SAN LUIS & DELTA-MENDOTA WATER AUTHORITY

AUDITED FINANCIAL STATEMENTS

February 28, 2021 and February 29, 2020

SAN LUIS & DELTA-MENDOTA
WATER AUTHORITY

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RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
San Luis & Delta-Mendota Water Authority
Los Banos, California

Report on Financial Statements

We have audited the accompanying financial statements of the San Luis & Delta-Mendota Water Authority (the Authority) and its fiduciary funds, as of and for the years ended February 28, 2021 and February 29, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Board of Directors
San Luis & Delta-Mendota Water Authority

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of February 28, 2021 and February 29, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and State regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 the 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 financial statements, and other knowledge we obtained during our audit of the 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 an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and 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 Authority's internal control over financial reporting and compliance.

Richardson & Company, LLP

November 1, 2021

Overview

The following Management Discussion and Analysis of the San Luis & Delta-Mendota Water Authority (the Authority) provides an overview of the financial activities and transactions for fiscal year 2021 in comparison to fiscal years 2020 and 2019 in the context of the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended. This discussion and analysis should be read in conjunction with the Authority's audited financial statements and accompanying notes.

Financial Reporting

The Authority's accounting records are maintained in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board (GASB) which for the Authority is the accrual basis of accounting and, where not in conflict with GASB pronouncements, accounting principles prescribed by the Financial Accounting Standards Board (FASB).

Description of Basic Financial Statements

The Authority's basic financial statements include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows. The Statement of Net Position includes all of the Authority's assets, deferred outflows and liabilities, with the difference reported as net position. The Statement of Revenues, Expenses and Changes in Net Position report all of Authority's revenues and expenses during the period indicated. The Statement of Cash Flows shows the amount of cash received and paid out for operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

- **Statement of Net Position**

  The Statement of Net Position provides information about assets, liabilities, and net position of the Authority at a specific point in time. Assets are economic resources the Authority owns that have value and can either be sold or used by the Authority to provide services to its members. Assets include various pieces of equipment, vehicles, inventory, cash and investments, and accounts receivable.

  Liabilities are the amount of money that the Authority owes to others. This includes money owed to suppliers for materials, credits owed to members participating in activity agreements related to non-CVP water transfers, prepayments for water conveyance, and amounts due to the Authority's pension plan.

  Net Position is the amount of money remaining if the Authority were to sell all of its assets and pay off all liabilities.

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

  The Statement of Revenues, Expenses and Changes in Net Position is more commonly known as the Income Statement. This statement provides information regarding the Authority's operations including revenues collected and expenses incurred over a one-year period. The net of these revenues and expenses represents the Authority's end of year net position.

- **Statement of Cash Flows**

The Statement of Cash Flows reports the Authority's inflows and outflows of cash. This report provides management with information regarding cash on hand and the ability to pay expenses and purchase assets.

A cash flow statement reflects changes over time rather than absolute dollar amounts at a particular point in time. The bottom line of the cash flow statement shows the net increase or decrease in cash for the period. Cash flow statements are divided into four activities: (1) operating activities; (2) noncapital financing activities; (3) capital financing activities; and (4) investing activities.

1. Operating Activities – analyzes the cash flow from operational activities (operating revenues and expenses). This section of the cash flow statement reconciles the operating revenues to the actual cash the Authority received from or used in its operating activities.
2. Noncapital Financing Activities – reflects the cash flows from non-operating activities such as water sales and grant activity.
3. Capital Financing Activities – shows the cash flows from all financing activities. Typical cash flows from financing activities include funds received from borrowing, debt service payments, and the purchase and/or sale of capital assets.
4. Investing Activities – reflects the cash flow from all investment activities including investment income and purchases or sales of investment securities.

Condensed Statement of Net Position

	2021	2020	2020/2021 Variance	% Change	2019	2019/2020 Variance	% Change
Assets							
Current Assets	$ 63,065,477	$ 39,393,314	$ 23,672,163	60%	$ 25,825,879	$ 13,567,435	53%
Capital Assets, Net A/D	$ 4,670,563	$ 4,576,691	$ 93,872	2%	$ 3,473,595	$ 1,103,096	32%
Other Assets	$ 44,533,421	$ 44,935,956	$ (402,535)	-1%	$ 45,268,905	$ (332,949)	-1%
Total Assets	$ 112,269,461	$ 88,905,961	$ 23,363,500	26%	$ 74,568,379	$ 14,337,582	19%
Deferred Outflows of Resources	$ 197,108	$ -	$ 197,108	100%	$ -	$ -	0%
Liabilities							
Current Liabilities	$ 49,128,888	$ 37,522,988	$ 11,605,900	31%	$ 20,475,522	$ 17,047,466	83%
Debt Borrowings, S/T	$ 2,336,755	$ 1,048,061	$ 1,288,694	123%	$ 1,006,378	$ 41,683	4%
Debt Borrowings, L/T	$ 47,833,959	$ 39,844,070	$ 7,989,889	20%	$ 40,844,977	$ (1,000,907)	-2%
Other Liab., Comp. Abs.	$ 1,307,765	$ 1,266,421	$ 41,344	3%	$ 1,241,083	$ 25,338	2%
Total Liabilities	$ 100,607,367	$ 79,681,540	$ 20,925,827	26%	$ 63,567,960	$ 16,113,580	25%
Net Position							
Total Net Position	$ 11,859,202	$ 9,224,421	$ 2,634,781	29%	$ 11,000,419	$ (1,775,998)	-16%

Current Assets

Current assets include cash and equivalents, accounts receivable, grants receivable, interest receivable, inventory and prepaid expenses.

Fiscal 2021 Compared to 2020. At February 28, 2021, current assets totaled $63.07 million which was a $23.67 million or 60% increase from the prior year. This increase, as compared to February 29, 2020, was primarily due to an increase of $2.64 million in cash and cash equivalents, an increase of $3.33 million cash and cash equivalents restricted for project use energy, an increase of $7.15 million restricted for the pump rewind project, and a $10.98 million increase in accounts receivable. Cash and cash equivalents increased due to water year 2018, 2019 and 2020 final accountings not being completed and no refunds being

processed to members. Accounts receivable increased due to a $6.58 million receivable due from Reclamation from the project use energy year-end true-up.

Fiscal Year 2020 Compared to 2019. At February 29, 2020, current assets totaled $39.39 million which was a $13.57 million or 53% increase from the prior year. This increase, as compared to February 28, 2019, was primarily due to an increase of $12.89 million in current cash and cash equivalents due to the agency funds being closed into the enterprise funds as GASB Statement No. 84 was implemented during the year as discussed in Note 14 and $19.91 million of cash being added to the enterprise fund, offset by the use of cash for Sustainable Groundwater Management Act (SGMA) and Integrated Regional Water Management (IRWM) grant funded projects and Unit 2 rewind expenses. Also, there was a $1.29 million increase in accounts receivable due to a $1.5 million credit receivable provided by the United States Bureau of Reclamation (Reclamation) for project use energy, offset by a $.58 million decrease in amounts due from fiduciary funds.

Capital Assets Net of Depreciation

Capital assets net of depreciation includes automobiles, heavy equipment, furniture, equipment, and computers net of all accumulated depreciation.

Fiscal Year 2021 Compared to 2020. At February 28, 2021, net capital assets totaled $4.67 million net of accumulated depreciation, which was an increase from $4.58 million in fiscal year 2020 of approximately $0.94 million, or 2%. This increase is a net result of fixed asset additions, retirements, and depreciation for the year.

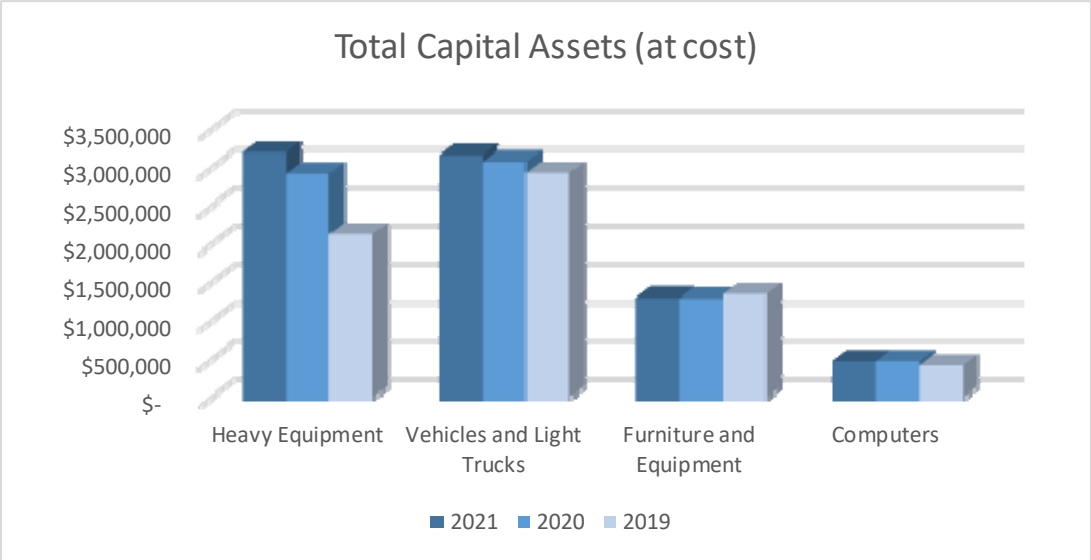
Fiscal Year 2020 Compared to 2019. At February 29, 2020, net capital assets totaled $4.58 million net of accumulated depreciation, which was an increase from fiscal year 2019 of approximately $1.10 million, or 32%. This increase is a net result of purchases of heavy equipment and other vehicles, offset by disposals and depreciation for the year.

	2021	2020	2019
Heavy Equipment	$ 3,197,599	$ 2,923,685	$ 2,129,321
Vehicles and Light Trucks	$ 3,162,274	$ 3,076,222	$ 2,931,631
Furniture and Equipment	$ 1,302,857	$ 1,296,869	$ 1,346,290
Computers	$ 479,059	$ 479,059	$ 425,475
Total Fixed Assets at Cost	$ 8,141,789	$ 7,775,835	$ 6,832,717
Less Accumulated Depreciation	$ (3,471,226)	$ (3,199,144)	$ (3,359,122)
Net Fixed Assets	$ 4,670,563	$ 4,576,691	$ 3,473,595

Major capital asset events during the 2020 and 2021 fiscal years included the following:

- Heavy equipment purchases totaled $0.27 million, with no retirements.
- Vehicle purchases and replacements were $.14 million with retirements totaling $.06 million.

Additional information on the Authority's capital assets may be found in Note 4.



Other Assets

Other assets, which consist primarily of receivables from Financing Participants, restricted cash and cash equivalents and investments, a long-term receivable from members for Units 5 and 6 of the Rewind Project financing and prepaid debt issuance costs, decreased from $44.94 million in fiscal year 2020 to $44.53 million in fiscal year 2021. This was mainly due to an increase in collections on the Units 5 and 6 Rewind Project receivable and receivables from Financing Participants of $5.03, offset by a $1.93 million decrease in receivables from the Delta Habitat Conservation and Conveyance Program (DHCCP) financing participants and $4.00 million decrease in investments restricted for debt service. Both changes were caused by the DHCCP debt refunding described in Note 7. Other assets decreased from $45.27 million in fiscal year 2019 to $44.94 million in fiscal year 2020. This was mainly due to collections on the Unit 6 Rewind Project receivable and receivables from Financing Participants, offset by a $.58 million decrease in restricted cash and investments. More information on the Rewind Project can be found in Notes 7 and 14.

Current Liabilities

Current liabilities represent Authority obligations that are due within one year, which include accounts payable, prepayments for water conveyance, and the current portion of long-term liabilities.

Fiscal Year 2021 Compared to 2020. At February 28, 2021, current liabilities totaled $49.13 million, an increase of $11.61 million or 31% from the prior year due to a $12.41 million-dollar increase in unearned revenues offset by a $0.80 million decrease in accrued interest payable due to the debt refunding. The increase in unearned revenue is due to water year 2018, 2019 and 2020 final accountings not being completed, causing "payable" to members to be reclassified as unearned revenue.

Fiscal Year 2020 Compared to 2019. At February 29, 2020, current liabilities totaled $37.52 million, an increase of $17.05 million or 83% from the prior year due to the agency funds being closed into the enterprise fund in 2020 as discussed previously. Agency fund liabilities now included in the enterprise fund include payables to Reclamation for San Luis joint use facility costs of $15.60 million. Other changes include an increase in payables to vendors of $1.06 million due to the Unit 2 rewind project in progress, a decrease in unearned revenue of $.30 million and a decrease in payroll liabilities of $.33 million.

Debt Borrowings – Due within One Year

Debt Borrowings – due within one year increased from $1.01 million in 2019 to $1.05 million in 2020 and then to $2.34 million in fiscal year 2021 for an overall increase of $1.29 million or 123%. The increase reflects the net increase in the current portion of the Series 2021B Refunding Revenue Bond and debt to Reclamation for Units 5 and 6 of the Jones Pumping Plant Rewind Project.

Debt Borrowings – Long Term

Fiscal Year 2021 Compared to 2020. Debt Borrowings – long-term liabilities increased $7.99 million from fiscal year 2020 to 2021 due to the $9.24 million debt incurred from Units 5 and 6 Rewind Project that will be paid back to Reclamation over a period of 15 years, offset by issuance of the Series 2021A Revenue Bonds and Series 2021B Refunding Revenue Bonds. More information on the Units 5 and 6 Rewind and Refunding Revenue Bonds can be found in Notes 7 and 14.

Fiscal Year 2020 Compared to 2019. Debt Borrowings – long-term liabilities decreased $1.00 million from fiscal year 2019 to 2020 due to payments on the Unit 6 Rewind note and the 2013A Refunding Revenue Bonds. More information on the Unit 6 Rewind and Refunding Revenue Bonds can be found in Notes 7 and 14.

Total Net Position

Total net position is a measure of equity that is comprised of the difference between total assets and total liabilities.

Fiscal Year 2021 Compared to 2020. The total net position at the end of fiscal year 2021 was $11.86 million, an increase of $2.63 million from the end of fiscal year 2020. Net position increased due to a total operating income of $1.04 million offset by net non-operating revenues of $1.60 million.

Fiscal Year 2020 Compared to 2019. The total net position at the end of fiscal year 2020 was $9.22 million, a decrease of $1.78 million from the balance at the end of fiscal year 2019. Net position decreased due to an operating loss of $1.72 million and net non-operating loss of $.05 million. The operating loss was mainly a $1.48 million loss in activity agreements due to spending down previous revenue and Unit 6 rewind expenses exceeding revenues by $.06 million and depreciation. Non-operating expenses exceeded non-operating revenues due to extraordinary O&M expenses exceeding revenues.

Revenues and Expenses

The following is a condensed presentation of revenues, expenses and changes in net position for the fiscal year ended February 28, 2021 in comparison to years ended February 29, 2020 and February 28, 2019:

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2021	2020	2020/2021 Variance	% Change	2019	2019/2020 Variance	% Change
Revenues & Expenses							
Operating Revenues	$ 66,912,881	$ 61,749,028	$ 5,163,853	8%	$ 28,133,637	$ 33,615,391	119%
Non-Operating Revenues	$ 63,602,577	$ 20,217,303	$ 43,385,274	215%	$ 8,514,867	$ 11,702,436	137%
Operating Expenses	$ (65,875,487)	$ (63,472,130)	$ (2,403,357)	4%	$ (26,578,295)	$ (36,893,835)	139%
Non-Operating Expenses	$ (62,005,190)	$ (20,270,199)	$ (41,734,991)	206%	$ (8,494,655)	$ (11,775,544)	139%
Net Income (Loss)	$ 2,634,781	$ (1,775,998)	$ 4,410,779		$ 1,575,554	$ (3,351,552)	
Net Position - Beg. of Year	$ 9,224,421	$ 11,000,419	$ (1,775,998)	-16%	$ 9,424,865	$ 1,575,554	17%
Net Position - End of Year	$ 11,859,202	$ 9,224,421	$ 2,634,781	29%	$ 11,000,419	$ (1,775,998)	-16%

Operating & Non-Operating Revenues

- **Operating Revenues**

Fiscal Year 2021 Compared to 2020. Fiscal year 2021 operating revenues were $66.91 million, an increase of $5.16 million as compared to fiscal year 2020. Details to support this increase include:

1. Project use energy fees decreased $3.98 million.

2. San Luis joint use facility fees increased $1.86 million from $11.82 million in fiscal year 2020 to $13.68 million in fiscal year 2021.

3. An increase of water conveyance fees for Units 1 and 5 Rewind of $7.37 million, offset by a decrease in Unit 2 and 6 Rewind revenue of $2.90 million.

4. Membership assessment revenues for the activity budget increased $3.40 million.

The Authority's principal source of operating revenue is from O&M rates paid for the conveyance of water, project use energy fees, San Luis joint use facility fees and activity agreement membership dues, which typically accounts for approximately 75 percent of fiscal year revenues. Water conveyance fees for the Unit 2 Rewind project were added to rates in 2020 and water conveyance fees were added to rates in 2019 for the Unit 6 Rewind Project to cover payments required on the Unit 6 Rewind debt with Reclamation beginning in 2020. See Notes 7 and 14 for more information.

Fiscal Year 2020 Compared to 2019. Fiscal year 2020 operating revenues were $61.75 million, an increase of nearly $33.62 million as compared to fiscal year 2019. Details to support this increase include:

5. Water conveyance fees increased $1.09 million.

6. Project use energy fees and San Luis joint use facility fees that were previously reported in agency funds were reported as part of enterprise fund operating revenue for the first time in 2020 due to implementing GASB Statement No. 84. These revenues were $24.26 million and $11.82 million respectively.

7. An increase of water conveyance fees for Unit 2 Rewind of $4.07 million, offset by a decrease in Unit 6 Rewind revenue of $4.32 million due to recognizing most of a long-term receivable for loan payments in 2019.

8. Membership assessment revenues for the activity budget decreased of $3.06 million, which contributed to the operating loss.

9. Other revenues decreased $.22 million, mainly due to $.30 million being received for a fish food study and $.15 million being received for the study of yellow star thistle in 2019, which were one-time revenues.

- **Non-Operating Revenues**

Fiscal Year 2021 Compared to 2020. Non-operating revenues increased $43.39 million or 215% from fiscal year 2020 for a total of $63.60 million at February 28, 2021. Of that, $44.58 million of the increase is from a transfer of water purchased and revenues being collected from members benefiting from the transfer.

Fiscal Year 2020 Compared to 2019. Non-operating revenues increased $11.70 million or 137% from fiscal year 2019 for a total of $20.22 million at February 29, 2020. Of that, Extraordinary Operations and Maintenance revenues increased $1.88 million due to recognizing previous unearned revenue to fund expenses, whereas $5.78 million of the increase is from water transfers totaling $12.04 million compared to $6.21 purchased in 2019 from South San Joaquin Irrigation District and Oakdale Irrigation District and revenues being collected from members benefiting from the transfer.

Operating & Non-Operating Expenses

- **Operating Expenses**

  Fiscal Year 2021 Compared to 2020. Total operating expenses for fiscal year 2021 were $65.88 million, an increase of $2.40 million from 2020. This is due to a $3.95 million increase in rewind project costs, an increase of $1.57 million in San Luis joint use facility costs, and an increase in legal costs of $1.31 million, offset by $4.00 million decrease in project use energy costs. See Notes 7 and 14 for more information on the Jones Pumping Plant rewind project.

  Fiscal Year 2020 Compared to 2019. Total operating expenses for fiscal year 2020 were $63.47 million, an increase of $36.89 million from 2019. As discussed previously, project use energy and San Luis joint use facility activities were included in the enterprise fund in 2020 for the first time. These expenses totaled $24.26 million and $12.27 million, respectively. Legal costs decreased $.25 million and Units 2 and 6 Rewind Project costs decreased $.64 million in fiscal year 2020 as a majority of the work on the Unit 6 Rewind Project was completed in 2019 and the Unit 2 Rewind Project began in 2020. See Notes 7 and 14 for more information about the rewind projects.

- **Non-Operating Expenses**

  Fiscal Year 2021 Compared to 2020. Total non-operating expenses increased $41.73 million or 206% from $20.27 million in fiscal year 2020 for a total of $62.01 million in non-operating expenses in fiscal year 2021. This increase is mainly due to expenses incurred through water transfers.

  Fiscal Year 2020 Compared to 2019. Total non-operating expenses increased $11.78 million or 139% from $8.50 million in fiscal year 2019 for a total of $20.27 million in non-operating expenses in fiscal year 2020. This increase is mainly due to the increase of $5.78 million of water transfer expenses that are consistent with water transfers discussed above and an increase of $2.64 million of extraordinary O&M costs.

Long-Term Debt

In January 2021, the Water Authority issued $32.73 million in Series 2021B Refunding Revenue Bonds in order to provide funds to defease $30.08 million of the outstanding Series 2013A Revenue Notes issued to finance the DHCCP program. The bonds will be repaid by the DHCCP financing participants as described in Note 7.

In 2019, the Authority incurred debt to Reclamation for the Unit 6 Rewind Project of $4.86 million. The changes in long-term debt in 2020 were mainly scheduled principal payments and amortization of the premium. There was also a small addition to the Unit 6 Rewind note as the expenses were not fully incurred at the end of fiscal 2019. In June 2020, the Authority executed a second repayment contract with Reclamation for the Unit 5 Rewind Project of $5.59 million. In addition to the two repayment contracts, in

January 2021 the Authority issued $7.69 million in Series 2021A Revenue Bonds in order to fund units 1 and 4 of the Rewind Project. See Note 7 for more information regarding long-term debt.

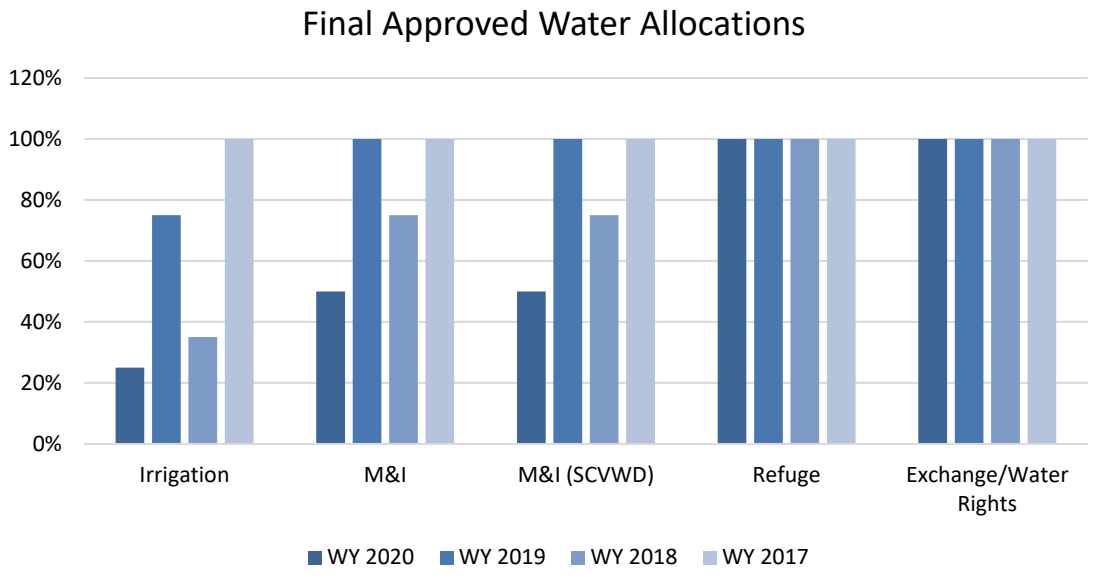
USBR Unit Rewind Project

In 2021, the Authority recognized debt of $5.27 million to Reclamation for the Unit 5 Rewind Project. The total debt will repaid over 20 years in installments of $0.25 million per year at the U.S. Treasury interest rate.

In 2020, the Authority recognized debt of $5.0 million to Reclamation for the Unit 6 Rewind Project. The total debt will repaid over 15 years in installments of $0.40 million per year at the U.S. Treasury interest rate.

Economic Factors and Subsequent Years' Water Allocation

Water Allocations



Financial Contact

This financial report is intended to provide the Authority's members, creditors, investors and other interested parties an overview of the Authority's financial operations and financial condition. Should the reader have questions regarding information included in this report, or wish to request additional financial information, please contact the Authority's Director of Finance at P.O. Box 2157, Los Banos, CA 93635.

SAN LUIS & DELTA-MENDOTA
WATER AUTHORITY

STATEMENTS OF NET POSITION

February 28, 2021 and February 29, 2020

	2021	2020
ASSETS		
Current Assets:		
Cash and cash equivalents:		
Unrestricted	$ 14,011,744	$ 11,373,615
Restricted - available for current operations	3,182,395	3,122,885
Restricted - available for project use energy	3,332,309	
Restricted - available for pump rewind project	8,403,304	1,257,069
Restricted - available for San Luis Joint Use	19,401,359	19,910,925
Receivables:		
Accounts, net	14,289,238	3,311,679
Prepaid expenses	145,317	96,664
Inventory	299,811	320,477
Total Current Assets	63,065,477	39,393,314
Noncurrent Assets:		
Restricted cash and cash equivalents:		
Emergency reserve fund	1,950,000	1,835,000
Debt service	2,386,944	1,932,480
Investments - restricted for debt service		3,995,301
Prepaid expenses - debt issuance costs		126,520
Grant retention receivable	284,268	235,926
Receivables, Unit 5 and Unit 6 Rewind project	8,762,209	3,730,729
Receivables, DHCCP financing participants	31,150,000	33,080,000
Capital assets (net of accumulated depreciation)	4,670,563	4,576,691
Total Noncurrent Assets	49,203,984	49,512,647
TOTAL ASSETS	112,269,461	88,905,961
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding of debt	197,108	
LIABILITIES		
Current Liabilities:		
Accounts payable	20,347,028	20,383,501
Accrued payroll and related liabilities	305,099	359,535
Accrued interest payable	50,471	846,000
Unearned revenue	28,185,449	15,779,239
Current portion of compensated absences	745,434	627,435
Current portion of long-term liabilities	2,336,755	1,048,061
Total Current Liabilities	51,970,236	39,043,771
Noncurrent Liabilities:		
Retention payable	240,841	154,713
Compensated absences	562,331	638,986
Long-term liabilities, net of current portion	47,833,959	39,844,070
Total Noncurrent Liabilities	48,637,131	40,637,769
TOTAL LIABILITIES	100,607,367	79,681,540
NET POSITION		
Investment in capital assets	4,670,563	4,576,691
Restricted for activity agreements	2,653,228	3,437,860
Restricted for emergency reserve fund	1,950,000	1,835,000
Unrestricted	2,585,411	(625,130)
TOTAL NET POSITION	$ 11,859,202	$ 9,224,421

The accompanying notes are an integral part of these financial statements.

SAN LUIS & DELTA-MENDOTA
WATER AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended February 28, 2021 and February 29, 2020

	2021	2020
OPERATING REVENUES		
Water conveyance fees, operations and maintenance	$ 14,354,643	$ 14,556,542
Project use energy (PUE) fees	20,275,550	24,258,072
San Luis joint use facility fees	13,681,333	11,818,213
Water conveyance fees - Unit 1 Rewind	2,101,013	
Water conveyance fees - Unit 2 Rewind	1,290,584	4,073,705
Water conveyance fees - Unit 5 Rewind	5,269,256	
Water conveyance fees - Unit 6 Rewind	148,277	263,133
United States Bureau of Reclamation service contract	437,894	156,118
Membership assessments, activity budget	7,831,110	4,431,542
Delta Habitat Conservation and Conveyance Program (DHCCP) revenue	877,505	1,695,583
Other revenue	645,716	496,120
TOTAL OPERATING REVENUES	66,912,881	61,749,028
OPERATING EXPENSES		
Salaries and related benefits	12,779,303	11,883,261
Project use energy (PUE) costs	20,261,208	24,260,793
San Luis joint use facility costs	13,857,382	12,286,904
Office expense	78,019	89,057
Tools and supplies	31,748	22,238
Janitorial and uniform expense	49,856	48,671
Legal and professional services	5,904,411	4,595,987
Security	270	247
License and education	155,852	218,251
Other services	115,113	136,928
Building, machinery and equipment	873,874	977,476
Membership and fees	116,014	54,336
Travel	39,064	121,150
Meetings	6,955	42,856
Auto expenses	368,157	373,326
Parts and materials	238,789	243,948
Telephone and communications	138,401	123,258
Utilities	117,348	112,394
Insurance	217,791	220,117
Intertie conveyance	1,226,696	2,284,793
Grassland Basin Drainage specific	949,812	1,093,874
Depreciation	311,094	272,245
Unit 1 Rewind expense	1,755,108	
Unit 2 Rewind expense	1,290,584	4,073,705
Unit 5 Rewind expense	5,269,256	
Unit 6 Rewind expense	35,370	322,112
Allocated indirect costs	(311,988)	(385,797)
TOTAL OPERATING EXPENSES	65,875,487	63,472,130
OPERATING INCOME (LOSS)	1,037,394	(1,723,102)

SAN LUIS & DELTA-MENDOTA
WATER AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Continued)

For the Years Ended February 28, 2021 and February 29, 2020

	2021	2020
NONOPERATING REVENUES (EXPENSES)		
Investment income	$ 124,615	$ 1,704,383
Interest expense	(1,678,826)	(1,713,521)
Member reimbursement for bond issuance costs	104,537	
Bond issuance costs	(611,711)	
Member contribution for 2013A Bond refunding	501,269	
Payment to trustee to defease 2013A Bond	(501,269)	
Water transfer revenue	56,625,173	12,042,871
Water transfer expense	(56,625,173)	(12,042,871)
Extraordinary operations and maintenance reserve revenue	3,822,965	3,155,395
Extraordinary operations and maintenance reserve expense	(1,532,686)	(3,224,245)
State grant revenue	1,759,115	2,961,387
State grant expense	(394,147)	(2,961,387)
Los Vaqueros Reservoir Expansion revenue	651,639	314,782
Los Vaqueros Reservoir Expansion expense	(651,639)	(314,782)
Gain (loss) on disposition of assets	12	18,576
Central California Irrigation District turnouts revenue	6,549	10,546
Central California Irrigation District turnouts expense	(3,660)	(7,414)
Firebaugh Canal Water District turnouts revenue	3,325	3,863
Firebaugh Canal Water District turnouts expense	(1,544)	(2,697)
Extraordinary operations and maintenance vehicle usage recovery income		1,074
Columbia Canal Company projects revenue	3,378	4,426
Columbia Canal Company projects expense	(4,535)	(3,282)
TOTAL NONOPERATING REVENUES (EXPENSES)	1,597,387	(52,896)
CHANGE IN NET POSITION	2,634,781	(1,775,998)
NET POSITION AT BEGINNING OF YEAR	9,224,421	11,000,419
NET POSITION AT END OF YEAR	$ 11,859,202	$ 9,224,421

The accompanying notes are an integral part of these financial statements.

SAN LUIS & DELTA-MENDOTA
WATER AUTHORITY

STATEMENTS OF CASH FLOWS

For the Years Ended February 28, 2021 and February 29, 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	$ 74,992,235	$ 60,476,112
Cash payments to suppliers for goods and services	(53,860,149)	(33,588,549)
Cash payments to employees for services	(13,429,170)	(12,186,222)
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,702,916	14,701,341
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Principal paid on long-term debt	(34,635,533)	(1,006,378)
Interest paid on long-term debt	(4,806,973)	(1,828,875)
Long-term debt issued	38,419,745	1,946,613
Extraordinary O & M Reserve projects revenue	3,822,965	3,156,469
Extraordinary O & M Reserve projects expense	(1,532,686)	(3,224,245)
Net water transfers	(531,895)	
Noncapital grants receipts	1,760,451	2,308,899
Noncapital grant expense	(93,787)	(2,961,387)
Other projects revenue	664,891	333,617
Other projects expenses	(661,378)	(328,175)
Bond issuances cost paid	(507,174)	
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	1,898,626	(1,603,462)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(420,954)	(1,433,014)
Proceeds from disposal of capital assets	16,000	76,249
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(404,954)	(1,356,765)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	44,192	1,418,871
Investment sold	3,995,301	
NET CASH PROVIDED BY INVESTING ACTIVITIES	4,039,493	1,418,871
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,236,081	13,159,985
Cash and cash equivalents, beginning of year	39,431,974	26,271,989
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 52,668,055	$ 39,431,974
Cash and cash equivalents - financial statement classification:		
Unrestricted	$ 14,011,744	$ 11,373,615
Restricted - available for current operations	3,182,395	3,122,885
Restricted - available for project use energy	3,332,309	
Restricted - available for pump rewind project	8,403,304	1,257,069
Restricted - available for San Luis Joint Use	19,401,359	19,910,925
Restricted for emergency reserve fund	1,950,000	1,835,000
Restricted for debt service	2,386,944	1,932,480
TOTAL CASH AND CASH EQUIVALENTS	$ 52,668,055	$ 39,431,974

(Continued)

SAN LUIS & DELTA-MENDOTA
WATER AUTHORITY

STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended February 28, 2021 and February 29, 2020

	2021	2020
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income/(loss)	$ 1,037,394	$ (1,723,102)
Adjustments to reconcile operating income/(loss) to net cash provided by operating activities:		
Depreciation expense	311,094	272,245
Changes in operating assets and liabilities:		
Accounts receivable, net	(6,494,632)	(2,670,403)
Due from fiduciary funds		584,762
Prepaid expenses	(48,653)	25,964
Inventory	20,666	3,382
Prepaid expenses - debt issuance costs	126,520	5,272
Receivables, Unit 5 and Unit 6 Rewind project	237,776	352,292
Receivables, DHCCP financing participants	1,930,000	760,000
Accounts payable	(1,896,495)	17,538,744
Accrued payroll and related liabilities	(13,092)	(302,961)
Unearned revenue	12,406,210	(299,567)
Retention payable	86,128	154,713
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 7,702,916	$ 14,701,341
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Loan proceeds receivable from Reclamation	$ (2,360,625)	$ -
IRWM grant pass-through receivable	(45,000)	
Water transfer pass-through receivable	(2,091,557)	
Elimination of refunded bond premium	(2,333,509)	
Amortization of bond premium		(97,229)
Deferred amount on refunding	(197,999)	
Amortization of deferred amount on refunding	891	
Amortization of bond prepaid insurance	126,520	5,272
Unrealized gain (loss) on investments	(382,619)	281,953

The accompanying notes are an integral part of these financial statements.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the San Luis & Delta-Mendota Water Authority conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

A. Financial Reporting Entity: The San Luis & Delta-Mendota Water Authority (Authority) was established as a joint powers authority under California law dated July 1, 1990. It serves 27 member agencies, 25 of which contract (Contractors) with the United States Bureau of Reclamation (Reclamation or USBR) for water supply from the Central Valley Project (CVP). The Authority delivers water to the most diverse set of member agencies in California. The member agencies provide water to approximately 1.2 million acres of highly productive farmland, 2 million California residents, and millions of waterfowl dependent upon the nearly 130,000 acres of managed wetlands within the Central Valley area of the Pacific Flyway. The Authority is governed by a 19-member Board of Directors and serves two important roles: (1) To act as the operations and maintenance entity for the Delta Division of the CVP and south of Delta CVP facilities that the Authority's member agencies depend on for the delivery of their water supply, and (2) to provide unified representation on common interests of Authority members.

The member agencies are as follows and are assigned to one of five divisions based on location:

Division 1 (Northern DMC):
- Banta-Carbona Irrigation District
- Byron Bethany Irrigation District
- City of Tracy
- Del Puerto Water District
- Patterson Irrigation District
- West Stanislaus Irrigation District

Division 2 (San Luis Unit):
- Panoche Water District
- Pleasant Valley Water District
- San Luis Water District
- Westlands Water District

Division 3 (Exchange Contractor and Grassland Water District):
- Central California Irrigation District
- Columbia Canal Company (Friend)
- Firebaugh Canal Water District
- Grassland Water District
- Henry Miller Reclamation District #2131

Division 4 (San Felipe Unit):
- San Benito County Water District
- Santa Clara Valley Water District (Valley Water)

Division 5 (Southern DMC/Mendota Pool):
- Broadview Water District
- Eagle Field Water District
- Fresno Slough Water District
- James Irrigation District
- Laguna Water District
- Mercy Springs Water District
- Oro Loma Water District
- Pacheco Water District
- Reclamation District 1606
- Tranquillity Irrigation District
- Turner Island Water District

The Authority has determined that there are no component units that meet the criteria for inclusion within the reporting entity.

The Authority is a member of the following joint power authorities/agencies (JPAs) where the Authority is not responsible for the liabilities of the JPAs under the JPA agreements and only has a residual interest in any assets held by the JPAs upon termination of the agreements: Association of California Water Agencies (ACWA), ACWA Joint Powers Insurance Authority, and the State and Federal Contractors Water Authority. However, see Note 11.G for a discussion of effect of changes due to a state law related to pension liabilities.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

B. Basis of Presentation – Fund Accounting: The Authority's resources are allocated to and accounted for in these basic financial statements using an enterprise fund type of the proprietary fund group. A fund is a self-balancing set of accounts. Enterprise funds are used to account 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 (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

C. Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on the flow of economic resources measurement focus. Under the flow of economic resources measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the fund are included on the statement of net position. Net position is segregated into the net investment in capital assets, amounts restricted and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. Enterprise funds and agency funds use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for operations and maintenance of the Delta Mendota Canal, Project Use Energy (PUE) fees, San Luis joint use facility fees (fees for the Authority's share of facilities used jointly by Reclamation and the California Department of Water Resources and funding participants) and related facilities. Operating expenses for the enterprise fund include the cost of operations and maintenance of the Delta Mendota Canal and related facilities, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Cost reimbursement grant revenues are recognized as revenue when the reimbursable costs are incurred under the accrual basis of accounting.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and Cash Equivalents: For purposes of the statement of cash flows, the Authority considers all highly liquid investments with an original maturity of three months or less, including restricted assets, to be cash equivalents, which includes investments in the California Local Agency Investment Fund (LAIF), the Investment Trust of California (CalTRUST) and money market mutual funds.

Accounts Receivable: Billed, but unpaid, services are recorded as accounts receivable. Receivables include a year-end accrual for services provided through the end of the fiscal year that were not billed at year-end. Water conveyance fees are paid by water contractors each month for the next calendar month based on the estimated acre-feet of water deliveries and the Authority, DWR and Reclamation's PUE estimated operations and maintenance costs determined at the beginning of the fiscal year, as indicated on the water contractor's advanced payment form. Receivables are recognized from water contractors at year-end when conveyance fees are trued-up based on actual water deliveries and operations and maintenance costs. See Notes 7 and 14 for a description of C.W. "Bill" Jones Pumping Plant Rewind project and financing participant receivables.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

F. Prepaid Expenses: Prepaid expenses at February 28, 2021 and February 29, 2020 represented payments made to the Association of California Water Agencies Joint Powers Insurance Authority for various forms of insurance that benefited periods beyond year-end. Insurance prepaid on the Authority's Refunding Revenue Bonds, Series 2013A, was eliminated during the year ended February 28, 2021 due a refunding transaction described in Note 7.

G. Restricted Assets: Restricted assets consist of unspent bond proceeds that are restricted to future bond payments, the emergency reserve fund required under the Reclamation Transfer Agreement as described in Note 8 and assets restricted under activity agreements with member agencies.

H. Inventory: Inventory consists of various parts and materials needed to operate and maintain the Delta-Mendota Canal and other facilities. It is valued on an average cost basis.

I. Capital Assets Purchased by the Water Authority: Capital assets are recorded at historical cost. It is the Authority's policy to capitalize assets with a cost of $5,000 or more with useful lives in excess of one year. The costs of assets sold or retired (and the related amounts of accumulated depreciation) are eliminated from the balance sheet in the year of sale or retirement, and the resulting gain or loss is recognized in operations. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation and amortization are calculated using the straight-line method over the following estimated useful lives.

Description	Estimated Life
Heavy equipment	15-30 years
Vehicles and light trucks	10-30 years
Furniture and equipment	10-30 years
Computers	5-20 years

Donated Capital Assets: Donated capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. The United States Bureau of Reclamation transferred assets relating to the conveyance of water, maintenance, and operation of canals to the Authority at March 1, 1998. Depreciation on these assets has been computed and reported in the financial statements using the straight-line method over their useful lives.

J. Unearned Revenue: Unearned revenue arises when resources are received by the Authority prior to the incurrence of qualifying operations and maintenance costs. The Authority's unearned revenues represent water conveyance fees, PUE fees and San Luis joint use facility fees not earned at year-end by incurring qualifying expenses. In subsequent periods, when both revenue recognition criteria are met, or when the Authority has legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

K. Compensated Absences: Accumulated unpaid employee vacation benefits are recognized as a compensated absences liability in the year vested. Vacation is fully payable at separation. However, at retirement 95% of accrued vacation leave is payable to the employee and 5% is payable to the Authority's retirement health savings plan, as described below. Sick leave is accumulated without limit, but is not payable at separation and is not recognized as part of the Authority's compensated absences liability except for the available sick leave cash-out balance described below.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

According to the Authority's ICMA Retirement Health Savings Plan (Plan) adopted March 1, 2005, upon retirement from the Authority, the participant's available sick leave cash out balance and 5% of the participant's accrued vacation leave is required to be contributed to the Plan and is deposited in an individual account held for the benefit of the participant. The available sick leave cash out balance is defined as the lesser of one-half of accumulated sick leave on the effective date of separation or 500 hours for employees 1) that have ten years of service that are at least 55 years of age, or 2) employees with fifteen years of service regardless of age.

L. Net Position: Net position is categorized as the investment in capital assets, restricted and unrestricted.

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 or laws and regulations of other governments and restrictions imposed by law through constructional provisions or enabling legislation. The Transfer Agreement requires the Authority to maintain an emergency reserve fund to finance (1) unusual OM&R costs; (2) costs associated with addressing conditions which threaten or cause interruption of water service; (3) unforeseen or extraordinary OM&R costs; and (4) costs associated with addressing conditions which threaten the safety or integrity of Project works. The balance reported as restricted net position under this agreement at February 28, 2021 and February 29, 2020 was $1,950,000 and $1,835,000, respectively. Restricted net position also reflects the amount restricted for projects under activity agreements with members.

Unrestricted Net Position: This category represents net position of the Authority, not restricted for any project or other purpose.

M. Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

N. Reclassifications: The 2020 cash and cash equivalents restricted - available for pump rewind project was reclassified out of cash and cash equivalents restricted – available for current operations and net position restricted for DHCCP debt was reclassified out of 2020 unrestricted net position to restricted for activity agreements during 2021. These reclassifications had no effect on total assets or net position.

O. New Pronouncements: In June 2017, the GASB issued Statement No. 87, *Leases.* 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. 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. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the lease guidance, unless specifically excluded in this

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* This Statement enhances disclosures about capital assets and the cost of borrowing for a reporting period and simplifies the accounting for interest cost incurred before the end of a construction period. Interest cost incurred before the end of a construction period will be recognized as an expense rather than being recorded as part of the cost of capital assets in a business-type activity or enterprise fund and interest cost incurred by a fund using the current financial resources measurement focus before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement addresses issues related to public-private and public-public partnership arrangements (PPPs). PPPs are arrangements in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This statement requires that PPPs that meet the definition of a lease apply guidance in Statement No. 87, *Leases*, as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of a service concession arrangement. This Statement provides accounting and financial reporting requirements for all other PPPs: those that either (1) meet the definition of an SCA or (2) are not within the scope of Statement No. 87, as amended. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements that include an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This Statement is effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement provides temporary relief to governments due to the COVID-19 pandemic by postponing the effective dates of Statements and Implementation Guides that first become effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. Effective dates of the following Statements and Implementation Guides were postponed by one year: Statements No. 83, 84 and 88 to 93 as well as Implementation Guide No's 2018-1, 2019-1 and 2019-2. Effective dates for Statement No. 87 and Implementation Guide No. 2019-3 were postponed by 18 months. The implementation dates above were adjusted due to this Statement.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. This Statement 1) defines the term SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs to a SBITA; and 4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITA are based on the standards established in Statement No. 87, Leases, as amended. This statement is effective for fiscal years beginning after June 15, 2022.

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* This Statement requires for the purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform. This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

The Authority is currently analyzing the impact of these new Statements.

NOTE 2 – CASH AND INVESTMENTS:

Cash and investments were classified as follows at February 28, 2021 and February 29, 2020:

	2021	2020
Cash and cash equivalents:		
Unrestricted	$ 14,011,744	$ 11,373,615
Restricted - available for current operations	3,182,395	3,122,885
Restricted - available for project use energy	3,332,309	
Restricted - available for pump rewind project	8,403,304	1,257,069
Restricted - available for San Luis Joint Use	19,401,359	19,910,925
Restricted - emergency reserve fund	1,950,000	1,835,000
Restricted - debt service	2,386,944	1,932,480
Investments - restricted for debt service		3,995,301
Total cash and investments	$ 52,668,055	$ 43,427,275

Cash and investments were classified as follows under GASB Statement No. 40 at February 28, 2021 and February 29, 2020:

	2021	2020
Cash and investments consisted of the following:		
Cash on hand	$ 1,000	$ 1,000
Deposits with financial institutions	17,967,279	5,611,572
Investments	34,699,776	37,814,703
Total cash and investments	$ 52,668,055	$ 43,427,275

NOTE 2 – CASH AND INVESTMENTS (Continued):

Investment Policy: The Authority's investment policy was approved by Resolution 2013-367. The policy allows the Authority to invest in Federal Deposit Insurance Corporation insured bank deposits, LAIF, the Investment Trust of California (CalTRUST) and United States Treasury notes, bonds, bills or certificates of indebtedness secured by the full faith and credit of the United States Government.

Investments Authorized by Debt Agreements: Investment of debt proceeds held by the bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Authority's investment policy. Under the Authority's Indenture of Trust agreements, debt proceeds may be invested in direct U.S. Government obligations and highly rated: 1) U.S. Government agency obligations with remaining maturities not exceeding three years; 2) U.S. dollar denominated deposit accounts, certificates of deposit, federal funds and banker's acceptances of domestic commercial banks maturing no more than 360 days after the date of purchase; 3) commercial paper maturing in no more than 270 days from the date of purchase; 4) money market funds; 5) municipal obligations; 6) CalTRUST; LAIF; and investment agreements.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Authority manages its exposure to changes in market interest rates by diversifying its investments by security type and institution.

The following table illustrates the distribution of the Authority's investments by maturity:

February 28, 2021	Fair Value	12 Months or Less	More than 12 to 24 Months	More than 24 to 60 Months
Local Agency Investment Fund	$ 12,539,070	$ 12,539,070		
CalTRUST	19,773,762	5,580,189	$ 14,193,573	
Held by bond trustee:				
Money market funds	2,386,944	2,386,944		
Totals	$ 34,699,776	$ 20,506,203	$ 14,193,573	$ -

February 29, 2020	Fair Value	12 Months or Less	More than 12 to 24 Months	More than 24 to 60 Months
Local Agency Investment Fund	$ 12,441,708	$ 12,441,708		
CalTRUST	19,446,925	5,522,175	$ 13,924,750	
Held by bond trustee:				
Money market funds	1,930,769	1,930,769		
U.S. governent agency bond	2,889			$ 2,889
United States government aid bond	3,992,412		3,992,412	
Totals	$ 37,814,703	$ 19,894,652	$ 17,917,162	$ 2,889

Credit Risk: The Authority limits its exposure to credit risk, that is, the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment, by limiting its investments to instruments with the top ratings issued by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Authority's investment policy, or debt agreements, and the actual Standard & Poor's rating as for each investment type:

NOTE 2 – CASH AND INVESTMENTS (Continued):

February 28, 2021	Fair Value	Minimum Legal Rating	AAA	AAf	AA-f	Not Rated
Local Agency Investment Fund	$ 12,539,070	N/A				$ 12,539,070
CalTRUST	19,773,762	N/A		$ 5,580,189	$ 14,193,573	
Held by bond trustee:						
Money market funds	2,386,944	AAA	$ 2,386,944			
	$ 34,699,776		$ 2,386,944	$ 5,580,189	$ 14,193,573	$ 12,539,070

February 29, 2020	Fair Value	Minimum Legal Rating	AAA	AAf	AA-f	Not Rated
Local Agency Investment Fund	$ 12,441,708	N/A				$ 12,441,708
CalTRUST	19,446,925	N/A		$ 5,522,175	$ 13,924,750	
Held by bond trustee:						
Money market funds	1,930,769	AAA	$ 1,930,769			
U.S. government agency agency	2,889	N/A	2,889			
United States government aid bond	3,992,412	N/A	3,992,412			
	$ 37,814,703		$ 5,926,070	$ 5,522,175	$ 13,924,750	$ 12,441,708

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At February 28, 2021 and February 29, 2020, the carrying amount of the Authority's deposits was $17,967,279 and $5,611,572 and the balance in financial institutions was $18,563,257 and $6,101,088, respectively. Of the balance in financial institutions, $250,000 and $251,711 at February 28, 2021 and February 29, 2020, respectively, was covered by federal depository insurance and the remaining amounts were collateralized by the pledging financial institution's assets held in a common pool for the Authority and other governmental agencies, but not in the name of the Authority.

Investments in External Investment Pools: The Authority is a voluntary participant in the following external investment pools: Local Agency Investment Fund (LAIF) and the Investment Trust of California (CalTRUST). LAIF is regulated by the California Government Code under the oversight of the Treasurer of the State of California. CalTRUST is administered under the oversight of a Board of Trustees comprised of experienced investment managers. The weighted average maturity of investments held by LAIF was 198 and 216 days as of February 28, 2021 and February 29, 2020, respectively. The Authority invests in the

NOTE 2 – CASH AND INVESTMENTS (Continued):

CalTRUST short-term and medium-term pools. The fair value of the Authority's investments in these pools are reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by the pools for their entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The amount that may be withdrawn from CalTRUST is based on the net asset value per share and the number of shares held by participants in each pool. The weighted average maturity of short term-funds in CalTRUST was 296 and 201 days as of February 28, 2021 and February 29, 2020, respectively. The weighted average maturity of medium-term funds in CalTRUST was 756 and 391 days as of February 28, 2021 and February 29, 2020, respectively.

Fair Value Measurement: The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority's U.S. government agency bonds and U.S. government aid bonds are valued using level 2 inputs. The Authority's investments in LAIF, CalTRUST and money market funds are not subject to the fair value hierarchy or are measured at net asset value. All securities classified in Level 2 are valued using pricing models based on market data, such as matrix or model pricing from outside pricing services. These valuation techniques include third party benchmark yields, reported trades, broker/dealer quotes and other techniques.

NOTE 3 – ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES:

Accounts receivable and other receivables consisted of the following at February 28, 2021 and February 29, 2020:

	2021	2020
Membership assessments	$ 362,933	$ 2,948,371
Other receivables	467,225	87,890
Due from other governments	13,441,808	177,723
Interest receivable	17,272	97,695
Total accounts receivable	14,289,238	3,311,679
Grant retention receivable	284,268	235,926
Unit 5 and Unit 6 Rewind project	8,762,209	3,730,729
DHCCP financing participants	31,150,000	33,080,000
Total	$ 54,485,715	$ 40,358,334

NOTE 4 – CAPITAL ASSETS:

Capital asset activity was as follows:

February 28, 2021

Capital Assets	Balance at March 1, 2020	Additions	Retirements	Balance at February 28, 2021
Capital assets, being depreciated:				
Heavy equipment	$ 2,923,685	$ 273,914		$ 3,197,599
Vehicles and light trucks	3,076,222	141,052	$ (55,000)	3,162,274
Furniture and equipment	1,296,869	5,988		1,302,857
Computers	479,059			479,059
Total capital assets, being depreciated	7,775,835	420,954	(55,000)	8,141,789
Less accumulated depreciation:				
Heavy equipment	(705,143)	(102,113)		(807,256)
Vehicles and light trucks	(1,225,879)	(147,232)	39,012	(1,334,099)
Furniture and equipment	(939,195)	(29,373)		(968,568)
Computers	(328,927)	(32,376)		(361,303)
Total accumulated depreciation	(3,199,144)	(311,094)	39,012	(3,471,226)
Capital assets, net	$ 4,576,691	$ 109,860	$ (15,988)	$ 4,670,563

February 29, 2020

Capital Assets	Balance at March 1, 2019	Additions	Retirements	Transfers	Balance at February 29, 2020
Capital assets, being depreciated:					
Heavy equipment	$ 2,129,321	$ 1,096,804	$ (302,440)		$ 2,923,685
Vehicles and light trucks	2,931,631	282,626	(187,456)	$ 49,421	3,076,222
Furniture and equipment	1,346,290			(49,421)	1,296,869
Computers	425,475	53,584			479,059
Total capital assets, being depreciated	6,832,717	1,433,014	(489,896)		7,775,835
Less accumulated depreciation:					
Heavy equipment	(910,187)	(72,741)	277,785		(705,143)
Vehicles and light trucks	(1,188,127)	(141,011)	143,675	(40,416)	(1,225,879)
Furniture and equipment	(961,010)	(29,364)	10,763	40,416	(939,195)
Computers	(299,798)	(29,129)			(328,927)
Total accumulated depreciation	(3,359,122)	(272,245)	432,223		(3,199,144)
Capital assets, net	$ 3,473,595	$ 1,160,769	$ (57,673)	$ -	$ 4,576,691

NOTE 5 – ACCOUNTS PAYABLE:

Accounts payable consisted of the following at February 28, 2021 and February 29, 2020:

	2021	2020
Other governments	$ 17,396,975	$ 17,798,791
Vendors	2,950,053	2,584,710
Total	$ 20,347,028	$ 20,383,501

NOTE 6 – UNEARNED REVENUE:

The water contractors pay water conveyance fees based on estimated water deliveries in the month prior to the water delivery date. The PUE rate component is based on Reclamation's project use cost estimates and the San Luis joint use facility rate component is based on the California Department of Water Resources budget. These fees are reported as unearned revenue at each year-end if not spent for qualifying expenses. Unearned revenue consisted of the following at February 28, 2021 and February 29, 2020:

	2021	2020
Contractors:		
O&M (including pump rewind projects)	$ 11,481,446	$ 9,931,156
Project use energy	9,913,443	1,500,000
San Luis Joint Use	6,790,560	4,348,083
Total	$ 28,185,449	$ 15,779,239

NOTE 7 – LONG-TERM LIABILITIES:

The following is a summary of changes in the Authority's long-term liabilities:

February 28, 2021	Balance at March 1, 2020	Additions	Reductions	Balance at February 28, 2021	Due Within One Year
Revenue Bonds, Series 2021A		$ 8,020,000	$ (330,000)	$ 7,690,000	$ 245,000
Refunding Revenue Bonds, Series 2021B		32,725,000		32,725,000	1,575,000
Series 2013A	$ 33,840,000		(33,840,000)		
Add issuance premium	2,333,509		(2,333,509)		
	36,173,509	40,745,000	(36,503,509)	40,415,000	1,820,000
USBR Unit 6 Rewind Note	4,718,622	35,370	(267,534)	4,486,458	273,888
USBR Unit 5 Rewind Note		5,269,256		5,269,256	242,867
Total debt	40,892,131	46,049,626	(36,771,043)	50,170,714	2,336,755
Compensated absences	1,266,421	912,495	(871,151)	1,307,765	745,434
Total	$ 42,158,552	$ 46,962,121	$ (37,642,194)	$ 51,478,479	$ 3,082,189

February 29, 2020	Balance at March 1, 2019	Additions	Reductions	Balance at February 29, 2020	Due Within One Year
Refunding Revenue Bonds, Series 2013A	$ 34,565,000		$ (725,000)	$ 33,840,000	$ 760,000
Add issuance premium	2,430,738		(97,229)	2,333,509	
	36,995,738		(822,229)	36,173,509	760,000
USBR Unit 6 Rewind Note	4,855,617	$ 144,383	(281,378)	4,718,622	288,061
Total debt	41,851,355	144,383	(1,103,607)	40,892,131	1,048,061
Compensated absences	1,241,083	977,165	(951,827)	1,266,421	627,435
Total	$ 43,092,438	$ 1,121,548	$ (2,055,434)	$ 42,158,552	$ 1,675,496

Revenue Bonds (OM&R Project), Series 2021A (Direct Placement):

On January 26, 2021, the Authority issued the Revenue Bonds (OM&R Project), Series 2021A (the 2021A Bonds) in the amount of $8,020,000. The 2021A Bonds were issued to provide funds to finance a portion of the cost of certain extraordinary maintenance (Unit 1 and Unit 4 Rewind project) to the Jones Pumping Plant and to fund a deposit into a debt service reserve fund.

The 2021A Bonds are special obligations of the Authority payable solely from operations, maintenance, and replacement (OM&R) revenues received by the Authority for the operation, maintenance, and replacement of certain Central Valley Project facilities pursuant to a Transfer Agreement entered by the Authority and the United States of America acting through the Department of Interior Bureau of Reclamation. OM&R revenues are paid to the Authority by various public entities with respect to water conveyed or delivered by the Authority to certain contractor's which have entered water service, water repayment and other water delivery contracts with Reclamation. OM&R revenues also include certain payments received by the Authority from Friant Water Authority on behalf of Friant Division Contractors with respect to settlement water delivered to the Settlement Contractors; provided, however, no principal or interest on the 2021A Bonds will be charged to Friant Water Authority, as described herein. The 2021A Bonds are secured by a gross lien on OM&R revenues and are payable from OM&R revenues prior to operation and maintenance costs and are on a parity with the obligation of the Authority to pay principal of

NOTE 7 – LONG-TERM LIABILITIES (Continued):

and interest on two repayment contracts with Reclamation which financed extraordinary maintenance at the Jones Pumping Plant, aggregating approximately $17,500,000 in principal amount and other operation and maintenance obligations incurred by the Authority from time-to-time in accordance with the OM&R Master Resolution. The 2021A Bonds have a rate covenant requiring the Authority to collect OM&R revenues equal to 1.10 times payments due on all Operation and Maintenance Obligations (all obligations on parity with the 2021A Bonds) and 1.00 times other operations and maintenance costs as defined in the agreement. The 2021A Bonds bear interest at 1.26% to 3.20% and are payable semi-annually on March 1 and September 1, beginning March 1, 2021, through March 1, 2045. Upon default the 2021A Bonds may be declared to be immediately due and payable and a default interest rate of 8% would apply on past due principal.

Refunding Revenue Bonds (DHCCP Development Project), Series 2021B (Direct Placement):

On January 26, 2021, the Authority issued the Refunding Revenue Bonds (DHCCP Development Project), Series 2021B (the 2021B Bonds) in the amount of $32,725,000. The 2021B Bonds were issued to provide funds to defease $30,080,000 of the outstanding Refunding Revenue Bonds (DHCCP Development Project), Series 2013A (the 2013A Bonds). The 2013A Bonds were issued to finance planning, preliminary design and environmental activities of the Delta Habitat Conservation and Conveyance Program (DHCCP), which is a program consisting of joint efforts by agencies of the federal government, State of California and local agencies to fund and plan habitat conservation and water supply activities in the Sacramento-San Joaquin River Delta/San Francisco Bay Estuary (the "Bay-Delta"), including Bay-Delta water conveyance options. Byron Bethany Irrigation District and Laguna Water District repaid their 2013A bond debt service obligation in the amount of $501,269 and opted not to participate in the 2021 refunding.

The 2021B Bonds are special obligations of the Authority payable solely from a lien on revenues defined in the agreement, including portions of payments received by the Authority pursuant to the DHCCP Activity Agreements by and between the Authority and the Financing Participants (Financing Participant payments) and from amounts in certain funds and accounts established under the Indenture of Trust pursuant to which the 2021B Bonds are issued. The Financing Participants have agreed to collect revenues sufficient to pay their specified percentage of the required principal and interest payments due on the Bond under the DHCCP Activity Agreements. Westlands Water District has agreed pursuant to its DHCCP Activity Agreement to pay 100% of the principal and interest on the 2021B Bonds. The Authority will reimburse Westlands Water District for a portion of such principal and interest payments from amounts that the Authority receives from other Financing Participants, including Broadview Water District, Mercy Springs Water District, Eagle Field Water District, Pacheco Water District, Panoche Water District and San Luis Water District. The Authority has agreed not to pledge, lien, charge or create any other encumbrance on the revenues pledged under the 2021B Bond indenture. A receivable is recognized for the funding participants' obligation to provide revenues sufficient to make principal payments on the Bond under the DHCCP Activity Agreements. Interest revenue is recognized from the participants on the accrual basis each year. The 2021B Bonds bear interest at .35% to 3.04% and are payable semi-annually on March 1 and September 1, beginning March 1, 2021. The bonds mature at various amounts through March 1, 2042. Upon default the 2021B Bonds may be declared to be immediately due and payable and a default interest rate of 8% would apply on past due principal.

In January of 2021, $3,684,099 of unused funds from the previously defeased Revenue Notes (DHCCP Development Project), Series 2009A were deposited to an irrevocable escrow account held by a fiscal agent and will be used, with investment earnings, to repay the 2013A Bonds in the amount of $4,145,000 by March 1, 2023. The fair value of the amount in the escrow account was $4,101,109 at February 28, 2021.

NOTE 7 – LONG-TERM LIABILITIES (Continued):

Pledged Revenue: The Authority pledged future OM&R revenues to repay the 2021A Bonds in the original amount of $8,020,000. The 2021A Bonds are payable solely from OM&R revenues through March 1, 2045. Total principal and interest remaining to be paid on the 2021A Bonds was $10,941,941 at February 28, 2021. Total cash basis principal and interest paid for the 2021A Bonds was $345,905 and the total cash basis OM&R revenues was $66,200,193 for the year ended February 28, 2021.

The Authority pledged future Financing Participation revenues to repay the 2021B Bonds and 2013A Bonds in the original amounts of $32,725,000 and $37,550,000, respectively. The 2021B Bonds and 2013A Bonds are payable from Financing Participant payments amounts held in an escrow account and are payable through March 1, 2042. Total principal and interest remaining to be paid on the 2021B Bonds and 2013A Bonds was $41,719,830 and $4,145,000, respectively, at February 28, 2021 and total principal and interest remaining to be paid on the 2013A Bonds was $58,008,000 at February 29, 2020. Total cash basis principal and interest paid for both the 2021B and 2013A Bonds was $2,452,471 and $2,435,125 and the total Financing Participant Payments in total for the Bonds was $2,452,471 and $2,445,583 at February 28, 2021 and February 29, 2020, respectively. The total Financing Participant payments above include amounts reported as a reduction of the receivable from financing participants on the statements of net position, which were used to make DHCCP debt service payments.

USBR Unit 6 Rewind Note (Private Placement):

In February 2018, the Authority entered into an agreement to receive up to $5 million from the United States Bureau of Reclamation to rewind Unit 6 of the C.W. "Bill" Jones Pumping Plant. The obligation was on a cost reimbursement basis and the Authority incurred $5,154,120, including Reclamation costs. The remaining amount will be repaid in installments of $380,441 per year on the last day of February from February 2020 to February 2035. Interest due is at the average U.S. Department of Treasury interest rate based on average market yields of obligations of comparable maturities at the beginning of the fiscal year when work began on the project, adjusted to the nearest 1/8 of 1 percent, which is 2.375%. The agreement requires an additional 0.5% interest rate per month to be paid if the obligation becomes delinquent more than 60 days. The Authority has added an additional charge to water conveyance fees to repay the obligation.

A long-term receivable is recognized for the contractors' obligation to provide sufficient water conveyance fees to repay the Unit 6 Rewind Note. The receivable is equal to the liability outstanding, less revenue collected from the contractors for principal payments. Revenue collected for interest payments is recognized in the year the interest payments are due.

USBR Unit 5 Rewind Note (Private Placement):

In June 2020, the Authority entered into an agreement to receive up to $5.9 million from the United States Bureau of Reclamation to rewind Unit 5 of the C.W. "Bill" Jones Pumping Plant. The obligation was on a cost reimbursement basis and the Authority incurred $5,585,951 as of February 28, 2021. The amount will be repaid in installments of $248,028 per year on the last day of February from February 2022 to February 2044. Interest due is at the average U.S. Department of Treasury interest rate based on average market yields of obligations of comparable maturities at the beginning of the fiscal year when work began on the project, adjusted to the nearest 1/8 of 1 percent, which is 2.125%. The agreement requires an additional 0.5% interest rate per month to be paid if the obligation becomes delinquent more than 60 days. The Authority has added an additional charge to water conveyance fees to repay the obligation.

A long-term receivable is recognized for the contractors' obligation to provide sufficient water conveyance fees to repay the Unit 5 Rewind Note. The receivable is equal to the liability outstanding, less revenue

NOTE 7 – LONG-TERM LIABILITIES (Continued):

collected from the contractors for principal payments. Revenue collected for interest payments is recognized in the year the interest payments are due.

Debt Refunding: On January 26, 2021, the Authority issued Refunding Revenue Bonds, Series 2021B, at interest rates ranging from .5% to 3.04% the proceeds of which, along with remaining funds in escrow from the 2009A Notes described above and a $501,269 prepayment by Byron-Bethany Irrigation District and Laguna Water District, advance refunded the remaining Series 2013A Bonds carrying interest rates ranging from 3% to 5%. Net proceeds of $32,532,880 from the 2013A Bonds were placed into an irrevocable trust with an escrow agent on January 26, 2021, that along with the repayment by members and escrow funds remaining on 2009A Notes, will provide for all future principal and interest payments that were used to defease the Series 2013A Bonds on January 26, 2021 and March 1, 2021. As a result, the 2013A Bonds were considered defeased at February 28, 2021 and the liability for the 2013A Bonds was removed from the District's statement of net position. The advance refunding resulted in a reduction of total future debt service payments by $5,655,670 and an economic gain (difference between the present values of the old and new debt service payments) of $3,822,945.

The annual debt service requirements to maturity for the long-term liabilities were as follows:

February 28, 2021

Year Ended Last Day of February,	Revenue Bonds, Series 2021A		Total Debt Service
	Principal	Interest	
2022	$ 245,000	$ 207,907	$ 452,907
2023	245,000	204,820	449,820
2024	250,000	201,733	451,733
2025	255,000	198,583	453,583
2026	255,000	195,370	450,370
2027-2031	1,365,000	902,688	2,267,688
2032-2036	1,550,000	716,000	2,266,000
2037-2041	1,835,000	450,240	2,285,240
2042-2045	1,690,000	137,600	1,827,600
Total	$ 7,690,000	$ 3,214,941	$ 10,904,941

Year Ended Last Day of February,	Refunding Revenue Bonds, Series 2021B		Total Debt Service
	Principal	Interest	
2022	$ 1,575,000	$ 384,187	$ 1,959,187
2023	1,515,000	663,646	2,178,646
2024	1,525,000	655,131	2,180,131
2025	1,325,000	645,236	1,970,236
2026	1,335,000	633,326	1,968,326
2027-2031	6,950,000	2,872,540	9,822,540
2032-2036	7,675,000	2,110,862	9,785,862
2037-2041	8,750,000	993,499	9,743,499
2042-2042	2,075,000	36,404	2,111,404
Total	$ 32,725,000	$ 8,994,830	$ 41,719,830

NOTE 7 – LONG-TERM LIABILITIES (Continued):

Year Ended Last Day of February,	USBR Rewind Note, Unit 6		Total Debt Service
	Principal	Interest	
2022	$ 273,888	$ 106,553	$ 380,441
2023	280,393	100,049	380,442
2024	287,052	93,389	380,441
2025	293,869	86,572	380,441
2026	300,849	79,592	380,441
2027-2031	1,614,877	287,329	1,902,206
2032-2035	1,435,530	86,235	1,521,765
Total	$ 4,486,458	$ 839,719	$ 5,326,177

Year Ended Last Day of February,	USBR Rewind Note, Unit 5		Total Debt Service
	Principal	Interest	
2022	$ 242,867	$ 5,161	$ 248,028
2023	242,867	5,161	248,028
2024	242,867	5,161	248,028
2025	242,867	5,161	248,028
2026	242,867	5,161	248,028
2027-2031	1,214,337	25,805	1,240,142
2032-2036	1,214,337	25,805	1,240,142
2037-2041	1,214,337	25,805	1,240,142
2042-2042	728,602	15,483	744,085
Total	$ 5,585,951	$ 118,701	$ 5,704,652

Note that the Unit 5 amortization schedule provided by Reclamation above included $316,695 of expenses incurred after February 28, 2021. The liability recorded by the Authority at February 28, 2021 does not include this amount.

February 29, 2020

Year Ended Last Day of February,	Refunding Revenue Bonds, Series 2013A		Total Debt Service
	Principal	Interest	
2020	$ 760,000	$ 1,673,000	$ 2,433,000
2021	800,000	1,634,000	2,434,000
2022	840,000	1,593,000	2,433,000
2023	880,000	1,550,000	2,430,000
2024	925,000	1,504,875	2,429,875
2025-2029	5,365,000	6,764,375	12,129,375
2030-2034	6,845,000	5,245,125	12,090,125
2035-2039	8,730,000	3,307,500	12,037,500
2040-2044	8,695,000	896,125	9,591,125
Total	$ 33,840,000	$ 24,168,000	$ 58,008,000

NOTE 7 – LONG-TERM LIABILITIES (Continued):

Year Ended Last Day of February,	USBR Unit 6 Rewind Note		Total Debt Service
	Principal	Interest	
2020	$ 288,061	$ 112,067	$ 400,128
2021	294,902	105,226	400,128
2022	301,906	98,222	400,128
2023	309,077	91,052	400,129
2024	316,417	83,711	400,128
2025-2029	1,698,443	302,198	2,000,641
2030-2034	1,509,816	90,697	1,600,513
Total	$ 4,718,622	$ 883,173	$ 5,601,795

NOTE 8 – RESTRICTED NET POSITION - EMERGENCY RESERVE FUND:

The Reclamation Transfer Agreement requires the Authority to maintain an emergency reserve fund to finance (1) unusual operations, maintenance and repair (OM&R) costs; (2) costs associated with addressing conditions which threaten or cause interruption of water service; (3) unforeseen or extraordinary OM&R costs; and (4) costs associated with addressing conditions which threaten the safety or integrity of Project works. As stated in the Authority's transfer agreement, the Authority is required to maintain a targeted minimum reserve fund amount equal to 15% of the most current three years average annual actual OM&R costs incurred for the Project Works. The balance of this fund at February 28, 2021 and February 29, 2020 was $1,950,000 and $1,835,000, respectively.

NOTE 9 – O&M VERSUS ACTIVITY AGREEMENT AND OTHER EXPENSES:

Total operations and maintenance (O&M) as well as activity agreement and other expenses and a reconciliation to water conveyance fees – (O&M) follows at February 28, 2021 and February 29, 2020:

	2021			2020		
	O&M	Activity Agreements and Other	Total	O&M	Activity Agreements and Other	Total
OPERATING EXPENSES						
Salaries and related benefits	$11,698,290	$1,081,013	$12,779,303	$10,819,769	$1,063,492	$11,883,261
Project use energy (PUE) costs	20,261,208		20,261,208	24,260,793		24,260,793
San Luis joint use facility costs	13,857,382		13,857,382	12,286,904		12,286,904
Office expense	69,796	8,223	78,019	70,260	18,797	89,057
Tools and supplies	31,748		31,748	22,232	6	22,238
Janitorial and uniform expense	49,856		49,856	47,494	1,177	48,671
Legal and professional services	246,676	5,657,735	5,904,411	323,060	4,272,927	4,595,987
Security	270		270	247		247
License and education	22,027	133,825	155,852	79,856	138,395	218,251
Other services	97,146	17,967	115,113	134,180	2,748	136,928
Building, machinery and equipment	614,855	259,019	873,874	853,920	123,556	977,476
Membership and fees	26,032	89,982	116,014	25,129	29,207	54,336
Travel	34,717	4,347	39,064	66,113	55,037	121,150
Meetings	4,937	2,018	6,955	29,101	13,755	42,856
Auto expenses	334,615	33,542	368,157	366,275	7,051	373,326
Parts and materials	231,836	6,953	238,789	243,594	354	243,948
Telephone and communications	115,509	22,892	138,401	111,361	11,897	123,258
Utilities	102,704	14,644	117,348	111,644	750	112,394
Insurance	207,274	10,517	217,791	212,519	7,598	220,117
Intertie conveyance	1,226,696		1,226,696	2,284,793		2,284,793
Grassland Basin Drainage specific		949,812	949,812		1,093,874	1,093,874
Depreciation	311,094		311,094	272,245		272,245
Unit 1 Rewind expenses	1,755,108		1,755,108			
Unit 2 Rewind expenses	1,290,584		1,290,584	4,073,705		4,073,705
Unit 5 Rewind expenses	5,269,256		5,269,256			
Unit 6 Rewind expenses	35,370		35,370		322,112	322,112
Allocated indirect costs	(454,695)	142,707	(311,988)	(410,273)	24,476	(385,797)
Total Operating Expenses	57,440,291	$8,435,196	$65,875,487	56,284,921	$7,187,209	$63,472,130
Reconciliation to O&M fees:						
Less depreciation	(311,094)			(272,245)		
Less investment and other income	(8,541)			(1,306,144)		
Total O&M fees	$57,120,656			$54,706,532		
Total O&M fees consists of:						
Water conveyance fees, O&M	$14,354,643			$14,556,542		
Project use energy (PUE) fees	20,275,550			24,258,072		
San Luis joint use facility fees	13,681,333			11,818,213		
Water conveyance fees, Unit 1 Rewind	2,101,013					
Water conveyance fees, Unit 2 Rewind	1,290,584			4,073,705		
Water conveyance fees - Unit 5 Rewind	5,269,256					
Water conveyance fees - Unit 6 Rewind	148,277					
	$57,120,656			$54,706,532		

NOTE 10 – RETIREMENT BENEFITS:

The Authority provides retirement benefits for all of its full-time employees through two defined contribution pension plans organized under Internal Revenue Code (IRC) Section 401(a) and a voluntary IRC Section 457 Deferred Compensation Plan. The benefit terms and contribution rates of the plans are established by and may be amended by the Board of Directors.

A. IRC Section 401(a) Plans: The Authority provides two IRC Section 401(a) plans (the Plans): The 401a Executive Defined Contribution Plan (Plan 109325) and the 401a Defined Contribution Plan (Plan 109164). Plan 190325 requires the employee to contribute 5% of "base annual salary" to the Plan and the Authority matches 5%. Plan 109164 requires the Authority to contribute an amount equal to 8% of the employee's "base annual salary" to the Plan. "Base annual salary" is defined as gross base annual salary, which excludes overtime, merit pay awards, shift differential premiums, or any other special pay. All employer and employee contributions and earnings on those contributions are vested immediately. Employees may contribute up to 25% of their total compensation with a maximum of $30,000 per year of combined employer and employee contributions, subject to IRC contribution limits. For the years ended February 28, 2021 and February 29, 2020, the employer contributions to the Plans were $860,001 and $825,227 and the employee contributions were $129,358 and $117,003, respectively.

B. IRC Section 457 Plan: Employees are also eligible to participate in a voluntary IRC Section 457 Deferred Compensation Plan (the Plan) from date of employment. If an employee elects to participate, the Authority will match up to 5% of the employee's base gross annual salary, which excludes overtime, merit pay awards, shift differential premiums, or any other special pay. Employee contributions are based on W-2 earnings. All employer and employee contributions and earnings on those contributions are vested immediately. The funding limit is the lesser of $7,500 per year, or 33% of includable compensation, which equates to 25% of total compensation. For the years ended February 28, 2021 and February 29, 2020, the employer contributions were $298,743 and $291,792 and the employee contributions were $589,562 and $595,057, respectively.

NOTE 11 – COMMITMENTS AND CONTINGENCIES:

A. Litigation

The Authority is involved in various litigation matters. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material adverse effect on the Authority's financial statements.

B. State and Federal Allowances, Awards and Grants

The Authority has received state and federal funds for specific purposes that are subject to review and audit by the granting agencies. Although such audits could generate expense disallowances under such terms of the grants, it is believed that any required reimbursements will not be material.

C. Grassland Basin Drainage Management Activity

Litigation filed by a coalition of fishermen's organizations and an individual in late 2011 remained pending in federal court throughout Fiscal Year 2021 and 2020. The litigation alleges that the Authority and the United States Bureau of Reclamation (Reclamation) have violated the Clean Water Act by

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued):

failing to obtain a National Pollution Elimination System Discharge (NPDES) permit for discharges of drainage water from the Grassland Bypass Project, conducted under the Authority's Grassland Basin Drainage Management Activity Agreement. The Authority and Reclamation maintain that there is no such violation because the discharges fit within exemptions from the NPDES permit requirements. On September 6, 2019, the Ninth Circuit Court of Appeal issued its opinion reversing the district court and remanding the case, and subsequently, the Ninth Circuit denied petitions for rehearing. Following further proceedings in the form of petitions for rehearing, on December 30, 2019, the Ninth Circuit remanded the case back to the District Court. After an initial case management conference on March 6, 2020, the court set September 25, 2020 as the date for close of fact discovery, with an additional period for expert discovery closing on December 18, 2020 and the date for dispositive motions set for no later than January 22, 2021; these dates were later modified to have fact discovery conclude July 16, 2021 and briefing on dispositive motions conclude March 11, 2022. The court also granted intervention to Grassland Water District. The remanded case involves legal theories and claims that were not addressed previously, to determine whether or not an NPDES permit is required for discharges from the Grassland Bypass Project through the San Luis Drain. The Authority's response remains that it denies that an NPDES permit is required and believes its defenses are meritorious. Therefore, at the present time the possibility of an unfavorable outcome is possible, but not probable, and were there such an unfavorable outcome, the amount of any liability cannot reasonably be determined.

On November 12, 2019, North Coast Rivers Alliance et al. filed a Petition for Writ of Mandate and Complaint for Injunctive Relief against the San Luis & Delta-Mendota Water Authority regarding the Water Authority's compliance with the California Environmental Quality Act and other statutory requirements. The lawsuit seeks to invalidate certain actions by the Water Authority taken on October 10, 2019 and does not involve claims for monetary damages except for a possible reward of attorney fees. A case management conference initially scheduled for August 24, 2020 has been rescheduled several times due to COVID backlogs until March 14, 2022.

On or about May 5, 2020, the same counsel who brought the North Coast Rivers Association case discussed above filed an additional case, Winnemem Wintu Tribe, et al., v. State Water Resources Control Board and Central Valley Regional Control Board, et al., in San Francisco County. The Authority is named as a Real Party in Interest, along with Reclamation. This case is a petition for writ of Mandate and declaratory and injunctive relief seeking to set aside the Waste Discharge Order issued for the Authority's Grassland Bypass Project (Long-Term Storm Water Management Plan) on the grounds that both the State Board and Regional Board have violated applicable laws by failing to require an NPDES permit for the project; relying on the Authority's CEQA documents and failing to adopt feasible mitigation measures; violating the Delta Protection Act; and violating the Public Trust Doctrine. The case has been transferred to Merced County, and is related to the North Coast Rivers Alliance et al. litigation described above. Similar to the North Coast Rivers Association case discussed above, this is not a damages type of action and there are no direct financial consequences expected, except for payment of the Authority's own counsel and a possible award of attorneys' fees. It is far too preliminary at this time to assess the outcome or the likelihood of any material liability of the Authority.

D. Lease Agreements

The Authority leases its headquarters building in Los Banos, California, an office in Sacramento, California, and various equipment. On February 16, 2021, the Authority entered into a 2-year lease extension for the Los Banos office. This extension expires on February 28, 2023 and includes an

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued):

increase of $200/month for a total monthly lease amount of $7,480. All other leases are on a month-to-month basis. Lease expense incurred during the years ended February 28, 2021 and February 29, 2020 was $171,819 and $198,247, respectively.

While the Sacramento office changed locations in spring 2021, the lease remains on a month-to-month basis, and for 2021 includes a monthly lease amount of $3,691. Future years are subject to escalation that are passed through to all tenants by the owners.

E. Sisk Dam Raise Feasibility Study

On November 12, 2019, the Authority entered into an agreement with CDM Smith Inc (CDM) for professional services to be conducted towards the Supplemental Environmental Impact Study/Environmental Impact Report (SEIS/EIR) and feasibility study of the B.F Sisk Dam. The Sisk Dam is approximately 382 feet high and 3.5 miles in length and is located in a historically seismically active area. Studies and analysis indicate that a major earthquake could result in substantial consequences, though the possibility of dam failure is remote. Reclamation and the Department of Water Resources completed a corrective action study indicating a 12-foot raise in the embankment height of the North and South Valley sections would reduce the potential for damn failure due to earthquake induced cracking. In connected action to the B.F Sisk SOD Modification project, the Authority seeks to evaluate for an additional 10-foot raise across the entire Dam above the safety purpose to expand reservoir capacity.

The Final SEIS/EIR and the Feasibility Study were completed in December 2020, and the Secretary of Interior deemed the project feasible. The Authority continues its pursuits of this project with CDM and is scheduled to complete an U.S. Office of Management and Budget required Addendum to the Feasibility Study at the end of 2021, when final design activities are scheduled to commence. The Authority budgeted a total of $730,000 to further develop this project in the FY22 budget.

F. Jones Pumping Plant Rewind Project

The Authority is in the process of rewinding Units 1, 3, 4 and 5 of the Jones Pumping Plant. The Unit 1, 3, 4 and 5 approved contract amounts were $4,365,771, $4,564,878, $4,431,356 and $4,428,143 and the remaining commitments were $2,610,663, $4,564,878, $4,431,356 and $316,695 at February 28, 2021.

G. Joint Powers Authority Contingent Liabilities

The State and Federal Contractors Water Agency ("SFCWA") was formed by various water agencies in August of 2009 as a joint powers authority according to California law. The Authority, along with five other water agencies, was an initial party to the agreement. In 2018, a decision was made to wind down SFCWA activities, with the ultimate objective of terminating the entity and related agreements that formed the entity. The SFCWA has received a status update on review of the pension and other postemployment benefits liabilities and is evaluating whether it holds sufficient assets to cover existing and projected liabilities through the time of termination. California Assembly Bill (AB) 1912 requires member agencies of an agency established pursuant to a joint powers agreement that participates in, or contracts with, a public retirement system to mutually agree as to the apportionment of the agency's retirement obligation among themselves prior to filing a notice of termination. AB 1912 could result in the Authority being held responsible for a portion of the SFCWA's retirement obligation if SFCWA does not have sufficient assets to fund the obligation.

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued):

As described in Note A, the Authority is a party to a number of joint powers agreements. Due to AB 1912, the Authority could be held responsible for funding a portion of any unfunded public retirement system pension obligation of a joint powers authority (JPA) at the time of termination if the JPA does not have sufficient assets to fund any public retirement system pension obligation.

NOTE 12 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS:

The Authority is a member of the Association of California Water Agencies Joint Powers Insurance Authority (JPIA) for general liability, property, workers' compensation and employer's liability, and health benefits insurance. The JPIA is a special district in the State of California and its formation and operation are subject to the provisions of the California Government Code. The purpose of the JPIA is to provide risk sharing pools to meet the needs of its member water agencies. Each member selects one representative to serve as a director on the JPIA Board of Directors. The relationship is such that the JPIA is not considered a component unit of the Authority for financial reporting purposes.

For general liability, auto liability and public officials' liability insurance, the Authority is fully responsible for claims up to a Retrospective Allocation Point (RAP) of $25,000. Coverage between the Authority's RAP and $5,000,000 is provided through the JPIA risk pool. Coverage from $5,000,000 to $55,000,000 is provided through insurance purchased by the JPIA on behalf of its members. The Authority also has cyber liability and crime coverage up to $5,000,000 with deductibles of $1,000 to $50,000.

The Authority has coverage up to $2,000,000 for workers' compensation and employer's liability provided through the JPIA risk pool and $2,000,000 of excess coverage is purchased by the JPIA on behalf of its members to the $4,000,000 statutory limits.

For the liability and workers' compensation programs, retrospective premium adjustments are determined for each policy year. The adjustment can result in an additional charge or a refund to the member entity. The adjustment is computed as the difference between premiums received from the member entity and direct and pooled claims losses and other costs, net of investment income, including unallocated claims expenses, excess insurance premiums, and administrative expenses.

The Authority has deductibles for the property program ranging from $500 for vehicle coverage to $50,000 or $5 per kilowatt hour for turbine units and associated equipment. The JPIA has a pooled self-insured retention (SIR) level of $100,000 for the fiscal years ending February 28, 2021 and February 29, 2020. The JPIA provides coverage above its SIR up to $500,000,000 through purchased insurance.

In July 2012, the ACWA/JPIA Employee Benefits Program was established to provide medical and dental and vision coverage for members' employees and dependents. The preferred provider organization plans offered in the medical and dental coverage are self-insured. The JPIA carries reinsurance with Sun Life Assurance Company of Canada for coverage losses in excess of its self-insured retention of $500,000 per beneficiary incurred during the policy period.

Settled claims have not exceeded any of the Authority's coverage amounts in any of the last three fiscal years and there were no significant reductions in the Authority's coverage during the fiscal years ended February 28, 2021 and February 29, 2020.

NOTE 13 - MEMORANDUM OF UNDERSTANDING WITH FRIANT WATER AUTHORITY

The Authority and the Friant Water Users Authority (FWUA) entered into a memorandum of understanding, effective March 1, 1998 (Original Friant MOU) with respect to operation, maintenance and replacement (OM&R) of the Jones Pumping Plant, Delta Mendota Canal/California Aqueduct Intertie and Pumping Plant, Kesterson Reservoir, Mendota Pool, O'Neil Pumping-Generating Plant, San Luis Drain and other facilities (Project Works) owned by the United States acting through Reclamation. The Original Friant MOU was amended and restated as of September 1, 2002 by the Authority and FWUA (Friant MOU). On June 30, 2004, the Friant Water Authority (FWA) succeeded to the rights and obligations of FWUA under the Friant MOU.

Under the Friant MOU, settlement water is provided to Settlement Contractors, as defined in the Friant MOU, under a settlement agreement with Reclamation to replace irrigation water no longer reaching the Mendota Pool after Reclamation began operating Friant Dam on the San Joaquin River. Pursuant to the Friant MOU, FWA is responsible for reimbursing the Authority's OM&R Costs (defined in the Friant MOU) related to the conveyance or delivery of up to 840,000 acre-feet of settlement water each year to the following Settlement Contractors: Central California Irrigation District, Firebaugh Canal Company, Columbia Canal Company, and San Luis Canal Company. FWA collects amounts necessary to reimburse the Authority for such OM&R from its contractors, which have entered into water repayment or other water contracts with Reclamation from the Friant Division of the Central Valley Project (Friant Division Contractors).

Under the Friant MOU, FWA acknowledges that the Friant Division Contractors have a critical interest in the OM&R of the Project Works allocable to settlement water delivered to the Settlement Contractors and have agreed to pay OM&R Costs incurred by the Authority under the Transfer Agreement associated with the delivery of settlement water to the Settlement Contractors in accordance with the Friant MOU. As further set forth in the Friant MOU, FWA collects amounts to pay such OM&R to the Authority from Friant Division Contractors as permitted under the Friant Transfer Agreement entered into by FWA and Reclamation effective March 1, 1998. FWA succeeded to the rights and obligations of FWUA under the Friant Transfer Agreement on June 30, 2004. FWA executed a renewed Friant Transfer Agreement with Reclamation effective October 5, 2020.

NOTE 14 – SUBSEQUENT EVENTS:

The Authority has the following subsequent events:

DELTA-MENDOTA CANAL SUBSIDENCE CORRECTION PROJECT

The 116.5-mile long Delta-Mendota Canal has several locations along its length where significant subsidence has occurred that limits the DMC's ability to pass the design flows through that section. The areas where the significant subsidence has occurred, is in areas where the subsurface geology compacts when there is excessive groundwater pumping. This condition typically occurs during extended drought periods when surface water is not available and the landowners pump groundwater to irrigate their crops.

The broad scope of work for the Delta-Mendota Canal (DMC) Subsidence Correction Project (Project) is to perform modifications necessary on the DMC conveyance system that will allow maximum pumping at the Jones Pumping Plant. The Authority and Reclamation are developing appraisal level cost estimates for the various modifications to the DMC that are necessary to restore the DMC to its original design capacity.

NOTE 14 – SUBSEQUENT EVENTS (Continued):

The first phase of this multi-phased project has received approximately $5 million in federal funding. This phase consists of manufacturing and installing two additional pumping units and appurtenances into the two additional pump bays of the Delta-Mendota Canal/California Aqueduct Intertie Pumping Plant.

The additional phases of this project will be determined and developed during the design phase of the Project. During this design phase, the Authority and Reclamation will determine the total number of structures that will need to be modified during each phase and the order of the phases to best match the future funding for the Project. The phases include: raising the height of the existing concrete lining, repairing the concrete lining that has been damaged by the subsidence, repairing and further protecting the clay lined embankment where the subsidence has caused significant embankment erosion, raising or replacing irrigation pipeline crossings and storm drain over chutes that have become (or are partially) submerged from the subsidence and raise or replace county road bridges where the bridge structure is impeding the DMC flows.

Appraisal level studies were completed in September 2021 and the Feasibility Level Cost estimate is expected in October 2021. In order to complete further planning studies including a Feasibility Report, environmental compliance activities and associated reviews, the Authority and Reclamation entered into a Memorandum of Agreement and a Cooperative Agreement (CA) in September 2021. The CA is a cost share agreement between Reclamation and the Authority in which both agencies will contribute $2.8 million to the project over the next two years. This includes over $1,000,000 provided within the Authority's FY21 and FY22 EO&M budgets. Completion of the activities within the CA are expected by the end of 2023. The Authority expects to seek approximately $1,540,000 for this project during FY23, although State of California funding may reduce this need.

JONES PUMPING PLANT (JPP) UNIT REWIND PROJECT

The Jones Pumping Plant Unit Rewind Project (the "Project") consists of the rehabilitation of the 22,500 HP motors on each of the six pumping units at the Jones Pumping Plant that have reached the end of their service life. The Project consists of removing and replacing the 32-ton stator core, removing and replacing 228 stator coils, rehabilitating the 70-year-old stator frame, and removing, refurbishing, and re-installing the 40 rotor field poles. Water deliveries from the Jones Pumping Plant are not anticipated to be reduced during the rehabilitation work.

Each unit motor will be rehabilitated individually over the course of 46 months (or approximately 9 months per unit). The Authority and Reclamation completed the necessary rehabilitation on the first unit (Unit 6) in February 2019. The rehabilitation of Unit 6 was paid by the Authority from the proceeds of a loan, in the approximate amount of $5.15 million, from Reclamation made to the Authority pursuant to the first Reclamation Repayment Contract, dated February 5, 2018 (the "2018 Reclamation Repayment Contract"). The Authority collected the cost of the rehabilitation of the second unit (Unit 2), which was completed in June 2020, through OM&R rates. The rehabilitation work on the third unit (Unit 5) began in late June 2020, and was completed in March 2021. The rehabilitation of Unit 5 was paid by the Authority using proceeds of a second loan, in the approximate amount of $5.59 million, from Reclamation made to the Authority pursuant to the Reclamation Repayment Contract, dated June 29, 2020 (the "2020 Reclamation Repayment Contract"). The proceeds from the 2020 Reclamation Repayment Contract provides funding for the rehabilitation work on two units, the third unit (Unit 5) and the sixth unit (Unit 3).

The rehabilitation of the fourth unit (Unit 1) began in April 2021 and is scheduled to be completed in December 2021. The fifth unit (Unit 4) rehabilitation is scheduled to begin in January 2022. The fourth

NOTE 14 – SUBSEQUENT EVENTS (Continued):

and fifth units will be funded using proceeds from revenue bonds (Bonds) and payments received and to be received from FWA, as set forth in that certain Funding Agreement dated November 6, 2020, by and between the Authority and FWA (the "FWA JPP Funding Agreement"). Pursuant to the FWA JPP Funding Agreement, FWA paid $1,755,108 to the Authority in November 2020 and is obligated to make four additional payments to the Authority on or before the dates the Authority makes progress payments to the contractor for the rehabilitation of Unit 1 and Unit 4, for a total contribution from FWA of $4,939,866, subject to adjustment to reflect FWA 's share of the actual cost of rehabilitation of the fourth and fifth units. Pursuant to the FWA JPP Funding Agreement, FWA also paid $104,536, a proportionate share of the cost of issuing the Bonds.

The rehabilitation work on the sixth and final unit (Unit 3), is scheduled to begin in September 2022 and will be paid for using the proceeds of a loan from the 2020 Reclamation Repayment Contract.

On September 9, 2020, Reclamation confirmed to the Authority that the Project constitutes extraordinary maintenance work. As extraordinary maintenance work, the Authority is permitted to collect OM&R Revenues to pay the principal of and interest on the Bonds pursuant to the Transfer Agreement and the Friant MOU.

The following table shows estimated costs of the Jones Pumping Plant Unit Rewind Project:

Jones Pumping Plant
Unit Rewind Project
PROJECT COST SUMMARY

Jones Pumping Plant Unit Rewind Project Cost

	NEC Construction Cost	Construction Contingency Cost (10%)	Total Construction Contract Cost	USBR Oversite Cost	DHR PSA Cost	Total Contracts	SLDMWA Planned Labor	Totals
Unit 6 TOTAL COST[1]:						$ 5,000,000	$ 403,298	$ 5,403,298
Units 1-5 Design[2]:	$ -	$ -	$ -	$ 60,000	$ 69,036	$ 129,036	$ 8,428	$ 137,464
Unit 2:	$ 4,420,365	$ 442,037	$ 4,862,402	$ 50,000	$ 497,130	$ 5,409,532	$ 686,000	$ 6,095,532
Unit 5:	$ 4,373,881	$ 437,388	$ 4,811,269	$ 51,500	$ 505,550	$ 5,368,319	$ 711,400	$ 6,079,719
Unit 1:	$ 4,387,771	$ 438,777	$ 4,826,548	$ 52,700	$ 514,170	$ 5,393,418	$ 736,533	$ 6,129,951
Unit 4:	$ 4,431,356	$ 443,136	$ 4,874,492	$ 53,900	$ 532,790	$ 5,461,182	$ 758,533	$ 6,219,715
Unit 3:	$ 4,564,878	$ 456,488	$ 5,021,366	$ 55,200	$ 546,410	$ 5,622,976	$ 780,533	$ 6,403,509
Totals:	**$ 22,178,251**	**$ 2,217,825**	**$ 24,396,076**	**$ 323,300**	**$ 2,665,086**	**$ 32,384,462**	**$ 4,084,726**	**$ 36,469,188**
	61%	6%		1%	7%		11%	88%

Notes:
1. Unit 6 costs are final.
2. Units 1-5 design costs are final.

SAN LUIS TRANSMISSION PROJECT

The Western Area Power Administration ("WAPA") and Reclamation are proposing to construct a new 230-kilovolt transmission project about 85 miles in length between WAPA's Tracy Substation and San Luis, O'Neill and Dos Amigos substations. The goal of the San Luis Transmission Project ("SLTP") is to provide the electricity to economically and reliably deliver federal water supplies to water customers in the Central Valley and Bay Area while benefiting reliable grid operations in the region. As part of SLTP, WAPA is also considering constructing, operating and maintaining about seven miles of 70-kV transmission line between San Luis and O'Neill substations. When completed, WAPA will own, operate and maintain the SLTP with 400 megawatts of capacity between Tracy and San Luis substations reserved

NOTE 14 – SUBSEQUENT EVENTS (Continued):

to serve Reclamation and the Authority's member agencies, fulfilling the transmission service request submitted by Reclamation. An additional 200 megawatts of capacity will remain for use by a private investor.

WAPA is statutorily obligated to provide power to the San Luis pumping units that serve the Authority's member agencies. This project ensures that obligation is met at stable and affordable rates. The Authority and WAPA completed the environmental review process for the SLTP under the National Environmental Policy Act ("NEPA") and CEQA and identified the preferred route and configuration for the transmission line. In April 2016, WAPA issued its record of decision for the SLTP project, which concluded the environmental review process.

The Authority Board of Directors on September 16, 2021 approved the financing of the SLTP through the Authority issuance of revenue bonds for an estimated project cost of $317M. The revenue to support the bond debt obligation is through the collection of Authority OM&R rates and Reclamation's collection of rates from other CVP Contractors. The schedule for bond sales is targeted for mid-January, 2022.

LOS VAQUEROS RESERVOIR EXPANSION PROJECT

The Authority executed Amendment #2 on September 17, 2020 to the Cost Share Agreement for Los Vaqueros Reservoir Expansion Project Planning and committed to a payment of up to $1,013,661. The obligation for such payments is the responsibility of the Los Vaqueros Reservoir Expansion Activity Agreement members. These payments were invoiced over four (4) separate payments with the first in September 2020 and the final in July 2021.

In August 2021, the Authority and four of its members executed the First Amended and Restated Los Vaqueros Reservoir Project Activity Agreement. This Activity Agreement authorized the Authority to execute the Los Vaqueros Reservoir Joint Exercise of Powers Agreement. The Authority will participate in the Los Vaqueros Reservoir Joint Powers Authority has a member on behalf of the Activity Agreement members. The number of member agencies participating through the Authority may change, and the costs/benefits due to Authority members will be established at a future date.

PROPOSITION 1 INTEGRATED REGIONAL WATER MANAGEMENT PROGRAM GRANT – WESTSIDE SAN JOAQUIN RIVER FUNDING REGION

In May 2020 and July 2020, the Authority was awarded two State of California Round 1 Proposition 1 Integrated Regional Water Management (IRWM) Implementation grants, totaling $3,132,791 to assist in implementing projects in the San Joaquin River Funding Area, which is part of the Westside-San Joaquin Integrated Regional Water Management Plan, for which the Authority serves as the Regional Water Management Group. The Authority is required to demonstrate a minimum grant match of $19,479,516 and the Local Project Sponsors are responsible for all project costs exceeding the grant limit. The Authority's share of the project costs is expected to be $10,000. The local match is expected to be satisfied with in-kind and consultant services of $19,479,516, expected to be provided by the Local Project Sponsors through the Activity Agreement with the Authority.

NOTE 14 – SUBSEQUENT EVENTS (Continued):

CONTINGENT REVENUES

On August 6, 2021, a member agency made a payment to the Authority of $1,047,085 pursuant to a settlement agreement with Reclamation signed on January 15, 2021 related to the alleged unauthorized diversion of water from the Delta-Mendota Canal from January 2009 through April 2015. The revenue is considered contingent revenue at February 28, 2021 under GASB Statement No. 62, which requires the revenue to recognized during the year ended February 28, 2022 when the revenue was realized. The payment will result in a refund to other member agencies based on their allocated share of final water deliveries during water years 2009 to 2015.

SUPPLEMENTARY INFORMATION

SAN LUIS & DELTA-MENDOTA
WATER AUTHORITY

SUPPLEMENTARY INFORMATION
STATEMENT OF FIDUCIARY NET POSITION - SECTION 401A RETIREMENT PLAN 109164
February 28, 2021

ASSETS	
Contributions receivable - employer	$ 28,734
Loan balance	629,090
Investments:	
Money market funds	62,471
Target date funds	1,836,938
Stock mutual funds	10,340,858
Bond funds	710,266
International stock funds	1,681,725
Real estate fund	167,204
Total Investments	14,799,462
TOTAL ASSETS	15,457,286
TOTAL NET POSITION RESTRICTED FOR RETIREMENT BENEFITS	$ 15,457,286

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - SECTION 401A RETIREMENT PLAN 109164

For the Year Ended February 28, 2021

ADDITIONS	
Contributions - employer	$ 729,642
Contributions - rollovers into plan	104,247
Net appreciation in fair value of investments	2,254,446
Loans issued	271,806
Other credits	158
TOTAL ADDITIONS	3,360,299
DEDUCTIONS	
Benefit payments	1,030,272
Loan repayments	203,103
Administrative expenses	14,260
TOTAL DEDUCTIONS	1,247,635
NET INCREASE (DECREASE) IN NET POSITION	2,112,664
Net position restricted for retirement benefits - beginning of year	13,344,622
NET POSITION RESTRICTED FOR RETIREMENT BENEFITS - END OF YEAR	$ 15,457,286

Number of Participants in Retirement Plan:	
Active	101
Retiree	37

SAN LUIS & DELTA-MENDOTA
WATER AUTHORITY

SUPPLEMENTARY INFORMATION
STATEMENT OF FIDUCIARY NET POSITION - SECTION 401A RETIREMENT PLAN 109325
February 28, 2021

ASSETS		
Contributions receivable - employer	$	5,222
Investments:		
Money market funds		31,694
Target date funds		1,031,415
Stock mutual funds		2,613,835
Stable value		743,751
Bond funds		516,518
International stock funds		330,591
Real estate fund		18,028
Total Investments		5,285,832
TOTAL ASSETS		5,291,054
TOTAL NET POSITION RESTRICTED FOR RETIREMENT BENEFITS	$	5,291,054

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - SECTION 401A RETIREMENT PLAN 109325

For the Year Ended February 28, 2021

ADDITIONS		
Contributions - employer	$	130,359
Contributions - employee		129,358
Increase in fair value of investments		867,927
Other credits		108
TOTAL ADDITIONS		1,127,752
DEDUCTIONS		
Benefit payments		212,793
Administrative expenses		3,333
TOTAL DEDUCTIONS		216,126
NET INCREASE (DECREASE) IN NET POSITION		911,626
Net position restricted for retirement benefits - beginning of year		4,379,428
NET POSITION RESTRICTED FOR RETIREMENT BENEFITS - END OF YEAR	$	5,291,054

Number of Participants in Retirement Plan:	
Active	21
Retiree	9

COMPLIANCE REPORT

RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

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

To the Board of Directors
San Luis & Delta-Mendota Water Authority
Los Banos, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of the San Luis & Delta-Mendota Water Authority (the Authority) as of and for the year ended February 28, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 1, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
San Luis & Delta Mendota Water Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

November 1, 2021