

**DELTA CONVEYANCE
FINANCE AUTHORITY**

Audited Statements of Cash Receipts and Disbursements

June 30, 2021 and 2020

DELTA CONVEYANCE FINANCE AUTHORITY

AUDITED STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

June 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Delta Conveyance Finance Authority
Sacramento, California

We have audited the accompanying financial statements of the Delta Conveyance Finance Authority (the Authority), which comprise the statements of cash receipts and disbursements for the years ended June 30, 2021 and 2020, and the related notes to the financial statements.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note A; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts and cash disbursements of the Authority for the years ended June 30, 2021 and 2020, in accordance with the cash basis of accounting described in Note A.

Board of Directors
Delta Conveyance Finance Authority

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. These financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Richardson & Company, LLP

October 12, 2021

DELTA CONVEYANCE FINANCE AUTHORITY

STATEMENTS OF CASH RECEIPTS AND CASH DISBURSEMENTS

Years Ended June 30, 2021 and 2020

	2021	2020
CASH RECEIPTS		
Contributions from member agencies	\$ -	\$ 550,000
Interest income	7,181	12,586
TOTAL CASH RECEIPTS	7,181	562,586
 CASH DISBURSEMENTS		
Executive director	15,764	54,918
Insurance premiums	8,635	11,943
Treasury and accounting	30,000	30,000
Meeting expenses	-	200
Professional services	15,008	70,084
TOTAL CASH DISBURSEMENTS	69,407	167,145
(DEFICIENCY)/EXCESS OF RECEIPTS OVER DISBURSEMENTS	(62,226)	395,441
Cash and investments at beginning of year	621,471	226,030
CASH AND INVESTMENTS AT END OF YEAR	\$ 559,245	\$ 621,471

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

DELTA CONVEYANCE FINANCE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Authority is a Joint Powers Authority organized under California Government Code Section 6505. The Authority was created on July 3, 2018 to assist the Department of Water Resources (DWR) and public agency participants to finance all or a portion of the California WaterFix. The California WaterFix was conceived as a major infrastructure project to deliver water from the Sacramento River near the northern end of the Sacramento-San Joaquin Delta to the existing State Water Project and Central Valley Project pumping plants in the southern end of the delta. On May 2, 2019, as a result of the Governor's determination that a smaller facility was appropriate, DWR withdrew its proposed permits for the California WaterFix and initiated a renewed environmental process for a smaller project. The final decision regarding whether to approve a reconfigured Delta Conveyance Project or another alternative, including a/no project alternative, will not occur until after completion of the environmental review under the California Environmental Quality Act and National Environmental Policy Act, and other permitting activities have been completed. DWR has indicated such activities will not be completed until mid-2024. The Authority may still assist in the financing of any resulting project.

The Authority's members consist of water agencies that contract with DWR for the purchase of water. Its operations are supported by the collection of contributions from its members. The governing board is made up of eleven representatives from member agencies.

Basis of Presentation and Accounting: The accompanying statements of cash receipts and disbursements has been prepared on the cash receipts and disbursements basis of accounting. Under that basis, the only asset recognized is cash and investments and no liabilities are recognized. All transactions are recognized as either cash receipts or cash disbursements, and noncash transactions are not recognized. The cash basis differs from generally accepted accounting principles primarily because revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred.

NOTE B – CASH AND INVESTMENTS

At June 30, 2021 and 2020, all of the Authority's cash and investments are maintained in Metropolitan Water District of Southern California's (MWD's) Treasury.

Investment policy: California statutes authorize agencies to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The following table identifies the investment types that are authorized for the Authority by the California Government Code (or the Authority's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

DELTA CONVEYANCE FINANCE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE B – CASH AND INVESTMENTS (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	No limit	No limit
Federal Agency Obligations	5 years	No limit	No limit
Bankers' Acceptances	180 days	40%	5%
Commercial Paper	270 days	25%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Certificates of Time Deposit	5 years	30%	No limit
Repurchase Agreements	270 days	20%	No limit
Medium-Term Corporate Notes	5 years	30%	5%
Money Market Mutual Funds	N/A	20%	No limit
Municipal Bond and Notes	5 years	40%	5%
Metropolitan Water District Pooled Investment Fund	N/A	No limit	No limit
Local Agency Investment Fund (LAIF)	N/A	N/A	No limit
California Asset Management Program (CAMP)	N/A	30%	No limit
Asset- Backed Securities	5 years	20%	5%
Supranationals	5 years	30%	No limit

The Authority complied with the provisions of the California Government Code pertaining to the types of investments held, the institutions in which deposits were made and the security requirements. The Authority will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

Investment in the MWD Investment Pool: The Authority's cash is held in the MWD's cash and investment pool which is managed by the MWD Treasurer. The Authority's cash balances invested in the MWD Treasurer's cash and investment pool are stated at amortized cost, which approximated fair value. The amount invested by all public agencies in MWD's cash and investment pool is \$1,479,417,000 and fair value of \$1,481,908,000 at June 30, 2021 and \$1,241,905,000 and fair value of \$1,252,120,000 at June 30, 2020. MWD does not invest in any derivative financial products. MWD's Board delegates to the treasurer the oversight responsibility for MWD's cash and investment pool. The value of pool shares in MWD that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Authority's position in the pool. Cash held in the MWD's investment pool will be disbursed within 5 days. Close-out of the cash held in the pool requires 30-day notice.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority's investment in MWD's pool has an average maturity of 186 days as of June 30, 2021 and 235 days as of June 30, 2020.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The external investment pool is not rated.

Concentration of Credit Risk: The investment policy of the Authority limits the amount that can be invested by any one issuer to the California Government Code. There are no investments in any one issuer (other than external investment pools) that represent 5% or more of total Authority investments.

DELTA CONVEYANCE FINANCE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE B – 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 possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. Custodial credit risk does not apply to a local government's indirect deposits or investments in securities with governmental investment pools (such as MWD's investment pool).

NOTE C – RELATED PARTY TRANSACTIONS

The Authority contracts for treasury and accounting services with MWD, who is also a member agency. The expenses for treasury and accounting services totaled \$30,000 for both the years ending June 30, 2021 and 2020.

NOTE D – CONDUIT DEBT

The Authority has the power to issue, sell and deliver, in accordance with the Joint Powers Act, bonds, notes, or other obligations to provide funds for the acquisition, construction and/or financing of the Delta Conveyance Project. The Authority Finance Program acts as a conduit of debt and as a result, the financing obligations are not recorded in the Authority's financial statement. Currently, the Authority has not issued any conduit debt as of June 30, 2021 and 2020.