SAN LUIS & DELTA-MENDOTA
WATER AUTHORITY

AUDITED FINANCIAL STATEMENTS

February 28, 2022

SAN LUIS & DELTA-MENDOTA
WATER AUTHORITY

AUDITED FINANCIAL STATEMENTS

February 28, 2022 and 2021

TABLE OF CONTENTS

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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), as of and for the years ended February 28, 2022 and 2021, 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, 2022 and 2021, 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 and 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 May 30, 2023, 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

May 30, 2023

Overview

The following Management's 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 2022 in comparison to fiscal years 2021 and 2020 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, money owed for member agency 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

	2022	2021	2021/2022 Variance	% Change	2020	2020/2021 Variance	% Change
Assets							
Current Assets	$ 59,783,929	$ 63,065,477	$ (3,281,548)	-5%	$ 39,393,314	$ 23,672,163	60%
Capital Assets, Net A/D	$ 4,911,603	$ 4,670,563	$ 241,040	5%	$ 4,576,691	$ 93,872	2%
Other Assets	$ 45,501,325	$ 44,533,421	$ 967,904	2%	$ 44,935,956	$ (402,535)	-1%
Total Assets	$ 110,196,857	$ 112,269,461	$ (2,072,604)	-2%	$ 88,905,961	$ 23,363,500	26%
Deferred Outflows of Resources	$ 187,252	$ 197,108	$ (9,856)	100%	$ -	$ 197,108	0%
Liabilities							
Current Liabilities	$ 47,606,381	$ 49,128,888	$ (1,522,507)	-3%	$ 37,522,988	$ 11,605,900	31%
Debt Borrowings, S/T	$ 2,255,190	$ 2,336,755	$ (81,565)	-3%	$ 1,048,061	$ 1,288,694	123%
Debt Borrowings, L/T	$ 48,043,993	$ 47,833,959	$ 210,034	0%	$ 39,844,070	$ 7,989,889	20%
Other Liab., Comp. Abs.	$ 1,276,527	$ 1,307,765	$ (31,238)	-2%	$ 1,266,421	$ 41,344	3%
Total Liabilities	$ 99,182,091	$ 100,607,367	$ (1,425,276)	-1%	$ 79,681,540	$ 20,925,827	26%
Net Position							
Total Net Position	$ 11,202,018	$ 11,859,202	$ (657,184)	-6%	$ 9,224,421	$ 2,634,781	29%

Current Assets

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

Fiscal Year 2022 Compared to 2021. At February 28, 2022, current assets totaled $59.78 million which was a $3.28 million or 5% decrease from the prior year. This decrease, as compared to February 28, 2021, was primarily due to a decrease of $10.15 million in current cash and cash equivalents and a decrease of $7.09 million of restricted cash for San Luis Joint Use due the completion of multiple water year final accounting refunds, offset by a $9.43 million increase in restricted Project Use Energy cash due to the timing of bills received from the U.S. Bureau of Reclamation (Reclamation). Areas with an increase in cash from 2021 to 2022 included $7.54 million in prepaid assets for a credit on account received from Department of Water Resources from the 2022 Project Use Energy credit from Reclamation.

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 Jones Pumping Plant Rewind Project (JPP Rewind or Rewind), 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.

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 2022 Compared to 2021. At February 28, 2022, net capital assets totaled $4.91 million net of accumulated depreciation, which was an increase from fiscal year 2021 of approximately $0.24 million, or 5%. This increase is a net result of purchases of heavy equipment and other vehicles, offset by disposals and depreciation for the year.

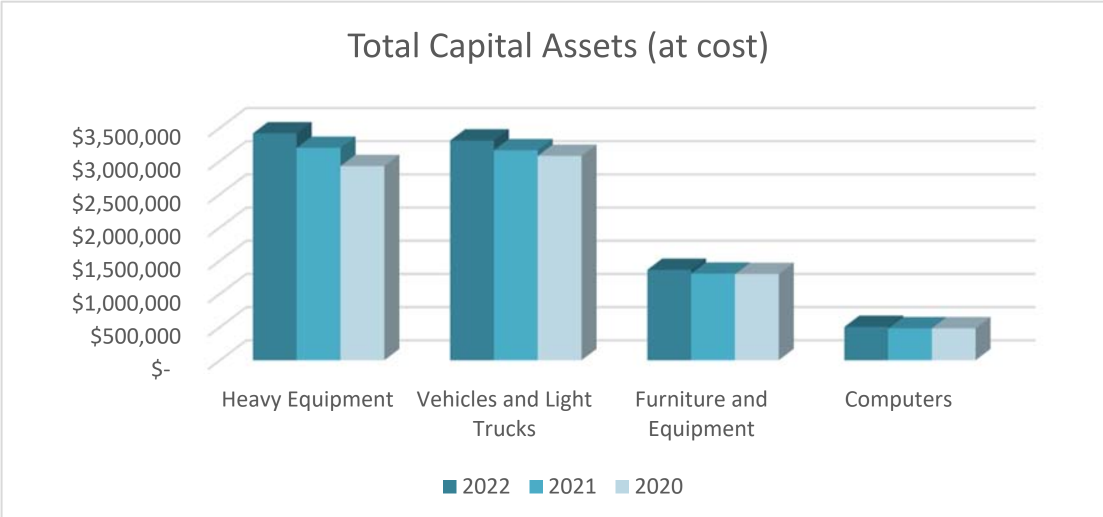
Fiscal Year 2021 Compared to 2020. At February 28, 2021, net capital assets totaled $4.67 million net of accumulated depreciation, which was an increase from $4.58 million in fiscal year 2020 of approximately $0.94 million, or 2%. This increase is a net result of fixed asset additions, disposals, and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

	2022	2021	2020
Heavy Equipment	$ 3,416,235	$ 3,197,599	$ 2,923,685
Vehicles and Light Trucks	$ 3,307,975	$ 3,162,274	$ 3,076,222
Furniture and Equipment	$ 1,361,272	$ 1,302,857	$ 1,296,869
Computers	$ 500,722	$ 479,059	$ 479,059
Total Fixed Assets at Cost	$ 8,586,204	$ 8,141,789	$ 7,775,835
Less Accumulated Depreciation	$ (3,674,601)	$ (3,471,226)	$ (3,199,144)
Net Fixed Assets	$ 4,911,603	$ 4,670,563	$ 4,576,691

Major capital asset events during the 2021 and 2022 fiscal years included the following:

- Heavy equipment purchases totaled $0.30 million, with disposals totaling $0.08 million.
- Vehicle purchases and replacements were $.17 million with disposals totaling $.03 million.
- Furniture and equipment purchases totaled $0.15 million, with disposals totaling $0.09 million.
- Computer purchases totaled $0.02 million, with no disposals.

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 the Rewind Project financing and prepaid debt issuance costs, increased from $44.53 million in fiscal year 2021 to $45.50 million in fiscal year 2022. This was mainly due to an increase in collections on the Rewind Project receivable and receivables from Financing Participants of $2.58 million. More information on the Rewind Project can be found in Notes 7 and 14. The increase was offset by a $1.52 million decrease in receivables from the Delta Habitat Conservation and Conveyance Program (DHCCP) financing participants. Changes related to the DHCCP debt refunding are further described in Note 7.

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 2022 Compared to 2021. At February 28, 2022, current liabilities totaled $47.61 million, a decrease of $1.52 million or 3% from the prior year. This change is due to a $0.72 million increase in accounts payable at fiscal year-end and an increase in accrued interest payable of $0.45 million offset by a $2.63 million decrease in unearned revenue from 2021 to 2022.

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 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 "payables" to members to be reclassified as unearned revenue.

Debt Borrowings – Due within One Year

Debt Borrowings – due within one year increased from $1.05 million in 2020 to $2.34 million in 2021 and then decreased to $2.26 million in fiscal year 2022 for an overall increase of $1.21 million. 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 2022 Compared to 2021. Debt Borrowings – long-term liabilities increased $0.21 million from $47.83 million in fiscal year 2021 to $48.04 million in 2022. This minor increase was due to disbursements on the Unit 3 and 5 Rewind notes totaling $2.22 million, including a revised unit Rewind payment schedule received from the Bureau of Reclamation once all costs were finalized on the project, offset by payments of $2.09 million. More information on the Jones Pumping Plant Rewind Project and Refunding Revenue Bonds can be found in Notes 7 and 14.

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 which 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.

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 2022 Compared to 2021. The total net position at the end of fiscal year 2022 was $11.20 million, a decrease of $0.66 million from the end of fiscal year 2021. Net position decreased due to an operating gain of $1.29 million offset by a net non-operating loss of $1.95 million.

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 and net non-operating revenues of $1.60 million.

Revenues and Expenses

The following is a condensed presentation of revenues, expenses and changes in net position for the fiscal year ended February 28, 2022 in comparison to years ended February 28, 2021 and February 29, 2020:

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2022	2021	2021/2022 Variance	% Change	2020	2020/2021 Variance	% Change
Revenues & Expenses							
Operating Revenues	$ 58,835,701	$ 66,912,881	$ (8,077,180)	-12%	$ 61,749,028	$ 5,163,853	8%
Non-Operating Revenues	$ 134,814,606	$ 63,602,577	$ 71,212,029	112%	$ 20,217,303	$ 43,385,274	215%
Operating Expenses	$ (57,539,326)	$ (65,875,487)	$ 8,336,161	-13%	$ (63,472,130)	$ (2,403,357)	4%
Non-Operating Expenses	$ (136,768,165)	$ (62,005,190)	$ (74,762,975)	121%	$ (20,270,199)	$ (41,734,991)	206%
Net Income (Loss)	$ (657,184)	$ 2,634,781	$ (3,291,965)		$ (1,775,998)	$ 4,410,779	
Net Position - Beg. of Year	$ 11,859,202	$ 9,224,421	$ 2,634,781	29%	$ 11,000,419	$ (1,775,998)	-16%
Net Position - End of Year	$ 11,202,018	$ 11,859,202	$ (657,184)	-6%	$ 9,224,421	$ 2,634,781	29%

Operating & Non-Operating Revenues

- **Operating Revenues**

Fiscal Year 2022 Compared to 2021. Fiscal year 2022 operating revenues were $58.84 million, a decrease of nearly $8.08 million as compared to fiscal year 2021. Details to support this decrease include:

1. Water conveyance fees increased $0.63 million.

2. Project Use Energy fees decreased $5.37 million due to a decrease in the estimated payment schedule received from Reclamation as well as a credit applied to the account resulting in a decrease in revenues and increase in unearned revenues.

3. An increase of water conveyance fees for Unit 1 and 4 Rewind of $1.00 million, offset by a decrease in Units 2, 3, 5, and 6 Rewind revenues of $4.44 million due to the completion of those units.

4. Membership assessment revenues for the activity budget had an increased $0.22 million.

5. Other revenues increased $.27 million, mainly due to additional revenues received through final accounting true-ups completed during the fiscal year.

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. A rate component was added to the water rates in 2019 for the Unit 6 Rewind Project to cover payments required on the Unit 6 Rewind debt with Reclamation beginning in 2020, an additional rate component was added in 2020 for the unit 2 Rewind Project, and rate components for the remaining units were added to water rates in 2021. See Notes 7 and 14 for more information.

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:

6. Project Use Energy fees decreased $3.98 million.

7. 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.

8. 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.
9. Membership assessment revenues for the activity budget increased $3.40 million.

- **Non-Operating Revenues**

Fiscal Year 2022 Compared to 2021. Non-operating revenues increased $71.21 million or 112% from fiscal year 2021 for a total of $134.81 million at February 28, 2022. This is mainly due to increased water transfer activity increasing non-operating revenues by $71.36 million. Other changes include a decrease in investment income of $0.36, no bond related expenses in 2022 in comparison to $0.60 million in 2021, an increase of $0.49 million in Extraordinary Operations and

Maintenance revenues, a decrease of $0.38 million in state grant revenue, and a $0.47 million increase in the Los Vaqueros Reservoir Expansion revenue.

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. This increase of $44.58 million is from water transfer activity, as offset by a $1.58 million decrease in investment income.

Operating & Non-Operating Expenses

- **Operating Expenses**

  Fiscal Year 2022 Compared to 2021. Total operating expenses for fiscal year 2022 were $57.54 million, a decrease of $8.34 million from 2021. The 2022 decrease is a net result of $5.36 million decrease in Project Use Energy costs, a $0.43 million decrease in Delta-Mendota Canal/California Aqueduct Intertie (DMC-CAQ Intertie) conveyance costs, a $6.24 decrease due to the completion of Unit 2 and 5 Rewind Projects, and an increase of $3.64 million due to the start of the Unit 3 and 4 Rewind Projects. See Notes 7 and 14 for more information about the JPP Rewind Projects.

  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.

- **Non-Operating Expenses**

  Fiscal Year 2022 Compared to 2021. Total non-operating expenses increased $74.76 million or 121% from $62.01 million in fiscal year 2021 for a total of $136.77 million in non-operating expenses in fiscal year 2022. This increase is mainly due to an increase of $71.36 million of water transfer expenses, an increase of $1.95 million of Extraordinary O&M costs, as well as $1.60 million in refunds to water users related to the completion of water year 2018 and water year 2019 final accountings and an interim DMC-CAQ Intertie cost allocation true-up for years 2012 through 2019.

  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 from water transfer activities.

Long-Term Debt

In 2019, the Authority entered into a repayment contract with 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 repayment contract as the expenses were not fully incurred at the end of fiscal year 2019. In June 2020, the Authority executed a second repayment contract with Reclamation for the Unit 5 Rewind Project of $5.27 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.

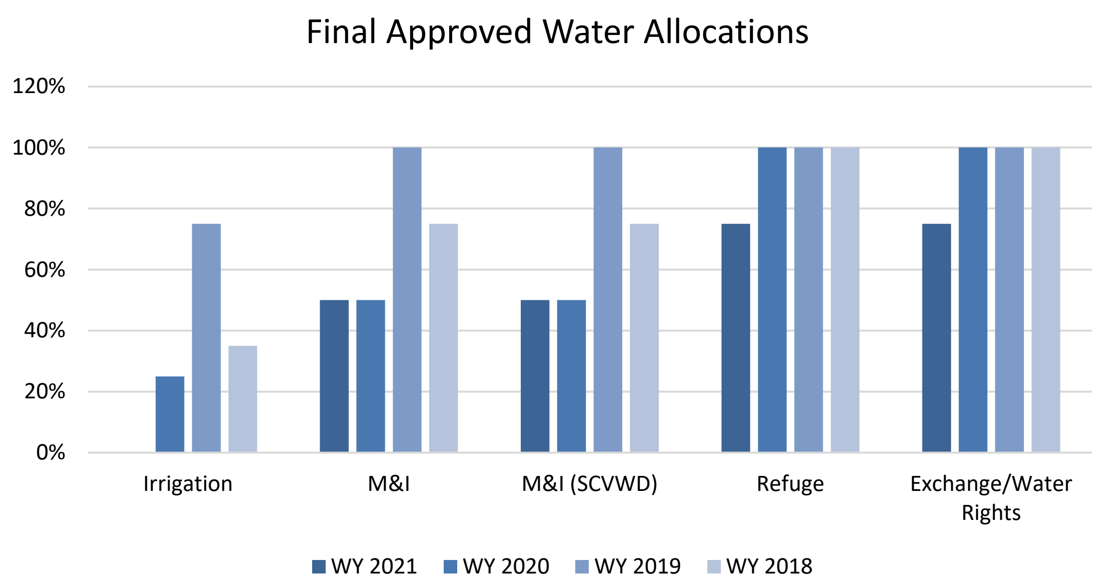
In January 2021, the Water Authority issued $32.73 million in Series 2021B Refunding Revenue Bonds in order to provide funds to defease $30.08 million of the outstanding Series 2013A Revenue Notes issued to finance the DHCCP program. The bonds will be repaid by the DHCCP financing participants as described in Note 7. In fiscal year 2022, the Authority made payments of $1.58 million on the debt. See Note 7 for more information regarding long-term debt.

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

In 2022, the Authority recognized additional debt of $1.8 million and $0.37 million to Reclamation for the Unit 3 and Unit 5 Rewind Project. The total debt will be included with the 2021 debt and repaid over 20 years in installments of $0.28 million per year at the U.S. Treasury interest rate. Reclamation has not provided a debt repayment schedule for Unit 3.

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 fiscal 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, 2022 and 2021

		2022	2021
ASSETS			
Current Assets:			
Cash and cash equivalents:			
Unrestricted		$ 3,864,297	$ 14,011,744
Restricted - available for current operations		4,147,385	3,182,395
Restricted - available for Project Use Energy		12,765,585	3,332,309
Restricted - available for Rewind Project		6,958,965	8,403,304
Restricted - available for San Luis Joint Use		12,313,462	19,401,359
Receivables:			
Accounts, net		11,682,089	14,289,238
Prepaid expenses		7,686,363	145,317
Inventory		365,783	299,811
	Total Current Assets	59,783,929	63,065,477
Noncurrent Assets:			
Restricted cash and cash equivalents:			
Emergency reserve fund		2,050,000	1,950,000
Debt service		2,301,444	2,386,944
Grant retention receivable		111,540	284,268
Receivables, Unit 1, 3, 4, 5 and 6 Rewind Project		11,403,341	8,762,209
Receivables, DHCCP financing participants		29,635,000	31,150,000
Capital assets (net of accumulated depreciation)		4,911,603	4,670,563
	Total Noncurrent Assets	50,412,928	49,203,984
	TOTAL ASSETS	110,196,857	112,269,461
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding of debt		187,252	197,108
LIABILITIES			
Current Liabilities:			
Accounts payable		21,062,501	20,347,028
Accrued payroll and related liabilities		155,141	305,099
Accrued interest payable		502,916	50,471
Unearned revenue		25,552,326	28,185,449
Current portion of compensated absences payable		891,313	745,434
Current portion of long-term liabilities		2,255,190	2,336,755
	Total Current Liabilities	50,419,387	51,970,236
Noncurrent Liabilities:			
Grant retention payable		333,497	240,841
Compensated absences payable		385,214	562,331
Long-term liabilities, net of current portion		48,043,993	47,833,959
	Total Noncurrent Liabilities	48,762,704	48,637,131
	TOTAL LIABILITIES	99,182,091	100,607,367
NET POSITION			
Investment in capital assets		4,911,603	4,670,563
Restricted for activity agreements		3,267,431	2,653,228
Restricted for emergency reserve fund		2,050,000	1,950,000
Unrestricted		972,984	2,585,411
	TOTAL NET POSITION	$ 11,202,018	$ 11,859,202

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, 2022 and 2021

	2022	2021
OPERATING REVENUES		
Water conveyance fees, operations and maintenance	$ 14,987,895	$ 14,354,643
Project Use Energy (PUE) fees	14,903,129	20,275,550
San Luis Joint Use facility fees	13,670,493	13,681,333
Water conveyance fees - Unit 1 & Unit 4 Rewind	3,116,791	2,114,539
Water conveyance fees - Unit 2 Rewind		1,290,584
Water conveyance fees - Unit 3 & Unit 5 Rewind	2,167,806	5,281,205
Water conveyance fees - Unit 6 Rewind	106,553	148,277
United States Bureau of Reclamation service contract	231,409	437,894
Membership assessments, activity budget	8,046,250	7,831,110
Delta Habitat Conservation and Conveyance Program (DHCCP) revenue	717,871	877,505
Other revenue	887,504	620,241
TOTAL OPERATING REVENUES	58,835,701	66,912,881
OPERATING EXPENSES		
Salaries and related benefits	13,101,375	12,779,303
Project Use Energy (PUE) costs	14,903,129	20,261,208
San Luis Joint Use facility costs	13,600,371	13,857,382
Office expense	66,878	78,019
Tools and supplies	20,771	31,748
Janitorial and uniform expense	52,295	49,856
Legal and professional services	5,894,120	5,904,411
Security	120	270
License and education	195,660	155,852
Other services	149,154	115,113
Building, machinery and equipment	918,706	873,874
Membership and fees	111,379	116,014
Travel	51,023	39,064
Meetings	9,203	6,955
Auto expenses	398,746	368,157
Parts and materials	211,629	238,789
Telephone and communications	150,662	138,401
Utilities	106,760	117,348
Insurance	241,676	217,791
Intertie conveyance	791,976	1,226,696
Grassland Basin Drainage specific	960,211	949,812
Depreciation	335,648	311,094
Unit 1 Rewind expense	1,314,331	1,755,108
Unit 2 Rewind expense		1,290,584
Unit 3 Rewind expense	1,845,950	
Unit 4 Rewind expense	1,792,542	
Unit 5 Rewind expense	316,695	5,269,256
Unit 6 Rewind expense		35,370
Allocated indirect costs	(1,684)	(311,988)
TOTAL OPERATING EXPENSES	57,539,326	65,875,487
OPERATING INCOME (LOSS)	1,296,375	1,037,394

SAN LUIS & DELTA-MENDOTA
WATER AUTHORITY

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

For the Years Ended February 28, 2022 and 2021

	2022	2021
NONOPERATING REVENUES (EXPENSES)		
Investment income	$ (237,663)	$ 124,615
Interest expense	(1,062,154)	(1,678,826)
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	(4,548)	(501,269)
Water transfer revenue	127,986,913	56,625,173
Water transfer expense	(127,986,913)	(56,625,173)
Extraordinary operations and maintenance reserve revenue	4,309,461	3,822,965
Extraordinary operations and maintenance reserve expense	(3,481,384)	(1,532,686)
State grant revenue	1,374,656	1,759,115
State grant expense	(1,201,925)	(394,147)
Los Vaqueros Reservoir Expansion revenue	1,124,230	651,639
Los Vaqueros Reservoir Expansion expense	(1,124,230)	(651,639)
Refunds to water users	(1,598,395)	
Gain (loss) on disposition of assets	(67,716)	12
Central California Irrigation District turnouts revenue	6,492	6,549
Central California Irrigation District turnouts expense		(3,660)
Firebaugh Canal Water District turnouts revenue	3,175	3,325
Firebaugh Canal Water District turnouts expense		(1,544)
Extraordinary operations and maintenance vehicle usage recovery income	4,671	
Columbia Canal Company projects revenue	5,008	3,378
Columbia Canal Company projects expense	(3,237)	(4,535)
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,953,559)	1,597,387
CHANGE IN NET POSITION	(657,184)	2,634,781
NET POSITION AT BEGINNING OF YEAR	11,859,202	9,224,421
NET POSITION AT END OF YEAR	$ 11,202,018	$ 11,859,202

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, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	$ 62,318,952	$ 74,992,235
Cash payments to suppliers for goods and services	(50,712,415)	(53,860,149)
Cash payments to employees for services	(13,724,606)	(13,429,170)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(2,118,069)	7,702,916
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Principal paid on long-term debt	(2,091,755)	(34,635,533)
Interest paid on long-term debt	(599,853)	(4,806,973)
Long-term debt issued	(2,266,858)	38,419,745
Net water transfers	(27,267)	(531,895)
Extraordinary O & M Reserve projects revenue	4,314,132	3,822,965
Extraordinary O & M Reserve projects expense	(3,481,384)	(1,532,686)
Noncapital grants receipts	1,441,259	1,760,451
Noncapital grant expense	(953,215)	(93,787)
Refund to water users	(1,598,395)	
Other projects revenue	1,138,905	664,891
Other projects expenses	(1,127,467)	(661,378)
Bond issuances cost paid		(507,174)
NET CASH (USED) PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	(5,251,898)	1,898,626
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(644,404)	(420,954)
Proceeds from disposal of capital assets		16,000
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(644,404)	(404,954)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	(252,546)	44,192
Investment sold		3,995,301
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	(252,546)	4,039,493
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(8,266,917)	13,236,081
Cash and cash equivalents, beginning of year	52,668,055	39,431,974
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 44,401,138	$ 52,668,055
Cash and cash equivalents - financial statement classification:		
Unrestricted	$ 3,864,297	$ 14,011,744
Restricted - available for current operations	4,147,385	3,182,395
Restricted - available for Project Use Energy	12,765,585	3,332,309
Restricted - available for Rewind Project	6,958,965	8,403,304
Restricted - available for San Luis Joint Use	12,313,462	19,401,359
Restricted for emergency reserve fund	2,050,000	1,950,000
Restricted for debt service	2,301,444	2,386,944
TOTAL CASH AND CASH EQUIVALENTS	$ 44,401,138	$ 52,668,055

(Continued)

SAN LUIS & DELTA-MENDOTA
WATER AUTHORITY

STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended February 28, 2022 and 2021

	2022	2021
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 1,296,375	$ 1,037,394
Adjustments to reconcile operating income/(loss) to net cash provided by operating activities:		
Depreciation expense	335,648	311,094
Changes in operating assets and liabilities:		
Accounts receivable, net	4,601,374	(6,494,632)
Prepaid expenses	(7,541,046)	(48,653)
Inventory	(65,972)	20,666
Prepaid expenses - debt issuance costs		126,520
Receivables, Unit 5 and Unit 6 Rewind project		237,776
Receivables, DHCCP financing participants	1,515,000	1,930,000
Accounts payable	462,215	(1,896,495)
Accrued payroll and related liabilities	(181,196)	(13,092)
Unearned revenue	(2,633,123)	12,406,210
Retention payable	92,656	86,128
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ (2,118,069)	$ 7,702,916
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Loan proceeds receivable from Reclamation	$ (1,845,950)	$ (2,360,625)
Grant pass-through receivable	(106,125)	(45,000)
Water transfer pass-through receivable	(27,267)	(2,091,557)
Elimination of refunded bond premium		(2,333,509)
Deferred amount on refunding		(197,999)
Amortization of deferred amount on refunding	9,856	891
Amortization of bond prepaid insurance		126,520
Unrealized gain (loss) on investments	(56,969)	(382,619)

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): Association of California Water Agencies (ACWA), ACWA Joint Powers Insurance Authority, and the State and Federal Water Contractors Agency. The Authority is generally not responsible for the liabilities for the JPAs under the JPA agreements and only has a residual interest in any assets held by the JPAs upon termination of the agreements. However, see Note 11.H for a discussion of the 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 economic resources measurement focus. Under the 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 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.

E. 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. The Authority charges operation, maintenance and replacement (OM&R) water rates for the conveyance of water to recoup "OM&R Costs." The First Amended and Restated Memorandum of Understanding Between Friant Water Users Authority and San Luis & Delta-Mendota Water Authority Relating to Allocation, Collection and Payment of Operation, Maintenance & Replacement Costs for Water Delivered Through Certain Central Valley Project Facilities (Friant MOU) defines OM&R Costs as "Costs of providing OM&R for the Project Facilities pursuant to the SLDMWA Transfer Agreement, including without limitation conveyance pumping costs associated therewith."

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

The charges are paid by water contractors each month for the next calendar month based on the estimated acre-feet of water deliveries and estimated rates set by the Authority and approved by the Board of Directors, which includes the Authority's estimated OM&R Costs, 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.

F. Prepaid Expenses: Prepaid expenses at February 28, 2022 and 2021 represented payments made to the Association of California Water Agencies Joint Powers Insurance Authority for various forms of insurance. Prepaid expenses at February 28, 2022 also included an overpayment of PUE costs of $7,924,775 and activity agreement costs of $265,763 that benefited periods beyond year-end.

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 certain Central Valley Project facilities 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

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

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 statement of net position 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. 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.

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 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 and 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 and other capital payables 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. Restricted net position includes the amount restricted for the emergency reserve fund and 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. 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 Statement. This Statement will be implemented during the year ended February 28, 2023.

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

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 will be implemented during the year ended February 29, 2024.

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 will be implemented during the year ended February 29, 2024.

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 another 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. This Statement will be implemented during the year ended February 28, 2023.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022.* This Statement enhances comparability in accounting and financial reporting and consistency in authoritative literature,

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

including the classification and reporting of derivative instruments within the scope of Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument; clarification of provisions of Statement 87, *Leases*, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset and identification of lease incentives; clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement term, classification as short-term and recognition of a subscription liability; extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt; accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP); disclosures related to nonmonetary transactions; pledges of future revenues when resources are not received by the pledging government; clarification of provisions in Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, related to the focus of the government-wide financial statements; terminology updates related to provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position; and terminology used in Statement No. 53 to refer to resource flows statements. This Statement will be implemented during the year ended February 28, 2025.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections, an Amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for each type of accounting change, including changes in accounting principles, changes in accounting estimates and changes to or within the financial reporting entity, and error corrections. This Statement requires changes in accounting principles and error corrections to be reported retroactively by restating prior periods; requires changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period; and requires changes in accounting estimates to be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of new pronouncements in absence of specific transition provisions in the new pronouncement. This Statement also requires the aggregate amount of adjustments to and restatements of beginning net position, fund balance or fund net position, as applicable, to be displayed by reporting unit in the financial statements. Furthermore, this Statement requires information presented in required supplementary information or supplementary information to be restated for error corrections, if practicable, but not for changes in accounting principles. This Statement will be implemented during the year ended February 28, 2025.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized for leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or paid in cash or settled through noncash means and leave that has been used but not paid in cash or settled through noncash means. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in the liability for compensated absences. This Statement requires that a liability for certain types of compensated absences, including parental leave, military leave and jury duty leave, not be recognized until the leave commences. Certain salary related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared

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

using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. Governments are allowed to disclose the net change in the liability if identified as such in the footnotes to the financial statements. This Statement will be implemented during the year ended February 28, 2025.

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, 2022 and 2021:

	2022	2021
Cash and cash equivalents:		
Unrestricted	$ 3,864,297	$ 14,011,744
Restricted - available for current operations	4,147,385	3,182,395
Restricted - available for project use energy	12,765,585	3,332,309
Restricted - available for pump rewind project	6,958,965	8,403,304
Restricted - available for San Luis Joint Use	12,313,462	19,401,359
Restricted - emergency reserve fund	2,050,000	1,950,000
Restricted - debt service	2,301,444	2,386,944
Total cash and investments	$ 44,401,138	$ 52,668,055

Cash and investments were classified as follows under GASB Statement No. 40 at February 28, 2022 and 2021:

	2022	2021
Cash and investments consisted of the following:		
Cash on hand	$ 1,000	$ 1,000
Deposits with financial institutions	10,646,094	17,967,279
Investments	33,754,044	34,699,776
Total cash and investments	$ 44,401,138	$ 52,668,055

<u>Investment Policy</u>: 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.

<u>Investments Authorized by Debt Agreements</u>: 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.

NOTE 2 – CASH AND INVESTMENTS (Continued):

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, 2022	Fair Value	12 Months or Less	More than 12 to 24 Months	More than 24 to 60 Months
Local Agency Investment Fund	$ 4,519,345	$ 4,519,345		
CalTRUST	26,933,256	12,961,561		$ 13,971,695
Held by bond trustee:				
Money market funds	2,301,443	2,301,443		
Totals	$ 33,754,044	$ 19,782,349	$ -	$ 13,971,695

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	$ -

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:

February 28, 2022	Fair Value	Minimum Legal Rating	AAA	AAf	AA-f	Not Rated
Local Agency Investment Fund	$ 4,519,345	N/A				$ 4,519,345
CalTRUST	26,933,256	N/A		$ 12,961,561	$ 13,971,695	
Held by bond trustee:						
Money market funds	2,301,443	AAA	$ 2,301,443			
	$ 33,754,044		$ 2,301,443	$ 12,961,561	$ 13,971,695	$ 4,519,345

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

NOTE 2 – CASH AND INVESTMENTS (Continued):

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, 2022 and 2021, the carrying amount of the Authority's deposits was $10,646,094 and $17,967,279 and the balance in financial institutions was $10,919,407 and $18,563,257, respectively. Of the balance in financial institutions, $250,000 at February 28, 2022 and 2021 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 319 and 198 days as of February 28, 2022 and 2021, respectively. The Authority invests in the 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 310 and 296 days as of February 28, 2022 and 2021, respectively. The weighted average maturity of medium-term funds in CalTRUST was 763 and 756 days as of February 28, 2022 and 2021, 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 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, 2022 and 2021:

	2022	2021
Membership assessments		$ 362,933
Other receivables	$ 849,532	467,225
Due from other governments	10,830,167	13,441,808
Interest receivable	2,390	17,272
Total accounts receivable	11,682,089	14,289,238
Grant retention receivable	111,540	284,268
Unit 1, 3, 4, 5 and 6 Rewind Project	11,403,341	8,762,209
DHCCP financing participants	29,635,000	31,150,000
Total	$ 52,831,970	$ 54,485,715

NOTE 4 – CAPITAL ASSETS:

Capital asset activity was as follows:

February 28, 2022

Capital Assets	Balance at March 1, 2021	Additions	Retirements	Balance at February 28, 2022
Capital assets, being depreciated:				
Heavy equipment	$ 3,197,599	$ 299,424	$ (80,788)	$ 3,416,235
Vehicles and light trucks	3,162,274	171,396	(25,695)	3,307,975
Furniture and equipment	1,302,857	151,921	(93,506)	1,361,272
Computers	479,059	21,663		500,722
Total capital assets, being depreciated	8,141,789	644,404	(199,989)	8,586,204
Less accumulated depreciation:				
Heavy equipment	(807,256)	(114,105)	27,135	(894,226)
Vehicles and light trucks	(1,334,099)	(154,818)	23,440	(1,465,477)
Furniture and equipment	(968,568)	(33,004)	81,698	(919,874)
Computers	(361,303)	(33,721)		(395,024)
Total accumulated depreciation	(3,471,226)	(335,648)	132,273	(3,674,601)
Capital assets, net	$ 4,670,563	$ 308,756	$ (67,716)	$ 4,911,603

NOTE 4 – CAPITAL ASSETS:

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

NOTE 5 – ACCOUNTS PAYABLE:

Accounts payable consisted of the following at February 28, 2022 and 2021:

	2022	2021
Other governments	$ 17,232,715	$ 17,396,975
Vendors	3,829,786	2,950,053
Total	$ 21,062,501	$ 20,347,028

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 Project Use Energy rate component is based on cost estimates provided by Reclamation 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, 2022 and 2021:

	2022	2021
Contractors:		
O&M (including Rewind Project)	$ 1,053,657	$ 11,481,446
Project Use Energy	21,631,159	9,913,443
San Luis Joint Use	2,867,510	6,790,560
Total	$ 25,552,326	$ 28,185,449

NOTE 7 – LONG-TERM LIABILITIES:

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

February 28, 2022	Balance at March 1, 2021	Additions	Reductions	Balance at February 28, 2022	Due Within One Year
Revenue Bonds, Series 2021A	$ 7,690,000			$ 7,690,000	$ 245,000
Refunding Revenue Bonds, Series 2021B	32,725,000		$ (1,575,000)	31,150,000	1,515,000
	40,415,000		(1,575,000)	38,840,000	1,760,000
USBR Unit 3 Rewind Note		$ 1,845,950		1,845,950	
USBR Unit 5 Rewind Note	5,269,256	374,274	(242,867)	5,400,663	214,797
USBR Unit 6 Rewind Note	4,486,458		(273,888)	4,212,570	280,393
Total debt	50,170,714	2,220,224	(2,091,755)	50,299,183	2,255,190
Compensated absences	1,307,765	1,746,444	(1,777,682)	1,276,527	891,313
Total	$ 51,478,479	$ 3,966,668	$ (3,869,437)	$ 51,575,710	$ 3,146,503

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 5 Rewind Note		5,269,256		5,269,256	242,867
USBR Unit 6 Rewind Note	4,718,622	35,370	(267,534)	4,486,458	273,888
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

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 into 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), 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 then reimburses 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

NOTE 7 – LONG-TERM LIABILITIES (Continued):

March 1, 2023. The fair value of the amount in the escrow account was $4,091,339 and $4,101,109 at February 28, 2022 and 2021, respectively.

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 $10,804,720 and $10,904,941 at February 28, 2022 and 2021, respectively. Total cash basis principal and interest paid for the 2021A Bonds was $452,907 and $345,905 and the total cash basis OM&R revenues was $53,822,870 and $66,200,193 for the years ended February 28, 2022 and 2021, respectively.

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, prior to the bonds being refunded in 2021, 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 was $39,760,643 and $47,719,830, at February 28, 2022 and 2021, respectively. Total cash basis principal and interest paid for the 2021B and 2013A Bonds (prior to refunding in 2021) was $1,959,187 and $2,452,471 and the total Financing Participant Payments in total for the Bonds was $2,182,433 and $2,452,471 at February 28, 2022 and 2021, 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 Jones Pumping Plant Rewind Note (Private Placement):

In June 2020, the Authority entered into an agreement to receive up to $12,700,000 combined for units 2, 3, 4 and 5 from the United States Bureau of Reclamation to rewind the Units of the C.W. "Bill" Jones Pumping Plant. The obligation was on a cost reimbursement basis, with a separate repayment contract created on the substantial completion date for each unit. After entering into the agreement, the Authority chose to self-fund the rewind of Unit 2 and to finance the other three units through this financing method. At February 28, 2022, the rewinds of Units 5 and 6 were completed and separate repayment agreements were in place with the United States Bureau of Reclamation. As of February 28, 2022, Unit 3 rewind was not substantially complete but had incurred costs of $1,845,950. The United States Bureau of Reclamation has not yet provided a debt service maturity schedule for this unit, but the amount will be repaid in installments annually from project completion to February 2046. 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 currently 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 additional charges to water conveyance fees to repay the existing obligations for Units 5 and 6. A long- term receivable is recognized for the contractors' obligation to provide sufficient water conveyance fees to repay the Rewind Notes for Units 5 & 6. The receivable is equal to the liability outstanding, less revenue collected 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

NOTE 7 – LONG-TERM LIABILITIES (Continued):

cost reimbursement basis and the Authority incurred $5,612,808 as of February 28, 2022. A preliminary repayment schedule was provided by the United States Bureau of Reclamation showing the amount would be repaid in installments of $248,028 per year on the last day of February from February 2022 to February 2044. A revised repayment schedule was presented to the Authority in October 2022, updating the annual installment amount to $282,305 with a stated interest amount of 1.25%. 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 component to the water rates 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 collected from the contractors for principal payments. Revenue collected for interest payments is recognized in the year the interest payments are due.

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 component to the water rates in order 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.

Debt Refunding: On January 26, 2021, the Authority issued Refunding Revenue Bonds, Series 2021B and used the proceeds along with other funds to refund $30,010,000 of the 2013A Bonds. The 2013A bonds had a principal outstanding of $32,280,000 at February 28, 2022 and were fully defeased on March 1, 2023.

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

February 28, 2022

Year Ended Last Day of February,	Revenue Bonds, Series 2021A Principal	Revenue Bonds, Series 2021A Interest	Total Debt Service
2023	$ 245,000	$ 206,364	$ 451,364
2024	245,000	203,277	448,277
2025	250,000	200,158	450,158
2026	255,000	196,977	451,977
2027	255,000	193,763	448,763
2028-2032	1,365,000	887,809	2,252,809
2033-2037	1,550,000	691,200	2,241,200
2038-2042	1,835,000	420,880	2,255,880
2043-2046	1,690,000	110,560	1,800,560
Total	$ 7,690,000	$ 3,110,988	$ 10,800,988

NOTE 7 – LONG-TERM LIABILITIES (Continued):

Year Ended Last Day of February,	Refunding Revenue Bonds, Series 2021B Principal	Interest	Total Debt Service
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	1,350,000	618,080	1,968,080
2028-2032	7,065,000	2,748,592	9,813,592
2033-2037	7,860,000	1,918,173	9,778,173
2038-2042	9,015,000	726,028	9,741,028
2043-2043	160,000	2,431	162,431
Total	$ 31,150,000	$ 8,610,643	$ 39,760,643

Reclamation has not provided a repayment schedule for the Unit 3 note payable.

Year Ended Last Day of February,	USBR Rewind Note, Unit 5 Principal	Interest	Total Debt Service
2023	$ 214,797	$ 67,508	$ 282,305
2024	217,482	64,823	282,305
2025	220,201	62,104	282,305
2026	222,953	59,352	282,305
2027	225,740	56,565	282,305
2028-2032	1,171,739	239,788	1,411,527
2033-2037	1,246,826	164,701	1,411,527
2038-2042	1,326,726	84,802	1,411,528
2043-2044	554,199	10,415	564,614
Total	$ 5,400,663	$ 810,058	$ 6,210,721

Year Ended Last Day of February,	USBR Rewind Note, Unit 6 Principal	Interest	Total Debt Service
2023	$ 280,393	$ 100,048	$ 380,441
2024	287,052	93,389	380,441
2025	293,869	86,572	380,441
2026	300,849	79,592	380,441
2027	307,994	72,447	380,441
2028-2032	1,653,230	248,976	1,902,206
2033-2035	1,089,183	52,141	1,141,324
Total	$ 4,212,570	$ 733,165	$ 4,945,735

NOTE 7 – LONG-TERM LIABILITIES (Continued):

February 28, 2021

Year Ended Last Day of February,	Revenue Bonds, Series 2021A Principal	Revenue Bonds, Series 2021A Interest	Total Debt Service
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 Principal	Refunding Revenue Bonds, Series 2021B Interest	Total Debt Service
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	2,075,000	36,403	2,111,403
Total	$ 32,725,000	$ 8,994,830	$ 41,719,830

Year Ended Last Day of February,	USBR Rewind Note, Unit 5 Principal	USBR Rewind Note, Unit 5 Interest	Total Debt Service
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	728,602	15,482	744,084
Total	$ 5,585,948	$ 118,702	$ 5,704,650

NOTE 7 – LONG-TERM LIABILITIES (Continued):

Year Ended Last Day of February,	USBR Rewind Note, Unit 6 Principal	USBR Rewind Note, Unit 6 Interest	Total Debt Service
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

Note that the Unit 5 amortization schedule provided by Reclamation above included $316,692 of expenses incurred after February 28, 2021. The liability recorded by the Authority at February 28, 2021 does not include this amount.

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, 2022 and 2021 was $2,050,000 and $1,950,000, 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, 2022 and 2021:

	2022			2021		
	O&M	Activity Agreements and Other	Total	O&M	Activity Agreements and Other	Total
OPERATING EXPENSES						
Salaries and related benefits	$ 11,754,586	$ 1,346,789	$ 13,101,375	$ 11,698,290	$ 1,081,013	$ 12,779,303
Project use energy (PUE) costs	14,903,129		14,903,129	20,261,208		20,261,208
San Luis joint use facility costs	13,600,371		13,600,371	13,857,382		13,857,382
Office expense	55,478	11,400	66,878	69,796	8,223	78,019
Tools and supplies	20,771		20,771	31,748		31,748
Janitorial and uniform expense	52,066	229	52,295	49,856		49,856
Legal and professional services	280,805	5,613,315	5,894,120	246,676	5,657,735	5,904,411
Security	120		120	270		270
License and education	34,857	160,803	195,660	22,027	133,825	155,852
Other services	134,808	14,346	149,154	97,146	17,967	115,113
Building, machinery and equipment	860,238	58,468	918,706	614,855	259,019	873,874
Membership and fees	31,220	80,159	111,379	26,032	89,982	116,014
Travel	29,835	21,188	51,023	34,717	4,347	39,064
Meetings	4,145	5,058	9,203	4,937	2,018	6,955
Auto expenses	378,141	20,605	398,746	334,615	33,542	368,157
Parts and materials	211,393	236	211,629	231,836	6,953	238,789
Telephone and communications	71,692	78,970	150,662	115,509	22,892	138,401
Utilities	106,760		106,760	102,704	14,644	117,348
Insurance	239,248	2,428	241,676	207,274	10,517	217,791
Intertie conveyance	791,976		791,976	1,226,696		1,226,696
Grassland Basin Drainage specific		960,211	960,211		949,812	949,812
Depreciation	335,648		335,648	311,094		311,094
Unit 1 Rewind expenses	1,314,331		1,314,331	1,755,108		1,755,108
Unit 2 Rewind expenses				1,290,584		1,290,584
Unit 3 Rewind expenses	1,845,950		1,845,950			
Unit 4 Rewind expenses	1,792,542		1,792,542			
Unit 5 Rewind expenses	316,695		316,695	5,269,256		5,269,256
Unit 6 Rewind expenses				35,370		35,370
Allocated indirect costs	(437,258)	435,574	(1,684)	(454,695)	142,707	(311,988)
Total Operating Expenses	48,729,547	$ 8,809,779	$ 57,539,326	57,440,291	$ 8,435,196	$ 65,875,487
Reconciliation to O&M fees:						
Less depreciation	(335,648)			(311,094)		
Add investment and other income	558,768			16,934		
Total O&M fees	$ 48,952,667			$ 57,146,131		
Total O&M fees consists of:						
Water conveyance fees, O&M	$ 14,987,895			$ 14,354,643		
Project Use Energy (PUE) fees	14,903,129			20,275,550		
San Luis Joint Use facility fees	13,670,493			13,681,333		
Water conveyance fees, Unit 1 & 4 Rewind	3,116,791			2,114,539		
Water conveyance fees, Unit 2 Rewind				1,290,584		
Water conveyance fees, Unit 3 & 5 Rewind	2,167,806			5,281,205		
Water conveyance fees, Unit 6 Rewind	106,553			148,277		
	$ 48,952,667			$ 57,146,131		

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 109325 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, 2022 and 2021, the employer contributions to the Plans were $897,203 and $860,001 and the employee contributions were $147,305 and $129,358, 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, 2022 and 2021, the employer contributions were $300,761 and $291,792 and the employee contributions were $621,507 and $595,057, respectively.

NOTE 11 – COMMITMENTS AND CONTINGENCIES:

A . Litigation

The Authority is involved in various litigation matters, including five matters where the Authority is a named defendant, respondent, or real party in interest. See Sections C and D below for more detail regarding these 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

PCFFA et al. v. Conant et al. Litigation filed by a coalition of fishermen's organizations and an individual in late 2011 remained pending in federal court throughout Fiscal Year 2022. The litigation alleges that the Authority and the United States Bureau of Reclamation (Reclamation) have violated the Clean Water Act by failing to obtain a National Pollution Elimination System Discharge (NPDES)

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued):

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 and have been properly regulated under State law. On September 2, 2016, the District Court issued its decision on cross-motions for summary judgment in favor of the Authority and the Federal Defendants, and on August 9, 2017, denied the Plaintiffs' petition for reconsideration. Plaintiffs appealed, and on September 6, 2019, the Ninth Circuit Court of Appeal issued its opinion reversing the District Court and remanding the case. Subsequently, the Ninth Circuit denied petitions for rehearing and on December 30, 2019, remanded the case back to the District Court. 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. Following additional expert discovery, merits briefing (including additional expert evidence) concluded on September 9, 2022. The District Court held oral argument on cross motions for summary judgment on January 31, 2023. On February 21, 2023, the court issued an order denying plaintiffs' motion for summary judgment and granting in party and denying in part defendants' motions for summary judgment. The plaintiffs filed a notice of appeal to the Ninth Circuit Court of Appeals on April 19, 2023. Therefore, at the present time an unfavorable outcome is possible, but not probable, and were there such an unfavorable outcome, the amount of any liability cannot reasonably be determined.

NCRA et al. v. SLDMWA et al. 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. On January 8, 2023, the trial court issued a ruling rejecting all petitioner claims; the petitioners filed an appeal on March 23, 2023. At the present time, an unfavorable outcome is possible, but not probable, and were there such an unfavorable outcome, the amount of any liability cannot reasonably be determined.

Winnemem Wintu Tribe, et al., v. State Water Resources Control Board and Central Valley Regional Control Board, et al.,in which the Authority was named as a Real Party in Interest, was closed on March 16, 2023, following a stipulated dismissal between the plaintiffs and the Defendants. No potential liability remains following the resolution of this litigation matter.

D. Other Legal Matters in Which the Authority is a Named Defendant or Respondent

AquAlliance v. U.S. Bureau of Reclamation, et al. On May 11, 2020, plaintiffs filed a complaint (later twice amended) challenging the Long-Term Water Transfers Environmental Impact Statement/ Environmental Impact Report; the Authority is a named defendant. The lawsuit seeks to invalidate certain actions by the Federal Defendants and the Authority and does not involve claims for monetary damages except for a possible award of plaintiffs' costs including attorney fees. The lawsuit was fully briefed as of January 17, 2022. An unfavorable outcome could affect the ability of certain Authority members to purchase certain types of transfer water. At the present time, an unfavorable outcome is possible, but not probable, and were there such an unfavorable outcome, the amount of any liability cannot reasonably be determined.

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued):

AquAlliance v. SLDMWA. On October 18, 2021, petitioners filed a petition challenging the Authority's adoption of an Addendum to the 2019 Final Long-Term Water Transfers Environmental Impact Statement / Environmental Impact Report. On November 18, 2021, the court entered an order staying the case pending resolution of the *AquAlliance v. U.S. Bureau of Reclamation et al.* litigation described above. The lawsuit seeks to invalidate certain actions by the Authority and does not involve claims for monetary damages except for a possible award of petitioners' costs including attorney fees. It is far too preliminary at this time to assess the outcome or the likelihood of any material liability of the Authority.

E. Lease Agreements

The Authority leases its headquarters building in Los Banos, California, an office in Sacramento, California, and various equipment.

The Los Banos lease was extended through February 28, 2026 with monthly rents of $7,680 and $8,525 during the years ended February 28, 2023 and February 29, 2024. The rent increases from March 1, 2024 through February 28, 2026 will be subject to increases based on a Consumer Price Index. The future minimum lease payments for the Los Banos office will be as follows for the years ending the last day of February 2023, 2024, 2025 and 2026: $92,160, $102,298, $102,298 and $102,298, respectively.

While the Sacramento office changed locations in spring 2021, the lease remains on a month-to-month basis, and for 2022 includes a monthly lease amount of $3,783. The lease payment increased to $3,878 in fiscal year 2023. Future years are subject to escalation that are passed through to all tenants by the landlord.

All other leases are on a month-to-month basis. Lease expense incurred during the years ended February 28, 2022 and 2021 was $151,776 and $171,819, respectively.

F. B.F. Sisk Dam Raise and Reservoir Expansion Project

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 and Reservoir Expansion Project. 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 dam failure due to earthquake induced cracking. In connected action to the B.F Sisk Safety of Dams (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. The Authority budgeted a total of $730,000 to further develop this project in the FY22 budget. In March of 2022, the Authority organized an activity agreement among members interested in funding the project, with an initial funding budget of $1,000,000. In May 2022, the Authority entered into a multiyear contract for project management consulting with the Hallmark Group authorizing a not to exceed amount of $1,085,126.

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued):

G. Jones Pumping Plant Rewind Project

At February 28, 2022, the Authority was in the process of rewinding Units 1, 3, and 4 of the Jones Pumping Plant. The Unit 1, 3, and 4 approved contract amounts were $4,382,771, $4,564,875, and $4,428,956 and the remaining commitments, including unpaid retention, were $1,464,430, $2,830,222, and $2,745,041.

H. 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. 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 fully fund its 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.

NOTE 12 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS (Continued):

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, 2022 and 2021. 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, 2022 and 2021.

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.

Settlement Water is provided to Settlement Contractors, as defined in the Friant MOU, under settlement and exchange agreements with Reclamation. 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 Settlement Water to specified Settlement Contractors. 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

NOTE 13 - MEMORANDUM OF UNDERSTANDING WITH FRIANT WATER AUTHORITY

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. Subsidence 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. 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 existing CA are expected by the end of 2023. The Authority is funding approximately $1,572,000 for this project during FY23.

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

NOTE 14 – SUBSEQUENT EVENTS (Continued):

228 stator coils, rehabilitating the 70-year-old stator frame, and removing, refurbishing, and re-installing the 40 rotor field poles. Water deliveries are not anticipated to be reduced during the rehabilitation work of the Jones Pumping Plant.

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 completed in April 2022. The fifth unit (Unit 4) rehabilitation began in June 2021. The fourth 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), began in February 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.

NOTE 14 – SUBSEQUENT EVENTS (Continued):

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**

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 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.

NOTE 14 – SUBSEQUENT EVENTS (Continued):

In September 2022 WAPA informed Reclamation and the SLDMWA that WAPA would not be moving forward with executing the agreements necessary to implement the SLTP. All work ceased and a payment to the Authority's bond counsel in the amount of $95,000 was made in October 2022. The planned financing did not and is not expected to occur.

LOS VAQUEROS RESERVOIR EXPANSION PROJECT

The Authority executed Amendment #3 to the Cost Share Agreement for Los Vaqueros Reservoir Expansion Project Planning and committed to a payment of up to $897,120 (executed October 14, 2021). Subsequently, the Authority executed Amendment #4 on January 12, 2023 to the Cost Share Agreement and committed to a payment of up to $1,094,000. The obligation for such payments is the responsibility of the Los Vaqueros Reservoir Expansion Activity Agreement members.

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 authorizes the Authority to execute the Los Vaqueros Reservoir Joint Exercise of Powers Agreement and participate in the Los Vaqueros Reservoir Joint Powers Authority as a member on behalf of the Activity Agreement members. Subsequently, a fifth member, the City of Tracy, joined the Activity Agreement in November 2021; 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. The Authority has already received its share of the project cost reimbursement and the grant is expected to end January 31, 2024.

INFRASTRUCTURE INVESTMENT AND JOBS ACT FUNDING

Reclamation approved allocations to the Authority of $25 million for the Jones Pumping Plant Excitation Cabinet and Control Panel Refurbishment Project and an additional $25 million for the Delta-Mendota Canal Subsidence Correction Project from funding provided to Reclamation through the Infrastructure Investment and Jobs Act.

O'NEILL PUMPING-GENERATING PLANT POWER TRANSFORMERS REHABILITATION CONSTRUCTION CONTRACT

In May 2023, the Board of Directors approved a construction agreement for O'Neill Pumping-Generating Plant Power Transformer Rehabilitations with expenditure of up to $3,155,800.

SUPPLEMENTARY INFORMATION

SAN LUIS & DELTA-MENDOTA
WATER AUTHORITY

SUPPLEMENTARY INFORMATION
STATEMENT OF FIDUCIARY NET POSITION - SECTION 401A RETIREMENT PLAN 109164
February 28, 2022 and 2021

	2022	2021
ASSETS		
Contributions receivable - employer		$ 28,734
Loan balance	$ 608,816	629,090
Investments:		
Money market funds	75,384	62,471
Target date funds	2,420,759	1,836,938
Stock mutual funds	10,104,197	10,340,858
Bond funds	1,486,962	710,266
International stock funds	1,915,931	1,681,725
Real estate fund		167,204
Total Investments	16,003,233	14,799,462
TOTAL ASSETS	16,612,049	15,457,286
TOTAL NET POSITION RESTRICTED FOR RETIREMENT BENEFITS	$ 16,612,049	$ 15,457,286

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

For the Year Ended February 28, 2022 and 2021

	2022	2021
ADDITIONS		
Contributions - employer	$ 755,120	$ 729,642
Contributions - rollovers into plan	111,942	104,247
Net appreciation in fair value of investments	633,176	2,254,446
Loans issued	214,262	271,806
Other credits		158
TOTAL ADDITIONS	1,714,500	3,360,299
DEDUCTIONS		
Benefit payments	267,531	1,030,272
Loan repayments	255,033	203,103
Administrative expenses	16,898	14,260
Other debits	20,275	
TOTAL DEDUCTIONS	559,737	1,247,635
NET INCREASE IN NET POSITION	1,154,763	2,112,664
Net position restricted for retirement benefits - beginning of year	15,457,286	13,344,622
NET POSITION RESTRICTED FOR RETIREMENT BENEFITS - END OF YEAR	$ 16,612,049	$ 15,457,286
Number of Participants in Retirement Plan:		
Active	86	101
Retiree	14	37

SAN LUIS & DELTA-MENDOTA
WATER AUTHORITY

SUPPLEMENTARY INFORMATION
STATEMENT OF FIDUCIARY NET POSITION - SECTION 401A RETIREMENT PLAN 109325
February 28, 2022 and 2021

ASSETS		
Contributions receivable - employer		$ 5,222
Investments:		
Money market funds	$ 26,639	31,694
Target date funds	1,342,285	1,031,415
Stock mutual funds	2,501,360	2,613,835
Stable value	1,134,822	743,751
Bond funds	367,592	516,518
International stock funds	248,397	330,591
Real estate fund	2,762	18,028
Total Investments	5,623,857	5,285,832
TOTAL ASSETS	5,623,857	5,291,054
TOTAL NET POSITION RESTRICTED FOR RETIREMENT BENEFITS	$ 5,623,857	$ 5,291,054

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

February 28, 2022 and 2022 and 2021

ADDITIONS		
Contributions - employer	$ 142,083	$ 130,359
Contributions - employee	147,305	129,358
Increase in fair value of investments	257,050	867,927
Other credits	18	108
TOTAL ADDITIONS	546,456	1,127,752
DEDUCTIONS		
Benefit payments	208,940	212,793
Administrative expenses	4,713	3,333
TOTAL DEDUCTIONS	213,653	216,126
NET INCREASE IN NET POSITION	332,803	911,626
Net position restricted for retirement benefits - beginning of year	5,291,054	4,379,428
NET POSITION RESTRICTED FOR RETIREMENT BENEFITS - END OF YEAR	$ 5,623,857	$ 5,291,054

Number of Participants in Retirement Plan:		
Active	18	21
Retiree	8	9

COMPLIANCE REPORT

RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

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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 San Luis & Delta-Mendota Water Authority (the Authority) as of and for the year ended February 28, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 30, 2023.

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

May 30, 2023