal year. Interest paid on long term debt and fiscal agent fees were also \$4.6 million higher compared to the prior fiscal year.

**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. Fund resources are used 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 resources exclusively for the State Water Project related costs.

Net position ended at \$27.9 million or \$7 million higher than the prior fiscal year, which was due the increase in property tax revenue as a result of the County remitting prior year

## Management's Discussion and Analysis (continued)

property tax in the current year. Operating expenses were \$30.7 million, of which \$29.7 million or 96.9% was cost associated with water purchases. Non-operating revenues were \$39.3 million, with property taxes contributing \$38.1 million or 96.9% of the total. Transfers out of \$1.7 million to the Water Enterprise fund also occurred during the fiscal year.

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

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 fund's annual reimbursement charge for the replacement and maintenance cost of equipment is determined during the budget process and varies yearly depending upon need. Ending net position for the fund was \$11.1 million. Net revenues contributed \$2 million to net position.

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 reimburse the Risk Management Fund are determined during the budget process and varies yearly depending upon need. The fund's net position ended at \$5.7 million.

The Information Technology fund was established on July 1, 2014 to account for the acquisition installation, replacement and maintenance costs of district-wide capital charges related to information technology projects. The annual reimbursement charge to the Information Technology Fund is determined during the budget process and varies yearly depending upon need. The fund's net position was \$18.5 million or \$6.4 million higher than the prior fiscal year. Operating revenues of \$7.1 million less operating expenses of \$775 thousand contributed to the increase and was the result of higher computer equipment use charges and lower equipment and maintenance expense for the fiscal year.

### General Fund Budgetary Highlights

The table below shows the final budget for operating and capital expenditures of \$59.7 million for fiscal year 2017. The adopted budget was \$64.6 million and \$96 thousand was carried forward from the previous year. Budget adjustments during the year was a decrease of \$5.1 million.

Adopted Budget	+ Capital Projects Budget Remaining Carry-forward	- Current Year Budget Adjustments	= Final Budget
\$64,625K	\$96K	\$5,064K	\$59,657K

Total expenditures (budgetary basis) for the current fiscal year of \$57.4 million are \$5.2 million more than the prior fiscal year. The decrease can be attributed to the cost of new positions, security services, communications programs, and election cost. There was also a number of one-time capital improvement projects performed by the General Services Division.

## Management's Discussion and Analysis (continued)

### Capital Assets

The District's capital asset balance, net of accumulated depreciation, for governmental and business-type activities amounts to \$2.3 billion at June 30, 2017. Capital asset components include intangible rights and software, land, buildings, structures and improvements (which include the flood control improvement), machinery and equipment. During fiscal year 2017, the total increase in the District's capital assets was \$171.1 million or 7.8%. Governmental and business-type activities increased by 5.8% and 10.3%, respectively.

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 \$764.9 million. This District's long-term obligations outstanding at the end of the fiscal year consisted of the following:

#### Santa Clara Valley Water District's Outstanding Obligations

(Dollars in Thousands)

	Governmental activities		Business-type activity		Total	
	2017	2016	2017	2016	2017	2016
Certificates of participation	\$ 90,945	\$ 99,060	\$ -	\$ -	\$ 90,945	\$ 99,060
Revenue bonds	-	-	255,910	201,900	255,910	201,900
Revenue bonds-COP	-	-	138,745	206,625	138,745	206,625
Compensated absences	8,555	8,281	4,990	4,775	13,545	13,056
Litigation claim	-	-	-	7,386	-	7,386
Semitropic water banking	-	-	4,473	4,473	4,473	4,473
Bond Discount	-	-	(155)	(379)	(155)	(379)
Premium on bond issue	-	-	39,101	31,942	39,101	31,942
Premium on refunded debt	14,584	9,332	-	-	14,584	9,332
Claims payable	5,666	6,734	-	-	5,666	6,734
Net pension liability	113,654	93,678	89,563	73,840	203,217	167,518
Other post employment benefits	(656)	(73)	(516)	(46)	(1,172)	(119)
<b>Total</b>	<b>\$ 232,748</b>	<b>\$ 217,085</b>	<b>\$ 532,111</b>	<b>\$ 530,516</b>	<b>\$ 764,859</b>	<b>\$ 747,528</b>

The credit ratings of the District's Watershed Certificates of Participation are AA+ from Fitch, Aa1 from Moody's and AA+ from Standard & Poor's. The credit ratings of the Water Utility Enterprise Fund senior lien obligations (Series 2006A and 2007A) are Aa1 from Moody's and AA- from S&P. The Water Utility Enterprise Fund parity lien obligations (Series 2016ABCD and Series 2017A) are rated Aa1 from Moody's and AA+ from Fitch.

The District's total obligations increased by \$17.3 million during fiscal year 2017. Much of the increase reflects the increase in net pension liability, which went up \$35.7 million year over year. Lower investment income and unfavorable differences between expected and

## Management's Discussion and Analysis (continued)

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actual actuarial experience resulted in a higher pension liability at the end of fiscal year 2017.

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

### **Economic Factors and Next Year's Budgets**

The District's \$501.2 million budget for fiscal year 2018 will focus on the following initiatives:

- Making key decisions regarding the California WaterFix.
- Prioritizing the care of our District facilities and assets.
- Advancing the District's interest in Countywide stormwater resource planning.
- Providing for a watershed-wide regulatory planning and permitting effort.
- Fostering a coordinated approach to environmental stewardship efforts.
- Advancing the Anderson Dam Seismic Retrofit Project.
- Advancing recycled and purified water efforts with San Jose and other agencies.
- Finalizing the Fisheries and Aquatic Habitat Collaborative Effort (FAHCE).
- Actively pursuing efforts to increase water storage opportunities.
- Advancing diversity and inclusion efforts.
- Ensuring immediate emergency action plans and flood protection are provided for Coyote Creek.

Highlights of the fiscal year 2018 budget are as follows:

- Flood protection, including projects on San Francisquito, Lower Silver, Lower Penitencia and Permanente creeks.
- SMP Mitigation, Stream and Watershed Protection Program.
- Anderson Dam Seismic Retrofit - Design.
- Dam Safety Program Seismic Stability – Continuing Evaluation.
- Silicon Valley Advanced Water Purification Center Expansion – Planning.
- 5-Year Pipeline Rehabilitation – Ongoing Rehabilitation Work.
- Rinconada Water Treatment Plant Reliability Improvement - Construction.

### **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.

Santa Clara Valley  
Water District



## **BASIC FINANCIAL STATEMENTS**

# SANTA CLARA VALLEY WATER DISTRICT

## Statement of Net Position

June 30, 2017

(Dollars in Thousands)

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments (Note 3)	\$ 375,991	\$ 156,254	\$ 532,245
Restricted cash and investments (Note 3)	15,167	24,035	39,202
Receivables (net):			
Accounts	899	35,090	35,989
Interest	1,309	-	1,309
Taxes	899	387	1,286
Prepaid insurance	-	171	171
Deposits and other assets	3,832	8,509	12,341
Internal balances	(5,191)	5,191	-
Capital assets (Note 6):			
Contract water and storage rights, net	-	45,757	45,757
Depreciable, net	692,650	690,061	1,382,711
Nondepreciable	617,693	325,871	943,564
Total assets	1,703,249	1,291,326	2,994,575
Deferred amount on refunding	167	498	665
Deferred outflows of resources - pension activities	25,922	20,404	46,326
Total deferred outflows of resources	26,089	20,902	46,991
<b>LIABILITIES</b>			
Accounts payable	12,123	18,600	30,723
Accrued liabilities	1,592	7,118	8,710
Commercial paper, net of discount (Note 7)	-	24,230	24,230
Deposits payable	4,154	8,074	12,228
Accrued interest payable	1,457	1,472	2,929
Unearned revenue	-	1,207	1,207
Noncurrent liabilities (Note 7):			
Due within one year	13,609	10,951	24,560
Due in more than one year	219,139	521,160	740,299
Total liabilities	252,074	592,812	844,886
Deferred inflows of resources - pension activities	4,573	3,575	8,148
<b>NET POSITION (Note 10)</b>			
Net investment in capital assets	1,213,840	623,828	1,837,668
Restricted:			
Debt service	4,848	-	4,848
Safe, Clean Water - other activities	205,025	-	205,025
WU San Felipe emergency	-	2,953	2,953
WU rate stabilization	-	19,974	19,974
WU state water projects	-	10,008	10,008
Advance water purification	-	1,906	1,906
Supplemental water supply	-	14,277	14,277
Drought reserve	-	3,000	3,000
Unrestricted	48,978	39,895	88,873
Total net position	\$ 1,472,691	\$ 715,841	\$ 2,188,532

See accompanying notes to basic financial statements

**SANTA CLARA VALLEY WATER DISTRICT**

Statement of Activities  
For the Year Ended June 30, 2017  
(Dollars in Thousands)

Description	Governmental Activities			Total	Business-Type Activities	Total
	General Government	Watersheds	Interest on Long-term Debt			
<b>Expenses:</b>						
Operations and operating projects	\$ 9,339	\$ 69,166	\$ 4,271	\$ 82,776	\$ -	\$ 82,776
Water cost of production	-	-	-	-	199,631	199,631
<b>Program revenues:</b>						
Water charges for services	-	-	-	-	190,896	190,896
Operating grants and contributions	-	-	-	-	2,037	2,037
Capital grants and contributions	-	16,608	-	16,608	17,527	34,135
<b>Net program revenue (expense)</b>	<u>\$ (9,339)</u>	<u>\$ (52,558)</u>	<u>\$ (4,271)</u>	<u>(66,168)</u>	<u>10,829</u>	<u>(55,339)</u>
<b>General revenues:</b>						
Property taxes (Note 8)				123,325	44,786	168,111
Unrestricted investment earnings				1,186	979	2,165
Miscellaneous				4,052	2,527	6,579
<b>Transfers (Note 14)</b>				<u>(1,902)</u>	<u>1,902</u>	<u>-</u>
<b>Total general revenues and transfers</b>				<u>126,661</u>	<u>50,194</u>	<u>176,855</u>
<b>Change in net position</b>				<u>60,493</u>	<u>61,023</u>	<u>121,516</u>
<b>Net position, beginning of year</b>				<u>1,412,198</u>	<u>654,818</u>	<u>2,067,016</u>
<b>Net position, end of year</b>				<u>\$ 1,472,691</u>	<u>\$ 715,841</u>	<u>\$ 2,188,532</u>

See accompanying notes to basic financial statements.

**SANTA CLARA VALLEY WATER DISTRICT**

Balance Sheet  
 Governmental Funds  
 June 30, 2017  
 (Dollars in Thousands)

	<u>Special Revenue Fund</u>	
	<u>General</u>	<u>Watershed &amp; Stream Stewardship</u>
<b>ASSETS</b>		
Cash and investments (Note 3)	\$ 12,727	\$ 123,614
Restricted cash and investments (Note 3)	-	77
Receivables:		
Accounts	11	845
Interest	1,235	-
Taxes	85	814
Deposits and other assets	<u>35</u>	<u>3,074</u>
Total assets	<u>\$ 14,093</u>	<u>\$ 128,424</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 1,169	\$ 5,145
Accrued liabilities	564	573
Deposits payable	<u>13</u>	<u>3,633</u>
Total liabilities	<u>1,746</u>	<u>9,351</u>
 <b>Fund balances (Note 9):</b>		
Restricted Fund Balance	-	-
Committed Fund Balance	5,962	64,898
Assigned Fund Balance	<u>6,385</u>	<u>54,175</u>
Total fund balances	<u>12,347</u>	<u>119,073</u>
<b>Total liabilities and fund balances</b>	<u>\$ 14,093</u>	<u>\$ 128,424</u>

See accompanying notes to basic financial statements.

<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	
Safe, Clean Water & Natural Flood Protection Program	COP Construction Fund	COP Debt Service	Total Governmental Funds
\$ 210,412	\$ -	\$ -	\$ 346,753
-	8,859	6,231	15,167
43	-	-	899
-	-	-	1,235
-	-	-	899
508	-	-	3,617
<u>\$ 210,963</u>	<u>\$ 8,859</u>	<u>\$ 6,231</u>	<u>\$ 368,570</u>
\$ 5,006	\$ -	\$ -	\$ 11,320
424	-	-	1,561
508	-	-	4,154
<u>5,938</u>	<u>-</u>	<u>-</u>	<u>17,035</u>
205,025	8,859	6,231	220,115
-	-	-	70,860
-	-	-	60,560
<u>205,025</u>	<u>8,859</u>	<u>6,231</u>	<u>351,535</u>
<u>\$ 210,963</u>	<u>\$ 8,859</u>	<u>\$ 6,231</u>	<u>\$ 368,570</u>

**SANTA CLARA VALLEY WATER DISTRICT**

Reconciliation of the Balance Sheet of  
Governmental Funds to the Statement of Net Position

June 30, 2017

(Dollars in Thousands)

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

Fund balances of governmental funds	\$ 351,535
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the balance sheet of governmental funds.	1,292,675
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.	30,205
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.	(1,457)
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.	74
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	(90,945)
Deferred amount on refunding	167
Net original issue premium	(14,584)
Compensated absences	(8,200)
Net pension liability and related deferrals	(87,401)
Other post employment benefits - overfunding	622
	<hr/>
Net position of governmental activities	<u><u>\$ 1,472,691</u></u>

See accompanying notes to basic financial statements

Santa Clara Valley  
Water District



**SANTA CLARA VALLEY WATER DISTRICT**

Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2017  
(Dollars in Thousands)

	<u>Special Revenue Fund</u>	
	<u>General</u>	<u>Watershed &amp; Stream Stewardship</u>
<b>Revenues:</b>		
Property taxes (Note 8)	\$ 7,420	\$ 74,806
Benefit assessments (Note 8)	-	14,790
Use of money and property:		
Investment income (Note 5)	23	317
Rental	-	1,527
Reimbursement of capital costs (Note 4)	-	-
Other	95	1,870
Total revenues	<u>7,538</u>	<u>93,310</u>
<b>Expenditures:</b>		
Operations and operating projects	7,668	48,052
Capital improvement projects	1,584	45,561
Debt service:		
Principal repayment	-	-
Interest and fiscal agent fees	2	31
Total expenditures	<u>9,254</u>	<u>93,644</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,716)</u>	<u>(334)</u>
<b>Other financing sources (uses):</b>		
Proceeds from borrowing	-	-
Payment to refunded bond escrow agent	-	-
Transfers in (Note 14)	699	2,647
Transfers out (Note 14)	(1,834)	(16,060)
Total other financing sources (uses)	<u>(1,135)</u>	<u>(13,413)</u>
Net change in fund balances	(2,851)	(13,747)
Fund balances, beginning of year	<u>15,198</u>	<u>132,820</u>
Fund balances, end of year	<u>\$ 12,347</u>	<u>\$ 119,073</u>

See accompanying notes to basic financial statements.

<u>Special Revenue Fund</u> Safe, Clean Water & Natural Flood Protection Program	<u>Capital Project Fund</u>  COP Construction Fund	<u>Debt Service Fund</u>  COP Debt Service	<u>Total Governmental Funds</u>
\$ 41,099	\$ -	\$ -	\$ 123,325
-	-	-	14,790
651	(90)	55	956
290	-	-	1,817
1,818	-	-	1,818
6	-	-	1,971
<u>43,864</u>	<u>(90)</u>	<u>55</u>	<u>144,677</u>
11,791	-	-	67,511
34,452	-	-	81,597
-	-	8,020	8,020
29	-	4,681	4,743
<u>46,272</u>	<u>-</u>	<u>12,701</u>	<u>161,871</u>
<u>(2,408)</u>	<u>(90)</u>	<u>(12,646)</u>	<u>(17,194)</u>
-	68,932	-	68,932
-	(60,397)	-	(60,397)
1,444	-	12,646	17,436
-	(1,444)	-	(19,338)
<u>1,444</u>	<u>7,091</u>	<u>12,646</u>	<u>6,633</u>
(964)	7,001	-	(10,561)
<u>205,989</u>	<u>1,858</u>	<u>6,231</u>	<u>362,096</u>
<u>\$ 205,025</u>	<u>\$ 8,859</u>	<u>\$ 6,231</u>	<u>\$ 351,535</u>

**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, 2017  
(Dollars in Thousands)

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

Net change in fund balances - total governmental funds	\$	(10,561)
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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 amount represents capital outlays, net of depreciation.

Capital Outlay		76,570
Depreciation		(10,966)

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.		472
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.

Certificates of participation repayment		8,115
Deferred amount on refunding		(3,322)
Net original issue premium		(5,251)

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.		5,300
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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		(258)
Other post employment benefits		553
Change in net pension liability, deferred inflows and outflows		(326)
Interest from monies held in restricted bank accounts		167

Change in net position of governmental activities	\$	<u>60,493</u>
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See accompanying notes to basic financial statements

**SANTA CLARA VALLEY WATER DISTRICT**

Statement of Net Position

Proprietary Funds

June 30, 2017

(Dollars in Thousands)

	Business-type Activities			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)	\$ 146,565	\$ 9,689	\$ 156,254	\$ 29,238
Receivables:				
Accounts	35,081	9	35,090	-
Taxes	77	310	387	-
Deposits and other assets	8,509	-	8,509	215
Total current assets	<u>190,232</u>	<u>10,008</u>	<u>200,240</u>	<u>29,453</u>
Non current assets:				
Restricted cash and investments (Note 3)	24,035	-	24,035	-
Prepaid insurance on bond issuance	171	-	171	-
Other post employment benefits prepayment (Note 12)	516	-	516	33
Capital assets (Note 6):				
Contract water rights, net	27,813	17,944	45,757	-
Depreciable, net	690,061	-	690,061	11,646
Nondepreciable	325,871	-	325,871	6,022
Total non current assets	<u>1,068,467</u>	<u>17,944</u>	<u>1,086,411</u>	<u>17,701</u>
Total assets	<u>1,258,699</u>	<u>27,952</u>	<u>1,286,651</u>	<u>47,154</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amount on refunding	498	-	498	-
Deferred outflows of resources - pension activities	20,404	-	20,404	1,334
Total deferred outflows of resources	<u>20,902</u>	<u>-</u>	<u>20,902</u>	<u>1,334</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	18,600	-	18,600	803
Accrued liabilities	7,118	-	7,118	31
Commercial paper, net of discount (Note 7)	24,230	-	24,230	-
Deposits payable	8,074	-	8,074	-
Accrued interest payable	1,472	-	1,472	-
Unearned revenue	1,207	-	1,207	-
Claims payable (Note 13)	-	-	-	1,473
Revenue bonds - current (Note 7)	9,826	-	9,826	-
Compensated absence	1,125	-	1,125	-
Other debt (Note 7)	-	-	-	80
Total current liabilities	<u>71,652</u>	<u>-</u>	<u>71,652</u>	<u>2,387</u>
Non current liabilities:				
Long-term debt (Note 7):				
Revenue bonds (net of unamortized discount and premiums)	423,776	-	423,776	-
Claims payable (Note 13)	-	-	-	4,193
Compensated absence	3,864	-	3,864	-
Other debt	4,473	-	4,473	274
Net pension liability (Note 11)	89,563	-	89,563	5,969
Total long-term debt	<u>521,676</u>	<u>-</u>	<u>521,676</u>	<u>10,436</u>
Total non current liabilities	<u>521,676</u>	<u>-</u>	<u>521,676</u>	<u>10,436</u>
Total liabilities	<u>593,328</u>	<u>-</u>	<u>593,328</u>	<u>12,823</u>
<b>DEFERRED INFLOWS OF RESOURCES - pension activities</b>				
	3,575	-	3,575	269
<b>NET POSITION (Note 10)</b>				
Net investment in capital assets	605,884	17,944	623,828	17,668
Restricted:				
San Felipe operations	2,953	-	2,953	-
State water projects	-	10,008	10,008	-
Rate stabilization	19,974	-	19,974	-
Advance water purification	1,906	-	1,906	-
Supplemental water supply	14,277	-	14,277	-
Drought reserve	3,000	-	3,000	-
Unrestricted	34,704	-	34,704	17,728
Total net position	<u>\$ 682,698</u>	<u>\$ 27,952</u>	<u>\$ 710,650</u>	<u>\$ 35,396</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.	5,191	-	5,191	
Net position of business-type activities	<u>\$ 687,889</u>	<u>\$ 27,952</u>	<u>\$ 715,841</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, 2017  
(Dollars in Thousands)

	Business-type Activities			Governmental
	Water	State	Total	Internal
	Enterprise Fund	Water Project Fund		Enterprise Funds
<b>Operating revenues:</b>				
Ground water production charges	\$ 67,937	\$ -	\$ 67,937	\$ -
Treated water charges	122,212	-	122,212	-
Surface and recycled water revenue	747	-	747	-
Charges for services	-	-	-	17,968
Other	172	-	172	-
Total operating revenues	<u>191,068</u>	<u>-</u>	<u>191,068</u>	<u>17,968</u>
<b>Operating expenses:</b>				
Sources of supply	63,885	29,724	93,609	-
Water treatment	33,807	-	33,807	-
Transmission and distribution:				
Raw water	13,139	-	13,139	-
Treated water	1,414	-	1,414	-
Administration and general	16,151	-	16,151	2,877
Equipment maintenance	-	-	-	4,318
Depreciation and amortization	26,877	944	27,821	1,858
Total operating expenses	<u>155,273</u>	<u>30,668</u>	<u>185,941</u>	<u>9,053</u>
Operating income (loss)	<u>35,795</u>	<u>(30,668)</u>	<u>5,127</u>	<u>8,915</u>
<b>Nonoperating revenues (expenses):</b>				
Property taxes (Note 8)	6,682	38,104	44,786	-
Investment income (Note 5)	979	-	979	101
Operating grants	2,037	-	2,037	-
Rental income	112	-	112	-
Other	1,034	1,209	2,243	169
Interest and fiscal agent fees	(17,575)	-	(17,575)	-
Net nonoperating revenues (expenses)	<u>(6,731)</u>	<u>39,313</u>	<u>32,582</u>	<u>270</u>
Income before capital contributions and transfers	29,064	8,645	37,709	9,185
Capital contributions (Note 4)	17,527	-	17,527	-
Transfers in (Note 14)	4,282	-	4,282	-
Transfers out (Note 14)	(699)	(1,681)	(2,380)	-
Change in net position	50,174	6,964	57,138	9,185
Net position, beginning of year	632,524	20,988	653,512	26,211
Net position, end of year	<u>682,698</u>	<u>27,952</u>	<u>710,650</u>	<u>35,396</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund.	5,191	-	5,191	
Net position of business-type activities	<u>\$ 687,889</u>	<u>\$ 27,952</u>	<u>\$ 715,841</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	\$ 57,138
Adjustment to the net effect of the current year activity between the internal service funds and the enterprise funds	3,885
Change in net position of business-type activities	<u>\$ 61,023</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, 2017 (Dollars in Thousands)

	Business-type Activities			Governmental
	Water	State	Total	Internal
	Enterprise Fund	Water Project Fund		Enterprise Funds
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ 178,744	\$ (9)	\$ 178,735	\$ 17,858
Payments to suppliers	(70,884)	(30,200)	(101,084)	(4,996)
Payments to employees	(72,387)	-	(72,387)	(4,049)
Reimbursement/(payments) for interfund charges	5,193	-	5,193	-
Net cash provided by (used for) operating activities	40,666	(30,209)	10,457	8,813
<b>Cash flows from noncapital financing activities:</b>				
Property taxes received	6,644	37,921	44,565	-
Operating grant	2,037	-	2,037	-
Well permits, refunds and adjustments	1,034	1,209	2,243	166
Transfers in from other funds	4,282	-	4,282	-
Transfers out to other funds	(699)	(1,681)	(2,380)	-
Net cash provided by noncapital financing activities	13,298	37,449	50,747	166
<b>Cash flows from capital and related financing activities:</b>				
Refunding of revenue bonds	(6,282)	-	(6,282)	-
Issuance of commercial papers	24,230	-	24,230	-
Capital grants	17,527	-	17,527	-
Interest and fiscal agent fees paid	(17,686)	-	(17,686)	-
Payments for contract water rights	(8,765)	-	(8,765)	-
Acquisition and construction of capital assets	(118,286)	-	(118,286)	(6,935)
Net cash provided by/(used for) capital and related financing activities	(109,262)	-	(109,262)	(6,935)
<b>Cash flows from investing activities:</b>				
Decrease/(increase) in restricted investments	54,005	-	54,005	-
Rental income received	112	-	112	-
Interest received on cash and investments	978	-	978	98
Net cash provided by/(used for) investing activities	55,095	-	55,095	98
Net increase (decrease) in cash and cash equivalents	(203)	7,240	7,037	2,142
Cash and cash equivalents, beginning of year	146,768	2,449	149,217	27,096
Cash and cash equivalents, end of year	\$ 146,565	\$ 9,689	\$ 156,254	\$ 29,238
<b>Cash and cash equivalents are reported on the Statement of Net Position as follows:</b>				
Cash and investments	\$ 146,565	\$ 9,689	\$ 156,254	\$ 29,238
Restricted cash and investments	24,035	-	24,035	-
Less cash and investments not meeting the definition of cash equivalents	(24,035)	-	(24,035)	-
Cash and cash equivalents, end of year	\$ 146,565	\$ 9,689	\$ 156,254	\$ 29,238
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 35,795	\$ (30,668)	\$ 5,127	\$ 8,915
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>				
Depreciation, amortization and asset deletion	26,813	944	27,757	838
<b>Change in operating assets and liabilities:</b>				
(Increase)/decrease in deposits and other assets	(2,284)	-	(2,284)	-
(Increase)/decrease in accounts receivable	(12,324)	(9)	(12,333)	(110)
(Increase)/decrease in property inventory	-	-	-	(26)
Increase/(decrease) in accounts payable	(1,859)	(476)	(2,335)	221
Increase/(decrease) in accrued liabilities	2,758	-	2,758	29
Increase/(decrease) in unearned revenue	(4,943)	-	(4,943)	-
Increase/(decrease) in compensated absences	214	-	214	15
Increase/(decrease) in deposits payable	2,204	-	2,204	-
Increase/(decrease) in litigation claims	(7,386)	-	(7,386)	(1,068)
Increase/(decrease) in other post employment benefits payable	(470)	-	(470)	(31)
Increase/(decrease) in deferred inflows/outflow of resources	(13,575)	-	(13,575)	(999)
Increase/(decrease) in pension liabilities	15,723	-	15,723	1,029
Net cash provided (used) by operating activities	\$ 40,666	\$ (30,209)	\$ 10,457	\$ 8,813
<b>Noncash investing, capital, and financing activity:</b>				
Net acquisition of capital assets on account	\$ 66	\$ -	\$ 66	\$ 1,114

See accompanying notes to basic financial statements.

# SANTA CLARA VALLEY WATER DISTRICT

## Statement of Assets and Liabilities

Agency Fund

June 30, 2017

(Dollars in Thousands)

### ASSETS

Cash and investments (Note 3)	\$ 196
Total assets	<u>196</u>

### LIABILITIES

Deposits payable	196
Total liabilities	<u>\$ 196</u>

See accompanying notes to basic financial statements.

# **SANTA CLARA VALLEY WATER DISTRICT**

## **Notes to Basic Financial Statements**

**For the Year Ended June 30, 2017**

### **(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, and its governing board is the District's governing board. The operations of the Corporation are accounted for in the debt service and capital project funds.

Separate financial statements are not issued for the Corporation.

# SANTA CLARA VALLEY WATER DISTRICT

## Notes to Basic Financial Statements

For the Year Ended June 30, 2017

### (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 (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 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 expenses 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 District reports the following Governmental Funds:

The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental functions of the District that are not accounted for through other funds.

The *Special Revenue Type Funds* are used to account for specific revenue sources for which expenditures are restricted by law or regulation or committed by board resolutions to finance particular watershed or safe, clean and natural flood protection functions or activities of the District. The District has the following special revenue type funds:

## SANTA CLARA VALLEY WATER DISTRICT

### Notes to Basic Financial Statements

For the Year Ended June 30, 2017

- The *Watershed and Stream Stewardship Fund* is funded by the District's one percent property tax allocation and benefit assessments 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 *Safe, Clean Water & Natural Flood Protection Program* is used to account for the countywide special parcel tax approved by voters on 11/6/2012, with a sunset date of 6/30/2028. This program replaces the Clean, Safe Creeks and Natural Flood Protection Plan that was approved by voters in November 2000.
  - The *Capital Project Type Funds* are used to account for COP proceeds used for the construction of major capital projects with their respective watersheds. The COP Construction Fund is the District's sole capital project type fund.
  - The *Debt Service Type Funds* are used to account for monies being held for reserve requirements and arbitrage rebate for the District's debt payments. The COP Debt Service Fund is the District's sole debt service type fund.

## SANTA CLARA VALLEY WATER DISTRICT

### Notes to Basic Financial Statements

For the Year Ended June 30, 2017

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 *Information Technology Fund* accounts for the replacement and maintenance of district-wide capital related information technology projects.

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 purposes.

#### **(b) Basis of Accounting**

The government-wide 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.

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

## SANTA CLARA VALLEY WATER DISTRICT

### Notes to Basic Financial Statements

For the Year Ended June 30, 2017

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 are reported using the economic resource measurement focus and the accrual basis of accounting and 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 funds 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 funds *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. Agency funds do not have a measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

#### **(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

For the Year Ended June 30, 2017

#### (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 acquisition cost 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**

For the Year Ended June 30, 2017

#### **(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 \$365 thousand.

#### **(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 differences associated with debt refinancing are reported as deferred outflows or inflows of resources and amortized over the life of the bonds. Issuance costs are recorded as an expense of the current period.

On the statement of net position and the statement of activities, the premiums and discounts related to outstanding debt are deferred and amortized over the life of the certificates. Debt payable are reported net of the applicable bond premiums or discounts. 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**

For the Year Ended June 30, 2017

#### **(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) Pensions**

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

#### **(p) Fair Value Measurement**

The District has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

#### **(q) Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows. Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

## SANTA CLARA VALLEY WATER DISTRICT

### Notes to Basic Financial Statements

For the Year Ended June 30, 2017

#### (r) New 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. Current and future new standards which may impact the District include the following:

##### Current Accounting Pronouncements:

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016, or the 2016-17 fiscal year. This Statement is not applicable to the District.

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. The requirements of this Statement are effective for the financial statements for periods beginning after December 15, 2015, or the 2016-17 fiscal year. The District has determined that this Statement does not have a material impact on the financial statements.

GASB Statement No. 78 – In December 2015, GASB issued Statement No 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The Statement amends the scope and applicability of GASB Statement No. 68 to exclude certain types of cost-sharing multiple-employer plans. The Statement is effective for the periods beginning after December 15, 2015, or the 2016-17 fiscal year. The District has determined that this Statement does not have a material impact on the financial statements.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of the Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The Statement is effective for the reporting periods beginning after June 15, 2016, or the 2016-17 fiscal year. This Statement is not applicable to the District.

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of the Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, the Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment

## SANTA CLARA VALLEY WATER DISTRICT

### Notes to Basic Financial Statements

For the Year Ended June 30, 2017

of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Statement is effective for the reporting periods beginning after June 15, 2016, or the 2016-17 fiscal year. The District has implemented this Statement as of July 1, 2016.

#### Future Accounting Pronouncements:

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement is effective for fiscal years beginning after June 15, 2017, or the 2017-18 fiscal year. The District has not determined the impact of this pronouncement on the financial statements.

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of the Statement is to improve financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, the Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The Statement is effective for the reporting periods beginning after December 15, 2016, or the 2017-18 fiscal year. The District has not determined the impact of this pronouncement on the financial statements.

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, or the 2018-19 fiscal year. The District has not determined the impact of this pronouncement on the financial statements.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, or the 2019-20 fiscal year. The District has not determined the impact of this pronouncement on the financial statements.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of

**SANTA CLARA VALLEY WATER DISTRICT**

Notes to Basic Financial Statements

For the Year Ended June 30, 2017

topics including issues related to blending component units, goodwill, fair value measurement and application, and Postemployment benefits (pensions and other postemployment benefits [OPEB]). The Statement is effective for the reporting periods beginning after June 15, 2017, or the 2017-18 fiscal year. The District has not determined the impact of this pronouncement on the financial statements.

GASB Statement No. 86 – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash

and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Statement is effective for the reporting periods beginning after June 15, 2017, or the 2017-18 fiscal year. The District has not determined the impact of this pronouncement on the financial statements.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The Statement is effective for the reporting periods beginning after December 15, 2019, or the 2020-21 fiscal year. The District has not determined the impact of this pronouncement on the financial statements.

**(3) CASH AND INVESTMENTS**

Total District cash and investments based on fair market value at June 30, 2017 are as follows (in thousands):

Statement of Net Position:	
Cash and investments	\$ 532,245
Restricted cash and investments	39,202
Statement of Fiduciary Net Position:	
Cash and investments	196
	<u>\$ 571,643</u>

## SANTA CLARA VALLEY WATER DISTRICT

### Notes to Basic Financial Statements

For the Year Ended June 30, 2017

#### Investments

At June 30, 2017, cash and investments based on fair market value consist of the following (in thousands):

U.S. Government Agencies	\$ 379,171
U.S. Treasury Obligations	25,982
Medium Term Notes	6,673
Local Agency Investment Fund	88,158
Mutual Funds	105
Supranational Obligations	8,986
Municipal Bonds	3,581
Negotiable Certificates of Deposit	490
Money Market Funds	38,847
Total Investments	<u>551,993</u>
Carrying amount of cash	19,650
Total Cash and Investments	<u><u>\$ 571,643</u></u>

As of June 30, 2017, the fair market value of the District's investment in the State investment pool (LAIF) is \$88.1 million which consists of \$63.9 million in non-restricted cash and \$24.2 million in restricted bond proceeds. The \$24.2 million bond proceeds are related to the 2012A and 2016C Certificate of Participation Acquisition and Construction fund. The total amount invested by all public agencies in LAIF at that date is \$77.5 billion. Of that amount, 97.11% is invested in non-derivative financial products and 2.89% in asset-backed 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 District is a voluntary participant in the pool. 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. The pool is not registered with the SEC.

#### 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 District's investment policy.

**SANTA CLARA VALLEY WATER DISTRICT**

Notes to Basic Financial Statements

For the Year Ended June 30, 2017

<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	AA-	None	None
U.S. Government Agency Issues (A)	5 years	AA-	None	None
Bankers Acceptances	180 days	AA-	40%	4.8%
Commercial Paper	90 days	AA-	15%	1.8%
Negotiable Certificates of Deposit	5 years	AA-	30%	3.6%
Nonnegotiable Certificates of Deposit	5 years	Satisfactory CRA	5%	\$250,000 & FDIC 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%	- -
Supranational Obligations	5 years	AA	15%	1.8%

(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.

**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, 2016C, and 2016D Certificates of Participation (COP) and Water Utility Revenue and Refunding Bonds 2006B, 2016A, 2016B, and 2017A, 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, 2017, the amount invested in assets held by fiscal agent amounted to \$6.2 million for certificates of participation and \$1 thousand for revenue bonds and was equal to or in excess of the amount required at that date.

**Restricted Cash and Investments for Capital Projects**

The District has construction and acquisition funds from the 2012A and 2017A 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, 2017, the balance of this fund is \$8.9 million.

Additionally, the District has construction and acquisition funds from the 2016C Revenue Certificates of Participation (COP) which are used to finance the cost of water utility system improvements projects. At June 30, 2017, the balance of this fund is \$23.9 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, 2017, the total balance of the taxable and the tax-exempt commercial paper certificate account is \$87 thousand. Both account balances were cash transfers

# SANTA CLARA VALLEY WATER DISTRICT

## Notes to Basic Financial Statements

For the Year Ended June 30, 2017

from the District to fiscal agent to fund maturing interest payments on commercial papers outstanding.

### 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, 2017, the District's restricted deposits held in escrow for construction of the Guadalupe Watershed project amounted to \$77 thousand.

### 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 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
Supranational Obligations	N/A	AA

(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 issues of the

## SANTA CLARA VALLEY WATER DISTRICT

### Notes to Basic Financial Statements

For the Year Ended June 30, 2017

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"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMAs"); 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, GNMAs, FNMA 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

For the Year Ended June 30, 2017

**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):

	<u>Total</u>	<u>12 Months or less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>
U.S. Government Agencies	\$ 335,300	\$ 143,752	\$ 121,925	\$ 69,623
U.S. Government Agencies - Callable	43,871	4,445	9,447	29,979
U.S. Treasury Obligations	25,982	25,982	-	-
Medium Term Notes	6,673	1,993	-	4,680
Local Agency Investment Fund	88,158	88,158	-	-
Mutual Funds	105	105	-	-
Supranational Obligations	8,986	2,999	2,983	3,004
Municipal Bonds	3,581	635	-	2,946
Negotiable Certificates of Deposit	490	490	-	-
Money Market Funds	38,847	38,847	-	-
 Total Investments	 <u>\$ 551,993</u>	 <u>\$ 307,406</u>	 <u>\$ 134,355</u>	 <u>\$ 110,232</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.

The following table shows 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, 2017 for each investment type as provided by Standard and Poor's (in thousands):

**SANTA CLARA VALLEY WATER DISTRICT**

Notes to Basic Financial Statements

For the Year Ended June 30, 2017

	Total	Minimum Legal Rating	Exempt from Disclosure	Rating as of Year-end			
				AAA	AA+	AA	Not Rated
U.S. Government Agencies	\$ 379,171	AA-	\$ -	\$ -	\$ 379,171	\$ -	\$ -
U.S. Treasury Obligations	25,982	AA-	25,982	-	-	-	-
Medium Term Notes	6,673	AA-	-	3,109	1,993	-	1,571
Local Agency Investment Fund	88,158	N/A	-	-	-	-	88,158
Mutual Funds	105	AAA	-	105	-	-	-
Supranational Obligations	8,986	AA	-	8,986	-	-	-
Municipal Bonds	3,581	AA-	-	-	-	3,581	-
Negotiable Certificates of Depos	490	AA-	-	-	-	-	490
Money Market Funds	38,847	N/A	-	-	-	-	38,847
<b>Total Investments</b>	<b>\$ 551,993</b>		<b>\$ 25,982</b>	<b>\$ 12,200</b>	<b>\$ 381,164</b>	<b>\$ 3,581</b>	<b>\$ 129,066</b>

**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 and District investment policy, whichever is more restrictive. 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, 2017, those investments consisted of the following (in thousands):

Issuer	Investment Type	Reported Amount
<b>Government-Wide</b>		
Federal Home Loan Mortgage Corp.	U.S. Government Agency	\$ 90,966
Federal National Mortgage Association	U.S. Government Agency	131,134
Federal Home Loan Bank	U.S. Government Agency	85,122
Federal Farm Credit Bank	U.S. Government Agency	68,879

**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.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

# SANTA CLARA VALLEY WATER DISTRICT

## Notes to Basic Financial Statements

For the Year Ended June 30, 2017

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 public agencies' 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 but not in the District's name.

### Fair Market Value Measurement and Application

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as shown below:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and
- Level 3: Unobservable inputs (not applicable to the District).

At June 30, 2017, the District had the following recurring fair value measurements:

	<u>6/30/2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Uncategorized</u>
<b>Investments by Fair Value Level</b>				
U.S. Government Agencies	\$ 379,171	\$ 379,171	\$ -	\$ -
U.S. Treasury Obligations	25,982	25,982	-	-
Medium Term Notes	6,673	-	6,673	-
Mutual Funds	105	-	105	-
Supranational Obligations	8,986	-	8,986	-
Municipal Bonds	3,581	-	3,581	-
Negotiable Certificates of Deposit	490	-	490	-
Subtotal - Leveled Investments	<u>424,988</u>	<u>405,153</u>	<u>19,835</u>	<u>-</u>
Local Agency Investment Fund	88,158	-	-	88,158
Money Market Funds	38,847	-	-	38,847
Subtotal - Uncategorized	<u>127,005</u>	<u>-</u>	<u>-</u>	<u>127,005</u>
Total Investments	<u>\$ 551,993</u>	<u>\$ 405,153</u>	<u>\$ 19,835</u>	<u>\$ 127,005</u>

Deposits and withdrawals in the State Investment Pool are made on the basis of \$1 and are not using fair value. Accordingly, the District's investments of \$88.1 million in LAIF at June 30, 2017 are classified as uncategorized input (not classified as Level 1, Level 2, or Level 3).

### (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 page is a summary of such reimbursements in fiscal year 2017 (in thousands):

**SANTA CLARA VALLEY WATER DISTRICT**

Notes to Basic Financial Statements

For the Year Ended June 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activity</u>
Local Agencies:		
Apple	\$ -	\$ 4,259
Association of Bay Area Governments	-	2,454
City of Sunnyvale	-	1,381
San Benito County Water District	-	818
City of San Jose	-	806
Health Trust	-	790
CAL Water	-	684
California Dental Association	-	500
City of Morgan Hill	121	-
International School Peninsula	119	-
State Agencies:		
Department of Water Resources	1,578	5,765
California Office of Emergency	-	70
Total	<u>\$ 1,818</u>	<u>\$ 17,527</u>

**(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 Standards 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 table 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, 2017 (in thousands):

	<u>Interest as Reported</u>	<u>FY17 GASB 31 Fair Value Adjustment</u>	<u>Interest Earned Before Adjustment</u>
<b>Fund:</b>			
General	\$ 23	\$ (94)	\$ 117
Watershed & Stream Steward	317	(774)	1,091
Safe, Clean Water	651	(1,230)	1,881
COP Debt Service	(90)	-	(90)
COP Construction	55	-	55
Water Enterprise	979	(887)	1,866
Internal Service:			
Equipment	22	(34)	56
Risk Insurance	47	(80)	127
Information Technology	32	(50)	82
Total Interest	<u>\$ 2,036</u>	<u>\$ (3,149)</u>	<u>\$ 5,185</u>

# SANTA CLARA VALLEY WATER DISTRICT

## Notes to Basic Financial Statements

For the Year Ended June 30, 2017

### 6) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017 was as follows (in thousands):

	Balance July 1, 2016	Additions	Deletions	Transfers / Reclassified	Balance June 30, 2017
<b>Governmental Activities</b>					
Nondepreciable capital assets:					
Land	\$ 163,750	\$ 1,097	\$ -	\$ -	\$ 164,847
Intangibles - easement	15,470	2,146	-	-	17,616
Construction in progress					
Governmental funds	365,026	73,192	-	(9,009)	429,209
Internal service funds	3,262	2,760	-	-	6,022
Total nondepreciable capital assets	<u>547,508</u>	<u>79,195</u>	<u>-</u>	<u>(9,009)</u>	<u>617,694</u>
Depreciable capital assets:					
Buildings	42,007	-	-	-	42,007
Structures and improvements	758,720	-	-	9,009	767,729
Equipment:					
Governmental funds	21,261	83	-	-	21,344
Internal service funds	21,941	5,290	(1,112)	-	26,119
Intangible Software	2,286	52	-	-	2,338
Total depreciable capital assets	<u>846,215</u>	<u>5,425</u>	<u>(1,112)</u>	<u>9,009</u>	<u>859,537</u>
Less accumulated depreciation and amortization					
Buildings	(12,668)	(862)	-	-	(13,530)
Structures and improvements	(110,322)	(8,905)	-	-	(119,227)
Equipment:					
Governmental funds	(17,773)	(737)	-	-	(18,510)
Internal service funds	(13,634)	(1,858)	1,019	-	(14,473)
Intangible - Software	(686)	(462)	-	-	(1,148)
Total accumulated depreciation and amortization	<u>(155,083)</u>	<u>(12,824)</u>	<u>1,019</u>	<u>-</u>	<u>(166,888)</u>
Net depreciable capital assets	<u>691,132</u>	<u>(7,399)</u>	<u>(93)</u>	<u>9,009</u>	<u>692,649</u>
Total capital assets, net	<u>\$ 1,238,640</u>	<u>\$ 71,796</u>	<u>\$ (93)</u>	<u>\$ -</u>	<u>\$ 1,310,343</u>
<b>Business-type activity</b>					
Nondepreciable capital assets:					
Land	\$ 19,180	\$ -	\$ -	\$ -	\$ 19,180
Intangible - Easement	146	16	-	-	162
Construction in progress	323,902	117,539	-	(134,912)	306,529
Total nondepreciable capital assets	<u>343,228</u>	<u>117,555</u>	<u>-</u>	<u>(134,912)</u>	<u>325,871</u>
Depreciable capital assets:					
Contract water and storage rights	188,832	8,765	-	-	197,597
Buildings	83,979	-	-	7,022	91,001
Structures and improvements	742,210	-	-	127,890	870,100
Equipment	26,929	797	(66)	-	27,660
Total depreciable capital assets	<u>1,041,950</u>	<u>9,562</u>	<u>(66)</u>	<u>134,912</u>	<u>1,186,358</u>
Less accumulated depreciation and amortization					
Contract water and storage rights	(140,653)	(11,187)	-	-	(151,840)
Buildings	(4,662)	(1,806)	-	-	(6,468)
Structures and improvements	(257,555)	(13,423)	-	-	(270,978)
Equipment	(19,916)	(1,404)	66	-	(21,254)
Total accumulated depreciation and amortization	<u>(422,786)</u>	<u>(27,820)</u>	<u>66</u>	<u>-</u>	<u>(450,540)</u>
Net depreciable capital assets	<u>619,164</u>	<u>(18,258)</u>	<u>-</u>	<u>134,912</u>	<u>735,818</u>
Total capital assets, net	<u>\$ 962,392</u>	<u>\$ 99,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,061,689</u>

## SANTA CLARA VALLEY WATER DISTRICT

### Notes to Basic Financial Statements

For the Year Ended June 30, 2017

During fiscal year 2017, new construction in progress increased by \$73.2 million in the governmental activities. The breakdown of additions to the construction in progress was as follows: \$42.8 million to the watersheds, and \$30 million to the Safe, Clean Water & Natural Flood Protection Fund. There were 33 in progress and completed projects during the fiscal year with the major projects listed below (in millions):

- \$13.8 - San Francisquito Early Implementation
- \$13.4 - Berryessa Creek, Lower, Penitencia Phase 2
- \$9.8 - Lower Silver Creek - R4-6 North Babb to Cunningham
- \$7.8 - Lower Berryessa Creek Lower Penitencia Calaveras
- \$6.7 - Permanente Creek Bay – Foothill Clean Safe Creek
- \$6.1 - Canoas Creek Rodent Damage Repair
- \$2.8 - Upper Llagas Creek
- \$2.3 - Lower Penitencia Creek Improvements
- \$1.9 - Main/Madrone Pipeline Restoration
- \$1.6 - Guadalupe River Upper
- \$1.2 - Sunnyvale East and West Channels
- \$1.1 - Cunningham Flood Detention

New construction in progress increased in the business-type activities by \$117.5 million. There were 27 in progress and completed projects during the fiscal year, with major project listed below (in millions):

- \$41.8 - Rinconada Water Treatment Plant Reliability Improvement
- \$15.3 - Penitencia Force Main Seismic Retrofit
- \$10.3 - Wolfe Road Recycled Water Facility
- \$7.6 - Penitencia Del Main Seismic Retrofit
- \$6.8 - Fluoridation at Water Treatment Plants
- \$5.8 - Indirect Potable Reuse-Plan C
- \$4.7 - Anderson Dam Seismic Retrofit
- \$4.2 - Penitencia Water Treatment Plant Clearwall Recoat and Repair
- \$4.1 - Infrastructure Reliability Program, Water Treatment Plant Buildings Seismic Retrofit
- \$3.2 - South County Recycled Water
- \$2.8 - Rinconada Water Treatment Plant Facility Renewal Program Residual Management Modifications
- \$2.5 - Guadalupe Dam Seismic Retrofit Design and Construction
- \$2.1 - Calero Dam Seismic Retrofit Design and Construction
- \$1.8 - 5-year Pipeline Rehabilitation
- \$1.1 - Dam Safety Seismic Stability
- \$1.1 - South County Recycled Water Pipeline
- \$1.0 - Almaden Dam Improvements

# SANTA CLARA VALLEY WATER DISTRICT

## Notes to Basic Financial Statements

For the Year Ended June 30, 2017

Capital asset depreciation and amortization incurred by the primary government for the current fiscal year are as follows (in thousands):

General government	\$ 2,052
Watershed and Stream Stewardship	8,456
Safe, clean water and natural flood protection	458
Capital assets held by the District's internal service funds are charged to the various functions based on their usage of assets.	<u>1,858</u>
Total depreciation expense – governmental activities	<u>\$12,824</u>

Total depreciation and amortization expense – business-type activity	
Water cost of production	<u>\$ 27,820</u>

### (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 acquisitions while taking advantage of short term rates. This program is used in conjunction with issuing long-term liabilities to obtain the least expensive 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.

On January 13, 2015, the District Board of Directors authorized an increase in the commercial paper program to an aggregate principal amount not to exceed \$150 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.

In fiscal year 2016, a total of \$33.6 million of commercial paper was issued and the proceeds were used to reimburse the District for Water Utility capital project expenses incurred during the fiscal year. The District refunded \$148 million of outstanding commercial paper with long term bonds on March 30, 2016. As of June 30, 2016, all outstanding taxable and tax-exempt commercial paper were fully redeemed with proceeds from the Series 2016A and 2016B Refunding Revenue Bonds.

On December 13, 2016, the District Board of Directors authorized the execution and delivery of up to \$75 million of short-term revolving certificates (Revolver) pursuant to the Certificate Purchase and Reimbursement Agreement with Wells Fargo Bank, National Association. The Revolver has an initial term of three years expiring on January 17, 2020.

On June 20, 2017, \$24.2 million of taxable commercial paper (maturing on September 18, 2017) was issued to reimburse the District for Water Utility capital projects incurred from January to April 2017 and expected capital project expenditures from May to June 2017.

## SANTA CLARA VALLEY WATER DISTRICT

### Notes to Basic Financial Statements

For the Year Ended June 30, 2017

The District's short-term debt outstanding consists of the following, as of June 30, 2017 (in millions):

	Authorized	Outstanding Amount
Commercial Paper Program		
Beginning balance	\$ 150.0	\$ -
Additions	75.0	24.2
Reductions	-	-
Ending balance	\$ 225.0	\$ 24.2

### (b) Long-term liabilities

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

Type of indebtedness	Maturity	Interest Rates	Authorized and Issued	June 30, 2017	Due Within One Year
<b>Governmental activities</b>					
Certificates of participation					
2012A Certificates of participation	2024	3% - 5%	52,955	\$ 31,555	\$ 3,910
2017A Certificates of participation	2030	4% - 5%	59,390	59,390	4,750
Compensated absences				8,555	1,929
Claims payable				5,666	1,473
Net pension liability				113,654	-
Other post employment liability				(656)	-
Premium on refunded debt				14,584	1,547
Total general long-term obligations				\$232,748	\$ 13,609
<b>Business-type activity</b>					
2006B Water revenue bond	2035	5.15%-5.31%	25,570	\$ 19,670	\$ 740
2016A Water revenue bond	2046	5.0%	106,315	106,315	-
2016B Water revenue bond	2046	4.154%-4.354%	75,215	75,215	-
2017A Water revenue bond	2037	3.4% - 3.7%	54,710	54,710	1,600
2007B Water revenue COP bond	2037	5.55%-floating	53,730	40,700	1,330
2016C Water revenue COP bond	2029	4.0% - 5.0%	43,075	43,075	2,020
2016D Water revenue COP bond	2029	1.567%-3.679%	54,970	54,970	2,630
Bond discount				(155)	(8)
Premium on debt issuance				39,101	1,514
Compensated absences				4,990	1,125
Net pension liability				89,563	-
Other post employment benefits				(516)	-
Semitropic water banking agreement	2035		46,900	4,473	-
Total enterprise funds debt				\$532,111	\$ 10,951

**SANTA CLARA VALLEY WATER DISTRICT**

Notes to Basic Financial Statements

For the Year Ended June 30, 2017

The following is a summary of changes in long-term liabilities as of June 30, 2017 (in thousands):

	Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Due Within One Year
<b>Governmental activities:</b>					
2004A COP	\$ 6,585	\$ -	\$ (6,585)	\$ -	\$ -
2007A COP	57,195	-	(57,195)	-	-
2012A COP	35,280	-	(3,725)	31,555	3,910
2017A COP	-	59,390	-	59,390	4,750
Compensated absences	8,281	5,248	(4,974)	8,555	1,929
Claims payable	6,734	-	(1,068)	5,666	1,473
Net pension liability	93,678	19,976	-	113,654	-
Other post employment benefits	(73)	-	(583)	(656)	-
Premium on refunded debt	9,332	9,542	(4,290)	14,584	1,547
	<u>\$ 217,012</u>	<u>\$ 94,156</u>	<u>\$ (78,420)</u>	<u>\$ 232,748</u>	<u>\$ 13,609</u>
Total governmental activities long-term liabilities					
<b>Business-type activity:</b>					
2006B revenue bonds	\$ 20,370	\$ -	\$ (700)	\$ 19,670	\$ 740
2016A revenue bonds	106,315	-	-	106,315	-
2016B revenue bonds	75,215	-	-	75,215	-
2017A revenue bonds	-	54,710	-	54,710	1,600
2007A COP revenue bonds	66,610	-	(66,610)	-	-
2007B COP revenue bonds	41,970	-	(1,270)	40,700	1,330
2016C COP revenue bonds	43,075	-	-	43,075	2,020
2016D COP revenue bonds	54,970	-	-	54,970	2,630
Bond discount on refunding	(379)	-	224	(155)	(8)
Premium on debt issuance	31,942	10,418	(3,259)	39,101	1,514
Compensated absences	4,775	4,130	(3,915)	4,990	1,125
Net pension liability	73,840	15,723	-	89,563	-
Other post employment benefits	(46)	-	(470)	(516)	-
Semitropic water banking agreement	4,473	-	-	4,473	-
Litigation claim	7,386	-	(7,386)	-	-
	<u>\$ 530,516</u>	<u>\$ 84,981</u>	<u>\$ (83,386)</u>	<u>\$ 532,111</u>	<u>\$ 10,951</u>
Total business-type activity long-term liabilities					

**SANTA CLARA VALLEY WATER DISTRICT**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2017

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

Year ending June 30:	<u>Governmental activities</u>		<u>Business-type activity</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest and amortization</u>
2018	\$ 8,660	\$ 3,972	\$ 8,320	\$ 18,037
2019	8,715	3,922	10,790	17,735
2020	8,075	3,486	11,380	17,359
2021	8,485	3,082	11,850	16,904
2022	8,860	2,704	12,340	16,425
2023 - 2027	32,465	7,932	70,190	73,878
2028- 2032	15,685	1,594	84,100	56,658
2033- 2037	-	-	79,570	36,090
2038- 2042	-	-	53,580	19,890
2043- 2047	-	-	52,535	6,238
<b>Total Requirements</b>	<b><u>\$ 90,945</u></b>	<b><u>\$ 26,692</u></b>	<b><u>\$ 394,655</u></b>	<b><u>\$ 279,214</u></b>
Add: unamortized premium on issuance	\$ 14,584		\$ 39,101	
Less: unamortized discount on refunding	-		(155)	
Add: compensated absences	8,555		4,990	
Add: claims payable	5,666		-	
Add: other post employment benefits	(656)		(516)	
Add: net pension liability	113,654		89,563	
Add: semitropic water banking agreement	-		4,473	
<b>Total principal outstanding at June 30, 2017</b>	<b><u>\$ 232,748</u></b>		<b><u>\$ 532,111</u></b>	

**Governmental Activities**

The following provides a brief description of the District's debt for governmental activities outstanding as of June 30, 2017:

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 and had pledged its flood control system's revenue to secure the semi-annual installments of debt service payment. In March 2017, proceeds from 2017A Watershed refunding were used to refinance all the outstanding 2004A Certificates of Participation.

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 and used funds accumulated in the 2000A and 2000B Debt Service Reserve Fund to reduce the size of the 2007A issuance. The District pledged its flood control system's revenue to secure the semi-annual installments of debt

## SANTA CLARA VALLEY WATER DISTRICT

### Notes to Basic Financial Statements

For the Year Ended June 30, 2017

service payment. In March 2017, proceeds from 2017A Watershed refunding were used to refinance all the outstanding 2007A Certificates of Participation.

#### 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: (1) refinance \$52,360,000 of the 2003A Certificates of Participation; (2) finance the cost of certain flood control improvements; (3) fund a reserve fund; and (4) pay the costs of issuing the 2012A Certificates. The 2012A Certificates are payable from the 1994 Installment Payments, which are payable from, and are secured by a pledge of and lien on, the District Flood Control System Revenues pursuant to Master Resolution No. 94-60 Flood Control System Revenues adopted by the District Board on June 23, 1994.

#### 2017A Certificates of Participation

In March 2017, the District issued \$59,390,000 of Refunding and Improvement Certificates of Participation, Series 2017A. The proceeds of the 2017A Certificates of Participation were used to: (1) refinance the \$5,270,000 outstanding balance of the 2004A Certificates of Participation; (2) refinance the \$54,215,000 outstanding balance of the 2007A Certificates of Participation; (3) finance the cost of certain flood control improvements; and (4) pay the costs of issuing the 2017A Certificates. The 2017A Certificates are payable from the 1994 and 1995 Installment Payments, which are payable from, and are secured by a pledge of and lien on, the district Flood Control System Revenues pursuant to Master Resolution No. 94-60 Flood Control System Revenues adopted by the District Board on June 23, 1994. The difference in cash payments between the old debt and new debt is a savings of \$416,425. The economic gain, or the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, is \$382,641.

#### 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, 2017:

#### 2006B Water Utility System Refunding Revenue Bonds

In December 2006, the District issued \$99,835,000 of Water Utility System Refunding Revenue Bonds, Series 2006A and Taxable Series 2006B, pursuant to the Water Utility Senior System Master Resolution (94-58, as amended by 06-80). 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 were used to repay approximately \$40,900,000 of commercial paper notes. In March 2016, the District issued Series 2016A Water System Refunding Revenue Bonds to refund all 2006A outstanding principal.

## **SANTA CLARA VALLEY WATER DISTRICT**

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

**For the Year Ended June 30, 2017**

#### 2016A/B Water Systems Refunding Revenue Bonds

In March 2016, the District issued \$181,530,000 of Water Systems Refunding Revenue Bonds comprising of Series 2016A for \$106,315,000 and Taxable Series B for \$75,215,000, pursuant to the Water Utility Parity System Master Resolution (16-10). Proceeds of the 2016A Revenue Bonds, along with the original issue premium, were used to refinance all the currently outstanding Water Utility System Refunding Revenue Bonds Series 2006A and repay \$73,040,000 of outstanding tax-exempt commercial paper notes. Proceeds of the 2016B Revenue Bonds were used to repay \$75,000,000 of the balance of the outstanding taxable commercial paper notes and costs of issuance. The obligation of the District to pay principal and interest of the 2016A/B Water Systems Refunding Revenue Bonds is secured by a pledge of and lien on the District's Water Utility System Revenues.

#### 2017A Water System Utility Refunding Revenue Bonds

In May 2017, the District issued \$54,710,000 of Water Systems Refunding Revenue Bonds to refund the \$64.75 million outstanding balance of the Water Utility System Revenue Certificates of Participation Series 2007A and pay costs of issuance of the 2017A Bonds. The obligation of the District to pay principal and interest on the 2017A Bonds is secured by a pledge of and lien on the District's Water Utility System Revenues and are payable from the Net Water Utility System Revenues pursuant to the Water Utility System Parity Master Resolution (16-10) approved by the Board on February 23, 2016, as amended. The difference in cash payments between the old debt and new debt is a savings of \$15,282,365. The economic gain, or the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, is \$11,199,366.

#### 2007A/B Water Utility 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, pursuant to the Water Utility Senior System Master Resolution (94-58, as amended by 06-80). The proceeds of the 2007A and 2007B bonds were 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. In May 2017, proceeds from the 2017A Water Utility Refunding were used to refinance all outstanding 2007A Water Enterprise Revenue Certificates of Participation.

#### 2016C/D Water Utility Revenue Certificates of Participation

In March 2016, the District issued \$98,045,000 of Water Utility Systems Improvement Projects Revenue Certification of Participation Bonds Series 2016 for \$43,075,000 and Taxable Series 2016D for \$54,970,000, pursuant to the Water Utility Parity System Master Resolution (16-10). Proceeds of the 2016C/D bonds, along with the original issue premium will be used to finance capital construction projects in the Water Utility Enterprise and costs of issuance.

## SANTA CLARA VALLEY WATER DISTRICT

### Notes to Basic Financial Statements

For the Year Ended June 30, 2017

#### 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, 2017, the District has paid \$43 million towards the base fee obligation of this agreement.

#### 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 interest of \$886.62 per day. The District recorded post judgment interest of \$160 thousand in fiscal year 2010, \$324 thousand in fiscal year 2011, \$325 thousand in fiscal year 2012, \$324 thousand in fiscal years 2013 and 2014. On March 26, 2015, the Sixth District Court of Appeal issued a favorable judgment for the District and no further interest was booked. On April 10, 2015, the District and Great Oaks each filed their separate petitions for rehearing with the Sixth District Court of Appeal, which was granted on April 24, 2015. On August 12, 2015, the Sixth District Court of Appeal again reversed in full judgement of the trial court in the Great Oaks case, leaving intact the substantive findings from its prior opinion. On August 27, 2015, Great Oaks again filed its petition for rehearing and on September 10, 2015 the Sixth District Court of Appeal granted Great Oaks petition for rehearing. On December 8, 2015, the Sixth District Court of Appeal again reversed the full judgement of the trial court in the Great Oaks case. Great Oaks has filed refund actions for subsequent years of annual groundwater charges, all of which are currently stayed. Based on the recent court decisions, the liability of \$7.4 million previously recognized was reversed in FY17. Additional information regarding this litigation is disclosed in Note 16 (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 and are charged to the different funds as part of the direct benefit rate. The compensated absences liability for the year is recognized in the District's various enterprise funds and on the governmental activities column in the statement of net position.

#### 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* starting fiscal year 2007-08. OPEB expense and obligation are recognized in the proprietary funds and governmental activities using full accrual basis. Additional information on OPEB is disclosed in Note 12, Post Employment Benefits.

**SANTA CLARA VALLEY WATER DISTRICT**

Notes to Basic Financial Statements

For the Year Ended June 30, 2017

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 two categories: (1) a 1 percent tax allocation; and (2) 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 & Natural Flood Protection Program. The levy became effective July 1, 2001 and is based on the proportionate storm water runoff for each property.

On November, 2012, the voters overwhelmingly approved the Safe, Clean Water program and Natural Flood Protection (Safe, Clean Water) special parcel tax. The 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. The Safe, Clean Water program replaced the Clean, Safe Creeks measure in its entirety beginning July 1, 2013. The Safe, Clean Water special parcel tax will provide an estimated total of \$723 million of 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 2017, the budget includes \$41.5 million of special parcel tax for this program.

Property tax and benefit assessment revenues recorded for the year ended June 30, 2017 are as follows (in thousands):

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Water Enterprise Fund</u>
Property taxes:			
1% tax allocation	\$ 7,420	\$ 74,806	\$ 6,682
Special parcel tax	-	41,099	-
Voter approved indebtedness:			
State water	-	-	38,104
Total taxes	<u>7,420</u>	<u>115,905</u>	<u>44,786</u>
Benefit assessments	-	14,791	-
Total property taxes and benefit assessments	<u>\$ 7,420</u>	<u>\$ 130,696</u>	<u>\$ 44,786</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

## SANTA CLARA VALLEY WATER DISTRICT

### Notes to Basic Financial Statements

For the Year Ended June 30, 2017

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 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, or 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 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 expense 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.

**SANTA CLARA VALLEY WATER DISTRICT**

Notes to Basic Financial Statements

For the Year Ended June 30, 2017

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, 2017 is as follows (in thousands):

	General	Watershed & Stream Steward	Safe, Clean Water & Natural Flood Protection Program	COP Construction	COP Debt Service	Total Govern- mental Funds
<b>Restricted Fund Balance:</b>						
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 6,231	\$ 6,231
Debt Service Proceeds	-	-	-	8,859	-	8,859
SCW-Current Authorized Capital Projects	-	-	205,025	-	-	205,025
Total restricted fund balance	-	-	205,025	8,859	6,231	220,115
<b>Committed Fund Balance:</b>						
Operating & Capital Contingencies	5,962	26,490	-	-	-	32,452
Current Authorized Capital Projects	-	38,408	-	-	-	38,408
Total committed fund balance	5,962	64,898	-	-	-	70,860
<b>Assigned Fund Balance:</b>						
Operating and Capital Projects Encumbrances	6,385	54,175	-	-	-	60,560
Total assigned fund balance	6,385	54,175	-	-	-	60,560
Total fund balances	\$ 12,347	\$ 119,073	\$ 205,025	\$ 8,859	\$ 6,231	\$ 351,535

**(10) NET POSITION**

The proprietary funds 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.

**SANTA CLARA VALLEY WATER DISTRICT**

Notes to Basic Financial Statements

For the Year Ended June 30, 2017

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

Below is the detailed schedule of the proprietary funds' net position as of June 30, 2017 (in thousands):

	Water Enterprise Fund	State Projects Fund	Equipment Fund	Risk Management Fund	Information Technology Fund
<b>Restricted Net Position</b>					
San Felipe Emergency Reserve	\$ 2,953	\$ -	\$ -	\$ -	\$ -
Rate Stabilization	19,974	-	-	-	-
Advanced Water Purification Center	1,906	-	-	-	-
Supplemental Water Supply Reserve	14,277	-	-	-	-
Drought Reserve	3,000	-	-	-	-
State Water Projects	-	10,008	-	-	-
Total restricted net position	<u>42,110</u>	<u>10,008</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Unrestricted Net Position</b>					
Operating & Capital Contingencies	17,140	-	3,402	-	1,867
Currently Authorized Projects	44,276	-	-	-	6,254
Property Self-Insurance/Catastrophic	-	-	-	7,689	-
Encumbrances	73,745	-	1,855	44	1,757
Cash with fiscal agent reserve for capital projects	(23,945)	-	-	-	-
Net pension liability	(76,513)	-	(3,056)	(1,988)	(97)
Total unrestricted net position	<u>34,703</u>	<u>-</u>	<u>2,201</u>	<u>5,745</u>	<u>9,781</u>
<b>Net investment in capital assets</b>	<u>605,884</u>	<u>17,944</u>	<u>8,948</u>	<u>3</u>	<u>8,717</u>
<b>Net Position</b>	<u>\$ 682,697</u>	<u>\$ 27,952</u>	<u>\$ 11,149</u>	<u>\$ 5,748</u>	<u>\$ 18,498</u>

**(11) EMPLOYEES' RETIREMENT PLAN**

**Plan Description**

All qualified permanent and probationary employees are eligible to participate in the agent multiple-employer defined benefit pension plan (the Plan) administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and District's resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**SANTA CLARA VALLEY WATER DISTRICT**

Notes to Basic Financial Statements

For the Year Ended June 30, 2017

**Benefits Provided**

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

The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Prior to	3/19/2012 to	On or after
Hire date	3/19/2012	12/31/2012	1/1/2013
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Minimum Retirement age	50	50	52
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.1% to 2.4%	1.0% to 2.5%
Required employee	8.0% + 1.09%*	7.0% + 2.09%*	6.75%
Required employer	21.147%	21.147%	21.147%
* Member additional contribution towards District's CalPERS cost per negotiated agreement with the bargaining units			

**Employees Covered** – At June 30, 2017, the following employees were covered by the benefit terms of the Plan:

Inactive employees or beneficiaries currently receiving	474
Active employees	744

**Contributions**

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

## SANTA CLARA VALLEY WATER DISTRICT

### Notes to Basic Financial Statements

For the Year Ended June 30, 2017

For the year ended June 30, 2017, contributions to the plan were \$18.6 million. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

#### Net Pension Liability

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plans is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Actuarial cost method	Entry-age normal cost method
Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return <sup>(1)</sup>	7.5%
Mortality rate table <sup>(2)</sup>	Derived using CalPERS' membership data for all funds
Post retirement benefit increase	Contract COLA up to 2.75% unit purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter.
<sup>(1)</sup> Net of pension plan investment expenses, including inflation	
<sup>(2)</sup> The mortality rate table was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuarial Scale BB.	

The actuarial methods and assumptions used for the measurement date as of June 30, 2016 were derived from the 2014 experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study can be obtained at CalPERS' website under "Forms and Publications".

#### Discount Rate

The discount rate used for the total pension liability was 7.65% for each Plan. There was an increase in the discount rate due to the fact that CalPERS was including certain administrative related expenses in the prior year discount rate of 7.50%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of

**SANTA CLARA VALLEY WATER DISTRICT**

Notes to Basic Financial Statements

For the Year Ended June 30, 2017

assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary.

The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

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

The following table reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 – 10 <sup>(1)</sup>	Real Return Years 11+ <sup>(2)</sup>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100.0%		

<sup>(1)</sup>An expected inflation of 2.5% used for this period.

<sup>(2)</sup>An expected inflation of 3.0% used for this period.

**SANTA CLARA VALLEY WATER DISTRICT**

Notes to Basic Financial Statements

For the Year Ended June 30, 2017

**Changes in the Net Pension Liability**

The following table shows the changes in net pension liability recognized over the measurement period:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Beginning Balance <sup>(1)</sup>	\$ 680,270,713	\$ 512,752,890	\$ 167,517,823
Changes Recognized for the Measurement Period:			
Service Cost	13,764,288	-	13,764,288
Interest on Total Pension Liability	51,160,517	-	51,160,517
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(3,173,782)	-	(3,173,782)
Plan to Plan Resource Movement	-	370	(370)
Contribution from Employer	-	17,044,538	(17,044,538)
Contribution from Employees	-	6,567,551	(6,567,551)
Net Investment Income	-	2,752,954	(2,752,954)
Benefit Payments, including Refunds of Employee Contribution	(30,428,304)	(30,428,304)	-
Administrative expense	-	(312,496)	312,496
Net Changes	<u>31,322,719</u>	<u>(4,375,387)</u>	<u>35,698,106</u>
Ending Balance <sup>(1)</sup>	<u>\$ 711,593,432</u>	<u>\$ 508,377,503</u>	<u>\$ 203,215,929</u>

(1) The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary, self-insurance and OPEB expense.

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

The following presents the net pension liability of the District, calculated using the current discount rate, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate - 1% 6.65%	Current Discount 7.65%	Discount Rate +1% 8.65%
Plan Net Pension Liability/(Assets)	<u>\$ 298,113,729</u>	<u>\$ 203,215,929</u>	<u>\$ 124,528,965</u>

**SANTA CLARA VALLEY WATER DISTRICT**

Notes to Basic Financial Statements

For the Year Ended June 30, 2017

**Pension Plan Fiduciary Net Position**

Detailed information about the District’s pension plan fiduciary net position is available in the separately issued CalPERS financial reports.

**Pension Expenses and Deferred Outflow/Inflow of Resources**

For the year ended June 30, 2017, the District recognized pension expense of \$19.7 million. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Pension contribution subsequent to measurement date	\$ 18,568,910	\$ -
Changes in assumptions	-	(5,722,053)
Differences between actual and expected experience	-	(2,425,961)
Net difference between projected and actual earnings on plan investments	27,757,463	-
Total	<u>\$ 46,326,373</u>	<u>\$ (8,148,014)</u>

\$18.6 million is reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ending June 30	Deferred Outflows/(Inflows) of Resources
2017	\$ 18,467,110
2018	543,695
2019	11,950,032
2020	7,217,522
Total	<u>\$ 38,178,359</u>

**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, 2017, there were 474 retirees and surviving spouses receiving these health care benefits.

**SANTA CLARA VALLEY WATER DISTRICT**

Notes to Basic Financial Statements

For the Year Ended June 30, 2017

	<b>Hire/Retirement Date</b>	<b>Eligibility Rule (Years of Continuous Service)</b>	<b>District's Required Contribution</b>
<b>Classified</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

For the Year Ended June 30, 2017

	<b>Hire/Retirement Date</b>	<b>Eligibility Rule (Years of Continuous Service)</b>	<b>District's Required Contribution</b>
<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	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 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

For the Year Ended June 30, 2017

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

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 made at the beginning of each fiscal year.

**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.

The following table shows the components of the District's annual OPEB cost for fiscal year 2017, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 10,594,906
Interest on net OPEB obligation	(138,959)
Adjustment to annual required contribution	<u>134,423</u>
Annual OPEB cost (expense)	10,590,370
Contributions made – current year cost	\$ (10,590,370)
Contributions made – prior years' unfunded ARC	<u>(1,053,880)</u>
Total Contributions made during current year	<u>(11,644,250)</u>
Current year (decrease) in Net OPEB obligation	(1,053,880)
Net OPEB prepayment, beginning	<u>118,357</u>
Net OPEB prepayment, June 30, 2017	<u>\$ 1,172,238</u>

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

**SANTA CLARA VALLEY WATER DISTRICT**

Notes to Basic Financial Statements

For the Year Ended June 30, 2017

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/(Asset)
6/30/2015	\$ 11,122,509	111.50%	\$ 277,872
6/30/2016	10,312,542	103.84%	(118,357)
6/30/2017	10,590,370	112.91%	(1,172,238)

**Funded Status and Funding Progress**

As of July 1, 2015, the latest valuation date, the estimated funded status of the OPEB plan for FY 2017, was as follows:

Actuarial accrued liability (AAL)	\$ 186,660,555
Actuarial value of plan assets	\$ 80,783,751
Unfunded actuarial accrued liability (UAAL)	\$ 105,876,804
Funded ratio (actuarial value of plan assets/AAL)	43.3%
Covered payroll	\$ 86,172,345
UAAL as a percentage of covered payroll	122.9%

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.

**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, 2015 actuarial valuation used the Entry Age Normal (EAN) cost method. The actuarial assumptions included a discount rate of 7.28% and a 3.25% inflation rate. Healthcare cost trend rates ranged from an initial rate range of 7% 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 July 1, 2017 was 20 years.

## SANTA CLARA VALLEY WATER DISTRICT

### Notes to Basic Financial Statements

For the Year Ended June 30, 2017

#### (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>	<u>Commercial Insurance Coverage</u>
General liability	\$2,000	\$50,000
Workers' compensation	1,000	Statutory
Property damage (subject to policy sub-limits)	50	300,000
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, 2017, the liability for self-insurance claims was \$5,666,000. 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.

Changes in the reported liability since June 30, 2017 are as follows (in thousands):

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Total</u>
Claims payable at June 30, 2015	\$ 2,943	\$ 3,149	\$ 6,092
Current year premiums, incurred claims and changes in estimates	607	642	1,249
Claim payments	(234)	(373)	(607)
Claims payable at June 30, 2016	<u>3,316</u>	<u>3,418</u>	<u>6,734</u>
Current year premiums, incurred claims and changes in estimates	(278)	(406)	(684)
Claim payments	(51)	(333)	(384)
Claims payable at June 30, 2017	<u>\$ 2,987</u>	<u>\$ 2,679</u>	<u>\$ 5,666</u>

**SANTA CLARA VALLEY WATER DISTRICT**

Notes to Basic Financial Statements

For the Year Ended June 30, 2017

**(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, 2017, the following transfers occurred between funds:

- \$.7 million was transferred from the Water Enterprise Fund to the General Fund to support the drought emergency response project
- \$2.6 million was transferred from the individual Zone funds to the Watershed Fund for the Open Space credit on property tax transfers
- \$1.4 million was transferred from the COP Construction Fund to the Safe, Clean Water and Natural Flood Protection Program Fund to fund certain projects
- \$12.6 million was transferred from the General and Watershed funds to the COP Debt Service Fund to pay debt service payments
- \$1.3 million was transferred each from the General Fund and Watershed Fund to the Water Enterprise Fund for the Open Space credit on property tax receipts
- \$1.7 million was transferred to the Water Enterprise Fund from the State Water Project Fund to fund reserves

Interfund transfers for the year ended June 30, 2017, is as follows (in thousands):

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	Water Enterprise	\$ 699
Watershed & Stream Stewardship	Lower Peninsula Watershed	673
	West Valley Watershed	415
	Guadalupe Watershed	866
	Coyote Watershed	693
Safe, Clean Water Fund	COP Construction Fund	1,444
COP Debt Service Fund	General Fund	533
	Lower Peninsula Watershed	3,353
	West Valley Watershed	1,837
	Guadalupe Watershed	3,678
	Coyote Watershed	3,245
Water Enterprise	General Fund	1,301
	Watershed & Stream Stewardship	1,300
	State Water Fund	1,681
Total interfund transfers		\$ 21,718

## **SANTA CLARA VALLEY WATER DISTRICT**

### Notes to Basic Financial Statements

For the Year Ended June 30, 2017

#### **15) COMMITMENTS**

##### **(a) Contract and Purchase Commitments**

As of June 30, 2017, governmental funds had encumbrances of approximately \$135.9 million, while proprietary funds had open purchase commitments of approximately \$77.4 million related to new or existing contracts and agreements. These encumbrances are only commitments for the expenditure of funds and do not represent actual expenditures or liabilities.

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

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

During fiscal year 2017, 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 semi-annual payments starting in January 2017 is \$7,742,285. The amended contract preserved the attributes of a water service contract for other Central Valley Project costs.

The total commitment, including applicable interest, of the repayment contract was \$440,492,081. The remaining commitment as of June 30, 2017 was \$283,412,461.

##### **(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, 2017, the District has paid \$43.2 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 would have been 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, 2017, the District has 181,669 acre-feet of water in storage. The participation rights are amortized using the straight-line method over the life of the agreement. Amortization of \$25,208,750 has been recorded through fiscal year 2017.

## **SANTA CLARA VALLEY WATER DISTRICT**

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

For the Year Ended June 30, 2017

#### **(16) CONTINGENCIES**

##### **(a) Litigation**

It is normal for a public entity like the District, with its size and activities, to be a defendant, co-defendant, or cross-defendant in court cases in which money damages are sought. Discussed below are all pending litigations that the District is aware of which are significant and may have a potentially impact on the financial statements.

##### **Great Oaks Water Company v. Santa Clara Valley Water District**

In 2005, Great Oaks Water Company (hereinafter "Great Oaks") filed an administrative claim alleging that the groundwater charges for 2005-06 violated the Law 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 XIII D of the state constitution because proceeds are used to fund projects and services that benefit the general public, not just ratepayers. 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, amounted 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 appealed this decision to the Sixth District Court of Appeals.

During the pendency of the appeal, in accordance with the requirements of GASB Statement No. 62, the District has recorded a liability in the amount of \$5,930,000, which includes the Judgment After Trial decision amount plus interest in fiscal year 2008-09. The District recorded \$160,000 in Fiscal Year 2009-10, \$324,000 in Fiscal Year 2010-11, \$325,000 in Fiscal Year 2011-12, and \$324,000 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. No further interest was booked after the favorable judgement on March 26, 2015 by the Sixth District Court of Appeals, which is discussed further below.

On March 26, 2015, the California Court of Appeal for the Sixth Appellate District ("Court of Appeal") reversed in full the judgment of the trial court in the Great Oaks case. The Court of Appeal found that under Proposition 218 the District's groundwater charge is a "property-related fee," but also a fee for water service excepted from the voter ratification requirement. The Court of Appeal also found that the trial court erred when it found that the 2005-06 groundwater charges failed to satisfy the applicable procedural requirements. The Court of Appeal also reversed the trial court's finding that the District had failed to comply with the Law in setting the groundwater fee. The effect of the Court of Appeals decision is to reverse the refund the trial court had ordered the District to pay to Great Oaks, as well as reverse the awards of damages, pre-judgment interest, and certain other amounts. The Court of Appeal remanded the case to the trial court for proceedings consistent with its decision.

## **SANTA CLARA VALLEY WATER DISTRICT**

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

**For the Year Ended June 30, 2017**

On April 10, 2015, the District and Great Oaks each filed their separate petitions for rehearing with the Court of Appeal, which were granted on April 24, 2015. On August 12, 2015, the Court of Appeal again reversed in full the judgment of the trial court in the Great Oaks case, leaving intact the substantive findings from its prior opinion. On August 27, 2015, Great Oaks again filed its petition for rehearing. On September 10, 2015, the Court of Appeal, without requiring any reply by the District granted Great Oaks petition for rehearing. On December 8, 2015, the Court of Appeal again reversed in full the judgment of the trial court in the Great Oaks case. Based on the recent court decisions, the total liability of \$7.4 million previously recognized was reversed in fiscal year 2017.

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; 113-CV-249349; 115-CV-281385; 16-CV-292097; and 17-CV-308140).

#### **Shatto Corporation, Mike Rawitser Golf Shop and Santa Teresa Golf Club, et al v. Santa Clara Valley Water District**

Similar to the Great Oaks Case, Shatto Corporation, Mike Rawitser Golf Shop and Santa Teresa Golf Club have filed a refund action, Santa Clara Superior Court under Case No. 111-CV-195879. The 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 into tolling agreements with the District pending the final decision in the Great Oaks Case.

The District filed its petition for review in the California Supreme Court on January 19, 2016, and on March 23, 2016 review was granted. The District cannot predict the nature or extent of proceedings on remand, if any, at this time.

The District is currently reviewing its estimates of potential liability with respect to this case as well as other cases filed by Great Oaks and other plaintiffs or potential claimants which have either been stayed or are subject to tolling agreements.

#### **(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-

## **SANTA CLARA VALLEY WATER DISTRICT**

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

**For the Year Ended June 30, 2017**

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.

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.

#### **(d) Perchlorate**

In 2003, perchlorate released from the Olin Corporation facility at Tennant Avenue in Morgan Hill was discovered in groundwater in much of the Llagas Subbasin in South County, impacting many water supply wells. The investigation and clean-up of the contamination are under the jurisdiction of the Central Coast Regional Water Quality Control Board. Due to ongoing remediation by Olin and managed recharge by the District, both the plume size and number of wells impacted have been reduced. As of June 2017, perchlorate is present above the Maximum Contaminant Level (MCL) in fewer than 10 domestic water supply wells. The perchlorate plume exceeding the MCL extends south from the Tennant Avenue site for about 3 miles. Olin's remedial efforts have included on-site soil removal and groundwater treatment as well as off-site plume remediation.

#### **(e) President's Day Flood Event**

The District has received approximately 404 claims for damages arising out of the President's Day 2017 flood event at Coyote Creek in San Jose. The claimants generally allege that the District is legally responsible for flood control and for managing dams, reservoirs and water channels throughout the area. They allege that the District should have maintained Coyote Creek by clearing large debris so the flow rate would be sufficient. They further allege that the District should have maintained its monitoring devices and capacity so it could have communicated more clearly with the City of San Jose and County of Santa Clara about the impact of flows along Coyote Creek. Collectively the claims seek well in excess of \$300,000. As of November 8, 2017, no lawsuits have been filed. The District is evaluating such claims and cannot predict the outcomes or financial impacts of any potential future litigation or claims with respect to the flood events, if any, at this time.

#### **(17) SUBSEQUENT EVENTS**

Subsequent events have been evaluated through November 27, 2017, the date of the financial statements issuance. There are no reportable subsequent events noted up to this date.

Santa Clara Valley  
Water District



**Required  
Supplementary  
Information**

**SANTA CLARA VALLEY WATER DISTRICT**  
Schedule of Changes In Net Pension Liability and Related Ratios  
June 30, 2017  
Last 10 Years\*

	2015	2016	2017
<b>Total pension liability</b>			
Service cost	\$ 14,351,245	\$ 13,735,953	\$ 13,764,288
Interest on total pension liability	46,261,670	48,842,236	51,160,517
Differences between expected and actual experience	-	(184,479)	(3,173,782)
Changes in assumptions	-	(12,079,891)	-
Benefit payments, including refunds of employee contributions	(25,004,849)	(27,800,233)	(30,428,304)
Net change in pension liability	35,608,066	22,513,586	31,322,719
Total pension liability, beginning	622,149,061	657,757,127	680,270,713
Total pension liability, ending (a)	\$ 657,757,127	\$ 680,270,713	\$ 711,593,432
 <b>Plan fiduciary net position</b>			
Contributions - employer	\$ 13,804,460	\$ 15,157,939	\$ 17,044,538
Contributions - employee	9,036,853	6,242,234	6,567,551
Net investment income	75,675,314	11,478,076	2,752,954
Benefits payment	(25,004,849)	(27,800,233)	(30,428,304)
Net plan to plan resource movement	-	-	370
Administrative expense	-	(566,550)	(312,496)
Net change in fiduciary net position	73,511,778	4,511,466	(4,375,387)
Plan fiduciary net position, beginning	434,729,646	508,241,424	512,752,890
Plan fiduciary net position, ending (b)	\$ 508,241,424	\$ 512,752,890	\$ 508,377,503
 Net pension liability, ending (a - b)	\$ 149,515,703	\$ 167,517,823	\$ 203,215,929
 Plan fiduciary net position as a percentage of total pension liability	77.27%	75.37%	71.44%
Covered payroll	\$ 77,885,844	\$ 78,009,731	\$ 79,663,661
Net pension liability as a percentage of covered payroll	191.97%	214.74%	255.09%
Discount rate	7.50%	7.65%	7.65%

\* Fiscal year 2015 was the first year of GASB 68 implementation, therefore only 3 years are shown.

**SANTA CLARA VALLEY WATER DISTRICT**

Schedule of Employer Pension Contributions

June 30, 2017

Last 10 Years\*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 13,948,105	\$ 16,532,182	\$ 18,568,910
Contributions in relation to the actuarially determined contribution	<u>(13,948,105)</u>	<u>(16,532,182)</u>	<u>(18,568,910)</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll <sup>(1)</sup>	\$ 78,009,731	\$ 79,663,661	\$ 89,816,920
Contribution as a percentage of covered payroll	17.88%	20.75%	20.67%

<sup>(1)</sup> The covered payroll noted on this page is different from the covered payroll presented on the previous page as the previous page is payroll related to the net pension liability in the applicable measurement period.

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\* Fiscal year 2015 was the first year of GASB 68 implementation, therefore only 3 years are shown.

**SANTA CLARA VALLEY WATER DISTRICT**  
Schedule of Funding Progress - Other Post Employment Benefit Plan  
June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets	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 )	
7/1/2011	\$ 32,273,200	\$ 156,061,200	\$123,788,000	20.7%	\$ 81,761,500	151.4%
7/1/2013	51,888,319	169,864,833	117,976,514	30.5%	81,600,000	144.6%
7/1/2015	80,783,751	186,660,555	105,876,804	43.3%	86,172,345	122.9%

# SANTA CLARA VALLEY WATER DISTRICT

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Budgeted Governmental Funds For the Year Ended June 30, 2017 (Dollars in Thousands)

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Budgetary Basis Actual	
<b>Revenues:</b>				
Property taxes	\$ 6,658	\$ 6,658	\$ 7,420	\$ 762
Use of money and property:				
Investment income	50	50	23	(27)
Rental	-	-	-	-
Reimbursement of capital costs	-	-	-	-
Other	-	-	95	95
Total revenues	6,708	6,708	7,538	830
<b>Expenditures:</b>				
<b>Operating budget:</b>				
Operations and operating projects	55,970	56,833	54,336	2,497
Debt service:				
Principal repayment	427	427	427	-
Interest and fiscal charges	111	111	109	2
Total operating budget	56,508	57,371	54,872	2,499
<b>Capital budget:</b>				
Capital improvement projects	8,117	2,286	2,555	(269)
Total expenditures	64,625	59,657	57,427	2,230
Excess (deficiency) of revenues over (under) expenditures	(57,917)	(52,949)	(49,889)	3,060
<b>Other financing sources (uses):</b>				
Intra-district overhead reimbursement	49,735	49,735	45,192	(4,543)
Transfers in	6,538	611	699	88
Transfers out	(1,301)	(1,301)	(1,301)	-
Total other financing sources	54,972	49,045	44,590	(4,455)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financial uses	\$ (2,945)	\$ (3,904)	(5,299)	\$ (1,395)
<b>Reconciliation of GAAP and budgetary basis:</b>				
Expenditures of prior year encumbrances recognized on the GAAP basis:				
Operations and operating projects			\$ (1,669)	
Capital improvement projects			(278)	
Current year encumbrances recognized on the budgetary basis:				
Operations and operating projects			3,146	
Capital improvement projects			1,249	
Fund Balances, beginning of year			15,198	
Fund Balances, end of year			\$ 12,347	

See accompanying notes to required supplementary information

Watershed & Stream Stewardship				Safe, Clean Water & 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)
\$ 68,280	\$ 68,280	\$ 74,806	\$ 6,526	\$ 41,528	\$ 41,528	\$ 41,099	\$ (429)
664	664	317	(347)	1,680	1,680	651	(1,029)
1,310	1,310	1,527	217	-	-	290	290
25,258	25,258	-	(25,258)	19,202	19,202	1,818	(17,384)
1,418	1,418	1,870	452	-	-	6	6
<u>96,930</u>	<u>96,930</u>	<u>78,520</u>	<u>(18,410)</u>	<u>62,410</u>	<u>62,410</u>	<u>43,864</u>	<u>(18,546)</u>
51,555	54,240	49,034	5,206	13,926	14,432	11,985	2,447
-	-	-	-	-	-	-	-
-	-	-	-	296	296	29	267
<u>51,555</u>	<u>54,240</u>	<u>49,034</u>	<u>5,206</u>	<u>14,222</u>	<u>14,728</u>	<u>12,014</u>	<u>2,714</u>
43,443	62,397	32,981	29,416	49,527	173,518	62,962	110,556
94,998	116,637	82,015	34,622	63,749	188,246	74,976	113,270
1,932	(19,707)	(3,495)	16,212	(1,339)	(125,836)	(31,112)	94,724
-	-	-	-	-	-	-	-
2,577	2,577	2,647	70	1,625	1,625	1,444	(181)
(5,805)	(1,301)	(1,301)	-	-	-	-	-
<u>(3,228)</u>	<u>1,276</u>	<u>1,346</u>	<u>70</u>	<u>1,625</u>	<u>1,625</u>	<u>1,444</u>	<u>(181)</u>
<u>\$ (1,296)</u>	<u>\$ (18,431)</u>	<u>(2,149)</u>	<u>\$ 16,282</u>	<u>\$ 286</u>	<u>\$ (124,211)</u>	<u>(29,668)</u>	<u>\$ 94,543</u>
		\$ (1,867)				\$ (1,873)	
		(30,786)				(12,044)	
		2,849				2,067	
		18,206				40,554	
		<u>132,820</u>				<u>205,989</u>	
		<u>\$ 119,073</u>				<u>\$ 205,025</u>	

# **SANTA CLARA VALLEY WATER DISTRICT**

## **Notes to Required Supplementary Information**

**For the Year Ended June 30, 2017**

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 the timing of such expenditures.

**Supplemental  
Information**

Santa Clara Valley  
Water District



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**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**

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**SANTA CLARA VALLEY WATER DISTRICT**

Schedule of Revenues, Expenditures and  
Changes in Fund Balances

Selected Watershed Activities Contained

Within the Watershed and Stream Stewardship Fund

For the Year Ended June 30, 2017

(Dollars in Thousands)

	Lower Peninsula Watershed	West Valley Watershed
	<u>                    </u>	<u>                    </u>
<b>Revenues:</b>		
Benefit assessments (Note 8)	\$          4,037	\$          2,256
Total revenues	<u>          4,037</u>	<u>          2,256</u>
<b>Expenditures:</b>		
<b>Debt service:</b>		
Interest and fiscal charges	<u>          11</u>	<u>          5</u>
Total expenditures	<u>          11</u>	<u>          5</u>
Excess (deficiency) of revenues over (under) expenditures	<u>          4,026</u>	<u>          2,251</u>
<b>Other financing sources (uses):</b>		
Transfers out (Note 14)	<u>         (4,026)</u>	<u>         (2,251)</u>
Total other financing sources (uses)	<u>         (4,026)</u>	<u>         (2,251)</u>
Net change in fund balances	-	-
Fund balances, beginning of year	-	-
Fund balances, end of year	<u>          \$          -</u>	<u>          \$          -</u>

Guadalupe Watershed	Coyote Watershed	Total
\$ 4,552	\$ 3,945	\$ 14,790
<u>4,552</u>	<u>3,945</u>	<u>14,790</u>
8	7	31
<u>8</u>	<u>7</u>	<u>31</u>
4,544	3,938	14,759
<u>(4,544)</u>	<u>(3,938)</u>	<u>(14,759)</u>
<u>(4,544)</u>	<u>(3,938)</u>	<u>(14,759)</u>
-	-	-
-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SANTA CLARA VALLEY WATER DISTRICT**

Schedule of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
Selected Watershed Activities Contained  
Within the Watershed and Stream Stewardship Fund  
For the Year Ended June 30, 2017  
(Dollars in Thousands)

	Lower Peninsula Watershed			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Budgetary Basis Actual	
<b>Revenues:</b>				
Benefit assessments	\$ 4,041	\$ 4,041	\$ 4,037	\$ (4)
Total revenues	<u>4,041</u>	<u>4,041</u>	<u>4,037</u>	<u>(4)</u>
<b>Expenditures:</b>				
<b>Operating budget:</b>				
Debt service:				
Principal repayment	2,040	2,040	2,040	-
Interest and fiscal charges	<u>1,329</u>	<u>1,329</u>	<u>1,324</u>	<u>5</u>
Total operating budget	<u>3,369</u>	<u>3,369</u>	<u>3,364</u>	<u>5</u>
Total expenditures	<u>3,369</u>	<u>3,369</u>	<u>3,364</u>	<u>5</u>
Excess (deficiency) of revenues over (under) expenditures	<u>672</u>	<u>672</u>	<u>673</u>	<u>1</u>
<b>Other financing sources (uses):</b>				
Transfers out	<u>(672)</u>	<u>(672)</u>	<u>(673)</u>	<u>(1)</u>
Total other financing sources (uses)	<u>(672)</u>	<u>(672)</u>	<u>(673)</u>	<u>(1)</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)
\$ 2,266	\$ 2,266	\$ 2,256	(10)	\$ 4,580	\$ 4,580	\$ 4,552	(28)
<u>2,266</u>	<u>2,266</u>	<u>2,256</u>	<u>(10)</u>	<u>4,580</u>	<u>4,580</u>	<u>4,552</u>	<u>(28)</u>
1,174	1,174	1,173	1	2,470	2,470	2,470	-
<u>681</u>	<u>681</u>	<u>669</u>	<u>12</u>	<u>1,249</u>	<u>1,249</u>	<u>1,216</u>	<u>33</u>
<u>1,855</u>	<u>1,855</u>	<u>1,842</u>	<u>13</u>	<u>3,719</u>	<u>3,719</u>	<u>3,686</u>	<u>33</u>
<u>1,855</u>	<u>1,855</u>	<u>1,842</u>	<u>13</u>	<u>3,719</u>	<u>3,719</u>	<u>3,686</u>	<u>33</u>
<u>411</u>	<u>411</u>	<u>414</u>	<u>3</u>	<u>861</u>	<u>861</u>	<u>866</u>	<u>5</u>
<u>(411)</u>	<u>(411)</u>	<u>(414)</u>	<u>(3)</u>	<u>(861)</u>	<u>(861)</u>	<u>(866)</u>	<u>(5)</u>
<u>(411)</u>	<u>(411)</u>	<u>(414)</u>	<u>(3)</u>	<u>(861)</u>	<u>(861)</u>	<u>(866)</u>	<u>(5)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SANTA CLARA VALLEY WATER DISTRICT**  
Schedule of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual (Continued)  
Selected Watershed Activities Contained  
Within the Watershed and Stream Stewardship Fund  
For the Year Ended June 30, 2017  
(Dollars in Thousands)

	Coyote Watershed			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Budgetary Basis Actual	
<b>Revenues:</b>				
Benefit Assessments	\$ 3,897	\$ 3,897	\$ 3,945	\$ 48
Total revenues	<u>3,897</u>	<u>3,897</u>	<u>3,945</u>	<u>48</u>
<b>Expenditures:</b>				
<b>Operating budget:</b>				
Debt service:				
Principal repayment	1,910	1,910	1,910	-
Interest and fiscal charges	<u>1,356</u>	<u>1,356</u>	<u>1,342</u>	<u>14</u>
Total operating budget	<u>3,266</u>	<u>3,266</u>	<u>3,252</u>	<u>14</u>
Total expenditures	<u>3,266</u>	<u>3,266</u>	<u>3,252</u>	<u>14</u>
Excess (deficiency) of revenues over (under) expenditures	<u>631</u>	<u>631</u>	<u>693</u>	<u>62</u>
<b>Other financing sources (uses):</b>				
Transfers out	<u>(631)</u>	<u>(631)</u>	<u>(693)</u>	<u>(62)</u>
Total other financing sources (uses)	<u>(631)</u>	<u>(631)</u>	<u>(693)</u>	<u>(62)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## **Water Enterprise and State Water Project Funds**

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

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**SANTA CLARA VALLEY WATER DISTRICT**

Schedule of Revenues, Expenses and  
Changes in Net Position - Budget and Actual  
Water Enterprise and State Water Project Funds  
For the Year Ended June 30, 2017  
(Dollars in Thousands)

	Water Enterprise Fund			
	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 5,983	\$ 5,983	\$ 6,682	\$ 699
Intergovernmental services	1,185	1,185	2,037	852
Ground water production charges	76,847	76,847	67,937	(8,910)
Treated water charges	107,824	107,824	122,212	14,388
Surface and recycled water revenue	2,218	2,218	747	(1,471)
Investment income	629	629	979	350
Capital reimbursements	2,811	2,811	17,527	14,716
Other	1,037	1,037	1,318	281
Total revenues	198,534	198,534	219,439	20,905
<b>Expenses:</b>				
<b>Current:</b>				
Operations and operating projects	147,363	151,398	134,390	17,008
<b>Debt Service:</b>				
Principal repayment	3,965	3,965	3,830	135
Interest and fiscal charges	22,517	22,517	18,281	4,236
<b>Capital outlay:</b>				
Capital improvement projects	128,053	140,559	101,221	39,338
Total expenses	301,898	318,439	257,722	60,717
Excess (deficiency) of revenues over (under) expenses	(103,364)	(119,905)	(38,283)	81,622
<b>Other financing (uses):</b>				
Transfers in	2,601	4,282	4,282	-
Transfers out	(2,095)	(673)	(699)	(26)
Excess (deficiency) of revenues and other financing sources over (under) expenses	\$ (102,858)	\$ (116,296)	\$ (34,700)	\$ 81,596
<b>Reconciliation of GAAP and budgetary basis:</b>				
Depreciation and amortization expense not budgeted			(26,878)	
Capitalized expenditures			118,353	
Debt principal and GAAP basis accruals for interest payable			4,536	
GAAP basis expenses and other liabilities			16,137	
Expenses of prior year encumbrances recognized on the GAAP basis:				
Operations and operating projects			(5,081)	
Capital improvement projects			(65,082)	
Current year encumbrances recognized on the budgetary basis:				
Operations and operating projects			12,551	
Capital improvement projects			30,338	
Net position, beginning of year			632,524	
Net position, end of year			\$ 682,698	

State Water Project 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)
\$ 33,000	\$ 33,000	\$ 38,104	\$ 5,104	\$ 38,983	\$ 38,983	\$ 44,786	\$ 5,803
-	-	-	-	1,185	1,185	2,037	852
-	-	-	-	76,847	76,847	67,937	(8,910)
-	-	-	-	107,824	107,824	122,212	14,388
-	-	-	-	2,218	2,218	747	(1,471)
-	-	-	-	629	629	979	350
-	-	-	-	2,811	2,811	17,527	14,716
1,000	1,000	1,209	209	2,037	2,037	2,527	490
<u>34,000</u>	<u>34,000</u>	<u>39,313</u>	<u>5,313</u>	<u>232,534</u>	<u>232,534</u>	<u>258,752</u>	<u>26,218</u>
34,062	34,437	29,724	\$ 4,713	181,425	185,835	164,114	21,721
-	-	-	-	3,965	3,965	3,830	135
-	-	-	-	22,517	22,517	18,281	4,236
-	-	-	-	128,053	140,559	101,221	39,338
<u>34,062</u>	<u>34,437</u>	<u>29,724</u>	<u>4,713</u>	<u>335,960</u>	<u>352,876</u>	<u>287,446</u>	<u>65,430</u>
<u>(62)</u>	<u>(437)</u>	<u>9,589</u>	<u>10,026</u>	<u>(103,426)</u>	<u>(120,342)</u>	<u>(28,694)</u>	<u>91,648</u>
62	62	-	(62)	2,663	4,344	4,282	(62)
-	(1,681)	(1,681)	-	(2,095)	(2,354)	(2,380)	(26)
<u>\$ -</u>	<u>\$ (2,056)</u>	<u>\$ 7,908</u>	<u>\$ 9,964</u>	<u>\$ (102,858)</u>	<u>\$ (118,352)</u>	<u>\$ (26,792)</u>	<u>\$ 91,560</u>
		(944)				(27,822)	
		-				118,353	
		-				4,536	
		-				16,137	
		-				(5,081)	
		-				(65,082)	
		-				12,551	
		-				30,338	
		<u>20,988</u>				<u>653,512</u>	
		<u>\$ 27,952</u>				<u>\$ 710,650</u>	

## Internal Service Funds

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

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

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

**Information Technology Fund** – the fund is used to account for the maintenance and replacement of district-wide capital related information technology projects. Financing is provided through rental charges to operations based upon usage.

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**SANTA CLARA VALLEY WATER DISTRICT**  
Combining Statement of Net Position  
Internal Service Funds  
June 30, 2017  
(Dollars in Thousands)

	Equipment	Risk Management	Information Technology	Total
<b>ASSETS</b>				
Current assets:				
Cash and investments (Note 3)	\$ 5,505	\$ 13,541	\$ 10,192	\$ 29,238
Receivables - other	121	30	-	151
Inventory	64	-	-	64
Total current assets	<u>5,690</u>	<u>13,571</u>	<u>10,192</u>	<u>29,453</u>
Noncurrent assets:				
Other post employment benefits prepayment (Note 12)	16	13	4	33
Capital assets (Note 6)				
Nondepreciable assets (Construction in progress)	-	-	6,022	6,022
Depreciable assets	19,604	19	6,496	26,119
Accumulated depreciation	(10,656)	(16)	(3,801)	(14,473)
Total noncurrent assets	<u>8,964</u>	<u>16</u>	<u>8,721</u>	<u>17,701</u>
Total assets	<u>14,654</u>	<u>13,587</u>	<u>18,913</u>	<u>47,154</u>
Deferred outflows of resources	<u>651</u>	<u>532</u>	<u>151</u>	<u>1,334</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	310	155	338	803
Accrued liabilities	-	1	30	31
Claims payable (Note 13)	-	1,473	-	1,473
Other Debts (Note 7)	51	29	-	80
Total current liabilities	<u>361</u>	<u>1,658</u>	<u>368</u>	<u>2,387</u>
Non current liabilities:				
Claims payable (Note 13)	-	4,193	-	4,193
Employee Pension GASB68 (Note 11)	3,404	2,331	234	5,969
Other Debts (Note 7)	174	98	2	274
Total non current liabilities	<u>3,578</u>	<u>6,622</u>	<u>236</u>	<u>10,436</u>
Total liabilities	<u>3,939</u>	<u>8,280</u>	<u>604</u>	<u>12,823</u>
Deferred inflows of resources	<u>217</u>	<u>90</u>	<u>(38)</u>	<u>269</u>
<b>NET POSITION (Note 10)</b>				
Net investment in capital assets	8,948	3	8,717	17,668
Unrestricted	<u>2,201</u>	<u>5,746</u>	<u>9,781</u>	<u>17,728</u>
Total net position	<u>\$ 11,149</u>	<u>\$ 5,749</u>	<u>\$ 18,498</u>	<u>\$ 35,396</u>

## SANTA CLARA VALLEY WATER DISTRICT

Combining Statement of Revenues, Expenses and

Changes in Fund Net Position

Internal Service Funds

For the Year Ended June 30, 2017

(Dollars in Thousands)

	Equipment	Risk Management	Information Technology	Total
<b>Operating revenues:</b>				
Vehicle service charges	\$ 7,341	\$ -	\$ -	\$ 7,341
Computer equipment use charges	-	-	7,118	7,118
Self-insurance service charges	-	3,509	-	3,509
Total operating revenues	<u>7,341</u>	<u>3,509</u>	<u>7,118</u>	<u>17,968</u>
<b>Operating expenses:</b>				
Administration and general	-	2,877	-	2,877
Equipment maintenance	4,134	-	184	4,318
Depreciation and amortization	1,266	1	591	1,858
Total operating expenses	<u>5,400</u>	<u>2,878</u>	<u>775</u>	<u>9,053</u>
Operating Income (loss)	<u>1,941</u>	<u>631</u>	<u>6,343</u>	<u>8,915</u>
<b>Nonoperating revenues:</b>				
Investment income (Note 5)	22	47	32	101
Gain on sale of capital assets	105	-	-	105
Other	-	64	-	64
Total nonoperating revenues	<u>127</u>	<u>111</u>	<u>32</u>	<u>270</u>
Change in net position	2,068	742	6,375	9,185
Net position, beginning of year	<u>9,081</u>	<u>5,007</u>	<u>12,123</u>	<u>26,211</u>
Net position, end of year	<u>\$ 11,149</u>	<u>\$ 5,749</u>	<u>\$ 18,498</u>	<u>\$ 35,396</u>

**SANTA CLARA VALLEY WATER DISTRICT**

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2017

(Dollars in Thousands)

	Equipment	Risk Management	Information Technology	Total
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ 7,258	\$ 3,482	\$ 7,118	\$ 17,858
Payments to suppliers	(3,335)	(2,297)	636	\$ (4,996)
Payments to employees	(1,660)	(1,523)	(866)	\$ (4,049)
Net cash provided (used) by operating activities	<u>2,263</u>	<u>(338)</u>	<u>6,888</u>	<u>8,813</u>
<b>Cash flows from noncapital financing activities:</b>				
Other receipts	102	64	-	166
Net cash provided by noncapital financing activities	<u>102</u>	<u>64</u>	<u>-</u>	<u>166</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and disposal of capital assets	(2,900)	-	(4,035)	\$ (6,935)
<b>Cash flows from investing activities:</b>				
Interest received on cash and investments	22	45	31	\$ 98
Net increase/(decrease) in cash and cash equivalents	(513)	(229)	2,884	2,142
Cash and cash equivalents, beginning of year	6,018	13,770	7,308	\$ 27,096
Cash and cash equivalents, end of year	<u>\$ 5,505</u>	<u>\$ 13,541</u>	<u>\$ 10,192</u>	<u>\$ 29,238</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 1,941	\$ 631	\$ 6,343	\$ 8,915
<b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</b>				
Depreciation and amortization	246	1	591	838
<b>Change in operating assets and liabilities:</b>				
Decrease/(increase) in accounts receivable	(83)	(27)	-	(110)
Decrease/(increase) in inventory	(26)	-	-	(26)
Increase/(decrease) in accounts payable	133	123	(35)	221
Increase/(decrease) in accrued liabilities	(1)	-	30	29
Increase/(decrease) in compensated absences	7	6	2	15
Increase/(decrease) in claims payable	-	(1,068)	-	(1,068)
Increase/(decrease) in GASB68 Retirement payable	502	410	117	1,029
Increase/(decrease) in other post employment benefits	(15)	(12)	(4)	(31)
Increase/(decrease) in GASB68 def inflows/outflows of resources	(441)	(402)	(156)	(999)
Net cash used for operating activities	<u>\$ 2,263</u>	<u>\$ (338)</u>	<u>\$ 6,888</u>	<u>\$ 8,813</u>

**SANTA CLARA VALLEY WATER DISTRICT**

Schedule of Revenues, Expenses and  
Changes in Fund Net Position - Budget and Actual  
Internal Service Funds  
For the Year Ended June 30, 2017  
(Dollars in Thousands)

	Equipment			
	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Investment income	\$ 20	\$ 20	\$ 22	\$ 2
Vehicle service charges	7,354	7,354	7,341	(13)
Computer equipment use charges	-	-	-	-
Gain on sale of fixed assets	100	100	105	5
Self-insurance service charges	-	-	-	-
Other	-	-	-	-
Total revenues	7,474	7,474	7,468	(6)
<b>Expenditures:</b>				
<b>Current:</b>				
Operations and operating projects	4,390	4,390	4,039	351
Capital equipment acquisition	4,641	4,641	4,561	80
Total expenditures	9,031	9,031	8,600	431
Excess (deficiency) of revenues and other financing resources over (under) expenditures and other financial uses	\$ (1,557)	\$ (1,557)	(1,132)	\$ 425
<b>Reconciliation of GAAP and budgetary basis:</b>				
Depreciation and amortization expense not budgeted			(1,266)	
Capitalized expenditures			4,015	
Expenditures of prior year encumbrances recognized on the GAAP basis:				
Operations and operating projects			(1)	
Capital improvement projects			(1,395)	
Current year encumbrances recognized on the budgetary basis:				
Operations and operating projects			14	
Capital improvement projects			1,833	
Net position, beginning of year			9,081	
Net position, end of year			\$ 11,149	

Risk Management				Information Technology			
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)
\$ 80	\$ 80	\$ 47	\$ (33)	\$ 30	\$ 30	\$ 32	\$ 2
-	-	-	-	-	-	-	-
-	-	-	-	7,164	7,164	7,118	(46)
-	-	-	-	-	-	-	-
3,772	3,772	3,509	(263)	-	-	-	-
-	-	64	64	-	-	-	-
<u>3,852</u>	<u>3,852</u>	<u>3,620</u>	<u>(232)</u>	<u>7,194</u>	<u>7,194</u>	<u>7,150</u>	<u>(44)</u>
4,784	4,784	2,850	1,934	100	100	(18)	118
-	-	-	-	6,937	11,482	5,108	6,374
<u>4,784</u>	<u>4,784</u>	<u>2,850</u>	<u>1,934</u>	<u>7,037</u>	<u>11,582</u>	<u>5,090</u>	<u>6,492</u>
<u>\$ (932)</u>	<u>\$ (932)</u>	770	<u>\$ 1,702</u>	<u>\$ 157</u>	<u>\$ (4,388)</u>	2,060	<u>\$ 6,448</u>
		(1)				(591)	
		-				4,034	
		(51)				(34)	
		-				(700)	
		24				1	
		-				1,605	
		<u>5,007</u>				<u>12,123</u>	
		<u>\$ 5,749</u>				<u>\$ 18,498</u>	

**SANTA CLARA VALLEY WATER DISTRICT**  
Schedule of Revenues, Expenses and  
Changes in Fund Net Position - Budget and Actual (Continued)  
Internal Service Funds  
For the Year Ended June 30, 2017  
(Dollars in Thousands)

	Total			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Budgetary Basis Actual	
<b>Revenues:</b>				
Investment income	\$ 130	\$ 130	\$ 101	\$ (29)
Vehicle service charges	7,354	7,354	7,341	(13)
Computer equipment use charges	7,164	7,164	7,118	(46)
Gain on sale of fixed assets	100	100	105	5
Self-insurance service charges	3,772	3,772	3,509	(263)
Other	-	-	64	64
Total revenues	<u>18,520</u>	<u>18,520</u>	<u>18,238</u>	<u>(282)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Operations and operating projects	9,274	9,274	6,871	2,403
Capital equipment acquisition	11,578	16,123	9,669	6,454
Total expenditures	<u>20,852</u>	<u>25,397</u>	<u>16,540</u>	<u>8,857</u>
Excess (deficiency) of revenues and other financing resources over (under) expenditures and other financial uses	<u>\$ (2,332)</u>	<u>\$ (6,877)</u>	1,698	<u>\$ 8,575</u>
<b>Reconciliation of GAAP and budgetary basis:</b>				
Depreciation and amortization expense not budgeted			(1,858)	
Capitalized expenditures			8,049	
Expenditures of prior year encumbrances recognized on the GAAP basis:				
Operations and operating projects			(86)	
Capital improvement projects			(2,095)	
Current year encumbrances recognized on the budgetary basis:				
Operations and operating projects			39	
Capital improvement projects			3,438	
Net position, beginning of year			<u>26,211</u>	
Net position, end of year			<u>\$ 35,396</u>	

## Agency Fund

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Agency fund type is 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.

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**SANTA CLARA VALLEY WATER DISTRICT**  
 Combining Statement of Changes in Assets and Liabilities  
 Agency Fund  
 For the Year Ended June 30, 2017  
 (Dollars in Thousands)

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<b><u>Deposit Fund</u></b>				
<b>Assets:</b>				
Cash and investments (Note 3)	\$ 222	\$ 20	\$ 46	\$ 196
Total assets	<u>\$ 222</u>	<u>\$ 20</u>	<u>\$ 46</u>	<u>\$ 196</u>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 29	\$ 14	\$ 15
Deposits payable	222	24	65	181
Total liabilities	<u>\$ 222</u>	<u>\$ 53</u>	<u>\$ 79</u>	<u>\$ 196</u>

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

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Capital assets consist of land, improvements to land, buildings, equipment and intangibles that are used in operations and that have initial useful lives extending beyond a single reporting period.

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**SANTA CLARA VALLEY WATER DISTRICT**  
 Capital Assets Used in the Operation of Governmental Activities  
 Schedule By Source  
 June 30, 2017  
 (Dollars in Thousands)

**Governmental activities capital assets:**

Land	\$ 164,847
Buildings	42,007
Structures and improvements	767,730
Equipment	47,462
Construction in process	435,230
Intangibles:	
Easements	17,616
Computer Software	2,338
	\$ 1,477,230
<b>Total governmental funds capital assets</b>	<b>\$ 1,477,230</b>

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

General fund	\$ 89,606
Special revenue funds:	
Watershed & Stream Stewardship	1,080,089
Safe, Clean Water & Natural Flood Protection	275,395
Internal service funds	32,140
	\$ 1,477,230
<b>Total governmental funds capital assets</b>	<b>\$ 1,477,230</b>

**SANTA CLARA VALLEY WATER DISTRICT**  
**Capital Assets Used in the Operation of Governmental Activities**  
**Schedule By Function and Activity**  
**June 30, 2017**  
(Dollars in Thousands)

<u>Function and Activity</u>		<u>Land</u>	<u>Buildings</u>	<u>Structures and Improvements</u>	<u>Equipment</u>	<u>Construction in Progress</u>	<u>Easements</u>	<u>Intangibles Software</u>	<u>Total</u>
<b>100</b>	<b>CEO Support Operations</b>								
102	Chief Executive Office	\$ -	\$ -	\$ -	\$ 379	\$ -	\$ -	\$ -	\$ 379
130	Public Affairs	-	-	-	17	-	-	-	17
<b>200</b>	<b>Watershed Operations</b>								
210	Chief Operating Office	-	-	-	5,199	-	-	-	5,199
<b>210</b>	<b>Watershed Management Division</b>								
215	Watershed Business Management	-	-	-	107	-	-	-	107
230	Watershed Planning	-	-	-	38	-	-	-	38
250	Lower Peninsula/West Valley Mgmt.	-	-	-	162	-	-	-	162
270	Guadalupe Watershed Mgmt.	-	-	-	415	-	-	-	415
290	Coyote & Uvas/Llagas Mgmt.	-	-	-	47	-	-	-	47
<b>310</b>	<b>Capital Program Services Division</b>								
340	Capital Program Services Departments	-	-	-	329	-	-	-	329
<b>410</b>	<b>Water Utility Enterprise Operations</b>								
410	Chief Operating Office	-	-	-	139	-	-	-	139
420	Water Utility Enterprise	-	-	-	202	-	-	-	202
<b>600</b>	<b>Administration</b>								
602	Chief Administrative Office	-	-	-	230	-	-	-	230
<b>670</b>	<b>Financial Services Division</b>								
610	Office of Administrative Services	-	-	-	52	-	-	-	52
670	Business And Finance Program	-	-	-	1,670	-	-	-	1,670
<b>710</b>	<b>Information Management Division</b>								
715	Information Management Division	-	-	-	194	-	-	-	194
720	Information Mgmt. Support Departments	-	-	-	7,734	-	-	-	7,734
<b>810</b>	<b>General Services Division</b>								
815	Technical Services Division	-	-	-	12	-	-	-	12
820	Technical Services Support Division	-	-	-	1,213	-	-	-	1,213
765	Records and Library	-	-	-	168	-	-	-	168
820	Warehouse Services	-	-	-	4,855	-	-	-	4,855
885	Equipment Management	-	-	-	15,219	-	-	-	15,219
<b>910</b>	<b>Human Resources Program</b>								
660	Human Resources Program	-	-	-	61	-	-	-	61
<b>Other:</b>									
	District-wide property	164,847	42,007	767,730	9,020	435,230	17,616	2,338	1,438,788
	<b>Total capital assets</b>	<u>\$ 164,847</u>	<u>\$ 42,007</u>	<u>\$ 767,730</u>	<u>\$ 47,462</u>	<u>\$ 435,230</u>	<u>\$ 17,616</u>	<u>\$ 2,338</u>	<u>\$ 1,477,230</u>

**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, 2017**  
(Dollars in Thousands)

<b>Function and Activity</b>	<b>Governmental Capital Assets June 30, 2016</b>	<b>Additions</b>	<b>Deductions</b>	<b>Governmental Capital Assets June 30, 2017</b>
<b>CEO Support Operations</b>				
Chief Executive Office	\$ 379	\$ -	\$ -	\$ 379
Public Affairs	17	-	-	17
<b>Watershed Operations</b>				
Chief Operating Office	5,199	-	-	5,199
<b>Watershed Management Division</b>				
Watershed Business Management	107	-	-	107
Watershed Planning	38	-	-	38
Lower Peninsula/West Valley Mgmt.	98	64	-	162
Guadalupe Watershed Mgmt.	415	-	-	415
Coyote & Uvas/Llagas Mgmt.	28	19	-	47
<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	52	(66)	202
<b>Administration</b>				
Chief Administrative Office	230	-	-	230
<b>Financial Services Division</b>				
Office of Administrative Services	52	-	-	52
Business And Finance Program	1,670	-	-	1,670
<b>Information Management Division</b>				
Information Management Division	194	-	-	194
Information Mgmt. Support Departments	7,140	594	-	7,734
<b>General Services Division</b>				
Technical Services Division	12	-	-	12
Technical Services Support Division	1,213	-	-	1,213
Records and Library	168	-	-	168
Warehouse Services	5,643	-	(788)	4,855
Equipment Management	12,569	2,973	(324)	15,219
<b>Human Resources Program</b>				
Human Resources Program	61	-	-	61
<b>Other:</b>				
District-wide property	1,357,805	80,983	-	1,438,788
	<u>\$ 1,393,723</u>	<u>\$ 84,685</u>	<u>\$ (1,178)</u>	<u>\$ 1,477,230</u>



# Comprehensive Annual Financial Report

**Statistical Section**

Santa Clara Valley  
Water District



**Statistical Section**



# Comprehensive Annual Financial Report

**Statistical Section**

Santa Clara Valley  
Water District



**Statistical Section**

# SANTA CLARA VALLEY WATER DISTRICT

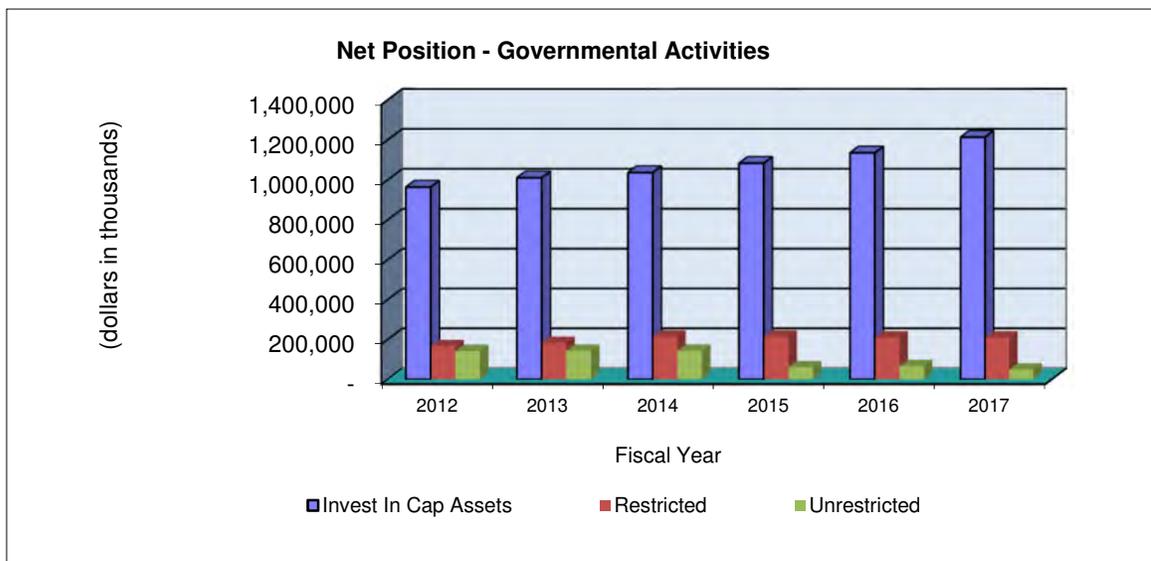
## Statistical Section

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> These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	128
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the District's most significant local revenue source, water sales.	136
<b>Debt Capacity</b> 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.	143
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	148
<b>Operating Information</b> 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.	150

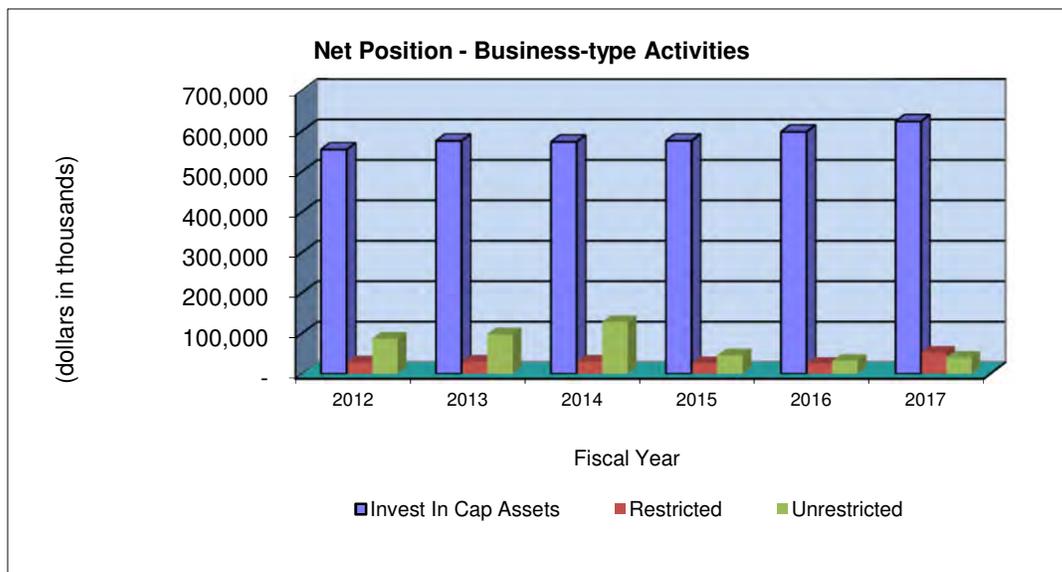
Santa Clara Valley Water District  
 Net Position by Component  
 Government-wide  
 Last Ten Fiscal Years  
 (dollars in thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Governmental activities</b>				
Net Investment in capital assets	\$ 803,594	\$ 834,814	\$ 866,291	\$ 915,118
Restricted	5,482	5,502	145,370	157,221
Unrestricted	260,865	264,074	146,800	141,640
Total governmental activities net position	<u>\$1,069,941</u>	<u>\$1,104,390</u>	<u>\$1,158,461</u>	<u>\$1,213,979</u>
<b>Business-type activities</b>				
Net Investment in capital assets	\$ 500,821	\$ 514,102	\$ 518,237	\$ 524,557
Restricted	24,011	22,824	22,944	26,824
Unrestricted	98,098	98,288	95,656	92,661
Total business-type activities net position	<u>\$ 622,930</u>	<u>\$ 635,214</u>	<u>\$ 636,837</u>	<u>\$ 644,042</u>
<b>Primary government</b>				
Net Investment in capital assets	\$1,304,415	\$1,348,916	\$1,384,528	\$1,439,675
Restricted	29,493	28,326	168,314	184,045
Unrestricted	358,963	362,362	242,456	234,301
Total primary government net position	<u>\$1,692,871</u>	<u>\$1,739,604</u>	<u>\$1,795,298</u>	<u>\$1,858,021</u>



Source: Santa Clara Valley Water District, General Accounting Unit

2012	2013	2014	2015	2016	2017
\$ 964,394	\$1,011,082	\$1,036,853	\$1,083,571	\$1,135,593	\$1,213,840
166,845	182,760	214,652	214,991	210,198	209,873
142,289	143,971	144,210	60,731	66,407	48,978
<u>\$1,273,528</u>	<u>\$1,337,813</u>	<u>\$1,395,715</u>	<u>\$1,359,293</u>	<u>\$1,412,198</u>	<u>\$1,472,691</u>
\$ 554,316	\$ 575,683	\$ 573,410	\$ 575,873	\$ 598,075	\$ 623,828
28,082	30,131	30,019	26,087	24,552	52,118
86,716	97,652	127,889	45,429	32,191	39,895
<u>\$ 669,114</u>	<u>\$ 703,466</u>	<u>\$ 731,318</u>	<u>\$ 647,389</u>	<u>\$ 654,818</u>	<u>\$ 715,841</u>
\$1,518,710	\$1,586,765	\$1,610,263	\$1,659,444	\$1,733,668	\$1,837,668
194,927	212,891	244,671	241,078	234,750	261,991
229,005	241,623	272,099	106,160	98,598	88,873
<u>\$1,942,642</u>	<u>\$2,041,279</u>	<u>\$2,127,033</u>	<u>\$2,006,682</u>	<u>\$2,067,016</u>	<u>\$2,188,532</u>



Santa Clara Valley Water District  
Changes in Net Position  
Government-wide  
Last Ten Fiscal Years  
(dollars in thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Expenses</b>			
Governmental activities:			
General government:	\$ 11,617	\$ 12,602	\$ 9,317
Watersheds	47,676	45,440	51,841
Interest on long-term debt	8,503	8,269	7,841
Total governmental activities expenses	<u>67,796</u>	<u>66,311</u>	<u>68,999</u>
Business-type activities:			
Water enterprise	141,889	168,753	155,145
Total primary government expenses	<u>\$ 209,685</u>	<u>\$ 235,064</u>	<u>\$ 224,144</u>
<b>Program Revenues</b>			
Governmental activities:			
Capital grants and contributions	\$ 21,869	\$ 20,072	\$ 23,690
Business-type activities:			
Charges for services	135,477	136,356	120,264
Operating grants and contributions	2,437	3,923	1,696
Capital grants and contributions	708	-	1,602
Total business-type activities program revenues	<u>138,622</u>	<u>140,279</u>	<u>123,562</u>
Total primary government program revenues	<u>\$ 160,491</u>	<u>\$ 160,351</u>	<u>\$ 147,252</u>
Net (expense)/revenue			
Governmental activities	\$ (45,927)	\$ (46,239)	\$ (45,309)
Business-type activities	(3,267)	(28,474)	(31,583)
Total primary government net expense	<u>\$ (49,194)</u>	<u>\$ (74,713)</u>	<u>\$ (76,892)</u>
<b>General Revenues and Other Changes in Net Position</b>			
Governmental activities:			
Property taxes	\$ 83,417	\$ 87,425	\$ 86,852
Unrestricted investment earnings	15,736	12,897	7,098
Miscellaneous	2,003	3,457	5,161
Transfers	1,398	(6,539)	269
Total governmental activities	<u>102,554</u>	<u>97,240</u>	<u>99,380</u>
Business-type activities:			
Property taxes	22,945	21,372	24,241
Unrestricted investment earnings	9,556	8,245	3,787
Miscellaneous	992	4,602	5,447
Transfers	(1,398)	6,539	(269)
Total business-type activities	<u>\$ 32,095</u>	<u>\$ 40,758</u>	<u>\$ 33,206</u>
<b>Changes in Net Position</b>			
Governmental activities	\$ 56,627	\$ 51,001	\$ 54,071
Business-type activities	28,828	12,284	1,623
Total primary government	<u>\$ 85,455</u>	<u>\$ 63,285</u>	<u>\$ 55,694</u>

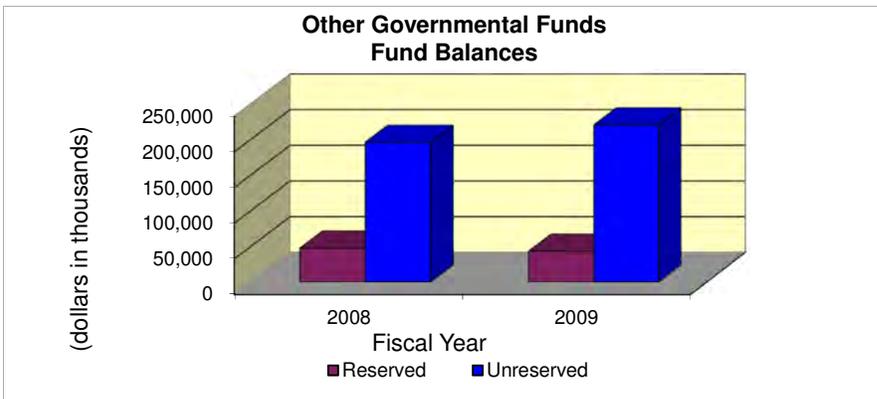
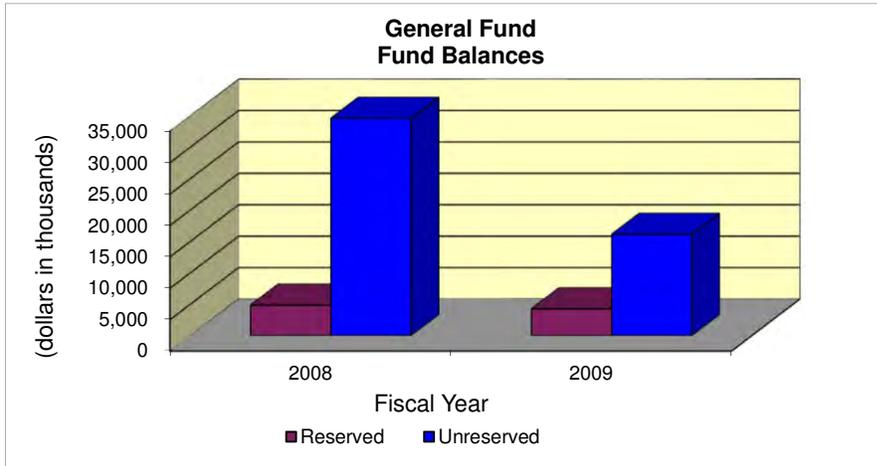
Source: Santa Clara Valley Water District, General Accounting Unit

2011	2012	2013	2014	2015	2016	2017
\$ 9,954	\$ 5,408	\$ 6,404	\$ 6,916	\$ 20,399	\$ 5,940	\$ 9,339
54,562	50,292	51,735	61,302	56,758	57,745	69,166
7,476	7,034	7,971	6,116	5,753	5,977	4,271
<u>71,992</u>	<u>62,734</u>	<u>66,110</u>	<u>74,334</u>	<u>82,910</u>	<u>69,662</u>	<u>82,776</u>
155,389	158,888	161,609	173,767	186,281	207,282	199,631
<u>\$ 227,381</u>	<u>\$ 221,622</u>	<u>\$ 227,719</u>	<u>\$ 248,101</u>	<u>\$ 269,191</u>	<u>\$ 276,944</u>	<u>\$ 282,407</u>
\$ 38,578	\$ 32,611	\$ 34,935	\$ 25,761	\$ 17,822	\$ 19,426	\$ 16,608
121,347	141,783	155,718	172,374	154,819	151,235	190,896
1,458	1,111	980	1,232	2,149	2,074	2,037
10,443	11,803	4,610	3,532	847	3,177	17,527
<u>133,248</u>	<u>154,697</u>	<u>161,308</u>	<u>177,138</u>	<u>157,815</u>	<u>156,486</u>	<u>210,460</u>
<u>\$ 171,826</u>	<u>\$ 187,308</u>	<u>\$ 196,243</u>	<u>\$ 202,899</u>	<u>\$ 175,637</u>	<u>\$ 175,912</u>	<u>\$ 227,068</u>
\$ (33,414)	\$ (30,123)	\$ (31,175)	\$ (48,573)	\$ (65,088)	\$ (50,236)	\$ (66,168)
(22,141)	(4,191)	(301)	3,371	(28,466)	(50,796)	10,829
<u>\$ (55,555)</u>	<u>\$ (34,314)</u>	<u>\$ (31,476)</u>	<u>\$ (45,202)</u>	<u>\$ (93,554)</u>	<u>\$ (101,032)</u>	<u>\$ (55,339)</u>
\$ 86,217	\$ 88,247	\$ 92,746	\$ 100,568	\$ 107,643	\$ 114,418	\$ 123,325
3,337	2,253	3,509	3,777	3,728	5,004	1,186
2,189	2,453	2,934	2,568	3,013	3,592	4,052
(2,811)	(3,281)	(3,729)	272	11,406	(19,873)	(1,902)
<u>88,932</u>	<u>89,672</u>	<u>95,460</u>	<u>107,185</u>	<u>125,790</u>	<u>103,141</u>	<u>126,661</u>
23,181	22,327	24,200	26,989	27,701	30,535	44,786
1,779	1,082	1,163	1,624	1,621	2,925	979
1,575	2,573	5,561	3,283	3,113	4,892	2,527
2,811	3,281	3,729	(272)	(11,406)	19,873	1,902
<u>\$ 29,346</u>	<u>\$ 29,263</u>	<u>\$ 34,653</u>	<u>\$ 31,624</u>	<u>\$ 21,029</u>	<u>\$ 58,225</u>	<u>\$ 50,194</u>
\$ 55,518	\$ 59,549	\$ 64,285	\$ 58,612	\$ 60,702	\$ 52,905	\$ 60,493
7,205	25,072	34,352	34,995	(7,437)	7,429	61,023
<u>\$ 62,723</u>	<u>\$ 84,621</u>	<u>\$ 98,637</u>	<u>\$ 93,607</u>	<u>\$ 53,265</u>	<u>\$ 60,334</u>	<u>\$ 121,516</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*

	2008	2009
<b>General Fund</b>		
Reserved	\$ 4,848	\$ 4,257
Unreserved	34,581	16,117
<b>Total general fund</b>	<u>\$ 39,429</u>	<u>\$ 20,374</u>
<b>All other governmental funds</b>		
Reserved, reported in		
Special revenue funds	\$ 21,091	\$ 21,897
Capital project fund	17,729	12,618
Debt service fund	8,569	8,623
Unreserved, reported in:		
Special revenue funds	195,721	220,252
Capital project fund	-	-
<b>Total all other governmental funds</b>	<u>\$ 243,110</u>	<u>\$ 263,390</u>

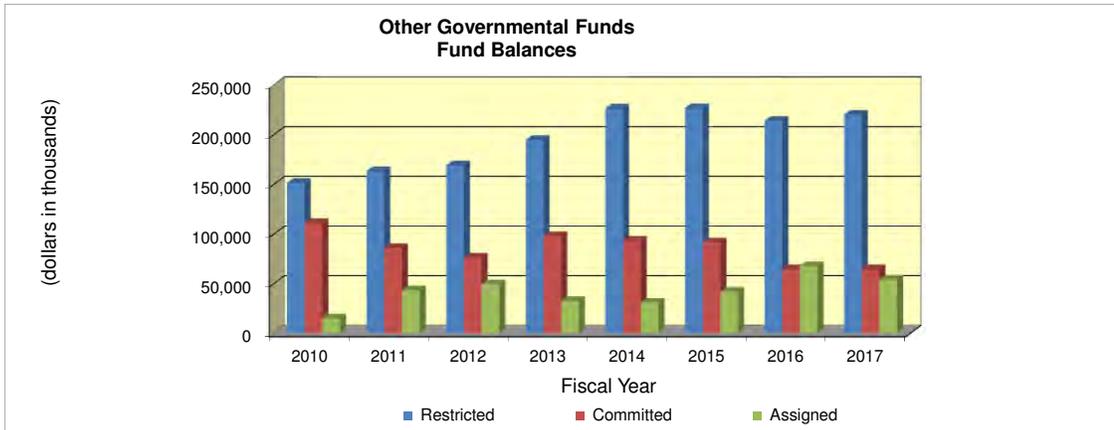
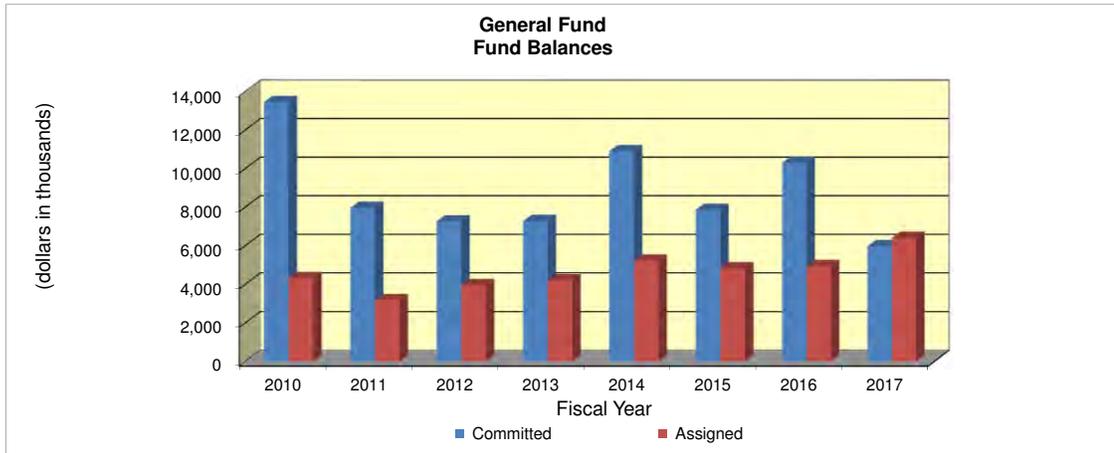


Source: Santa Clara Valley Water District, General Accounting Unit

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*

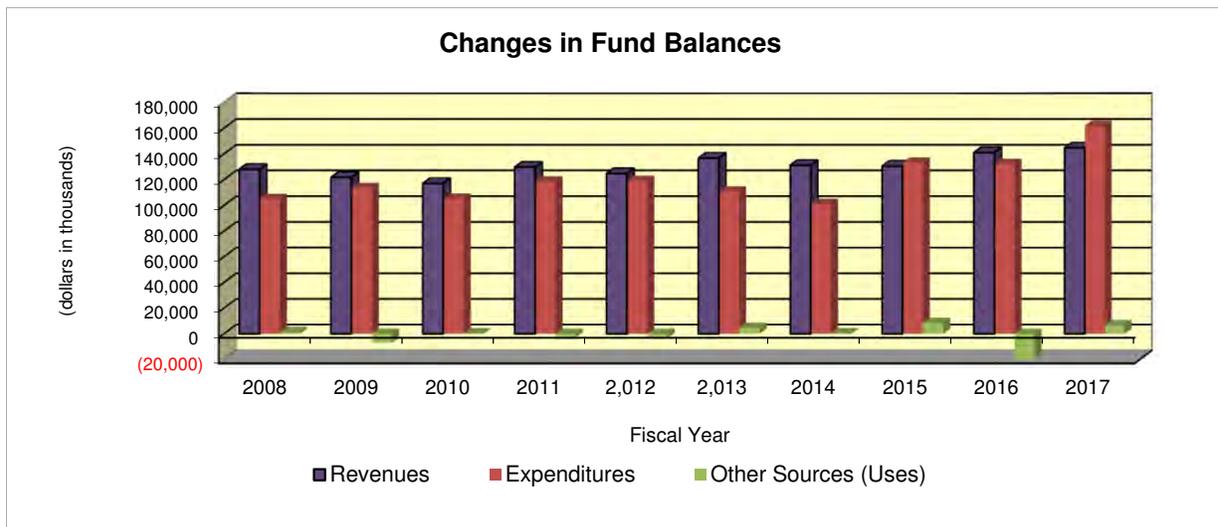
	Restated 2010	Restated 2011	2012	2013	2014	2015	2016	2017
<b>General Fund</b>								
Committed	\$ 13,429	\$ 7,945	\$ 7,244	\$ 7,257	\$ 10,882	\$ 7,842	\$ 10,274	\$ 5,962
Assigned	4,308	3,157	3,941	4,187	5,210	4,809	4,924	6,385
<b>Total general fund</b>	<b>\$ 17,737</b>	<b>\$ 11,102</b>	<b>\$ 11,185</b>	<b>\$ 11,444</b>	<b>\$ 16,092</b>	<b>\$ 12,651</b>	<b>\$ 15,198</b>	<b>\$ 12,347</b>
<b>All other governmental funds</b>								
Restricted	\$ 151,614	\$ 163,372	\$ 169,294	\$ 194,662	\$ 226,493	\$ 226,770	\$ 214,078	\$ 220,115
Committed	111,338	86,183	76,465	98,134	93,683	91,817	64,851	64,898
Assigned	15,215	43,486	49,510	32,815	31,076	41,916	67,969	54,175
<b>Total all other governmental funds</b>	<b>\$ 278,167</b>	<b>\$ 293,041</b>	<b>\$ 295,269</b>	<b>\$ 325,611</b>	<b>\$ 351,252</b>	<b>\$ 360,503</b>	<b>\$ 346,898</b>	<b>\$ 339,188</b>



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)

	2008	2009	2010	2011
<b>Revenues</b>				
Property taxes	\$ 83,417	\$ 87,425	\$ 82,372	\$ 86,217
Benefit assessments	17,866	19,255	19,226	19,091
Use of money and property:				
Investment income	14,259	11,475	6,565	2,860
Rental	1,309	1,300	1,312	1,388
Reimbursement of capital costs	10,533	1,311	4,480	19,487
Other	650	1,012	3,167	701
<b>Total Revenues</b>	<b>128,034</b>	<b>121,778</b>	<b>117,122</b>	<b>129,744</b>
<b>Expenditures</b>				
Operations and operating project	47,216	57,710	46,998	53,778
Capital improvement projects	41,384	39,188	41,727	48,478
Debt Service:				
Principal repayment	8,600	8,715	9,045	9,280
Interest and fiscal charges	7,946	7,931	7,509	7,158
<b>Total expenditures</b>	<b>105,146</b>	<b>113,544</b>	<b>105,279</b>	<b>118,694</b>
Excess of revenues over (under) expenditures	22,888	8,234	11,843	11,050
<b>Other financing sources (uses)</b>				
Transfers in	31,322	32,604	30,589	20,950
Transfers out	(29,924)	(39,613)	(30,292)	(23,761)
Proceeds from issuance of debt	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>1,398</b>	<b>(7,009)</b>	<b>297</b>	<b>(2,811)</b>
<b>Net change in fund balances</b>	<b>\$ 24,286</b>	<b>\$ 1,225</b>	<b>\$ 12,140</b>	<b>\$ 8,239</b>
Debt service as a percentage of non-capital expenditures	26.0%	22.2%	25.6%	23.2%

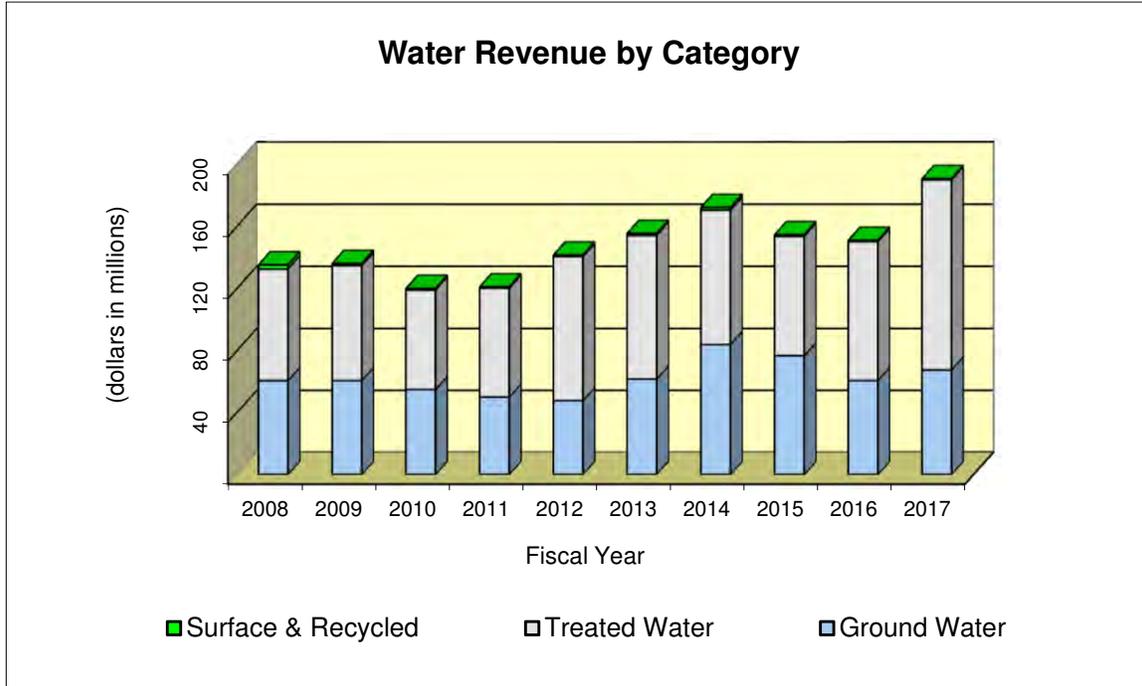


Source: Santa Clara Valley Water District, General Accounting Unit

	2012	2013	2014	2015	2016	2017
\$	88,247	\$ 97,226	\$ 100,568	\$ 107,643	\$ 114,418	\$ 123,325
	19,131	19,178	16,143	16,074	14,683	14,791
	1,621	1,785	2,556	2,505	3,747	956
	1,416	1,423	1,609	1,684	1,759	1,817
	13,480	15,757	9,618	1,748	4,743	1,818
	922	1,415	728	911	1,782	1,971
	<u>124,817</u>	<u>136,784</u>	<u>131,222</u>	<u>130,565</u>	<u>141,132</u>	<u>144,678</u>
	51,353	49,198	50,426	65,425	57,725	67,511
	51,394	44,809	36,866	53,984	61,876	81,597
	9,720	10,935	8,055	8,355	7,630	8,020
	6,758	5,919	5,858	5,497	5,084	4,743
	<u>119,225</u>	<u>110,861</u>	<u>101,205</u>	<u>133,261</u>	<u>132,315</u>	<u>161,871</u>
	<u>5,592</u>	<u>25,923</u>	<u>30,017</u>	<u>(2,696)</u>	<u>8,817</u>	<u>(17,193)</u>
	24,375	21,190	34,362	30,054	26,528	17,436
	(27,656)	(24,919)	(34,090)	(21,548)	(46,403)	(19,339)
	-	52,955	-	-	-	68,932
	-	(53,495)	-	-	-	(60,397)
	<u>(3,281)</u>	<u>4,678</u>	<u>272</u>	<u>8,506</u>	<u>(19,875)</u>	<u>6,632</u>
\$	<u>2,311</u>	<u>\$ 30,601</u>	<u>\$ 30,289</u>	<u>\$ 5,810</u>	<u>\$ (11,058)</u>	<u>\$ (10,561)</u>
	23.0%	25.7%	18.8%	13.0%	13.4%	15.0%

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

Fiscal Year	Ground Water Revenue	Treated Water Revenue	Surface & Recycled Water Revenue	Total Water Revenue
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
2015	77,095	76,799	925	154,819
2016	61,128	89,375	732	151,235
2017	67,937	122,212	747	190,896



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

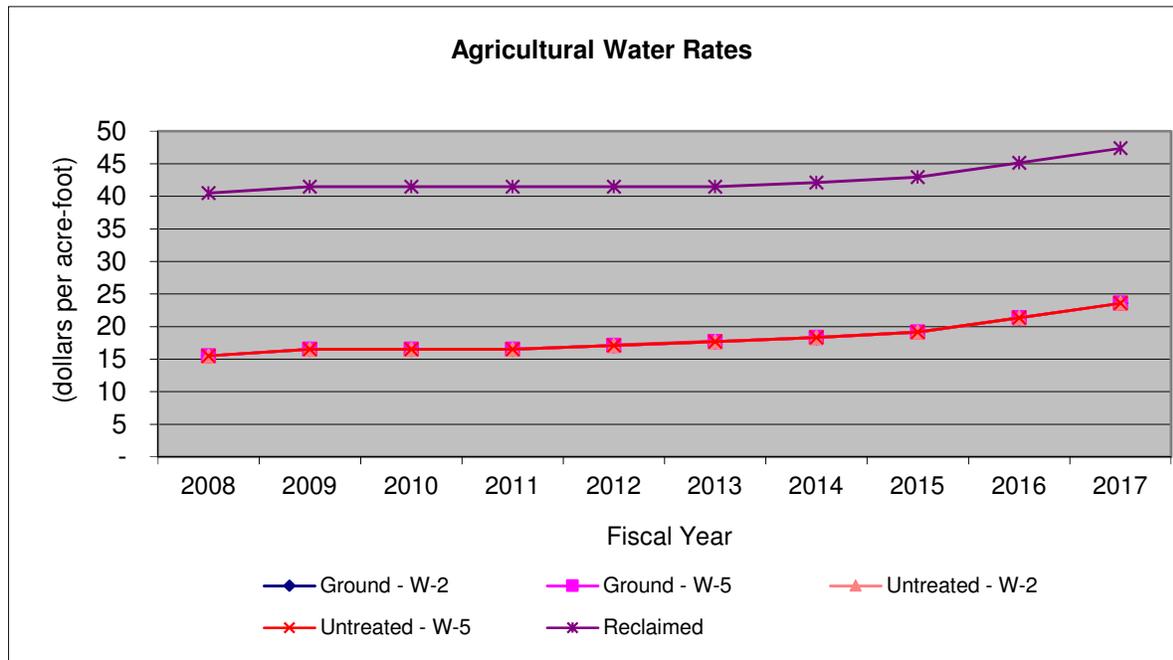
Santa Clara Valley Water District  
Principal Water Revenue Customers  
Current year and Nine years ago  
(dollars in thousands)

Water Customer	Fiscal Year 2017			Fiscal Year 2008		
	Water Revenue	Rank	Percent of Total Water Revenue	Water Revenue	Rank	Percent of Total Water Revenue
San Jose Water Company	\$ 114,503	1	59.98%	\$ 75,423	1	55.67%
City of Santa Clara	14,471	2	7.58%	10,056	2	7.42%
City of San Jose	12,884	3	6.75%	9,806	3	7.24%
California Water Service Co.	11,932	4	6.25%	8,655	4	6.39%
City of Sunnyvale	9,320	5	4.88%	6,501	5	4.80%
Great Oaks Water Company	5,569	6	2.92%	5,196	6	3.84%
City of Milpitas	3,780	7	1.98%	2,365	8	1.75%
City of Gilroy	2,850	8	1.49%	2,366	7	1.75%
City of Cupertino	2,601	9	1.36%	2,081	10	1.54%
City of Morgan Hill	2,526	10	1.32%	2,206	9	1.63%
<b>Total</b>	<b>\$ 180,436</b>		<b>94.51%</b>	<b>\$ 124,655</b>		<b>92.03%</b>
<b>Total Water Sales</b>	<b>\$ 190,896</b>			<b>\$ 135,477</b>		

Source: Santa Clara Valley Water District, Revenue Management Unit

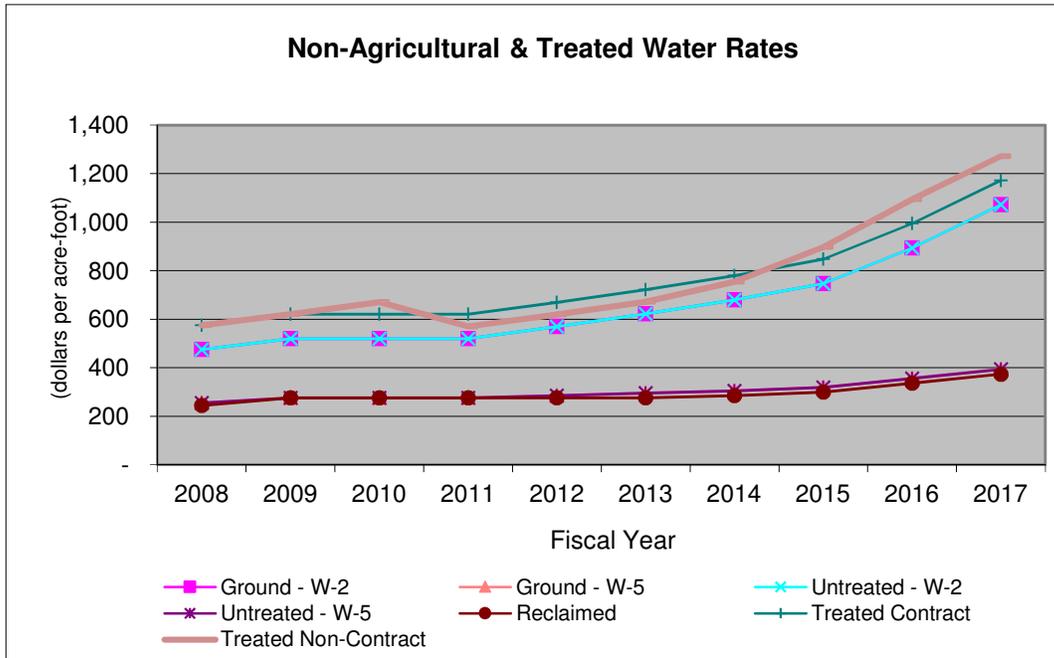
Santa Clara Valley Water District  
 Water Enterprise Rates Summary  
 Last Ten Fiscal Years  
 (rates in dollars per acre-foot)

Fiscal Year	Groundwater Rates				Treated Water Rates	
	Zone W-2		Zone W-5		Contract	Non Contract
	AG	Non-AG	AG	Non-AG		
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
2015	19.14	747.00	19.14	319.00	847.00	897.00
2016	21.36	894.00	21.36	356.00	994.00	1,094.00
2017	23.59	1,072.00	23.59	393.00	1,172.00	1,272.00



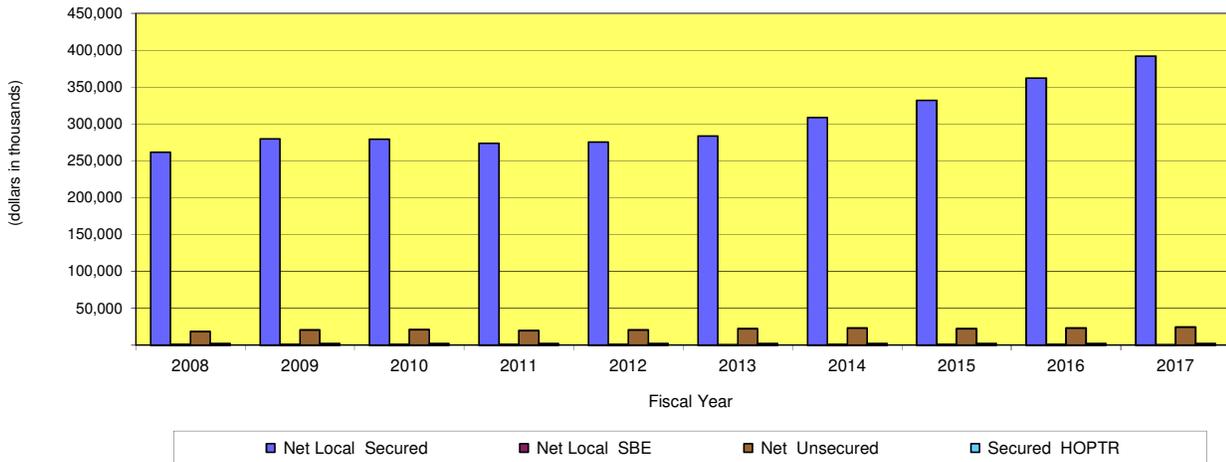
Source: Santa Clara Valley Water District, Wells & Water Production Unit

Untreated Water Rates				Reclaimed Water Rates	
Zone W-2		Zone W-5		AG	Non-AG
AG	Non-AG	AG	Non-AG	AG	Non-AG
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
19.14	747.00	19.14	319.00	42.94	299.00
21.36	894.00	21.36	356.00	45.16	336.00
23.59	1,072.00	23.59	393.00	47.38	373.00



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

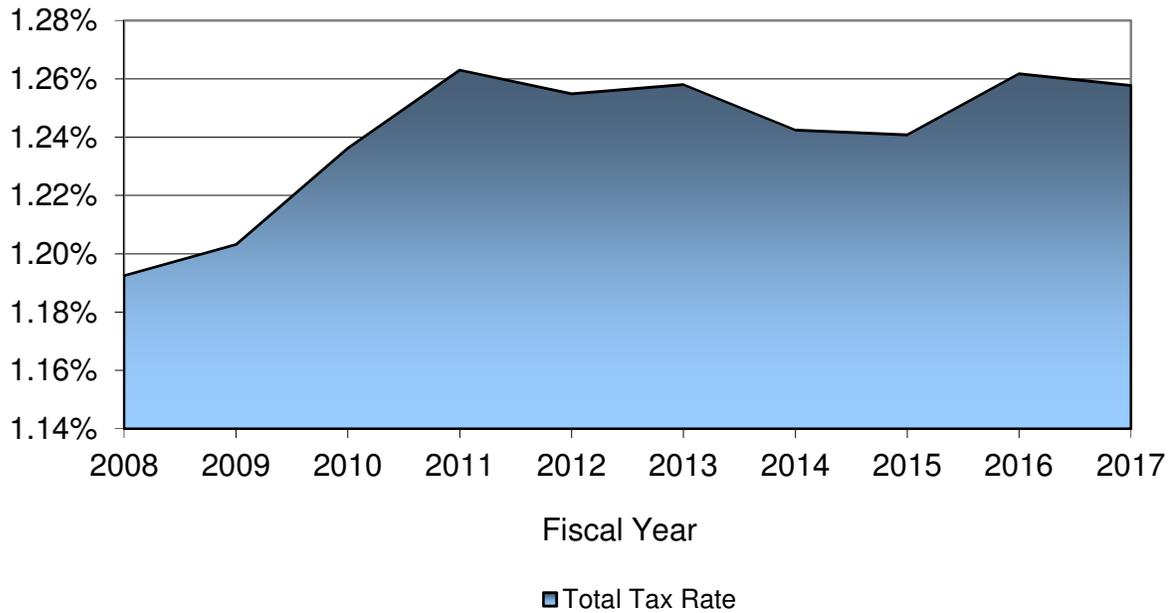
Fiscal Year	Net Local Secured	SBE	Total Secured	Net Unsecured	Total (a)	Exempt Valuation Secured		District Direct Rate (d)	Total District Direct Tax (c x d)
						HOPTR (b)	Total (c) = (a+b)		
2008	\$ 261,930,112	\$ 537,968	\$ 262,468,080	\$ 18,578,048	\$ 281,046,128	\$ 1,992,833	\$ 283,038,961	0.0071%	\$20,095.77
2009	279,767,066	554,935	280,322,001	20,381,412	300,703,413	2,005,174	302,708,587	0.0061%	18,465.22
2010	279,623,760	602,948	280,226,708	21,112,122	301,338,830	2,007,990	303,346,820	0.0074%	22,447.66
2011	274,020,130	595,208	274,615,338	19,652,921	294,268,259	2,007,881	296,276,140	0.0072%	21,331.88
2012	275,581,705	557,469	276,139,174	20,791,740	296,930,914	1,978,658	298,909,572	0.0064%	19,130.21
2013	283,903,536	525,302	284,428,838	22,225,683	306,654,521	1,951,818	308,606,339	0.0069%	21,293.84
2014	308,939,519	596,002	309,535,521	23,021,092	332,556,613	1,920,733	334,477,346	0.0070%	23,413.41
2015	332,220,200	577,096	332,797,296	22,417,252	355,214,548	1,891,373	357,105,921	0.0065%	23,211.88
2016	362,318,558	594,415	362,912,973	23,239,529	386,152,502	1,874,832	388,027,334	0.0057%	22,117.56
2017	392,058,176	524,128	392,582,304	24,439,939	417,022,243	1,850,004	418,872,247	0.0086%	36,023.01



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
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%
2015	1.0000%	0.0388%	0.0253%	0.0065%	0.1702%	1.2408%
2016	1.0000%	0.0388%	0.0223%	0.0057%	0.1949%	1.2617%
2017	1.0000%	0.0388%	0.0207%	0.0086%	0.1896%	1.2577%



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 2017 <sup>(2)</sup>			Fiscal Year 2008 <sup>(3)</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
Leland Stanford Jr, University	\$ 5,350,950	1	1.28%			
Google Inc.	2,388,167	2	0.57%			
Campus Holdings Inc.	2,253,420	3	0.54%			
Cisco Technology	1,579,939	4	0.38%	1,380,462	2	0.49%
Sobrato Interest	1,539,798	5	0.37%	1,342,817	3	0.47%
Apple Computer Inc.	1,388,148	6	0.33%			
The Irvine Company	1,163,960	7	0.28%			
Forty Niners SC Stadium Company LLC	1,097,961	8	0.26%			
M West Properties Co	1,078,517	9	0.26%			
Lockheed Missiles and Space Co. Inc.	965,146	10	0.23%			
Intel Corporation	831,782	11	0.20%	1,185,801	5	0.42%
Tishnam Speyer Archtone Smith	644,563	12	0.15%			
Applied Materials Inc.	641,893	13	0.15%	797,465	8	0.28%
Samsung Electronics America, Inc.	624,855	14	0.15%			
VF Mall LLC	610,989	15	0.15%	718,633	10	0.25%
Blackhawk Development				1,409,675	1	0.50%
Pacific Gas & Electric Co.				1,305,944	4	0.46%
Berg & Berg Developers, et al				998,295	6	0.35%
Silicon Valley Developers, LLC				849,125	7	0.30%
AT&T Corporation				726,702	9	0.26%
<b>Total</b>	<b>\$ 22,160,088</b>		<b>5.30%</b>	<b>\$ 10,714,919</b>		<b>3.78%</b>
<b>Net Assessed Value of Taxable Property</b>	<b>\$ 418,872,247</b>			<b>\$ 283,038,961</b>		

<sup>(1)</sup> Includes taxable properties only.

<sup>(2)</sup> Source: California Municipal Statistics, Inc.

<sup>(3)</sup> Source: Santa Clara County Tax Collector's Office

Santa Clara Valley Water District  
Computation of District Act Debt Margin  
June 30, 2017  
(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, 2017	<u>0</u>
District Act Section 25.6 debt margin on short-term debt	<u><u>\$ 8,000</u></u>

Note:

The Santa Clara Valley Water District's debt issuance practices are governed by the provisions of California law and Section 25.6 of the special legislation which formed the Santa Clara Valley Water District (the District Act). The District Act sets the limit on short term debt obligations (maturity of less than five years) at \$8,000,000.

The District may also issue short term notes under the tax and revenue anticipation note statute included in the California Government Code (sections 53850-53858). Under the tax and revenue anticipation note statute, the District may issue notes, provided the principal and interest are not to exceed 85% of the uncollected revenues of the District on the date such notes are issued (and subject to certain other limitations including a 15 month maturity provision). Section 53851 provides that the tax and revenue anticipation note statute is separate authority for the District to issue notes and any amount borrowed under the tax and revenue anticipation note statute is not limited by any other provision of law.

The District has elected to issue notes under the tax and revenue anticipation note statute to support the commercial paper program because it allows a larger amount of notes to be issued even though there is a shorter limitation on maturities.

The District is in compliance with its District Act and the debt issuance provisions of California law.

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
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
2015	-	117,117	-	191,490
2016	-	108,393	-	440,089
2017	-	105,529	-	443,602

Source: Santa Clara Valley Water District, General Accounting Unit

Total Primary Government	Percentage of Personal Income	Per Capita
\$ 395,361	0.3731%	\$ 215
385,098	0.3718%	207
370,196	0.3609%	197
355,824	0.3180%	188
340,912	0.2788%	179
332,979	0.2549%	181
323,939	0.2283%	173
308,607	0.2154%	163
548,482	0.3790%	284
549,131	0.3757%	283

Santa Clara Valley Water District  
 Computation of Direct and Overlapping Debt  
 June 30, 2017

2016-17 Assessed Valuation:

418,872,247,000

<b>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</b>	<b>Total Debt-June 30, 2017</b>	<b>% Applicable</b> <sup>(1)</sup>	<b>District's Share of Debt-June 30, 2017</b>
Santa Clara County	\$ 784,845,000	100%	\$ 784,845,000
Foothill-DeAnza Community College District	649,079,095	100%	649,079,095
San Jose-Evergreen Community College District	441,465,983	100%	441,465,983
West Valley-Mission Community College District	407,295,973	98.998%	403,214,867
Other Community College Districts	375,563,266	0.054-76.083%	70,810,936
Gilroy Unified School District	225,472,746	100%	225,472,746
Palo Alto Unified School District	280,846,553	100%	280,846,553
San Jose Unified School District	506,759,025	100%	506,759,025
Santa Clara Unified School District	501,080,000	100%	501,080,000
Other Unified School Districts	213,650,057	1.236-100%	186,484,963
Campbell Union High School District	215,895,000	100%	215,895,000
East Side Union High School District	859,296,744	100%	859,296,744
Fremont Union High School District	364,345,088	100%	364,345,088
Other High School Districts	228,816,725	0.653-100%	165,116,131
Campbell School District	181,299,080	100%	181,299,080
Cupertino Union School District	281,213,688	100%	281,213,688
Evergreen School District and Community Facilities District No. 92-1	119,161,562	100%	119,161,562
Franklin McKinley School District	104,397,596	100%	104,397,596
Los Altos School District	70,340,000	100%	70,340,000
Los Gatos Union School District	89,255,000	100%	89,255,000
Moreland School District	111,312,251	100%	111,312,251
Oak Grove School District	191,080,617	100%	191,080,617
Sunnyvale School District	195,570,820	100%	195,570,820
Other School Districts	689,594,915	5.182-100%	683,739,412
City of Gilroy	29,550,000	100%	29,550,000
City of Palo Alto	63,710,000	100%	63,710,000
City of San Jose	362,430,000	100%	362,430,000
City of Saratoga	9,585,000	100%	9,585,000
Saratoga Fire Protection District	3,146,474	100%	3,146,474
El Camino Hospital District	227,050,000	100%	227,050,000
City Community Facilities Districts	48,625,000	100%	48,625,000
City of San Jose Special Assessment Bonds	12,125,000	100%	12,125,000
Other City 1915 Act Bonds (Estimated)	39,117,145	100%	39,117,145
Mid-peninsula Regional Open Space District	44,225,000	69.500%	30,736,375
<b>Santa Clara Valley Water District Benefit Assessment District</b>	<b>90,945,000</b>	<b>100%</b>	<b>90,945,000</b>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$ 8,599,102,151</b>

Ratios to the 2016-17 Assessed Valuation:

Direct Debt	0.02%
Total Direct and Overlapping Tax and Assessment Debt	2.05%

**OVERLAPPING GENERAL FUND DEBT:**

<b>OVERLAPPING GENERAL FUND DEBT:</b>	<b>Total Debt-June 30, 2017</b>	<b>% Applicable</b> <sup>(1)</sup>	<b>District's Share of Debt 6/30/14</b>
Santa Clara County General Fund Obligations	\$ 638,110,521	100%	\$ 638,110,521
Santa Clara County Pension Obligations	362,470,957	100%	362,470,957
Santa Clara County Office of Education Certificates of Participation	5,690,000	100%	5,690,000
Foothill-De Anza Community College District General Fund Obligations	30,830,528	100%	30,830,528
San Jose-Evergreen Community College District OPEB	47,450,000	100%	47,450,000
Gavilan Joint Community College District General Fund Obligations	7,415,000	76.083%	5,641,554
West Valley - Mission Community College District General Fund Obligations	63,715,000	98.998%	63,076,576
Gilroy Unified School District Certificates of Participation	26,765,000	100%	26,765,000
Other Unified School District General Fund Obligations	40,800,000	100%	40,800,000
East Side Union High School District Benefit Obligations	29,440,000	100%	29,440,000
Other Union High School District General Fund Obligations	22,600,000	94.765-100%	22,312,337
Alum Rock Union School District Certificates of Participation	23,730,000	100%	23,730,000
Other School District General Fund Obligations	51,074,347	21.880-100%	50,738,431
City of Cupertino Certificates of Participation	33,700,000	100%	33,700,000
City of Gilroy Certificates of Participation	40,915,000	100%	40,915,000
City of San Jose General Fund Obligations	601,390,000	100%	601,390,000
City of Santa Clara General Fund Obligations	20,376,000	100%	20,376,000
City of Sunnyvale General Fund Obligations	18,000,000	100%	18,000,000
Other City General Fund Obligations	19,243,177	100%	19,243,177
Santa Clara County Vector Control District Certificates of Participation	2,685,000	100%	2,685,000
Mid-peninsula Regional Park District General Fund Obligations	112,143,611	69.500%	77,939,810
<b>TOTAL GROSS OVERLAPPING GENERAL FUND DEBT</b>			<b>\$ 2,161,304,891</b>
Less: Santa Clara County supported general fund obligations			<b>436,208,579</b>
<b>TOTAL NET OVERLAPPING GENERAL FUND DEBT</b>			<b>\$ 1,725,096,312</b>

OVERLAPPING TAX INCREMENT DEBT: \$ 2,049,234,773 100% \$ 2,049,234,773

<b>TOTAL DIRECT DEBT (INCLUDING PREMIUMS AND DISCOUNTS)</b>	<b>\$ 105,529,000</b>
TOTAL GROSS COMBINED OVERLAPPING DEBT	\$ 12,718,696,815
TOTAL NET COMBINED OVERLAPPING DEBT	\$ 12,282,488,236
 GROSS COMBINED TOTAL DEBT	 \$ 12,809,641,815 <sup>(2)</sup>
NET COMBINED TOTAL DEBT	\$ 12,373,433,236

(1) The percent of overlapping debt applicable to the Water District is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the Water District divided by the district's taxable assessed value.

(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 the 2016-17 Assessed Valuation:

Total Direct Debt	0.03%
Gross Combined Total Debt	3.06%
Net Combined Total Debt	2.95%

Ratio to Redevelopment Incremental Valuation (\$47,887,603,819):

Total Overlapping Tax Increment Debt	4.28%
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Source: California Municipal Statistics, Inc.

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

Fiscal Year	Senior Obligations <sup>(1)</sup>							Parity Obligation <sup>(2)</sup>			Senior/Parity/Subordinate Obligation <sup>(3)</sup>		
	Adjusted Revenue	Adjusted Operating Expense	Net Revenue Available for Senior			Senior Debt Service Coverage		Net Revenue Available for Parity Debt Service	Parity Requirement	Coverage Factor	Net Revenue Available for All Debt Service	Subordinate Obligation Requirement	Coverage Factor
			Debt Service	Principal*	Interest*	Requirement	Factor						
	(A)	(B)	(C=A/B)	(D=A-B)	(E)	(F=D/E)	(G=A)	(H)	(I=G/(B+E+H))				
2008	151,509	94,363	57,146	2,135	8,703	10,838	5.27	-	-	-	-	-	
2009	156,579	105,535	51,044	2,345	9,480	11,825	4.32	-	-	-	-	-	
2010	135,810	102,564	33,246	4,814	8,446	13,260	2.51	-	-	-	-	-	
2011	133,676	108,093	25,583	5,020	8,019	13,039	1.96	-	-	-	-	-	
2012	154,750	111,505	43,245	5,230	7,945	13,175	3.28	-	-	-	-	-	
2013	171,066	111,120	59,946	6,973	7,596	14,569	4.11	-	-	-	-	-	
2014	182,295	118,158	64,137	7,002	7,523	14,525	4.42	-	-	-	-	-	
2015 (4)	154,696	130,915	23,781	7,456	7,501	14,957	1.59	-	-	-	-	-	
2016	182,404	139,324	43,080	3,948	6,066	10,014	4.30	33,066	2,072	15.96	43,080	185	3.51
2017	207,200	128,652	78,548	3,830	6,932	10,762	7.30	67,786	12,447	5.45	78,548	-	3.38

Source: Santa Clara Valley Water District General Accounting Unit

In July 1994, the District refunded its outstanding water revenue bonds and restructured its debt covenants under a Senior Master Resolution (94-58, as amended by 06-80) governing the issuance of all Water Utility System Senior debt obligations, including the method of calculating Senior Debt Service coverage ratio.

In February 2016, the District Board adopted the Water Utility Parity System Master Resolution (16-10) governing issuance of all Water Utility System Parity debt obligations, calculating the method of calculating Parity Debt Service coverage ratio.

For fiscal year 2015-16, operating revenues were decreased by \$397 and operating expenses were decreased by \$25,570 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. These adjustments are in accordance with the Water Utility Senior and Parity System Master Resolutions. The complete calculation can be obtained from the Finance Department at 5750 Almaden Expressway, San Jose, CA 95118.

(1) The senior obligation minimum debt service coverage requirement is 1.25, per the Water Utility Senior Master Resolution (94-58, as amended by 06-80).

(2) The parity obligation minimum debt service coverage requirement is 1.25, per the Parity Master Resolution (16-10).

(3) The senior/parity/subordinate obligation minimum debt service coverage requirement is 1.10, per the Water Utility Senior Master Resolution (94-58, as amended by 06-80).

(4) Fiscal year 2014-15 adjusted revenue includes a transfer out of approximately \$13.2 million to the General Fund for the drought emergency response project and a transfer in of approximately \$1.9 million from the General Fund in Watershed and Stream Stewardship fund relating to subsidies provided for agricultural rates and charges.

(B) Debt service for fiscal year 15-16 includes payments made on the State Revolving Loan, 2006A (interest paid on 12/1/15), and 2006B, 2007A and 2007B interest and principal payments made on 12/1/15 and 6/1/16).

(E) Includes debt service for 2016 ABCD.

(H) Includes interest paid during the fiscal year for commercial paper.

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	Change In Consumer Price Index <sup>(3)</sup>	School Enrollment <sup>(4)</sup>	Total Employment <sup>(5)</sup>	Unemployment Rate <sup>(5)</sup>
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	130,624,491	70.905	1.4%	273,701	865,900	6.8%
2014	1,868,558	141,873,705	75.927	3.0%	276,175	879,500	5.4%
2015	1,889,638	143,292,442	75.831	2.3%	276,689	993,400	3.7%
2016	1,927,888	144,725,366	75.069	2.7%	274,948	996,800	4.0%
2017	1,938,180	146,172,620	75.417	3.5%	273,264	992,900	3.8%

Source: <sup>(1)</sup> State of California - Department of Finance, Demographics & Research Unit.

<sup>(2)</sup> U.S. Department of Commerce - Bureau of Economic Analysis; actual data available up to 2016; personal income data for 2017 are preliminary and assumes a 1% increase from prior year.

<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

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

Company or Organization	Fiscal Year 2017			Fiscal Year 2008		
	Employees <sup>(2)</sup>	Rank	Percentage of Total County Employment	Employees <sup>(3)</sup>	Rank	Percentage of Total County Employment
Apple Computer	25,000	1	2.52%	10,000	2	1.22%
Google, Inc.	20,000	2	2.01%			
County of Santa Clara	18,244	3	1.84%			
Stanford University	16,919	4	1.70%			
Cisco Systems, Inc.	15,700	5	1.58%	13,000	1	1.58%
Kaiser Permanente	12,500	6	1.26%			
Stanford Health Care	10,034	7	1.01%	5,500	6	0.67%
Tesla Motors Inc.	10,000	8	1.01%			
Facebook Inc.	9,385	9	0.95%			
Intel Corp	8,500	10	0.86%	5,000	7-8	0.61%
University of California Santa Cruz	8,463	11	0.85%			
Gilead Sciences Inc.	6,949	12	0.70%			
Oracle Corp.	6,781	13	0.68%			
Sutter Health	6,650	14	0.67%			
Santa Clara Valley Medical Center	6,105	15	0.61%	3,500	10-11	0.43%
Lockheed Martin Space Systems				9,400	3	1.14%
IBM Corporation				7,650	4	0.93%
Hewlett-Packard Co.				7,000	5	0.85%
Fujitsu				5,000	7-8	0.61%
Applied Materials Inc.				4,000	9	0.49%
Solectron Corp.				3,500	10-11	0.43%
<b>Total</b>	<b>181,230</b>		<b>18.25%</b>	<b>73,550</b>		<b>8.96%</b>
<b>Total County Employment<sup>(1)</sup></b>	<b>992,900</b>			<b>822,700</b>		

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

<sup>(2)</sup> Silicon Valley Business Journal, July 21, 2017

<sup>(3)</sup> Rich's Everyday Sales Prospecting Directory - Santa Clara County

Santa Clara Valley Water District  
 Full-time Equivalent District Employees by Function/Program  
 Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Office of the CEO	10	13	12	11	10	10	10	10	10	11
Office of the District Counsel	6	11	11	9	9	9	9	9	9	10
Community & Government Relations	10	20	20	7	8	8	8	8	18	23
County-Wide Watershed Management	122	122	119	117	105	98	98	98	112	109
Capital Programs	152	152	145	143	126	117	112	115	118	112
Water Utility Operations	39	43	43	43	43	43	43	43	43	43
Water Supply	27	11	11	11	11	11	11	11	11	11
Water Conservation	10	10	10	10	10	10	10	10	10	11
Surface & Groundwater Management	35	34	34	34	34	34	34	34	36	33
Water Quality	24	22	22	22	22	22	22	22	22	28
Control Systems	11	11	11	11	11	11	11	11	11	14
Water Utility Maintenance	25	23	23	23	23	23	23	23	23	28
Treated Water Operations	36	36	36	36	36	36	36	36	38	44
Raw Water Operations	26	25	25	25	25	25	25	25	28	37
Administrative & Business Management	5	11	11	11	8	8	8	8	8	11
Clerk of the Board	8	10	12	12	12	12	12	12	12	14
Organizational Training & Development	16	10	6	6	6	6	6	6	6	4
Business Support Services	28	18	16	16	16	16	16	16	16	16
Library & Records	8	5	5	6	6	6	6	6	6	5
Budget Office	9	4	8	8	8	8	8	8	8	7
Accounting	19	18	18	18	18	18	16	18	18	17
Information & Systems Management	38	42	43	43	39	39	39	39	39	36
Technical Services	6	3	3	3	3	3	3	3	3	3
Wells & Water Production	13	20	20	18	18	18	18	18	18	18
Real Estate & Right-of-Way	9	8	8	8	8	8	8	8	9	10
Equipment Management	12	12	12	12	12	12	12	12	12	12
Warehouse & Inventory Control	7	7	7	6	6	6	6	6	6	5
Facilities Maintenance	15	15	15	15	15	15	15	15	15	15
Purchasing	10	9	9	9	9	9	9	9	10	10
Permits	14	16	16	16	16	16	13	16	16	14
Contracts Administration	5	6	6	5	4	4	4	4	5	5
Human Resources & Benefits	21	21	21	21	21	21	19	21	21	18
Health & Safety	7	6	6	6	6	6	10	6	6	10
<b>Total</b>	<b>783</b>	<b>774</b>	<b>764</b>	<b>741</b>	<b>704</b>	<b>688</b>	<b>680</b>	<b>686</b>	<b>723</b>	<b>744</b>

Source: Santa Clara Valley Water District, Human Resources & Benefits Unit

Santa Clara Valley Water District  
Operating Indicators by Function/Program  
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>District Well Ordinance Program</b>										
New Wells	674	846	583	775	541	443	513	407	424	321
Destroyed Wells	931	620	663	653	531	502	744	1,504	1,167	945
Well Permits	2,031	2,047	1,564	1,626	1,740	1,265	1,697	2,285	1,799	1,546
Well Inspections	1,852	1,685	1,286	1,517	1,350	1,080	1,398	2,092	1,848	1,687
<b>Watershed Management</b>										
Miles of Vegetation Removed/Managed	202	187	185	175	241	221	206	177	164	116
Cubic Yards of Sediment Removed	33,523	7,383	17,409	15,623	32,456	21,456	34,596	4,129	3,929	83,792
Miles of Bank Erosion Protection	0.9	1.4	-	1.8	0.5	1.1	2.1	0.2	1.2	1
<b>Laboratory Services Unit</b>										
Water Samples Tested (approx.)	84,056	119,190	99,385	132,638	111,265	158,082	170,055	169,182	178,934	179,252
Water Quality Violations	-	-	-	-	-	-	-	-	-	-
<b>Water Measurement Program</b>										
Meter Reads/Site Visits	6,200	7,418	5,934	5,981	5,939	6,019	5,964	5,908	5,934	5,489
Meter Repairs/Preventative Maintenance	281	342	302	328	316	313	272	201	323	301
Backflow Device Tests	102	200	190	170	151	177	159	203	153	149
<b>Community Projects Review</b>										
Permits Issued	242	213	217	229	220	257	201	220	289	228
Land Development Review Requests	1,313	1,336	1,080	1,030	964	865	940	843	45	124
Underground Service Alerts	38,676	39,079	27,782	28,651	37,348	46,599	53,782	58,871	12,118	8,042
Requests for Flood Zone Information	109	109	91	90	70	72	51	24	92	26
Environmental Impact Reports Reviewed	90	130	115	107	55	33	65	68	32	56
Water Resource Protec. Ordinance Violations	24	136	121	125	234	193	184	130	220	163
<b>Human Resources</b>										
Permanent Positions Hired	30	19	20	13	17	21	31	54	150	112
Temporary Workers Employed	100	54	49	121	112	140	247	134	276	259
Employment Applications Processed	1,795	952	1,163	1,000	2,685	1,524	4,236	5,746	5,621	5,847
<b>Health &amp; Safety</b>										
Ergonomic Assessments	73	62	46	44	36	39	38	42	46	44
Confined Space Assessments	346	193	210	247	117	139	261	147	204	120
Employee Safety Committee Meetings	9	11	12	10	11	9	11	12	12	12
<b>Projects Managed by Type:</b>										
Capital Projects	244	179	178	138	129	126	131	160	165	121
Operating Projects	86	67	56	46	48	43	36	35	39	23
Operations Projects	448	400	373	354	365	396	394	415	409	358

Source: Santa Clara Valley Water District, 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)

	2008	2009	2010	2011
Flood Control System Revenues:				
Benefit assessment, gross <sup>1</sup>	\$ 18,047	\$ 19,450	\$ 19,420	\$ 19,284
Property tax <sup>2</sup>	48,012	50,660	45,010	47,567
Investment income <sup>2</sup>	5,678	5,137	2,671	1,099
Rental income <sup>2</sup>	1,238	1,159	1,137	1,139
Other <sup>2</sup>	557	903	1,045	564
<b>Total Flood Control System Revenue</b>	<b>\$ 73,532</b>	<b>\$ 77,309</b>	<b>\$ 69,283</b>	<b>\$ 69,653</b>
Debt Service:				
2003A Certificates of participation <sup>3</sup>	\$ 7,330	\$ 7,533	\$ 7,433	\$ 6,958
2004A Certificates of participation <sup>4</sup>	2,287	2,304	2,488	2,395
2007A Certificates of participation	4,640	5,759	5,757	5,761
2012A Certificates of participation	-	-	-	-
2017A Certificates of participation <sup>5</sup>	-	-	-	-
<b>Total Debt Service</b>	<b>\$ 14,257</b>	<b>\$ 15,596</b>	<b>\$ 15,678</b>	<b>\$ 15,114</b>
<b>Coverage</b>	<b>5.16</b>	<b>4.96</b>	<b>4.42</b>	<b>4.61</b>

1 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:

- FY2017 - \$ 149
- FY2016 - \$ 149
- FY2015 - \$ 162
- FY2014 - \$ 163
- FY2013 - \$ 194
- FY2012 - \$ 193
- FY2011 - \$ 193
- FY2010 - \$ 194
- FY2009 - \$ 195
- FY2008 - \$ 181

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

2012	2013	2014	2015	2016	2017
\$ 19,324	\$ 19,372	\$ 16,306	\$ 16,236	\$ 14,832	\$ 14,940
48,457	55,647	57,631	62,887	68,005	74,806
560	249	985	889	1,303	317
1,210	1,208	1,338	1,403	1,474	1,527
798	1,327	687	596	1,210	1,869
<u>\$ 70,349</u>	<u>\$ 77,803</u>	<u>\$ 76,947</u>	<u>\$ 82,011</u>	<u>\$ 86,824</u>	<u>\$ 93,459</u>
\$ 6,018	\$ 1,141	\$ -	\$ -	\$ -	\$ -
2,285	2,380	1,398	1,349	1,109	6,426
5,759	5,757	5,761	5,762	5,757	7,150
-	6,443	6,111	6,101	5,294	5,989
-	-	-	-	-	-
<u>\$ 14,062</u>	<u>\$ 15,721</u>	<u>\$ 13,270</u>	<u>\$ 13,212</u>	<u>\$ 12,160</u>	<u>\$ 19,565</u>
5.00	4.95	5.80	6.21	7.14	4.78

<sup>2</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.

<sup>3</sup> The 2003A debt service payments are shown net of interest credit applied to the payment fund.

<sup>4</sup> The 2004A debt service payments excludes the portion paid by the District General Fund as this portion of debt service was not payable from benefit assessments (see Flood Control Master Resolution 94-60)

<sup>5</sup> The 2017A series did not have any principal nor interest payments during fiscal year 2017.

Santa Clara Valley Water District  
Capital Asset Statistics by Function/Program  
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Water Utility Enterprise</b>										
Acres of groundwater recharge ponds	393	393	393	393	393	393	393	393	393	393
Miles of canals	17	17	17	17	17	17	17	17	17	17
Miles of pipeline	143	143	143	143	144	144	144	144	144	144
Miles of tunnels	8	8	8	8	8	8	8	8	8	8
Number of treatment plants	3	3	3	3	4	4	4	4	4	4
Number of pumping stations	5	5	5	5	5	5	5	5	5	5
Number of treated water reservoirs	1	1	1	1	1	1	1	1	1	1
<b>Water Utility Operations</b>										
Process Control Instrumentation	998	987	1071	1,128	1,161	1,406	1,680	1,443	1,493	1,548
Mechanical Drives	50	50	54	54	54	72	61	56	73	58
Chemical Mixers	86	86	87	87	87	89	111	95	95	92
Electrical Motors	376	375	381	407	432	452	512	439	455	468
Power Distribution Equipment	572	618	640	736	913	1,248	1,673	1,140	1,155	1,089
Pumps	469	469	475	496	515	547	601	515	518	517
Utility Vaults & Structures	955	958	1019	1,050	1,051	1,062	1,095	1,114	1,340	1,156
Chemical & Water Storage Tanks	167	169	170	179	192	199	176	174	203	168
Valves	945	950	994	1,059	1,070	1,613	1,702	1,600	1,676	1,695
Valve Operators	490	492	524	577	579	799	869	783	782	781
Generators	21	21	23	23	26	25	27	25	29	29
Flow Meters	247	256	258	271	296	381	387	347	377	399
Electric Drives	148	152	152	160	170	173	208	165	162	172
Blowers & Compressors	167	167	168	164	174	146	208	188	185	184
Miscellaneous Equipment	301	315	429	459	467	477	3,306	1,441	1,350	1,356
<b>Watersheds</b>										
Miles of creeks and rivers managed for flood control	700	700	700	700	700	700	700	700	700	700
Number of reservoirs	10	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	169,415
Acres of Wildlife Habitat Restored	N/A	N/A	N/A	N/A	N/A	569	569	326	326	326
<b>Fleet Equipment</b>										
Class I Passenger Vehicles	223	204	202	190	190	185	186	182	184	179
Class II Heavy Duty Trucks	70	72	78	79	78	82	84	87	82	90
Class III Tractors, Const. Equip., Generators, Forklifts	27	26	25	25	26	24	27	26	26	21
Class IV Misc. Small Tools & Engines	498	520	597	648	643	655	474	506	506	534

Source: Santa Clara Valley Water District, various government departments



**Santa Clara Valley  
Water District**



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