

DIRECTORS

PHILIP L. ANTHONY  
KATHRYN L. BARR  
DENIS R. BILODEAU, P.E.  
SHAWN DEWANE  
JAN M. FLORY  
CATHY GREEN  
VINCENT F. SARMIENTO, ESQ.  
STEPHEN R. SHELDON  
HARRY S. SIDHU, P.E.  
ROGER C. YOH, P.E.



**ORANGE COUNTY WATER DISTRICT**  
ORANGE COUNTY'S GROUNDWATER AUTHORITY

OFFICERS

President  
SHAWN DEWANE  
  
First Vice President  
CATHY GREEN  
  
Second Vice President  
ROGER C. YOH, P.E.  
  
General Manager  
MICHAEL R. MARKUS, P.E., D.WRE

November 12, 2014

Orange County Auditor-Controller  
P.O. Box 567  
Santa Ana, CA 92702-0567  
Attention: Wendy Giltner

Attached for your information is a copy of the Orange County Water District's Comprehensive Annual Financial Report for the year ending June 30, 2014.

If you have any questions, please do not hesitate to call me at (714) 378-3271.

Sincerely,

Randy Fick  
CFO/Treasurer

Enclosure

AUDITOR-CONTROLLER

NOV 17 2014



SINCE 1933



# **Orange County Water District Comprehensive Annual Financial Report**

**for the fiscal year ended June 30, 2014 and 2013**

**Fountain Valley, California**

**ORANGE COUNTY WATER DISTRICT  
FOUNTAIN VALLEY, CALIFORNIA**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**WITH REPORT ON AUDIT  
BY INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

**FOR THE YEARS ENDED  
JUNE 30, 2014 and 2013**

**PREPARED BY:  
FINANCE DEPARTMENT**

**ORANGE COUNTY WATER DISTRICT  
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June 30, 2014 and 2013**

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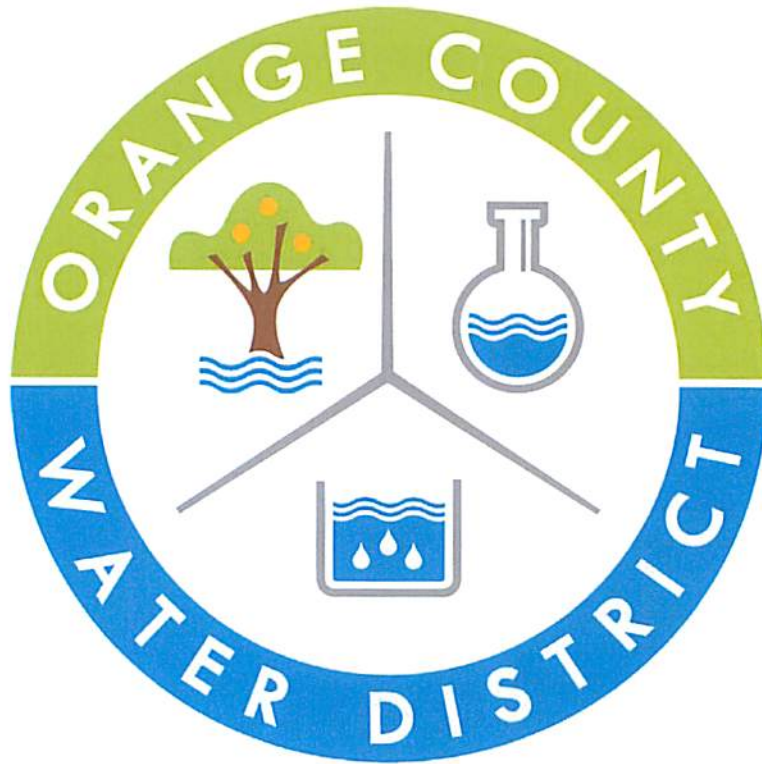
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General Manager  
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*LETTER OF TRANSMITTAL*

October 13, 2014

To the Board of Directors of the Orange County Water District:

It is our pleasure to submit the Comprehensive Annual Financial Report of the Orange County Water District (District) for the fiscal year ended June 30, 2014 and 2013. District staff worked collectively and followed guidelines set forth by the Governmental Accounting Standards Board to prepare this report. This document, which contains a complete set of basic financial statements, is presented in conformity with generally accepted accounting principles (GAAP) and audited by Lance, Soll & Lunghard, LLP, a firm of licensed certified public accountants, in accordance with generally accepted auditing standards. State law requires that all special-purpose local governments publish these basic financial statements within six months of the close of the agency's fiscal year.

Management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide a reasonable basis for making these representations, the District has established a comprehensive framework of internal controls. The District's internal controls have been designed to provide appropriate assurance that the basic financial statements will be free from material misstatements.

The goal of the independent audit was to provide reasonable assurance and not absolute assurance that the basic financial statements of the District for the fiscal year ended June 30, 2014 were free of material misstatement. The independent audit involved examining the District's records on a test basis, disclosures in the basic financial statements, assessing the accounting principles used, estimates made by management, and evaluating the overall financial statement presentation. The independent auditors rendered an unmodified opinion that the District's basic financial statements for the fiscal year ended June 30, 2014 are presented fairly in conformity with GAAP.

The Management Discussion and Analysis (MD&A), which follows the Independent Auditor's Report, provides an overview and analysis of the basic financial statements and should be read in conjunction with the financial statements.

## ***AGENCY PROFILE***

The District was formed in 1933 by a special act of the California State Legislature to protect Orange County's rights to water in the Santa Ana River. The District's primary responsibility is managing the vast groundwater basin under northern and central Orange County that supplies water to 19 cities and water districts (Producers), serving more than 2.4 million Orange County residents. The District gives highest priority to protection, safety, and enhancement of groundwater.

A ten member Board of Directors (Board), seven of whom are elected directly by voters of the District, govern the District. The other three Directors are appointed by their representative city councils of Anaheim, Fullerton and Santa Ana. The District currently has 216 employees overseeing day-to-day activities at the direction of the General Manager.

The District Act provides for local financing of the District's operations by a combination of ad valorem taxes and water replenishment assessments. It empowers the District to levy and collect a replenishment assessment (RA) and an additional replenishment assessment on water extracted from the groundwater basin. These monies are used to purchase supplemental water for groundwater recharge, to construct, operate and maintain water production facilities, and to acquire water rights and spreading facilities to replenish and protect the groundwater supply of the District and for administrative purposes.

The Board also sets an annual basin equity assessment (BEA) that generally represents the differential cost between pumping groundwater and purchasing supplemental water. Producers annually pay the BEA on each acre-foot pumped in excess of the basin production percentage (BPP) established by the Board.

The District primarily recharges the groundwater basin with Santa Ana River flows, Groundwater Replenishment System (GWRS) water and untreated water purchased from the Metropolitan Water District of Southern California (MWD). The Santa Ana River flows valued at about \$51.8 million a year are essentially free to the District, less the expense to capture and percolate the water, resulting in groundwater that costs about a third of the cost of MWD water imported from Northern California and the Colorado River. The Santa Ana River flows, GWRS, and MWD water are percolated into deep groundwater aquifers through spreading basins in Anaheim and Orange. By naturally filtering the water through the ground, the District saves ratepayers millions of dollars each year in water treatment costs.

The groundwater basin provides about three-fourths of all water used within the District's service area. With one of the most sophisticated groundwater protection programs in the country, the District uses more than 655 (owned and non-owned) wells providing more than 1,200 sampling points from which the District takes more than 19,600 water samples and conducts approximately 428,000 laboratory analyses every year.

The District's monitoring program looks for more than 550 contaminants, which are more than the required 144 target contaminants required by health agencies.

The District currently holds rights to all Santa Ana River flows reaching Prado Dam in Riverside County (the dam is owned by the U.S. Army Corps of Engineers for flood prevention). The District owns 2,150 acres behind the dam that is used for water conservation, water quality improvement and environmental enhancement. The District saves approximately \$13.2 million a year by collecting storm water behind Prado Dam, which is recharged into the basin instead of being lost to the ocean.

The District operates the world's largest wastewater purification facility of its kind, called the Groundwater Replenishment System (GWRS). The GWRS takes highly treated sewer water destined for the ocean, purifies it to near-distilled quality, and puts it back into the groundwater basin and the District's seawater intrusion barrier. The GWRS, a joint project of the District and the Orange County Sanitation District (OCSD), produces high-quality water for approximately 50% of the cost of MWD water, but uses less energy than is required to import water from Northern California.

Additional efforts to increase local water supplies include expanding the capacity of the existing percolation facilities, treating poor quality water to make it useable, studying methods to extend the life of water treatment filtration membranes, improving advanced purification technologies, and studying the quality of Santa Ana River water and other water-related issues. Other District activities focus on expanding the Prado wetlands, groundwater treatment at well heads, computer modeling of the groundwater basin and conservation of endangered or threatened species.

The District continues to adopt strategies to ensure that sufficient water supplies will be available in the future to replenish, protect and maximize the use of the groundwater basin; ensuring water quality continues to be a top priority for the District; extra effort is extended in the area of monitoring water quality and improving coastal conditions, along with sound financial choices to minimize the cost of projects. These extra efforts are summarized in the items listed below:

### ***Maintaining and Improving Water Quality***

Drinking water in California is among the most highly regulated and safest in the world. Operating for more than six years now, the GWRS brings Orange County's water quality to a higher level. The District conducts monitoring programs on behalf of the local water retailers to meet monitoring requirements implemented by the California Department of Health Services and the U.S. Environmental Protection Agency.

The District also implements additional monitoring programs for the purpose of groundwater management. These programs are designed to give the District an advance warning of potential problems so corrective action can be taken to protect northern and central Orange County's water supply before there is a problem.

The District's organic and inorganic laboratory provides real value to local water retailers by testing all groundwater to ensure public health. The District has always maintained a proactive policy toward maintaining water quality.



## **Improving Coastal Conditions**

Production from the basin requires coastal mitigation measures. The District has implemented various capital projects to improve coastal conditions. The District's two main objectives are to ensure high quality coastal groundwater supplies and to protect the coastal aquifer subunits from seawater intrusion through expansion of the seawater barrier.

### ***Using the Safest and Most Cost-Effective Financing Option***

The District has traditionally and successfully used long-term debt financing in the form of Certificates of Participation and low cost State loans to pay for capital projects that have increased water production, removed pockets of contamination, increased producer pumping capacity, increased the capture of Santa Ana River flows, and prevented seawater intrusion. The District is always seeking ways to minimize capital project costs.

## ***ECONOMIC CONDITION AND OUTLOOK***

The District's service boundary covers virtually the entire northern half of Orange County. More than 2.4 million Orange County residents rely on the groundwater basin for about three-fourths of their water needs. Orange County is one of the major metropolitan areas in California and the nation representing the third most populous county in the state, and fifth in the nation. Population growth is about 1.0% annually.

Orange County's economy has been slowly improving and it is expected to grow slowly in the next year. Local and statewide unemployment has gone down compared to last year. The local unemployment rate in June 2014 was 5.2% versus 7.3% for California and 6.1% for the nation. The California State Budget has passed. Although the precise implications of the state budget are unclear at this time, the District is expecting no cuts in the ad valorem property tax revenues for the upcoming fiscal year 2014-15.

During the water year 2013-14, the District replenished approximately 238,496 acre-feet (af) of water. This groundwater replenishment consisted of 87,720 af of Santa Ana River flows, 66,214 af of GWRS water, non-local recharge of 52,785 af of MWD imported water. Other water sources include natural replenishment from rainfall that provided an additional estimated 31,777 af of water.

Groundwater use in Orange County in 2013-14 was approximately 330,726 af or 107.8 billion gallons during the water year. Groundwater met 76% of the water demand within District boundaries. There are challenges ahead in meeting future water demand, but with continued investment in cost-effective capital improvement projects, the District is confident that the groundwater basin can stay ahead of demand and continue to provide a reliable, high-quality water supply.

## ***MAJOR INITIATIVES FOR THE FUTURE***

### ***District is Planning the Following Projects for Fiscal Year 2014-2015:***

The District's combined projects will provide regional and statewide benefits. All of these projects are an effective response to meeting the federal mandate to decrease California's dependency on imported waters from the Colorado River and the Sacramento-San Joaquin River Delta (the "Delta"). The current method of moving water through the Delta to the pumps of the California State Water Project is in jeopardy due to a number of factors including drought conditions, compliance with environmental regulations and competing agriculture and urban water demands. The District's projects help to diminish the region's reliance on uncertain imported water supplies

#### ***Groundwater Replenishment System Initial Expansion***

The Groundwater Replenishment System (GWRS) was designed and built to be easily expanded. With the completion of Orange County Sanitation District's Steve Anderson Lift Station in May 2009, the GWRS is receiving more feed water. Now that the GWRS is operating at full capacity of 70 million gallons per day (MGD), the District is working towards expansion of the system, which is currently under construction. Initial Expansion will increase production capacity by 30 million gallons per day (MGD) from our current capacity of 70 MGD to 100 MGD and is expected to be completed in 2015.

#### ***La Palma Basin***

The land has been purchased for the future La Palma Basin and will be dedicated to the recharge of GWRS water. An engineering design consultant has been awarded the design project and staff is currently preparing the CEQA documentation. The construction is expected to begin in the summer of 2015 and will consist of excavating and constructing the recharge basin, a pipeline connecting the basin to the existing GWRS pipeline and a pump station.

#### ***Fletcher Basin Rehabilitation***

Fletcher Basin is owned by Orange County Flood Control Division (OCFCD) and was formerly used to impede storm water flow prior to discharge into the Santa Ana River. Currently, the site is used to dispose of excess soils. The rehabilitation project would convert Fletcher Basin into a recharge basin and make improvements to enhance flood control. This project would include excavating the basin of excess soils; cleaning, hauling and disposing of soils; construction of an influent pipeline and inlet/outlet structure into the basin; construction of a low-flow channel to route nuisance water directly to the Fletcher Channel; and installation of a sump pump to evacuate the water into Fletcher Channel. The project will provide additional percolation capacity of 950 af per year and has been awarded to a contractor to start construction.

### ***Mid-Basin Injection Demonstration Project – Phase II***

The well equipping (Phase II) of the Mid-Basin Injection Demonstration Project is currently underway. Phase II involves equipping the injection well with a 30'x50' building which will contain piping, a backwash pump and motor, a micro hydro turbine, electrical panels and controls, valves, meters, and a power transformer. The injection well is projected to recharge up to 3.0 million gallons per day of water from the GWRS.

### ***Alamitos Barrier Improvements***

This is a joint project between the Engineering, Hydrogeology and Planning departments to develop improvements to the Alamitos Barrier to strengthen the control over seawater intrusion. Numerous issues need to be addressed including the condition of the barrier pipeline, new injection wells, and additional source water for injection.

### ***Prado Basin Sediment Management in the Santa Ana River***

The District and the Army Corps of Engineers have been engaged in discussion regarding the need to address sediment transportation in the Santa Ana River. Currently, this sediment is trapped behind the Prado dam which reduces flood control and water conservation capabilities. A study has been undertaken to develop a method of moving sediment through the Prado dam. Once complete, a dredging operation will be utilized behind the dam to demonstrate the effectiveness of sediment removal.

### ***Burris Pump Station***

The District has completed the design for the Phase I construction. Phase I involves draining Burris Basin and constructing a portion of the building site and an earthen berm. The berm will protect the construction site from being inundated with water while the existing pump station continues to operate. This will allow Phase 2 construction, the final construction of the wet well and pump station, to occur throughout the coming storm season.

### ***The components that comprise the O.C. Family Water Conservation Program are:***

#### ***Water Conservation Program***

The District is dedicated to the creation, promotion and management of water education and conservation programs within its boundaries. Each year, District staff gives more than 70 presentations to community leaders and groups and conducts more than 200 tours of District facilities. The goal of the District's water conservation, outreach and education programs is to draw families' attention to the state's water needs and crisis, teach them useful and simple ways to reduce water consumption and respect this natural resource, and have them make life-long commitments to conserving water.

### ***Children's Water Education Festival***

The Children's Water Education Festival is the largest event of its kind in the nation, serving 7,000 elementary school students every year. Thanks to more than 400 volunteers and the support of Disneyland Resort Environmental Affairs, the Festival celebrated its 17th anniversary in March 2014. This two-day event brings the classroom outdoors and teaches children about water resources, recycling, pollution prevention, wetland preservation and other environmental topics through interactive and hands-on activities.

Over the past 18 years, the Festival has educated more than 100,000 students, teachers and parents. This educational field trip is widely sought after by educators.

### ***O.C. Water Summit***

The annual O.C. Water Summit teaches individuals, business, community and civic leaders where our water comes from, and provides information about the water supply crisis and water quality challenges we face. The 7-year old event educates the public on what temporary measures are in place to address these issues as well as possible solutions to water reliability and preserving the Bay-Delta, California's main source of water.

A collaborative effort between businesses, water agencies and local governments, the Summit provides a platform for individuals in the community to work with water utilities and legislators on creating and implementing solutions that will see Orange County through future water challenges.

### ***O.C. Water Hero Program***

The O.C. Water Hero Program was designed to make water conservation fun while helping children and parents develop effective water-use efficiency habits that will last a lifetime.

When a child signs up to commit to saving 20 gallons of water a day, he or she receives a letter confirming a Water Hero status along with a Water Hero Kit that includes a Water Hero badge, Water Waster "Fix It Ticket" pad, conservation stickers, a five-minute shower timer, activity pages based on California state teaching standards and a water saving pledge card for parents to sign and return. When the Water Hero's parent pledges to save 20 gallons of water a day too, then the child becomes a Water Superhero. Superheroes receive a certificate, indoor/outdoor water saving tips and a t-shirt. The goal is to raise awareness of the need to conserve water and motivate county residents to reduce their water consumption by 20 gallons per day, per person. Since its inception in 2007, almost 20,000 Water Heroes and Superheroes have enrolled in the program.

### ***Facility Tours, Speaker's Bureau and Water 101***

As a leader in water reuse and groundwater management, the District receives hundreds of requests annually to provide tours and briefings for visitors from local colleges, water agencies, the surrounding community and international organizations. Through its active speaker's bureau program, the District also receives requests for representatives to go out to the community and speak to numerous organizations and schools, as well as at local, national and international conferences.

The District is committed to proactive public outreach and education and will make every effort to accommodate requests for speakers and tours. Educating the public about advanced wastewater purification is important to garnering support for future GWRS-like projects that are being planned around the world.

O.C. Water 101 is a free water education class offered to residents and colleges. The class focuses on the global water crisis, how water affects health, California's unique water situation, what the future holds for water supplies in Orange County and what water agencies are doing to help conserve available water resources. The class also includes discussions on high-tech solutions to help alleviate water shortages today and in the future, as well as provides individuals with the resources and information necessary to save water.

### ***SERVICE EFFORTS AND ACCOMPLISHMENTS***

Many parts of the world are experiencing drought and water shortages, including the southwestern and southeastern United States, Singapore, the Middle East and Australia. Government and water officials in these areas constantly look for new sources to provide a reliable, long-term water supply. As technology increases and public opinion shifts, treating wastewater at an advanced recycled water treatment facility is now a viable water source for many of these areas.

Through the success of the District's Groundwater Replenishment System (GWRS), indirect potable reuse (IPR) projects have been implemented or are being planned. More than 20,000 visitors have toured GWRS since 2008, many of whom were international water experts and elected officials from six continents hoping to learn more about IPR and ultimately replicate the project in their regions. As an example, guests have hailed from across the U.S., Mexico, Canada, Brazil, Israel, Spain, Greece, Kenya, Japan, China, Korea, Germany, Britain, Italy, Russia, Australia, Singapore, India and Taiwan.

Some of the more notable visitors to the GWRS included Governor of California Jerry Brown; Senator Dianne Feinstein; Congresswomen Loretta Sanchez and Grace Napolitano; Congressmen Tom McClintock, Gary Miller, Dana Rohrabacher and Ed Royce; and Lt. Governor John Garamendi.

In California alone, there are more than five other GWRS-like projects currently being developed by other agencies including the City of San Diego, Los Angeles Department of Water and Power, Santa Clara Valley Water District, and the GRIP Project sponsored by four water agencies in Los Angeles County.

The GWRS has been featured in hundreds of print and broadcast stories, both mainstream and trade press, locally, nationally and internationally. In 2004, four years before it was constructed and operational, the project had already been in more than 40 balanced media reports including *ABC Nightly News* with Peter Jennings, *National Public Radio*, and the *Wall Street Journal*.

The District has received numerous awards for its service efforts and accomplishments in the recent years. The District is known globally for its leadership and innovation. Its work on water quality and reliability, the environment, and sound financial management has been recognized by local and international organizations.

The following list of awards is representative of the acclaim and recognition bestowed on the District and the GWRS from 2010 through June 2013.

**2014:**

Orange County Water and Sanitation Districts were honored with the U.S. Water Prize by the U.S. Water Alliance for their joint project, the Groundwater Replenishment System, and were lauded as global leaders in reclamation and reuse. (April 2014)

The Lee Kuan Yew Water Prize, an international water award, was presented to OCWD for its pioneering work in groundwater management and water reclamation using advanced water reuse technologies, as well as for its achievements in public policy and community outreach. (June 2014)

**2013:**

American Academy for Environmental Engineers and Scientists recognized the District with the Environmental Education Award for its ongoing GWRS outreach campaign. (April 2013)

Southwest Membrane Operators Association recognized the District and the District's Principal Process Engineer & GWRS Program Manager Mehul Patel, P.E., with Distinguished Service Awards. Patel received the award for five years of service on the SWMOA Board of Directors and the District for allowing its staff to participate and contribute to the goals and mission of the Association. (April 2013)

**2012:**

American Water Works Association (AWWA) and American Membrane Technology Association (AMTA) recognized the GWRS with the Membrane Facility of the Year Award. (February 2012) Water Reuse Association, California Section recognized the District's Director of Water Production William (Bill) Dunivin with the 2012 Recycled Water Staff Person of the Year Award. (March 2012)

Bolsa Chica Conservancy recognized the District with the 2012 Conservator of the Year Award for its leadership in environmental conservation in groundwater quality, reliability and sustainability, and for its commitment and dedication to conservation through its highly acclaimed GWRS and many other programs. (December 2012)

## ***RELEVANT FINANCIAL POLICIES***

### **Internal Control Structure**

District management is responsible for the establishment and maintenance of the internal control structure that ensures that the assets of the District are protected from loss, theft, or misuse. The internal control structure also ensures that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurance that these objectives are met.

The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

### ***Accounting and Budgetary Policies***

The District maintains its accounting records on an accrual basis. A great deal of consideration is given to the adequacy of internal accounting controls in developing and evaluating the District's accounting system. Internal accounting controls are designed to provide reasonable assurance regarding: (1) the safeguard of District assets against theft or unauthorized use; and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets.

The District's Board of Directors adopts an annual budget prior to June 30 each fiscal year. The budget includes proposed expenses by department (function) and the means of financing them. Budgetary controls and evaluation are affected by comparisons of actual revenue and expenses with planned revenues and expenses for the period. The Board approves total budgeted appropriations and any amendments to the appropriations throughout the year. The District has adopted a Uniform Purchasing Policy that identifies agreed-upon purchasing standards.

### ***Debt Management***

The District's debt mainly consists of Certificates of Participation (COP), Revenue Refunding Bonds, state loans and commercial paper. The District has executed 14 issuances since 1989. Only four issuances are outstanding (2003A, 2005B, 2009A & 2013A) as of June 30, 2014. Other issuances are either current, advanced refunded, defeased or refinanced with the help of the state loans and refunding bonds.

The District has a letter of credit financing agreement supporting a commercial paper program with Bayerische Landesbank. The District has credit capacity of \$45 million to meet its future financing needs thru the commercial paper program. During the fiscal year 2013-14 the District used \$28.4 million of commercial paper debt to purchase land for the La Palma basin.

During the FY 2012-13, the District issued \$53 million of new revenue refunding bonds debt to defease its 2003B COPs. This current refunding resulted in \$14 million present value savings in future debt service cost.

The District has an AAA rating from Fitch and Standard & Poor's and an Aa1 rating from Moody's based on the District's long-term credit quality. The ratings mean the District is one of the highest rated water agencies in the State of California. Maintaining a high rating saves the District and local water rate payers millions of dollars by allowing the District to borrow money more easily and at lower rates.

The high ratings reflect great confidence in the District's general and fiscal management and its leadership in the water industry. It bears truth to the District's competitive Replenishment Assessment, particularly in comparison to alternative water supply options, strong debt service coverage, and the District's ability to address Southern California's long-term water supply problems with new water projects like the GWRS.

***OTHER INFORMATION***

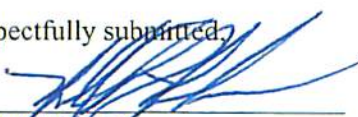
Independent Audit: The District policy, as well as sound financial practice, requires an annual audit of financial records and transactions of all operations of the District by independent certified public accountants selected by the Board of Directors. The accounting firm of Lance, Soll & Lunghard, LLP, was selected to perform the (2013-14) audit. The auditor's opinion is included in this report.

Awards: The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Orange County Water District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe our current CAFR continues to meet the Certificate of Achievement requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate of achievement.

Acknowledgements: The preparation of a comprehensive annual financial report on a timely basis is a large task, made possible only by the combined efforts of many persons. Employees of the Finance Department deserve special recognition. Without their efforts, the completion of this report would not have been possible. We would also like to thank and recognize the members of the Board of Directors, the General Manager, and especially the Administration and Finance Committee members for their continued support in the planning and implementation of the District's fiscal policies.

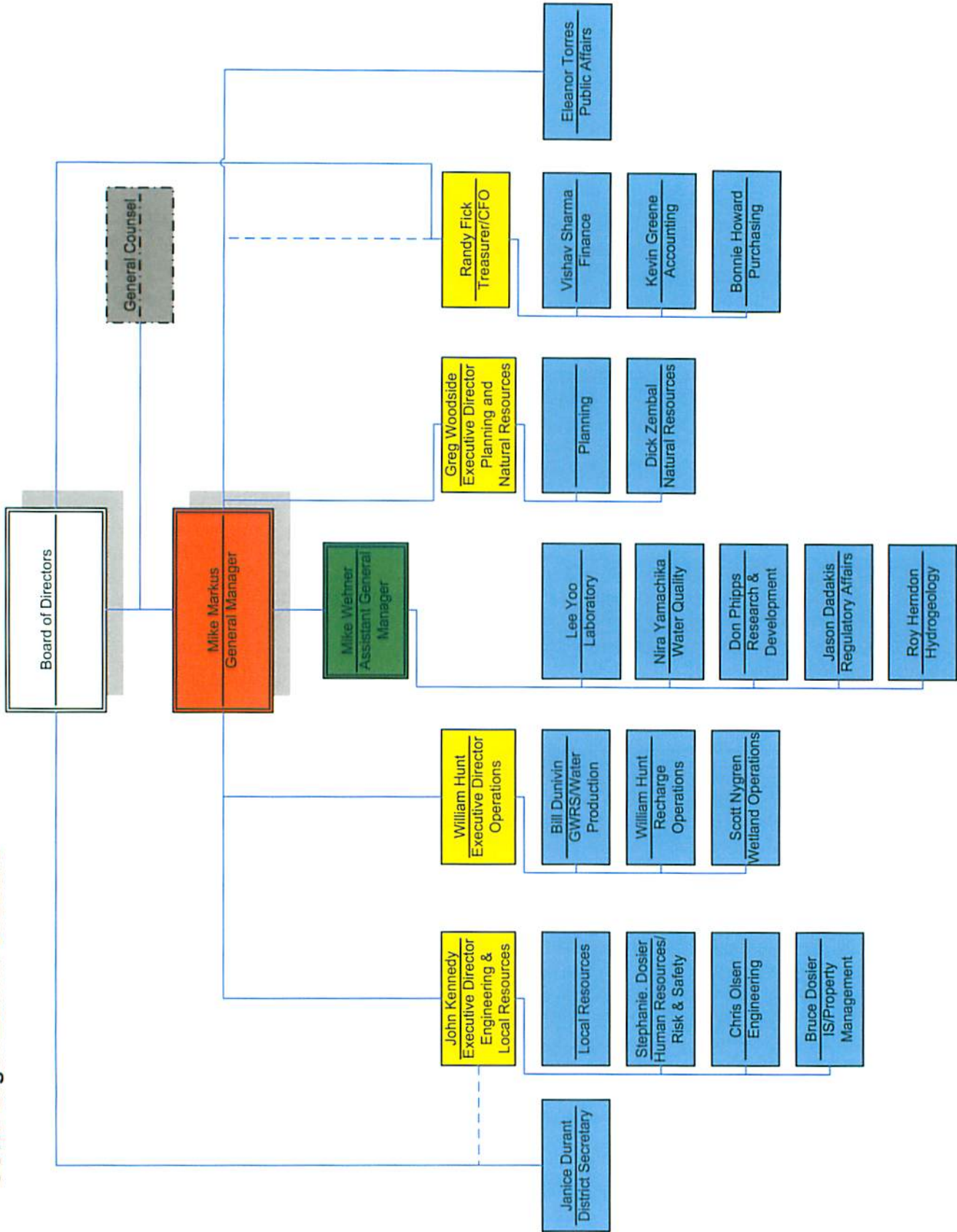
Respectfully submitted,

  
\_\_\_\_\_  
Michael R. Markus  
General Manager

  
\_\_\_\_\_  
Randy Fick  
Chief Financial Officer/Treasurer



# OCWD Organizational Structure





**Orange County Water District  
Comprehensive Annual Financial Report  
Fiscal Year 2013-14**

**Board of Directors**

Kathryn Barr, Division 1

Denis Bilodeau, Division 2

Roger Yoh, 2<sup>nd</sup> Vice President, Division 3

Philip Anthony, Division 4

Stephen Sheldon, Division 5

Cathy Green, 1<sup>st</sup> Vice President, Division 6

Shawn Dewane, President, Division 7

Vincent Sarmiento, Division 8

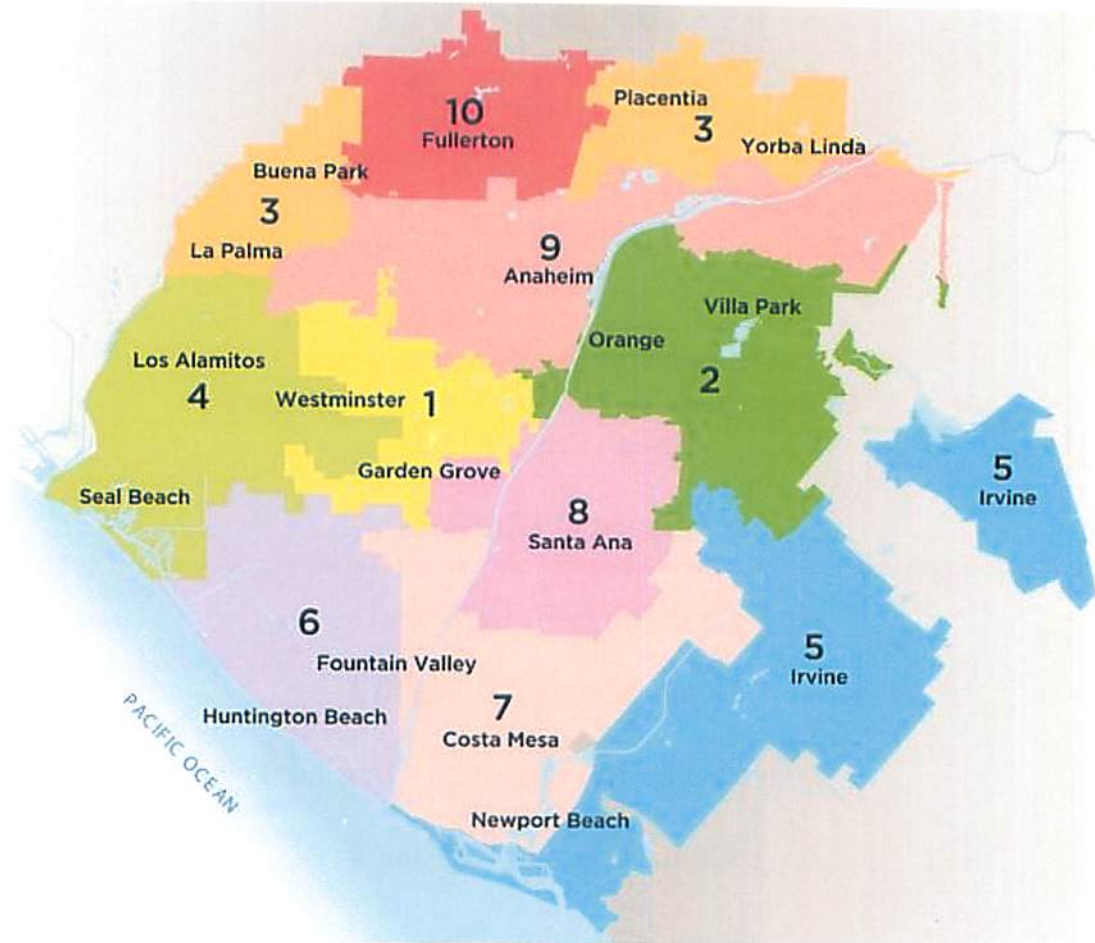
Harry Sidhu, Division 9

Jan Flory, Division 10



Michael R. Markus, P.E.  
General Manager

## ORANGE COUNTY WATER DISTRICT



### DISTRICT VITAL STATISTICS

Date of Enactment:	1933
Form of Government:	Special District of the State of California
Area (square miles):	358
Employees (full-time):	216

Major Groundwater Producing Agencies:

Anaheim, City of	Mesa Consolidated Water District
Buena Park, City of	Newport Beach, City of
East Orange County Water District	Orange, City of
Fountain Valley, City of	Santa Ana, City of
Fullerton, City of	Seal Beach, City of
Garden Grove, City of	Serrano Water District
Golden State Water Company	Tustin, City of
Huntington Beach, City of	Westminster, City of
Irvine Ranch Water District	Yorba Linda Water District
La Palma, City of	



Government Finance Officers Association

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

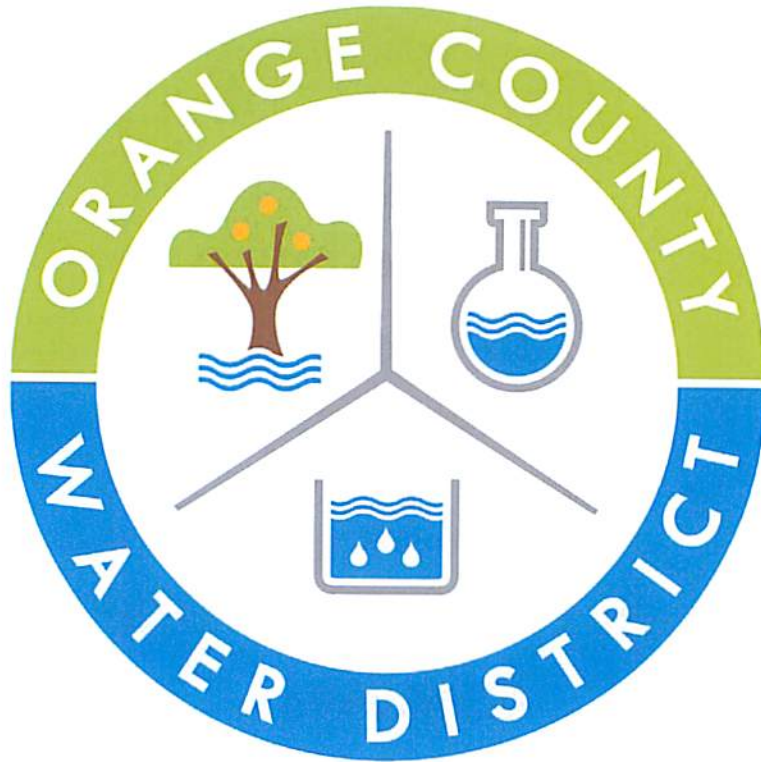
Presented to

**Orange County Water District  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO



**SINCE 1933**

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Orange County Water District  
Fountain Valley, California

### Report on Financial Statements

We have audited the accompanying financial statements of the Orange County Water District (the District) as of and for the year ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller 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  
Orange County Water District  
Fountain Valley, California

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Orange County Water District as of June 30, 2014 and 2013, and the respective 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.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Brea, California  
October 13, 2014

ORANGE COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2014 and 2013

The following summary analysis is a brief discussion of the Orange County Water District's (District) performance that provides an overview of the District's financial activities for the year ended June 30, 2014. It has been prepared by District staff, and should be read in conjunction with the financial statements and the notes to the financial statements, which follow this analysis.

### **FINANCIAL HIGHLIGHTS**

- In fiscal year ended June 30, 2014, the District's operating revenues from all sources increased by \$11.5 million or 12.3% from the prior year primarily due to increased water demands and increased Replenishment Assessment rates. The District increased its basin pumping percentage to 70% from 68% and increased the replenishment assessment from \$266 to \$276 per acre-foot which resulted in an increase of \$9.9 million or 12.2% in replenishment assessment revenues.
- Operating expenses, excluding water purchases, before depreciation and amortization increased \$0.93 million or 1.7% as compared to the prior year primarily due to the increased cost of electricity. The District received only \$92 thousand in electric power demand response credits during the year ended June 30, 2014 as compared to \$1.2 million in the year ended June 30, 2013.
- Due to basin overdraft resulting largely from the current drought conditions within the groundwater basin and the availability of supplemental water from Metropolitan Water District (MWD), the District's water purchase expense during the current fiscal year was \$45,072,626 as compared to \$13,825,244 in the prior year, an increase of \$31.2 million or 226.0%.
- The District's net position decreased by \$6.5 million or 1.9% as compared to the prior year. The main reason for this decrease is due to the District spending its water reserve funds in addition to its budgeted water purchases.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The District operates as a utility enterprise and presents its financial statements using the full accrual basis of accounting. The basic financial statements of the District consist of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing the rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.



ORANGE COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2014 and 2013

The Statement of Revenues, Expenses, and Changes in Net Position provide information on the District's operations and can be used to determine whether the District has recovered all of its costs through its rates and other charges. This statement can also be used to determine the District credit worthiness and profitability.

The Statement of Cash Flows provides information regarding the District's cash receipts and cash payments and changes in cash resulting from operations, investments and financing activities. Additionally, the Statement of Cash Flows provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

### **FINANCIAL ANALYSIS OF THE DISTRICT**

Our analysis of the District begins on page 12 of the Financial Statements. One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position, and the Statement of Revenues, Expenses and Changes in Net Position report information about the District's activities in a way that will help answer this question.

These two statements report the net position of the District and changes in them. You can think of the District's net position - the difference between assets, deferred outflows, liabilities and deferred inflows- as one way to measure financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, new or changed government legislation or accounting standards, population growth, and zoning.

### **STATEMENT OF NET POSITION**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$339.4 million at June 30, 2014 compared with \$345.9 million at June 30, 2013. The District's operations resulted in a net decrease of \$6.5 million in Net Position. A significant portion of the decrease in the District's net position can be attributed to the District's use of its water reserve fund to purchase water to reduce the overdraft of the groundwater basin resulting largely from current drought conditions. The District's operational and non-operational activities resulted in a *decrease in net position* of \$7.49 million and the District received capital contributions of \$1.03 million from various federal, state and local agencies towards its capital program. The District reported an increase of \$1.4 million in Net Position for the year ended June 30, 2013 as compared to the year ended June 30, 2012.

**ORANGE COUNTY WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the year ended June 30, 2014 and 2013

**Condensed Statements of Net Position**

	June 30, 2014	June 30, 2013	Change 2014 v. 2013	June 30, 2012 (Restated)	Change 2013 v. 2012
<b>Assets:</b>					
Current Assets	\$270,484,424	\$266,595,332	\$3,889,092	\$241,215,254	\$25,380,078
Non-current Assets:					
Capital Assets	685,521,786	623,864,227	61,657,559	601,692,005	22,172,222
Other Non-current Assets and Deferred Outflows	22,092,179	23,801,127	(1,708,948)	38,048,029	(14,246,902)
<b>Total Assets and   Deferred Outflows</b>	<b>\$978,098,389</b>	<b>\$914,260,686</b>	<b>\$63,837,703</b>	<b>\$880,955,288</b>	<b>\$33,305,398</b>
<b>Liabilities:</b>					
Current Liabilities	\$61,425,926	\$30,316,661	\$31,109,265	\$23,497,982	\$6,818,679
Non-current Liabilities:					
Long-term Debt	556,927,364	518,548,959	38,378,405	485,323,524	33,225,435
Other Long-term Liabilities and Deferred Inflows	20,355,022	19,543,838	811,184	27,689,431	(8,145,593)
<b>Total Liabilities and   Deferred Inflows</b>	<b>\$638,708,312</b>	<b>\$568,409,458</b>	<b>\$70,298,854</b>	<b>\$536,510,937</b>	<b>\$31,898,521</b>
<b>Net Position:</b>					
Net Investment in Capital assets	\$95,168,906	\$99,650,065	(\$4,481,159)	\$111,571,069	(\$11,921,004)
Restricted for construction and capital projects	484,565	-	484,565	15,423,222	(15,423,222)
Restricted for debt services	11,252,003	11,135,627	116,376	11,419,326	(283,699)
Restricted for custodial costs	5,803,869	10,378,695	(4,574,826)	12,236,349	(1,857,654)
Unrestricted	226,680,734	224,686,841	1,993,893	193,794,385	30,892,456
<b>Total Net Position</b>	<b>\$339,390,077</b>	<b>\$345,851,228</b>	<b>(\$6,461,151)</b>	<b>\$344,444,351</b>	<b>\$1,406,877</b>

The District reported a decrease in net position of \$6.46 million for the year ended June 30, 2014, as compared to the year ended June 30, 2013. The District's revenue grew by more than \$20 million during the year but the District had to purchase water to reduce the groundwater overdraft caused largely by drought conditions. For the year ended June 30, 2013, the District reported an increase in net position of \$1.41 million as compared to the year ended June 30, 2012 (Restated). The main reasons for the increase was increased revenues, decrease in the cost of water purchase and depreciation expense. The following is a summary:

ORANGE COUNTY WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2014 and 2013

**Condensed Statements of Revenues, Expenses and Changes in Net Position**

	Year Ended June 30, 2014	Year Ended June 30, 2013	Change 2014 v. 2013	Year Ended June 30, 2012 (Restated)	Change 2013 v. 2012
<b>Revenues:</b>					
<b>Operating Revenues</b>					
Replenishment assessment	\$90,550,510	\$80,694,951	\$9,855,559	\$72,961,431	\$7,733,520
Basin equity assessment	2,733,128	2,082,761	650,367	2,219,153	(136,392)
Reclaimed water revenues	9,714,520	10,978,979	(1,264,459)	10,833,568	145,411
Conjunctive use program revenues	2,295,127	-	2,295,127	-	-
<b>Non-operating Revenues</b>					
Property Taxes	21,275,702	22,497,113	(1,221,411)	19,383,140	3,113,973
Investment Income	3,901,722	(1,372,396)	5,274,118	3,035,882	(4,408,278)
Rental Income Net of Expenses	2,744,295	1,628,627	1,115,668	1,128,904	499,723
Other Non-operating Revenues	2,797,530	(557,866)	3,355,396	7,312,870	(7,870,736)
<b>Total Revenues</b>	<b>\$136,012,534</b>	<b>\$115,952,169</b>	<b>\$20,060,365</b>	<b>\$116,874,948</b>	<b>(\$922,779)</b>
<b>Expenses:</b>					
Operating expenses	\$54,436,212	\$53,502,225	\$933,987	\$52,755,246	\$746,979
Water Purchases	45,072,626	13,825,244	31,247,382	29,139,553	(15,314,309)
Depreciation & Amortization	29,010,580	31,453,784	(2,443,204)	33,346,141	(1,892,357)
Non-operating Expenses	14,983,945	15,823,476	(839,531)	17,996,235	(2,172,759)
<b>Total Expenses</b>	<b>\$143,503,363</b>	<b>\$114,604,729</b>	<b>\$28,898,634</b>	<b>\$133,237,175</b>	<b>(\$18,632,446)</b>
Income (Loss) before Capital Contributions	(\$7,490,829)	\$1,347,440	(\$8,838,269)	(\$16,362,227)	\$17,709,667
Capital Contributions	1,029,678	59,437	970,241	778,674	(719,237)
<b>Change in Net Position</b>	<b>(\$6,461,151)</b>	<b>\$1,406,877</b>	<b>(\$7,868,028)</b>	<b>(\$15,583,553)</b>	<b>\$16,990,430</b>
Beginning Net Position	\$345,851,228	\$344,444,351	\$1,406,877	\$366,464,531	(\$22,020,180)
Restatements	-	-	-	(6,436,627)	6,436,627
<b>Ending Net Position</b>	<b>\$339,390,077</b>	<b>\$345,851,228</b>	<b>(\$6,461,151)</b>	<b>\$344,444,351</b>	<b>\$1,406,877</b>

**ORANGE COUNTY WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the year ended June 30, 2014 and 2013

**CAPITAL ASSETS**

At June 30, 2014, the District had invested \$1,053 million in capital assets, including land, water rights, structures and improvements, equipment and construction-in-progress. Capital additions net of transfers totaled \$91.3 million made during the fiscal year ended June 30, 2014 and capital additions net of transfers totaled \$53.6 million for the fiscal year ended June 30, 2013. The main reasons for these capital additions were the purchase of land, construction in progress, equipment, structure and infrastructure improvements on various water basin/water recycling projects in fiscal year ending 2014.

Net Capital assets worth \$106,746 were retired during the year ended June 30, 2014, as compared to \$8,668 worth of capital assets were retired during the year ended June 30, 2013. The following is a summary of the capital assets at June 30, 2014, June 30, 2013, and June 30, 2012 respectively:

<b>Capital Assets</b>				
	June 30, 2013	Transfers/ Additions	Adjustments/ Deletions	June 30, 2014
Land	\$31,412,307	\$ 42,753,595	\$ -	\$74,165,902
Water Rights	6,823,570	-	-	6,823,570
Structures and Improvements	651,842,951	6,391,143	-	658,234,094
Infrastructure	63,053,138	1,685,155	-	64,738,293
Equipment	97,360,062	4,962,286	(349,710)	101,972,638
Construction in Progress	111,942,255	35,463,718	-	147,405,973
Subtotal	962,434,283	91,255,897	(349,710)	1,053,340,470
Less:				
Accumulated depreciation	(338,570,056)	(29,491,592)	242,964	(367,818,684)
<b>Net Capital Assets</b>	<b>\$623,864,227</b>	<b>\$61,764,305</b>	<b>(\$106,746)</b>	<b>\$685,521,786</b>

**ORANGE COUNTY WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the year ended June 30, 2014 and 2013

	June 30, 2012	Transfers/ Additions	Adjustments/ Deletions	June 30, 2013
Land	\$31,412,307	\$ -	\$ -	\$31,412,307
Water Rights	6,823,570	-	-	6,823,570
Structures and Improvements	650,018,115	1,824,836	-	651,842,951
Infrastructure	61,482,991	1,570,147	-	63,053,138
Equipment	113,557,263	4,007,852	(20,205,053)	97,360,062
Construction in Progress	65,723,985	46,218,270	-	111,942,255
Subtotal	929,018,231	53,621,105	(20,205,053)	962,434,283
Less:				
Accumulated depreciation	(327,326,226)	(31,440,215)	20,196,385	(338,570,056)
<b>Net Capital Assets</b>	<b>\$601,692,005</b>	<b>\$22,180,890</b>	<b>(\$8,668)</b>	<b>\$623,864,227</b>

Additional information can be found in Note 4 of the notes to financial statements.

**DEBT ADMINISTRATION**

At June 30, 2014 the District had \$593.3 million in total debt outstanding compared to \$527.4 million at the fiscal year ended June 30, 2013. It includes loans from the State of California, commercial paper, Revenue Refunding Bonds and installment purchase agreements associated with the certificates of participation. This amount represents a net increase of \$65.9 million from the prior year. This increase is due to the additional debt with the State Water Resources Control Board for the construction of the Groundwater Replenishment System Initial Expansion project and commercial paper debt issuance to purchase a piece of land for recharge basin.

**ORANGE COUNTY WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the year ended June 30, 2014 and 2013

The following is a summary of the long-term debt at June 30, 2014, June 30, 2013 and June 30, 2012, respectively:

<b>Long-Term Debt</b>					
	June 30, 2014	June 30, 2013	Change 2014 v. 2013	June 30, 2012	Change 2013 v. 2012
Certificates of Participation	\$299,672,360	\$302,731,085	(\$3,058,725)	\$357,673,503	(\$54,942,418)
Revenue Refunding Bonds	\$53,000,000	53,000,000	-	-	\$53,000,000
State of California Loans Payable	213,365,966	171,706,235	41,659,731	136,313,916	35,392,319
Commercial Paper	27,280,000	-	27,280,000	-	-
<b>Total</b>	<b>\$593,318,326</b>	<b>\$527,437,320</b>	<b>\$65,881,006</b>	<b>\$493,987,419</b>	<b>\$33,449,901</b>

The District has received the following ratings from the three major credit rating agencies:

- Fitch Ratings: AAA
- Moody's: Aa1
- Standard & Poor's: AAA

Additional information can be found in Note 6 of the notes to financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Board of Directors approved the budget for the fiscal year 2014-15. The budget included \$54.8 million for operations, \$ 0.7 million for new equipment, \$ 26.3 million for water purchase, \$33.5 million for debt service, \$1.3 million for retiree health expenditures and \$15.0 million for R&R fund expenditure.

The Board increased the Replenishment Assessment from \$276 per acre-foot to \$294 per acre-foot and the basin pumping percentage from 70% to 72%.

A multi-year construction-in-progress (CIP) budget of \$74.3 million was adopted. These CIP projects will be funded by the District's restricted funds, State loans, project reimbursements and \$5 million pay-as-you-go from the general fund.

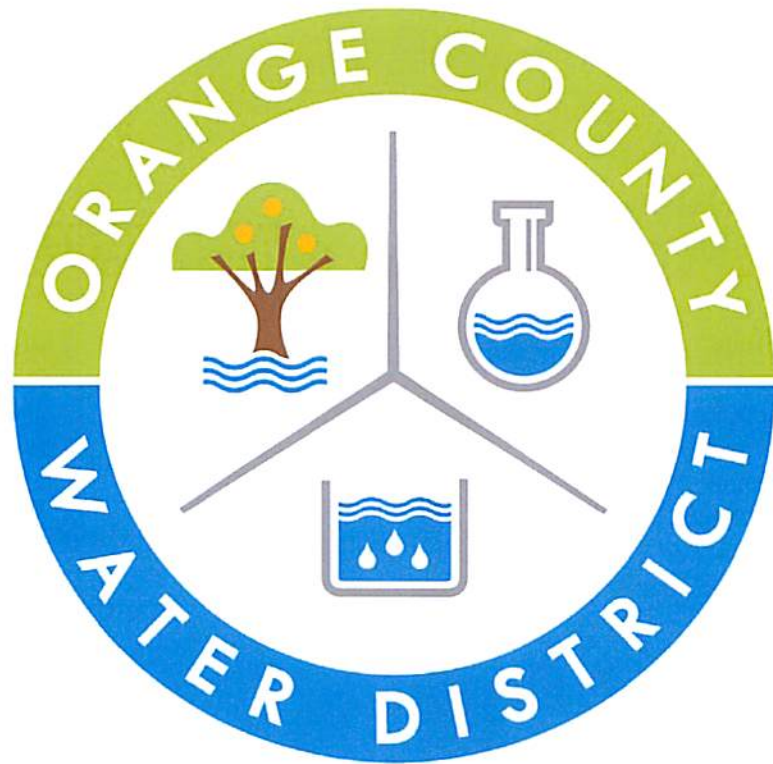
**ORANGE COUNTY WATER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the year ended June 30, 2014 and 2013

The financial markets continue to do better and the United States economy is improving at a slower rate. Orange County's economy is also improving and it is expected to grow slowly in the next year. The County's unemployment rate in June 2014 is 5.2% versus 7.3% for California and 6.1% for the nation.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance department, at the Orange County Water District, 18700 Ward Street, Fountain Valley, CA, 92708.



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**ORANGE COUNTY WATER DISTRICT**

**STATEMENT OF NET POSITION  
JUNE 30, 2014 AND 2013**

ASSETS	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS:</b>		
<b>UNRESTRICTED ASSETS:</b>		
Cash and cash equivalents	\$ 37,918,851	\$ 20,693,965
Investments	141,719,949	135,374,001
Accounts receivable	60,219,986	61,864,188
Taxes receivable	28,680	393,593
Accrued interest receivable	430,692	752,069
Inventory	3,015,641	14,003,102
Prepaid expenses	753,555	880,936
Current portion of notes receivable	324,075	4,123,281
<b>TOTAL UNRESTRICTED ASSETS</b>	<u>244,411,429</u>	<u>238,085,135</u>
<b>RESTRICTED ASSETS:</b>		
Cash and cash equivalents	1,303,797	242,030
Investments	18,830,309	17,686,815
Accrued interest and other receivable	79,637	94,594
Custodial cash and investments	1,251,435	6,156,435
Custodial escrow retention	4,607,817	4,330,323
<b>TOTAL RESTRICTED ASSETS</b>	<u>26,072,995</u>	<u>28,510,197</u>
<b>TOTAL CURRENT ASSETS</b>	<u>270,484,424</u>	<u>266,595,332</u>
<b>NONCURRENT ASSETS:</b>		
<b>CAPITAL ASSETS:</b>		
Capital assets, not depreciated	228,395,445	150,178,132
Capital assets, depreciated, net	457,126,341	473,686,095
<b>TOTAL CAPITAL ASSETS</b>	<u>685,521,786</u>	<u>623,864,227</u>
<b>OTHER NONCURRENT ASSETS:</b>		
Due from other governments	147,255	304,713
Notes receivable, less current portion above	2,893,918	4,785,460
Other post-employment benefits (OPEB) asset	231,655	231,655
Derivative instruments	15,853,905	15,256,141
<b>TOTAL OTHER NONCURRENT ASSETS</b>	<u>19,126,733</u>	<u>20,577,969</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>704,648,519</u>	<u>644,442,196</u>
<b>TOTAL ASSETS</b>	<u>975,132,943</u>	<u>911,037,528</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charges on refunding	2,965,446	3,223,158
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>2,965,446</u>	<u>3,223,158</u>

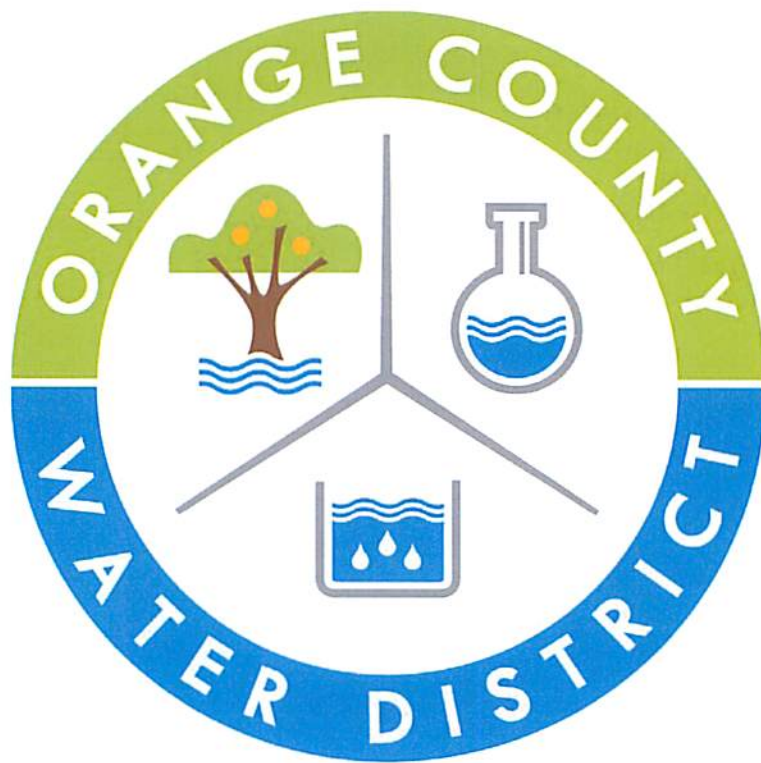
The notes to the financial statements are an integral part of this statement.

**ORANGE COUNTY WATER DISTRICT**

**STATEMENT OF NET POSITION (CONTINUED)  
JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
<b>PAYABLE FROM UNRESTRICTED CURRENT ASSETS:</b>		
Accounts payable and accrued expenses	10,783,289	6,253,691
Accrued interest payable	4,815,178	4,094,417
Deposits	564,944	39,747
Current portion of compensated absences	338,995	331,569
Current portion of long-term debt	36,390,962	8,888,361
<b>TOTAL PAYABLE FROM UNRESTRICTED CURRENT ASSETS:</b>	<u>52,893,368</u>	<u>19,607,785</u>
<b>PAYABLE FROM RESTRICTED ASSETS:</b>		
Accounts payable and accrued expenses	3,778,214	6,230,900
Retentions payable	4,698,961	4,356,613
Custodial liability	55,383	121,363
<b>TOTAL PAYABLE FROM RESTRICTED ASSETS:</b>	<u>8,532,558</u>	<u>10,708,876</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>61,425,926</u>	<u>30,316,661</u>
<b>NONCURRENT LIABILITIES:</b>		
<b>LONG-TERM DEBT:</b>		
Certificates of participation	299,672,360	302,731,085
Revenue refunding bonds	53,000,000	53,000,000
State of California loans payable	213,365,966	171,706,235
Commercial paper	27,280,000	-
Subtotal:	593,318,326	527,437,320
Less: current portion above	36,390,962	8,888,361
<b>TOTAL LONG-TERM DEBT</b>	<u>556,927,364</u>	<u>518,548,959</u>
<b>OTHER NONCURRENT LIABILITIES:</b>		
Accrued compensated absences	4,501,117	4,287,697
<b>TOTAL OTHER NONCURRENT LIABILITIES</b>	<u>4,501,117</u>	<u>4,287,697</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>561,428,481</u>	<u>522,836,656</u>
<b>TOTAL LIABILITIES</b>	<u>622,854,407</u>	<u>553,153,317</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Derivative instruments	15,853,905	15,256,141
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>15,853,905</u>	<u>15,256,141</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	95,168,906	99,650,065
Restricted for the construction of capital assets	484,565	-
Restricted for debt service	11,252,003	11,135,627
Restricted for custodial costs	5,803,869	10,378,695
Unrestricted	226,680,734	224,686,841
<b>TOTAL NET POSITION</b>	<u>\$ 339,390,077</u>	<u>\$ 345,851,228</u>

The notes to the financial statements are an integral part of this statement.



**SINCE 1933**

**ORANGE COUNTY WATER DISTRICT**

**AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>OPERATING REVENUES:</b>		
Replenishment assessments	\$ 90,550,510	\$ 80,694,951
Basin equity assessments	2,733,128	2,082,761
Reclaimed water revenue	9,714,520	10,978,979
Conjunctive use program revenue	2,295,127	-
<b>TOTAL OPERATING REVENUES</b>	<u>105,293,285</u>	<u>93,756,691</u>
<b>OPERATING EXPENSES:</b>		
Water purchases	45,072,626	13,825,244
Water production	27,765,955	27,242,617
Depreciation and amortization	29,010,580	31,453,784
General and administrative	26,670,257	26,259,608
<b>TOTAL OPERATING EXPENSES</b>	<u>128,519,418</u>	<u>98,781,253</u>
<b>OPERATING LOSS</b>	<u>(23,226,133)</u>	<u>(5,024,562)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Property taxes	21,275,702	22,497,113
Investment income	1,668,280	1,982,990
Net increase (decrease) in the fair value of investments	2,233,442	(3,355,386)
Rental income, net of expenses	2,744,295	1,628,627
Legal settlements, net of expenses	1,015,833	(2,129,432)
Other nonoperating revenues, net of expenses	1,781,697	1,571,566
Interest expense	(14,905,931)	(15,681,765)
Loss on disposal of capital assets	(78,014)	(141,711)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>15,735,304</u>	<u>6,372,002</u>
<b>NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<u>(7,490,829)</u>	<u>1,347,440</u>
<b>CAPITAL CONTRIBUTIONS FROM OTHER PARTIES</b>	1,029,678	59,437
<b>CHANGES IN NET POSITION</b>	<u>(6,461,151)</u>	<u>1,406,877</u>
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>345,851,228</u>	<u>344,444,351</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 339,390,077</u>	<u>\$ 345,851,228</u>

The notes to the financial statements are an integral part of this statement.

**ORANGE COUNTY WATER DISTRICT**

**STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 108,876,642	\$ 77,020,475
Cash payments to suppliers for goods and services	(56,511,518)	(35,628,212)
Cash payments to employees for services	(28,717,175)	(26,960,805)
Rental income, net of expenses	2,744,295	1,628,627
Legal settlements, net of expenses	1,015,833	(2,129,432)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>27,408,077</u>	<u>13,930,653</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Cash received from property taxes	21,640,615	22,494,985
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>21,640,615</u>	<u>22,494,985</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Repayments received (issuance) of notes receivable	5,690,748	1,094,323
Acquisition and construction of capital assets	(90,425,175)	(44,203,437)
Proceeds from issuance of commercial paper	28,400,000	-
Proceeds from certificates of participation	-	53,000,000
Proceeds from loans payable	41,659,731	42,076,213
Principal paid on long-term debt	(3,282,026)	(7,377,267)
Payments made to refunding escrow agent	-	(63,170,000)
Interest paid on long-term debt	(15,145,135)	(16,771,022)
Payments received from capital contributions	1,029,678	59,437
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATING FINANCING ACTIVITIES</b>	<u>(32,072,179)</u>	<u>(35,291,753)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net investment transactions	(2,927,916)	(29,162,085)
Interest on investments	4,238,056	(1,589,211)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>1,310,140</u>	<u>(30,751,296)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>18,286,653</u>	<u>(29,617,411)</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>20,935,995</u>	<u>50,553,406</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 39,222,648</u>	<u>\$ 20,935,995</u>

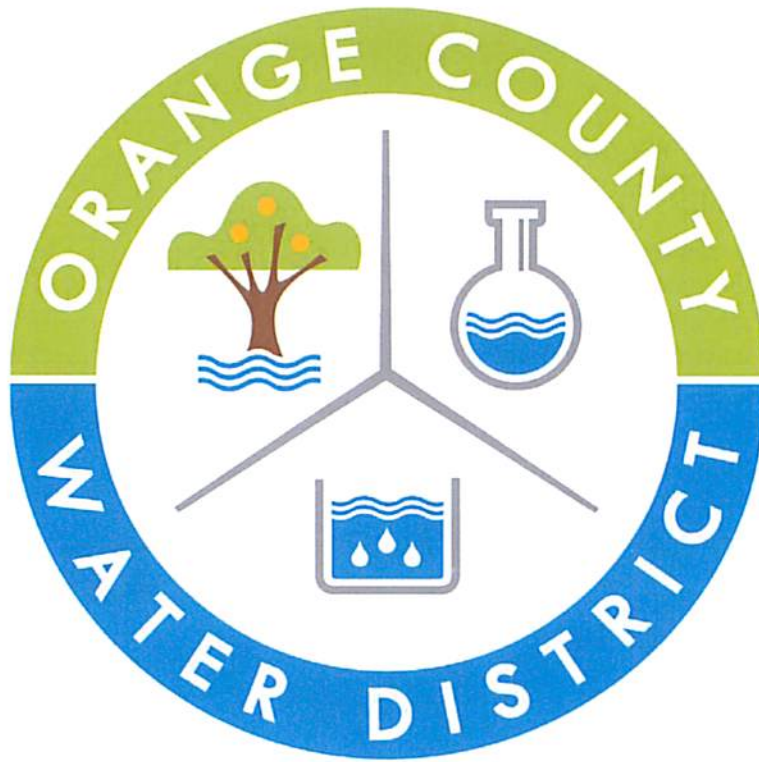
The notes to the financial statements are an integral part of this statement.

**ORANGE COUNTY WATER DISTRICT**

**STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (23,226,133)	\$ (5,024,562)
Adjustments to reconcile operating loss net cash provided (used) by operating activities:		
Depreciation and amortization	29,010,580	31,453,784
Other nonoperating revenues	1,781,697	1,571,566
Rental income, net of expenses	2,744,295	1,628,627
Legal settlements, net of expenses	1,015,833	(2,129,432)
Change in assets and liabilities		
(Increase) decrease in accounts receivables	1,644,202	(18,930,349)
(Increase) decrease in inventory	10,987,461	(3,088,534)
(Increase) decrease in prepaid expenses	127,381	(185,832)
(Increase) decrease in due from other governments	157,458	622,567
Increase (decrease) in accounts payable and accrued expenses	2,076,912	5,336,776
Increase (decrease) in retentions payable	342,348	2,318,673
Increase (decrease) in deposits payable	525,197	(600)
Increase (decrease) in accrued compensated absences	220,846	357,969
Total Adjustments	<u>50,634,210</u>	<u>18,955,215</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ 27,408,077</u>	 <u>\$ 13,930,653</u>
 CASH AND CASH EQUIVALENTS - FINANCIAL STATEMENT CLASSIFICATION:		
Unrestricted assets	\$ 37,918,851	\$ 20,693,965
Restricted assets	<u>1,303,797</u>	<u>242,030</u>
 TOTAL CASH AND CASH EQUIVALENTS- FINANCIAL STATEMENT CLASSIFICATION	 <u>\$ 39,222,648</u>	 <u>\$ 20,935,995</u>
 NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Amortization of (discounts) premiums and deferred amounts on refunding	\$ 481,013	\$ 9,564,280
Net increase (decrease) in the fair value of investments	2,233,442	(3,355,386)
Gain/(Loss) on disposal of capital assets	(78,014)	(141,711)

The notes to the financial statements are an integral part of this statement.



**SINCE 1933**

## ORANGE COUNTY WATER DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013

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#### Note 1: Summary of Significant Accounting Policies

##### a. Organization and Description of the District

The Orange County Water District (the District) was formed by a special act of the California State Legislature in 1933. The District was formed because of the heavy overdraft of the Orange County groundwater supply and excessive diversion of the Santa Ana River by users upstream from the County of Orange. The major functions of the District are the management of the Orange County groundwater basin, the conservation of the basin groundwater and the protection of Orange County's water rights in the natural flows of the Santa Ana River. The legal boundaries of the District lie wholly within the County of Orange, California. Administration and operation of the District is conducted through a Board of Directors representing ten divisions, with seven being duly elected at large and three appointed.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement 14 as amended by GASB 39. The District is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the District appoints a voting majority or the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the District.

The District's reporting entity includes the Orange County Water District Public Facilities Corporation (the Public Facilities Corporation). Although the District and the Public Facilities Corporation are legally separate entities, the District's Board of Directors is financially responsible for the Public Facilities Corporation and, therefore, the accompanying financial statements include the accounts and records of the Public Facilities Corporation using the blending method as required by accounting principles generally accepted in the United States of America. There are no separate financial statements for the Public Facilities Corporation.

##### b. Basic Financial Statements

The basic financial statements are comprised of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows and the Notes to the Basic Financial Statements.

##### c. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the economic resources



# ORANGE COUNTY WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2014 AND 2013

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### Note 1: Summary of Significant Accounting Policies (Continued)

measurement focus, and the accrual basis of accounting. Under the economic measurement focus all assets and liabilities (whether current or noncurrent) associated with these activities are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

An enterprise fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to producers for replenishment assessments, basin equity assessments and water sales. Operating expenses for the District include water purchases, water production, general and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Nonoperating revenues consist of property taxes, rental income, investment income and other miscellaneous revenues.

#### d. Net Position

In the Statement of Net Position, net position is classified in the following categories:

- Net investment in capital assets - This amount is the District's net investment in its various capital assets and includes capital assets net of accumulated depreciation and capital-related deferred outflows of resources and reduced by capital-related borrowings and deferred inflows of resources.
- Restricted for debt service - This amount is restricted for various bond issues and is not available for the general needs of the District. These funds must be maintained at specific levels, and are restricted by certain bond covenants.
- Restricted for construction of capital assets - This amount is restricted for specific capital projects which are authorized and approved by the Board of Directors.
- Restricted for custodial costs - This amount is restricted for custodial costs due to third parties.

# ORANGE COUNTY WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2014 AND 2013

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### Note 1: Summary of Significant Accounting Policies (Continued)

- Unrestricted - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted".

#### e. Property Taxes and Assessments

Property taxes and assessments are billed by the County of Orange to property owners. The amount apportioned to the District each year is based upon the District's tax receipts for the three-year period ended June 30, 1978 in relation to total County tax receipts and is adjusted annually for area growth. The District's property tax calendar for the fiscal years ended June 30, 2014 and 2013, were as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Date:	First Installment - November 1 Second Installment - February 1
Delinquent Date:	First Installment - December 10 Second Installment - April 10

The County collects the taxes from the property owners and remits the funds to the District periodically during the year. At June 30, 2014 and 2013, taxes receivable totaled \$28,680 and \$393,593, respectively.

#### f. Inventory

Inventory consists primarily of supplies and parts and is valued at weighted average cost.

#### g. Investments

Investments are stated at their fair value which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

**ORANGE COUNTY WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2014 AND 2013**

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**Note 1: Summary of Significant Accounting Policies (Continued)**

**h. Capital Assets**

Capital assets purchased or acquired are reported at historical cost. Contributed assets are reported at fair market value as of the date received. During the fiscal years ended June 30, 2014 and 2013, the District received capital contributions of \$1,029,678 and \$59,437, respectively. Capital outlays that cost \$5,000 or more and that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is calculated on the straight-line method over the following estimated useful lives:

	<u>Useful Life</u>
Structures and improvements	3-50 years
Infrastructure	3-75 years
Equipment	3-30 years

Depreciation totaled \$29,491,592 and \$31,440,215 for the years ended June 30, 2014 and 2013, respectively.

**i. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the District's statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. It is related to the derivative instruments interest rate swap agreements reported at fair value.

**ORANGE COUNTY WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2014 AND 2013**

**Note 1: Summary of Significant Accounting Policies (Continued)**

j. Net position flow assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the District-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

k. Capitalized Interest

The District incurs interest charges on the Certificates of Participation, Commercial Paper, Revenue Refunding Bonds and the State of California loans payable. There was no capitalized interest for the years ended June 30, 2014 and 2013.

l. Classification of Liabilities

Certain liabilities which are currently payable have been classified as “payable from restricted assets” because they will be funded from restricted assets.

m. Compensated Absences

Vested or accumulated vacation and sick leave are expensed as benefits accrue to employees. The following is a summary of the changes in compensated absences for the year ended June 30, 2014 and 2013:

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2014</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 4,619,266	\$ 2,382,875	\$ 2,162,029	\$ 4,840,112	\$ 338,995
	<u>Balance at July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2013</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 4,261,297	\$ 2,260,454	\$ 1,902,485	\$ 4,619,266	\$ 331,569

**ORANGE COUNTY WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014 AND 2013**

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**Note 1: Summary of Significant Accounting Policies (Continued)**

n. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

o. Use of Estimates

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and, accordingly, include amounts that are based on management's best estimates and judgments. Accordingly, actual results could differ from the estimates.

p. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

**Note 2: Cash and Investments**

Cash and investments held by the District were comprised of the following at June 30, 2014 and 2013:

Financial Statement Classification:	<u>2014</u>	<u>2013</u>
Current:		
Cash and cash equivalents	\$ 37,918,851	\$ 20,693,965
Investments	141,719,949	135,374,001
Restricted:		
Cash and cash equivalents	1,303,797	242,030
Investments	18,830,309	17,686,815
Custodial cash and cash equivalents	1,251,435	6,156,435
Custodial escrow retention	4,607,817	4,330,323
Total	<u>\$ 205,632,158</u>	<u>\$ 184,483,569</u>

**ORANGE COUNTY WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014 AND 2013**

**Note 2: Cash and Investments (Continued)**

Cash and investments as of June 30, 2014 and 2013, consisted of the following:

	2014	2013
Cash on hand	\$ 2,700	\$ 2,700
Deposits with financial institutions	1,264,105	2,590,170
Investments	204,365,353	181,890,699
Total Cash and Investments	<u>\$ 205,632,158</u>	<u>\$ 184,483,569</u>

**Investments Authorized by the California Government Code and the District's Investment Policy**

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
United States Treasury Obligations	5 years	No Limitation	No Limitation
Federal Agency Securities	5 years	No Limitation	No Limitation
Bankers Acceptance	180 days	15%	5%
Commercial Paper	180 days	15%	5%
Collateralized Certificates of Deposit	5 years	15%	No Limitation
Negotiable Certificates of Deposit	5 years	15%	5%
Fully Insured Deposits	5 years	15%	5%
Repurchase Agreements	30 days	10%	5%
Medium Term Notes	5 years	15%	5%
Mutual Funds	N/A	15%	5%
Asset Backed Securities	5 years	15%	5%
LAIF	N/A	No Limitation	\$50 Million
County Pooled Investment Fund	N/A	No Limitation	\$20 Million
High Grade State Municipal Bonds	N/A	15%	5%

**ORANGE COUNTY WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014 AND 2013**

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**Note 2: Cash and Investments (Continued)**

**Investments Authorized by Debt Agreements**

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
United States Treasury Obligations	No Limitation	No Limitation	No Limitation
Federal Agency Securities	No Limitation	No Limitation	No Limitation
Bankers Acceptances	180 days	No Limitation	No Limitation
Commercial Paper	270 days	No Limitation	No Limitation
Money Market Mutual Funds	N/A	No Limitation	No Limitation
Guaranteed Investment Contracts	30 days	No Limitation	No Limitation

N/A - Not Applicable

**Disclosures Relating to 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 is to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations are provided by the following tables that show the distribution of the District's investments by maturity as of June 30, 2014 and 2013.

**ORANGE COUNTY WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2014 AND 2013**

**Note 2: Cash and Investments (Continued)**

June 30, 2014

Investment Type	Remaining Maturity			Total
	12 Months or Less	13 - 24 Months	25 - 60 Months	
Federal Agency Securities	\$ -	\$ -	\$ 136,658,013	\$ 136,658,013
Collateralized Certificates of Deposit	12,640,274	-	-	12,640,274
Escrow Deposits	4,607,817	-	-	4,607,817
Local Agency Investment Fund	19,310,952	-	-	19,310,952
Orange County Treasurer	18,700,242	-	-	18,700,242
Held by Bond Trustee:				
Money Market Mutual Funds	69,247	-	-	69,247
Federal Agency Securities	-	-	11,182,756	11,182,756
Held by SWAP Provider:				
Federal Agency Securities	-	-	1,196,052	1,196,052
	<u>\$ 55,328,532</u>	<u>\$ -</u>	<u>\$ 149,036,821</u>	<u>\$ 204,365,353</u>

June 30, 2013

Investment Type	Remaining Maturity			Total
	12 Months or Less	13 - 24 Months	25 - 60 Months	
Federal Agency Securities	\$ 1,402,660	\$ -	\$ 124,021,561	\$ 125,424,221
Collateralized Certificates of Deposit	12,558,163	-	-	12,558,163
Escrow Deposits	4,330,323	-	-	4,330,323
Local Agency Investment Fund	13,230,646	-	-	13,230,646
Orange County Treasurer	5,174,207	-	-	5,174,207
Medium Term Notes	4,022,440	-	-	4,022,440
Held by Bond Trustee:				
Money Market Mutual Funds	148,006	-	-	148,006
Federal Agency Securities	-	-	10,987,621	10,987,621
Held by SWAP Provider:				
Federal Agency Securities	6,015,072	-	-	6,015,072
	<u>\$ 46,881,517</u>	<u>\$ -</u>	<u>\$ 135,009,182</u>	<u>\$ 181,890,699</u>



**ORANGE COUNTY WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014 AND 2013**

**Note 2: Cash and Investments (Continued)**

**Disclosures Relating to 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. Presented in the following tables are the Standard and Poor's credit ratings for the District's investments as of June 30, 2014 and 2013.

June 30, 2014

Investment Type	Minimum Legal Requirement	Total as of June 30, 2014	AAA	AA+	AA	Unrated
Federal Agency Securities	N/A	\$ 136,658,013	\$ -	\$ 136,658,013	\$ -	\$ -
Collateralized Certificates of Deposit	N/A	12,640,274	-	-	-	12,640,274
Escrow Deposits	N/A	4,607,817	-	-	-	4,607,817
Local Agency Investment Fund	N/A	19,310,952	-	-	-	19,310,952
Orange County Treasurer	N/A	18,700,242	-	-	-	18,700,242
Held by Bond Trustee:						
Money Market Mutual Funds	AAA	69,247	69,247	-	-	-
Federal Agency Securities	N/A	11,182,756	-	11,182,756	-	-
Held by SWAP Provider:						
Federal Agency Securities	N/A	1,196,052	-	1,196,052	-	-
		<u>\$ 204,365,353</u>	<u>\$ 69,247</u>	<u>\$ 149,036,821</u>	<u>\$ -</u>	<u>\$ 55,259,285</u>

June 30, 2013

Investment Type	Minimum Legal Requirement	Total as of June 30, 2013	AAA	AA+	AA	Unrated
Federal Agency Securities	N/A	\$ 125,424,221	\$ -	\$ 125,424,221	\$ -	\$ -
Collateralized Certificates of Deposit	N/A	12,558,163	-	-	-	12,558,163
Escrow Deposits	N/A	4,330,323	-	-	-	4,330,323
Local Agency Investment Fund	N/A	13,230,646	-	-	-	13,230,646
Orange County Treasurer	N/A	5,174,207	-	-	-	5,174,207
Medium Term Notes	A	4,022,440	-	-	4,022,440	-
Held by Bond Trustee:						
Money Market Mutual Funds	AAA	148,006	148,006	-	-	-
Federal Agency Securities	N/A	10,987,621	-	10,987,621	-	-
Held by SWAP Provider:						
Federal Agency Securities	N/A	6,015,072	-	6,015,072	-	-
		<u>\$ 181,890,699</u>	<u>\$ 148,006</u>	<u>\$ 142,426,914</u>	<u>\$ 4,022,440</u>	<u>\$ 35,293,339</u>

# ORANGE COUNTY WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014 AND 2013

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### Note 2: Cash and Investments (Continued)

#### Concentration of Credit Risk

Investments in any one issuer that represents 5% or more of total District's investments as of June 30, 2014 and 2013, are as follows:

#### June 30, 2014

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Percent of Investments</u>
Federal Home Loan Bank	Federal Agency Securities	\$ 39,188,780	19.18%
Federal National Mortgage Association	Federal Agency Securities	50,983,548	24.95%
Federal Home Loan Mortgage Corporation	Federal Agency Securities	40,932,923	20.03%
Federal Farm Credit Banks	Federal Agency Securities	14,924,970	7.30%

#### June 30, 2013

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Percent of Investments</u>
Federal Home Loan Bank	Federal Agency Securities	\$ 26,800,677	14.73%
Federal National Mortgage Association	Federal Agency Securities	57,706,291	31.73%
Federal Home Loan Mortgage Corporation	Federal Agency Securities	40,298,366	22.16%
Federal Farm Credit Banks	Federal Agency Securities	14,659,380	8.06%

#### Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. 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, the District 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 District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, 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 District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

**ORANGE COUNTY WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2014 AND 2013**

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**Note 2: Cash and Investments (Continued)**

**Investment in State Investment Pool**

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF 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.

**Investment in County Investment Pool**

The Orange County Pooled Investment Fund (OCPIF) is a pooled investment fund program governed by the Orange County Board of Supervisors, and is administered by the Orange County Treasurer and Tax Collector. Investments in OCPIF are highly liquid as deposits and withdrawals can be made at any time without penalty.

**Note 3: Restricted Assets**

Restricted assets were provided by, and are to be used for, the following at June 30, 2014:

<u>Funding Source</u>	<u>Use</u>	<u>Amount</u>
Reimbursement and Contribution from Various Agencies and Interest Earned Certificates of Participation	Construction of Capital Assets	\$ 8,961,740
Proceeds and Interest Earned	Debt Service	11,252,003
Custodial Receipts	Custodial Costs	5,859,252
		<u>\$ 26,072,995</u>

**ORANGE COUNTY WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014 AND 2013**

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**Note 3: Restricted Assets (Continued)**

Restricted assets were provided by, and are to be used for, the following at June 30, 2013:

<u>Funding Source</u>	<u>Use</u>	<u>Amount</u>
Reimbursement and Contribution from Various Agencies and Interest Earned	Construction of Capital Assets	\$ 6,874,512
Certificates of Participation Proceeds and Interest Earned	Debt Service	11,135,627
Custodial Receipts	Custodial Costs	10,500,058
		<u>\$ 28,510,197</u>

When both restricted and unrestricted resources are available for a capital project, the District's policy is to use restricted resources first and then unrestricted resources as necessary.

**ORANGE COUNTY WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014 AND 2013**

**Note 4: Capital Assets**

A summary of the changes in capital assets for the year ended June 30, 2014, is as follows:

	Beginning Balance July 1, 2013	Transfers	Additions	Deletions	Ending Balance June 30, 2014
Capital assets, not being depreciated:					
Land	\$ 31,412,307	\$ -	\$ 42,753,595	\$ -	\$ 74,165,902
Water rights	6,823,570	-	-	-	6,823,570
Construction in progress	111,942,255	(13,038,584)	48,502,302	-	147,405,973
Total capital assets, not being depreciated	<u>150,178,132</u>	<u>(13,038,584)</u>	<u>91,255,897</u>	<u>-</u>	<u>228,395,445</u>
Capital assets, being depreciated:					
Structure and improvements	651,842,951	6,391,143	-	-	658,234,094
Infrastructure	63,053,138	1,685,155	-	-	64,738,293
Equipment	97,360,062	4,962,286	-	(349,710)	101,972,638
Total capital assets, being depreciated	<u>812,256,151</u>	<u>13,038,584</u>	<u>-</u>	<u>(349,710)</u>	<u>824,945,025</u>
Less Accumulated Depreciation for:					
Structure and improvements	(283,583,176)	-	(21,684,912)	-	(305,268,088)
Infrastructure	(8,266,396)	-	(1,589,014)	-	(9,855,410)
Equipment	(46,720,484)	-	(6,217,666)	242,964	(52,695,186)
Total accumulated depreciation	<u>(338,570,056)</u>	<u>-</u>	<u>(29,491,592)</u>	<u>242,964</u>	<u>(367,818,684)</u>
Total capital assets being depreciated, net	<u>473,686,095</u>	<u>13,038,584</u>	<u>(29,491,592)</u>	<u>(106,746)</u>	<u>457,126,341</u>
Total capital assets, net	<u>\$ 623,864,227</u>	<u>\$ -</u>	<u>\$ 61,764,305</u>	<u>\$ (106,746)</u>	<u>\$ 685,521,786</u>

**ORANGE COUNTY WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014 AND 2013**

**Note 4: Capital Assets (Continued)**

A summary of the changes in capital assets for the year ended June 30, 2013, is as follows:

	Beginning Balance July 1, 2012	Transfers	Additions	Deletions	Ending Balance June 30, 2013
<b>Capital assets, not being depreciated:</b>					
Land	\$ 31,412,307	\$ -	\$ -	\$ -	\$ 31,412,307
Water rights	6,823,570	-	-	-	6,823,570
Construction in progress	65,723,985	(7,402,835)	53,621,105	-	111,942,255
<b>Total capital assets, not being depreciated</b>	<b>103,959,862</b>	<b>(7,402,835)</b>	<b>53,621,105</b>	<b>-</b>	<b>150,178,132</b>
<b>Capital assets, being depreciated:</b>					
Structure and improvements	650,018,115	1,824,836	-	-	651,842,951
Infrastructure	61,482,991	1,570,147	-	-	63,053,138
Equipment	113,557,263	4,007,852	-	(20,205,053)	97,360,062
<b>Total capital assets, being depreciated</b>	<b>825,058,369</b>	<b>7,402,835</b>	<b>-</b>	<b>(20,205,053)</b>	<b>812,256,151</b>
<b>Less Accumulated Depreciation for:</b>					
Structure and improvements	(262,018,072)	-	(21,565,104)	-	(283,583,176)
Infrastructure	(6,754,045)	-	(1,512,351)	-	(8,266,396)
Equipment	(58,554,109)	-	(8,362,760)	20,196,385	(46,720,484)
<b>Total accumulated depreciation</b>	<b>(327,326,226)</b>	<b>-</b>	<b>(31,440,215)</b>	<b>20,196,385</b>	<b>(338,570,056)</b>
<b>Total capital assets being depreciated, net</b>	<b>497,732,143</b>	<b>7,402,835</b>	<b>(31,440,215)</b>	<b>(8,668)</b>	<b>473,686,095</b>
<b>Total capital assets, net</b>	<b>\$ 601,692,005</b>	<b>\$ -</b>	<b>\$ 22,180,890</b>	<b>\$ (8,668)</b>	<b>\$ 623,864,227</b>

**ORANGE COUNTY WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014 AND 2013**

**Note 5: Notes Receivable**

The District contracts with other local agencies to provide long-term, low-interest financing for the construction of conjunctive use wells and other facilities projects. Costs incurred for construction of these facilities are recorded as capital assets. Notes receivable are recorded for the project costs with the offsetting amount to contributed capital. The capital assets are depreciated over the life of the corresponding note receivable. Notes receivable consists of the following at June 30, 2014 and 2013:

	2014	2013
Balance at July 1	\$ 8,908,741	\$ 10,003,064
Add: Notes issued	-	-
Less: Payments received	<u>(5,690,748)</u>	<u>(1,094,323)</u>
Balance at June 30	3,217,993	8,908,741
Less: Current portion	<u>(324,075)</u>	<u>(4,123,281)</u>
 Total noncurrent notes receivable	 <u>\$ 2,893,918</u>	 <u>\$ 4,785,460</u>

Payment requirements on the notes receivable subsequent to June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 324,075	\$ 62,531	\$ 386,606
2016	677,766	51,243	729,009
2017	689,211	39,798	729,009
2018	601,131	27,943	629,074
2019	508,198	20,941	529,139
2020-2025	<u>417,612</u>	<u>37,877</u>	<u>455,489</u>
 Total	 <u>\$ 3,217,993</u>	 <u>\$ 240,333</u>	 <u>\$ 3,458,326</u>

# ORANGE COUNTY WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014 AND 2013

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### Note 6: Long-Term Debt

#### Certificates of Participation

##### 2003A Certificates of Participation

In June 2003, the Public Facilities Corporation issued \$129,815,000 of Certificates of Participation, Series A, to assist the District in refunding the remaining portion of the 1993 Adjustable Rate Revenue Certificates of Participation and to finance the cost of certain capital improvements. A portion of the issuance proceeds used to refund the 1993 Certificates of Participation were placed in an irrevocable trust with an escrow agent. As a result, \$113,500,000 of the 1993 Certificates of Participation are considered to be in substance defeased, and the related liabilities have been removed from the District's financial statements. The defeased Certificates have been redeemed.

The Certificates are obligations of the Public Facilities Corporation payable solely from payments received from the District pursuant to the Installment Purchase Agreement, by and between the District and the Public Facilities Corporation. The Installment Purchase Agreement requires the District to prescribe, assess and collect replenishment assessments and additional replenishment assessments which, together with other revenues of the District are reasonably expected to be at least sufficient to yield Net Revenues during such fiscal year equal to 125% of debt service payable in such fiscal year.

The 2003 Series A Certificates of Participation are due in annual installments of \$13,755,000 to \$18,535,000 from August 2035 to August 2042 with interest at an adjustable rate calculated weekly and payable monthly. The 2003A Certificates of Participation outstanding totaled \$129,815,000 as of June 30, 2014 and 2013. The interest rate at June 30, 2014 and 2013, was 0.06% and 0.07%, respectively.

##### 2005B Certificates of Participation

In January 2005, the Public Facilities Corporation issued \$76,765,000 of Certificates of Participation, Series B, to assist the District in financing a portion of the cost of certain capital improvements, the refunding of a portion of the 1999 Certificates of Participation, the funding of a reserve fund for the Certificates, the funding of capitalized interest and to pay certain costs of executing and delivering the Certificates. The refunded portion of the Certificates has been redeemed.

The Certificates are obligations of the Public Facilities Corporation payable solely from payments received from the District pursuant to the Installment Purchase Agreement, by and between the District and the Public Facilities Corporation. The Installment Purchase Agreement requires the District to prescribe, assess and collect replenishment assessments and additional replenishment assessments which, together



## ORANGE COUNTY WATER DISTRICT

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2014 AND 2013

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#### Note 6: Long-Term Debt (Continued)

with other revenues of the District are reasonably expected to be at least sufficient to yield Net Revenues during such fiscal year equal to 125% of debt service payable in such fiscal year..

In February 2008, the District extinguished \$42,065,000 of the 2005 Series B Certificates through an advance refunding resulting in a defeasance of debt. Revenue Refunding Bond proceeds of \$45,807,992 were used to purchase Federal Agency Securities. Those Securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Certificates of Participation issue. As a result, this portion of the 2005 Series B Certificates is considered defeased and the related liabilities have been removed from the District's financial statements. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$3,671,162. The outstanding balance on the defeased Certificates of Participation to be paid by the escrow agent totaled \$31,495,000 and \$34,025,000 as of June 30, 2014 and 2013, respectively.

The 2005 Series B Certificates of Participation are due in annual installments of \$1,825,000 to \$3,410,000 from August 2014 to August 2024; interest at 3.25% to 5.0% payable semiannually on February 15 and August 15. A surety bond for \$7,343,550, issued by MBIA Insurance, satisfies the reserve requirement. MBIA Insurance is rated BB+ by Standard and Poor's. The 2005B Certificates of Participation outstanding totaled \$28,670,000 and \$30,420,000 as of June 30, 2014 and 2013, respectively.

#### 2009A Certificates of Participation

In August 2009, the Public Facilities Corporation issued \$130,080,000 Revenue Refunding Certificates of Participation, Series A, to assist the District in refunding the remaining portion of the 2008A Certificates of Participation, the funding of a reserve fund for the Certificates, and to pay certain costs of executing and delivering the Certificates. The proceeds were placed in an irrevocable trust with an escrow agent. As a result, the 2008A Certificates are considered to be in substance defeased, and the related liabilities have been removed from the District's financial statements. The defeased Certificates have been redeemed.

The Certificates are obligations of the Public Facilities Corporation payable solely from payments received from the District pursuant to the Installment Purchase Agreement, by and between the District and the Corporation. The Installment Purchase Agreement requires the District to prescribe, assess and collect replenishment assessments and additional replenishment assessments which, together with other revenues of the District are reasonably expected to be at least sufficient to yield Net Revenues during such fiscal year equal to 125% of debt service payable in such fiscal year. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,526,835.

## ORANGE COUNTY WATER DISTRICT

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2014 AND 2013

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#### **Note 6: Long-Term Debt (Continued)**

The 2009 Series A Certificates of Participation are due in annual installments of \$595,000 to \$13,585,000 from August 2014 to August 2030; interest at 2% to 5.25%. Certificates are due in annual installments of \$1,335,000 to \$18,400,000 from August 2030 to August 2041; interest at 4.75% to 5%, payable semiannually on February 15 and August 15. The 2009A Certificates of Participation outstanding totaled \$127,890,000 and \$128,460,000 as of June 30, 2014 and 2013, respectively.

#### 2013A Refunding Revenue Bonds

In June 2013, the District issued \$53,000,000 of Refunding Revenue Bonds to defease the remaining \$63,170,000 of 2003B Certificates of Participation.

The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,534,199.

The 2013 Series A Refunding Revenue Bonds consist of \$53,000,000 of serial bonds. The bonds accrue interest at rates between 4.00% and 5.00% and mature between August, 2025 and August, 2033, in amounts ranging from \$675,000 to \$13,900,000. The 2013A Refunding Revenue Bonds outstanding totaled \$53,000,000 as of June 30, 2014 and 2013.

The District will, to the fullest extent permitted by law, prescribe and assess, at the commencement of each Fiscal Year, replenishment assessments and additional replenishment assessments in accordance with the provisions of the Orange County Water District Act which when combined with other Revenues of the District, are reasonably expected to be at least sufficient to yield Net Revenues during such Fiscal Year equal to one hundred twenty-five percent (125%) of Debt Service payable in such Fiscal Year. The District may make adjustments from time to time in such replenishment assessments and additional replenishment assessments, and may make such classification thereof as it deems necessary, but shall not reduce the replenishment assessments and additional replenishment assessments then in effect unless the Net Revenues are reasonably expected to be sufficient to meet the foregoing requirements.

#### Other Defeased Certificates of Participation

In February 2007, the Public Facilities Corporation issued \$11,320,000 of Certificates of Participation, Series A. In February 2008, the District extinguished the remaining outstanding balance of the 2007 Series A Certificates through an advance refunding resulting in a defeasance of debt. The transaction resulted in a loss on the refunding transaction of \$250,462. The outstanding balance on the defeased Certificates of Participation to be paid by the escrow agent totaled \$9,475,000 as of June 30, 2014 and 2013.

**ORANGE COUNTY WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014 AND 2013**

**Note 6: Long-Term Debt (Continued)**

The following is a summary of the changes in Certificates of Participation and Revenue Refunding Bonds for the year ended June 30, 2014:

	Balance at July 1, 2013	Defeased	Additions	Reductions	Balance at June 30, 2014	Due Within One Year
Certificates of Participation (COP):						
2003B COP	\$ -	\$ -	\$ -	\$ -	\$ -	-
2003A COP	129,815,000	-	-	-	129,815,000	-
2005B COP	30,420,000	-	-	(1,750,000)	28,670,000	1,825,000
2009A COP	128,460,000	-	-	(570,000)	127,890,000	595,000
2013A Revenue Refunding Bonds	53,000,000	-	-	-	53,000,000	-
	<u>341,695,000</u>	<u>-</u>	<u>-</u>	<u>(2,320,000)</u>	<u>339,375,000</u>	<u>\$ 2,420,000</u>
Add:						
Unamortized (discount) premium	14,036,085	-	-	(738,725)	13,297,360	
Total	<u>\$ 355,731,085</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,058,725)</u>	<u>\$ 352,672,360</u>	

The following is a summary of the changes in Certificates of Participation for the year ended June 30, 2013:

	Balance at July 1, 2012	Defeased	Additions	Reductions	Balance at June 30, 2013	Due Within One Year
Certificates of Participation (COP):						
2003B COP	\$ 63,170,000	\$ (63,170,000)	\$ -	\$ -	\$ -	-
2003A COP	129,815,000	-	-	-	129,815,000	-
2005B COP	31,840,000	-	-	(1,420,000)	30,420,000	1,750,000
2009A COP	129,020,000	-	-	(560,000)	128,460,000	570,000
2013A Revenue Refunding Bonds	-	-	53,000,000	-	53,000,000	-
	<u>353,845,000</u>	<u>(63,170,000)</u>	<u>53,000,000</u>	<u>(1,980,000)</u>	<u>341,695,000</u>	<u>\$ 2,320,000</u>
Add:						
Unamortized (discount) premium	3,828,503	-	11,460,292	(1,252,710)	14,036,085	
Total	<u>\$ 357,673,503</u>	<u>\$ (63,170,000)</u>	<u>\$ 64,460,292</u>	<u>\$ (3,232,710)</u>	<u>\$ 355,731,085</u>	

**ORANGE COUNTY WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014 AND 2013**

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**Note 6: Long-Term Debt (Continued)**

Aggregate maturities of the Certificates of Participation , Revenue Refunding Bonds and interest payments (using 0.06% on the 2003A variable rate debt) subsequent to June 30, 2014, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014-2015	\$ 2,420,000	\$ 10,488,539	\$ 12,908,539
2015-2016	2,500,000	10,380,589	12,880,589
2016-2017	2,625,000	10,259,014	12,884,014
2017-2018	3,070,000	10,127,039	13,197,039
2018-2019	3,215,000	9,980,139	13,195,139
2020-2024	18,690,000	47,312,545	66,002,545
2025-2029	31,390,000	42,039,714	73,429,714
2030-2034	72,470,000	28,328,776	100,798,776
2035-2039	101,320,000	12,261,649	113,581,649
2040-2043	101,675,000	3,073,231	104,748,231
Total	<u>\$ 339,375,000</u>	<u>\$ 184,251,235</u>	<u>\$ 523,626,235</u>

**State of California Loans Payable**

**Green Acres Phase II**

In July 1997, the District entered into a loan contract with the State Water Resources Control Board for the construction of an extension of pipeline into Newport Beach including appurtenances and service meters. The District may borrow up to \$4,380,132 or the eligible costs of the project, whichever is less. At June 30, 2014, the State Water Resources Control Board had disbursed \$4,292,529 under the loan contract. The loan has an interest rate of 2.8% with maturities through 2017. The outstanding balance totaled \$915,671 and \$1,173,153 as of June 30, 2014 and 2013, respectively.

**Groundwater Replenishment System (GWRS)**

In May 2006, the District entered into an agreement with the State Water Resources Control Board for the construction of Groundwater Replenishment System project. The District may borrow up to \$8,659,470 or the eligible costs of the project, whichever is less. At June 30, 2014, the State Water Resources Control Board had disbursed \$7,216,196 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2024. The outstanding balance totaled \$4,319,731 and \$4,706,347 as of June 30, 2014 and 2013, respectively.

# ORANGE COUNTY WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014 AND 2013

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### Note 6: Long-Term Debt (Continued)

#### GWRS Barrier Facilities

In May 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the new injection wells. The District may borrow up to \$4,491,018 or the eligible costs of the project, whichever is less. At June 30, 2014, the State Water Resources Control Board had disbursed \$3,479,837 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2026. The outstanding balance totaled \$2,338,580 and \$2,510,657 as of June 30, 2014 and 2013, respectively.

#### GWRS Pipeline Unit 1

In May 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the first portion of the Groundwater Replenishment System pipeline. The District may borrow up to \$5,310,891 or the eligible costs of the project, whichever is less. At June 30, 2014, the State Water Resources Control Board had disbursed \$4,425,725 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2026. The outstanding balance totaled \$2,973,409 and \$3,192,131 as of June 30, 2014 and 2013, respectively.

#### GWRS Pipeline Unit 2

In May 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the second portion of the Groundwater Replenishment System pipeline. The District may borrow up to \$3,452,552 or the eligible costs of the project, whichever is less. At June 30, 2014, the State Water Resources Control Board had disbursed \$2,877,115 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2026. The outstanding balance totaled \$1,931,835 and \$2,073,849 as of June 30, 2014 and 2013, respectively.

#### GWRS Pipeline Unit 3

In May 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the third portion of the Groundwater Replenishment System pipeline. The District may borrow up to \$4,137,559 or the eligible costs of the project, whichever is less. At June 30, 2014, the State Water Resources Control Board had disbursed \$3,429,338 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2026. The outstanding balance totaled \$2,179,804 and \$2,339,442 as of June 30, 2014 and 2013, respectively.

**ORANGE COUNTY WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014 AND 2013**

**Note 6: Long-Term Debt (Continued)**

**GWRS Advanced Water Treatment Facility**

In June 2006, the District entered into an agreement with the State Water Resources Control Board for construction of the new advanced wastewater treatment facility for the District's Groundwater Replenishment System. The District may borrow up to \$136,802,193 or the eligible costs of the project, whichever is less. At June 30, 2014, the State Water Resources Control Board had disbursed \$114,000,776 under the loan contract. The loan has an interest rate of 1.8% with maturities through 2028. The outstanding balance totaled \$83,967,396 and \$89,199,208 as of June 30, 2014 and 2013, respectively.

**Groundwater Replenishment System Initial Expansion**

In August 2011, the District entered into an agreement with the State Water Resources Control Board for construction of the Groundwater Replenishment System Initial Expansion project. The District may borrow up to \$137,442,775 or the eligible costs of the project, whichever is less. At June 30, 2014, the State Water Resources Control Board had disbursed \$106,270,698. The loan has an interest rate of 2.6% with maturities through 2034. The outstanding balance totaled \$114,739,540 and \$66,511,448 as of June 30, 2014 and 2013, respectively.

The following is a summary of the changes in loans payable to the State of California for the year ended June 30, 2014:

	Balance at July 1, 2013	Additions	Reductions	Balance at June 30, 2014	Due Within One Year
Green Acres Phase II	\$ 1,173,153	\$ -	\$ (257,482)	\$ 915,671	\$ 264,692
GWRS	4,706,347	-	(386,616)	4,319,731	394,376
GWRS Barrier Facilities	2,510,657	-	(172,077)	2,338,580	175,346
GWRS Pipeline Unit 1	3,192,131	-	(218,722)	2,973,409	222,887
GWRS Pipeline Unit 2	2,073,849	-	(142,014)	1,931,835	144,733
GWRS Pipeline Unit 3	2,339,442	-	(159,638)	2,179,804	162,786
GWRS Advanced Water Treatment Facility	89,199,208	-	(5,231,812)	83,967,396	5,326,142
GWRS Initial Expansion	66,511,448	48,228,092	-	114,739,540	-
<b>Total</b>	<u>\$ 171,706,235</u>	<u>\$ 48,228,092</u>	<u>\$ (6,568,361)</u>	<u>\$ 213,365,966</u>	<u>\$ 6,690,962</u>

**ORANGE COUNTY WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014 AND 2013**

**Note 6: Long-Term Debt (Continued)**

The following is a summary of the changes in loans payable to the State of California for the year ended June 30, 2013:

	Balance at July 1, 2012	Additions	Reductions	Balance at June 30, 2013	Due Within One Year
Irvine Desalter	\$ 235,863	\$ -	\$ (235,863)	\$ -	\$ -
Green Acres Phase II	1,423,621	-	(250,468)	1,173,153	257,482
GWRs	5,085,356	-	(379,009)	4,706,347	386,616
GWRs Barrier Facilities	2,679,524	-	(168,867)	2,510,657	172,076
GWRs Pipeline Unit 1	3,406,765	-	(214,634)	3,192,131	218,722
GWRs Pipeline Unit 2	2,213,196	-	(139,347)	2,073,849	142,014
GWRs Pipeline Unit 3	2,495,994	-	(156,552)	2,339,442	159,638
GWRs Advanced Water Treatment Facility	94,338,362	-	(5,139,154)	89,199,208	5,231,813
GWRs Initial Expansion	24,435,235	42,076,213	-	66,511,448	-
<b>Total</b>	<b>\$ 136,313,916</b>	<b>\$ 42,076,213</b>	<b>\$ (6,683,894)</b>	<b>\$ 171,706,235</b>	<b>\$ 6,568,361</b>

Debt service requirements on the loans payable to the State of California subsequent to June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 6,690,962	\$ 1,807,299	\$ 8,498,261
2016	6,815,877	1,682,384	8,498,261
2017	7,042,303	1,556,041	8,598,344
2018	6,785,271	1,422,659	8,207,930
2019	6,909,345	1,298,585	8,207,930
2020-2024	36,488,807	4,550,845	41,039,652
2025-2027	27,893,861	1,239,984	29,133,845
GWSR Initial Expansion Principal as of June 30, 2014*	114,739,540	-	114,739,540
<b>Total</b>	<b>\$ 213,365,966</b>	<b>\$ 13,557,797</b>	<b>\$ 226,923,763</b>

\*As of June 30, 2014 the future debt service requirements have not been determined.

**Commercial Paper**

The Public Facilities Corporation issued commercial paper from which the proceeds were used to provide capital funds for the District to purchase land. The commercial paper has a maximum maturity of 270 days. The District issues, from time-to-time, Tax and Revenue Anticipation Notes which are additionally secured by revenue to

**ORANGE COUNTY WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014 AND 2013**

**Note 6: Long-Term Debt (Continued)**

service the commercial paper. On January 13, 2014, the District issued 2013-2014 Tax and Revenue Anticipation Notes amounting to \$28,400,000 to the Public Facilities Corporation. The outstanding balance for the notes is \$27,280,000 for the year ended June 30, 2014.

The following is a summary of the changes in commercial paper for the year ended June 30, 2014:

	Balance at July 1, 2013	Additions	Reductions	Balance at June 30, 2014	Due Within One Year
Commercial Paper	\$ -	\$ 28,400,000	\$ (1,120,000)	\$ 27,280,000	\$ 27,280,000

The District did not have any commercial paper activity for the year ended June 30, 2013.

**Note 7: Derivative Instruments Interest Rate Swap Agreements**

**Objective**

The District executed two interest rate swap agreements on February 5, 2007 (the swaps) with swap provider Citibank, N.A. (counterparty), which were subsequently amended and restated as of April 1, 2008, to hedge debt service cost on a portion of the District's 2003A Adjustable Rate Refunding Certificates of Participation by achieving a synthetic fixed rate.

Details on the swap agreements are as follows:

Notional Amount	Fixed Rate	COP Issue	Termination Date	Initial Effective Date
\$ 58,800,000	3.314	2003A	07/25/2037	02/07/2007
23,750,000	3.314	2003A	08/01/2029	05/16/2007
<u>\$ 82,550,000</u>				



**ORANGE COUNTY WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2014 AND 2013**

**Note 7: Derivative Instruments Interest Rate Swap Agreements (Continued)**

**Terms**

Under the swap agreements, the District will make a fixed rate payment to the swap counterparty, at a rate of 3.314%, and then receive a variable rate payment of 56% of the monthly LIBOR rate plus 23 basis points from the swap counterparty that would effectively offset the payment on the underlying variable rate Certificates. The swaps are for a total notional amount of \$82,550,000 and terminate on various dates.

A portion of the 2003A Certificates maturity dates matches the maturity of the related swap agreements. The swaps notional amount is equal to a portion of the principal amounts of the 2003A Certificates issued and will decline as the principal amount of the associated proportion debt declines.

**Summary of Activities in Cash Flow Hedging Derivative Instruments**

<u>Notional Amount</u>	<u>Fair Value at July 1,2012</u>	<u>Change in Fair Value</u>	<u>Fair Value at July 1,2013</u>	<u>Change in Fair Value</u>	<u>Fair Value at June 30,2014</u>
\$ 58,800,000	\$ (17,498,356)	\$ 6,352,311	\$ (11,146,045)	\$ (457,658)	\$ (11,603,703)
23,750,000	(6,232,741)	2,122,645	(4,110,096)	(140,106)	(4,250,202)
<u>\$ 82,550,000</u>	<u>\$ (23,731,097)</u>	<u>\$ 8,474,956</u>	<u>\$ (15,256,141)</u>	<u>\$ (597,764)</u>	<u>\$ (15,853,905)</u>

As of June 30, 2014 and 2013, the fair value of \$(15,853,905) and \$(15,256,141) respectively, is reported as a noncurrent asset and deferred inflows of resources in the Statements of Net Position.

**Credit Risk**

As of June 30, 2014 and 2013, the District was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the District would be exposed to credit risk in the amount of the derivative's fair value.

The swaps counterparty, Citibank N.A., has the following credit ratings:

	Standard &	
	Poor's	Moody's
Citibank N.A.	<u>A</u>	<u>A2</u>

**ORANGE COUNTY WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014 AND 2013**

**Note 7: Derivative Instruments Interest Rate Swap Agreements (Continued)**

**Basis Risk**

The swaps do expose the District to basis risk, which refers to a mismatch between the interest rate received from the swap contract and the interest paid on the variable rate payments to be made on the debt. The District pays the counterparty a fixed rate and receives a variable rate based on 56% of the 1 month UDS-LIBOR-BBA plus a spread of .23% which may be different than the variable rate payments to be made on the debt. The District is at risk that the variable interest rate payments received from the counterparty will be less than the variable rate payments owed on the debt.

**Termination Risk**

The swaps may be terminated by the District or the counterparty if the other party fails to perform under the terms of the swap agreements. In addition, the District has the option to terminate the swaps upon proper notification to the counterparty. If the swaps are terminated, the District would prospectively pay the variable rates on the portion of 2003A Certificates related to the swap agreements rather than a fixed rate. The termination of the swap agreements could therefore increase the District's total debt service. Also, if at the time of the termination, the swaps have a negative fair value, the District would be liable to the counterparty for a payment equal to such negative fair value. As of June 30, 2014 and 2013 and the swap had a negative fair value of \$15,853,905 and \$15,256,141, respectively.

**Swap Payments and Associated Debt**

Using a variable rate of 0.06% for the 2003A COP as of June 30, 2014, debt service requirements of the Certificates and the swap payments, assuming current interest rates remain the same for their term are as follows. As rates vary, the variable rate interest payments and net swap payments will vary.

Year Ending June 30,	Variable Rate Debt			Interest Rate Swap, Net	Fixed Debt Service
	Principal	Interest	Total		
2015	\$ -	\$ 49,530	\$ 49,530	\$ 2,476,038	\$ 2,525,568
2016	-	49,530	49,530	2,476,038	2,525,568
2017	-	49,530	49,530	2,476,038	2,525,568
2018	-	49,530	49,530	2,476,038	2,525,568
2019	-	49,530	49,530	2,476,038	2,525,568
2020-2024	-	247,650	247,650	12,380,189	12,627,839
2025-2029	28,650,000	219,210	28,869,210	39,608,454	39,827,664
2030-2034	19,775,000	115,725	19,890,725	25,560,170	25,675,895
2035-2039	34,125,000	20,715	34,145,715	35,160,557	35,181,272
<b>Total</b>	<b>\$ 82,550,000</b>	<b>\$ 850,950</b>	<b>\$ 83,400,950</b>	<b>\$ 125,089,560</b>	<b>\$ 125,940,510</b>

## ORANGE COUNTY WATER DISTRICT

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2014 AND 2013

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#### **Note 8: Joint Ventures**

The District is a participant in the Santa Ana Watershed Project Authority (SAWPA). SAWPA is a joint venture of water districts that provides for the construction, ownership, operation, and maintenance of facilities involved in the collection, transmission, treatment, disposal, and reclamation of sewage, wastewater, groundwater, and storm water in the Santa Ana River Watershed area. Each participating district appoints two commissioners to SAWPA to form a governing Board of Authority. Equal contributions are made by each member district for administration and contributions are based on capacity use rights for project agreements under which capital construction is accomplished. Special projects or studies are funded by equal contributions from each district.

As of June 30, 2013, the SAWPA has total assets of \$185,329,072 and total net position of \$67,377,974. Audited financial statements for fiscal year ended June 30, 2014, are not currently available. The District does not have a measurable equity interest in SAWPA. The District is also a participant in other joint ventures in which the District does not have a material equity interest or material ongoing financial interest or responsibility. Separate financial statements of SAWPA can be obtained at 11615 Sterling Avenue, Riverside, California 92503.

#### **Note 9: Defined Contribution Pension Plan**

The Money Purchase Plan for employees of Orange County Water District (Money Purchase Plan) is a defined contribution pension plan administered by a committee of the Board of Directors. The Money Purchase Plan covers all employees, except part-time or temporary employees, immediately upon date of hire. For the first layer, the Money Purchase Plan requires each employee, upon date of hire, to contribute monthly to a mandatory contributions account, by payroll deduction, an amount equal to the current FICA rate not limited to the FICA wage cap. For the first layer, the District may elect in any year to contribute any portion or all of the participant's first layer contribution and the participant's first layer contribution shall be reduced by the amount so contributed by the District. The District is required to make a contribution in an amount equal to the then current Social Security contribution requirement (7.65% for the years ended December 31, 2014 and 2013) for the employer contribution. In addition, the District may elect in any year to contribute any portion or all of the participant's first layer contribution and the participant's first layer contribution shall be reduced by the amount so contributed by the District. The District elected to contribute 3% for the years ended December 31, 2014 and 2013, of the participant's mandatory contribution.

## ORANGE COUNTY WATER DISTRICT

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2014 AND 2013

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#### **Note 9: Defined Contribution Pension Plan (Continued)**

Each eligible employee becomes a participant in the second layer of contribution as of the first day of the month following completion of twelve months of covered service. The District is required to contribute 6% of the participant's total monthly compensation each month.

Employees are required to make a mandatory contribution of 4.65% of compensation. Employees may elect to contribute to a voluntary contribution account in the Money Purchase Plan. Voluntary contributions may be an amount not less than 2% of compensation, nor more than an amount that would cause all contributions to exceed the lesser of \$51,000 or 25.00% of his or her paid compensation for the year. In addition, the District may elect in any year to contribute any portion or all of each employee's Money Purchase Plan contribution, thereby reducing the employee's Money Purchase Plan contribution by the amount contributed by the District.

The Money Purchase Plan may be amended by resolution of the Board of Directors, subject to limitations obtained in the Plan document. Total contributions to the Money Purchase Plan for the years ended June 30, 2014 and 2013 were \$3,366,609 and \$3,232,710, respectively.

Separate audited financial statements of the Money Purchase Plan can be obtained from the District offices at 18700 Ward Street, Fountain Valley, California 92708.

#### **Note 10: Other Post Employment Benefits (OPEB)**

##### **Plan Description**

The District contributes to a single-employer defined benefit plan to provide post-employment health care benefits. Specifically, the District provides health insurance for its retired employees and directors, their dependent spouses (if married and covered on the District's plan at time of retirement), or survivors in accordance with Board resolutions. Medical coverage is provided for retired employees who are age 55 or over and who have a minimum of 12 years service with the District. The District pays a flat dollar cap towards the premium for the retiree and the dependent coverage. Medical coverage is provided for the surviving spouse of retired employees and the surviving spouse of active employees who upon death had attained age 55 and who had a minimum of 12 years of service with the District. The District will pay the flat dollar amount premium cap until the surviving spouse remarries, becomes enrolled under another group health plan, or cancels coverage. Employees who qualify for post retirement health coverage must designate Medicare as their primary insurance coverage provider at the time they become eligible for Medicare (the District's coverage will then become secondary). Retiree and survivor medical coverage for employees hired on or after July 1, 2009 will terminate upon eligibility for Medicare. The plan does not provide a publicly available financial report.

**ORANGE COUNTY WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014 AND 2013**

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**Note 10: Other Post Employment Benefits (OPEB) (Continued)**

**Funding Policy**

The contribution requirements of plan members and the District are established and may be amended by the District, District's Board of Directors, and/or the employee associations. Currently, contributions are not required from plan members. During the fiscal year ended June 30, 2014 and 2013, the District elected to fund 100% of the annual required contribution (ARC) of the employer an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The ARC totaled \$1,319,560 and \$1,153,146 for the year ended June 30, 2014 and 2013, respectively.

**Annual OPEB Cost and Net OPEB Obligation**

The following table shows the component of the District's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the District's net OPEB asset as of June 30, 2014 and 2013.

	2014	2013
Annual required contribution (ARC)	\$ 1,319,560	\$ 1,153,146
Interest on Net OPEB asset	(12,741)	(12,527)
Amortization of Net OPEB obligations	15,939	12,527
Annual OPEB cost	<u>1,322,758</u>	<u>1,153,146</u>
Contribution made	<u>1,322,758</u>	<u>1,153,146</u>
Increase in Net OPEB obligation (asset)	-	-
Beginning Net OPEB obligation (asset)	<u>(231,655)</u>	<u>(231,655)</u>
Ending Net OPEB obligation (asset)	<u><u>\$ (231,655)</u></u>	<u><u>\$ (231,655)</u></u>

The net OPEB asset is included as part of other noncurrent assets in the District's Statement of Net Position.

**ORANGE COUNTY WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014 AND 2013**

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**Note 10: Other Post Employment Benefits (OPEB) (Continued)**

**Three Year Trend Information**

Information on the annual OPEB cost, percentage of Annual OPEB Cost contributed, and Net OPEB Obligation for the past three fiscal years is presented below.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution (Net of Adjustments)</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
06/30/2012	\$ 1,153,146	\$ 1,153,146	100.00%	\$ (231,655)
06/30/2013	1,153,146	1,153,146	100.00%	(231,655)
06/30/2014	1,322,758	1,322,758	100.00%	(231,655)

**Funded Status and Funding Progress**

As of July 1, 2013, the most recent actuarial date, the actuarial accrued liability was \$14,846,659. The Plan has an asset value of \$5,489,095 resulting in an unfunded accrued liability (UAL) of \$9,357,564 and a 36.97% funded ratio. The covered payroll (annual payroll of active employees covered by the plan) was \$21,359,974 and the ratio of the UAL to the covered payroll was 43.81%.

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

**Actuarial Methods and Assumptions**

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

## ORANGE COUNTY WATER DISTRICT

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014 AND 2013

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#### Note 10: Other Post Employment Benefits (OPEB) (Continued)

In the July 1, 2013, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 5.50% investment rate of return (net of administrative expenses), 5% inflation rate and the District's share of premium cost will increase at a rate of 8% for the year 2013, 7% for the year 2014, 6% for the year 2015 and 5% for each year thereafter. The healthcare trend rates range from 8% in year one decreasing annually by 1% until holding constant at 5% for future years. The District's unfunded actuarial accrued liability will be amortized by level dollar contributions over thirty years as a level dollar amount. The remaining closed amortization period at June 30, 2014, was twenty-five years.

#### Note 11: Risk Management

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

At June 30, 2014 and 2013, the District participated in the self-insurance programs of the Insurance Authority as follows:

Property Loss - The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence and has purchased excess insurance coverage up to \$100,000,000 (total insurable value of \$308,934,200). The District has a \$25,000 deductible for buildings, personal property and fixed equipment and a \$25,000 deductible for mobile equipment and licensed vehicles.

General Liability - The Insurance Authority has pooled self-insurance up to \$2,000,000 per occurrence and has purchased excess insurance coverage up to \$60,000,000.

Auto Liability - The Insurance Authority has pooled self-insurance up to \$2,000,000 per occurrence and has purchased excess insurance coverage up to \$60,000,000.

Public Officials' Liability - The Insurance Authority has pooled self-insurance up to \$2,000,000 per occurrence and has purchased excess insurance coverage up to \$60,000,000.

PVBHC Employer Fidelity Bond - The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence and the District has purchased excess insurance coverage up to \$5,000,000. The District has a \$1,000 deductible.

**ORANGE COUNTY WATER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014 AND 2013**

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**Note 11: Risk Management (Continued)**

Workers' Compensation - Insured up to the statutory limit; the Insurance Authority is self-insured up to \$2,000,000 and excess insurance coverage has been purchased up to the statutory limit. Employer's liability is insured up to a \$4,000,000 limit. The Insurance Authority has pooled self-insurance up to \$2,000,000 and has purchased excess insurance coverage up to \$2,000,000.

Fiduciary Liability - Purchased coverage up to \$1,000,000. The District has a \$10,000 deductible.

The District pays annual premiums for coverage. There were no instances in the past three years when a settlement exceeded the District's coverage.

**Note 12: Commitments and Contingencies**

The District has entered into various contracts for the purchase of material and construction of the utility plant. The amounts contracted for are based on the contractor's estimated cost of construction. At June 30, 2014 and 2013, the total unpaid amount on these contracts are approximately \$31,769,215 and \$77,990,746, respectively. These commitments may be funded from restricted assets.

Legal claims and lawsuits arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the District's financial position.

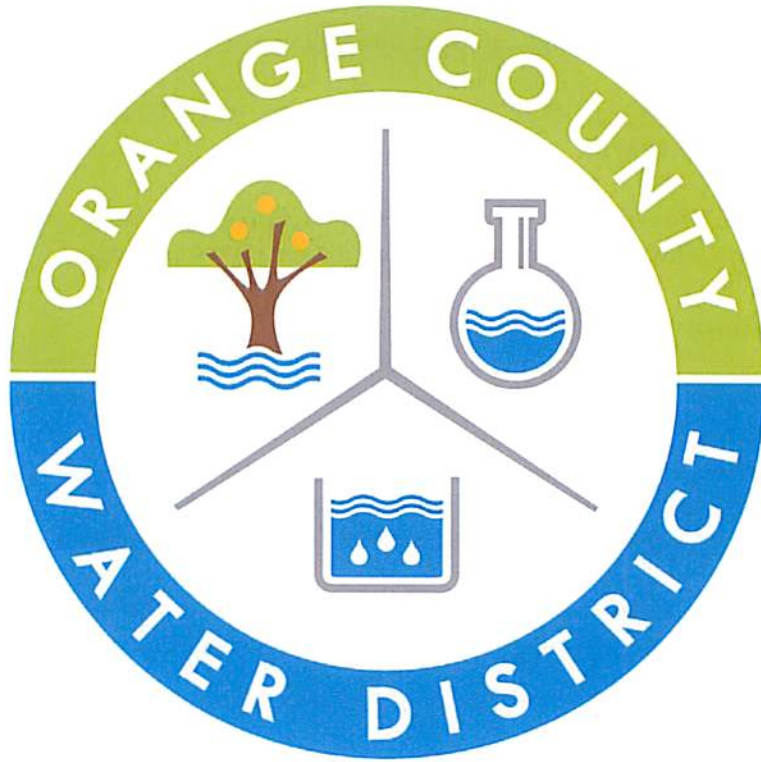
**Note 13: Leasing Arrangements**

The District leases land and unused pipelines to several commercial and government entities.

The following is a schedule of future minimum rentals under leases at June 30, 2014, not including renewal option increases.

<u>Year Ending</u>	<u>Amount</u>
2014-2015	\$ 1,303,895
2015-2016	978,936
2016-2017	660,744
2017-2018	<u>264,621</u>
Total	<u>\$ 3,208,196</u>





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ORANGE COUNTY WATER DISTRICT

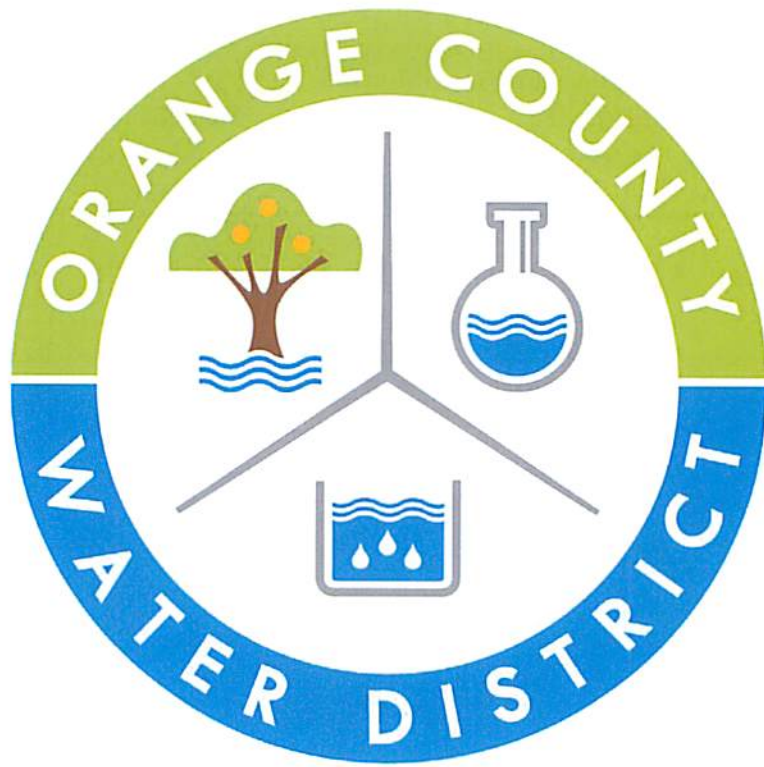
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDING JUNE 30, 2014 AND 2013

OTHER POST-EMPLOYMENT BENEFIT PLAN  
SCHEDULE OF FUNDING PROGRESS

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Retiree Health Plan

Actuarial Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Unfunded liability (UL) (a)-(b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UL as a Percentage of Payroll [(a)-(b)]/(c)
1/1/2007	\$ 11,206,023	\$ -	\$ 11,206,023	0.00%	\$ 15,880,684	70.56%
7/1/2009	12,185,213	1,218,052	10,967,161	10.00%	17,292,114	63.42%
7/1/2011	12,204,844	3,458,552	8,746,292	28.34%	20,113,287	43.49%
7/1/2013	14,846,659	5,489,095	9,357,564	36.97%	21,359,974	43.81%



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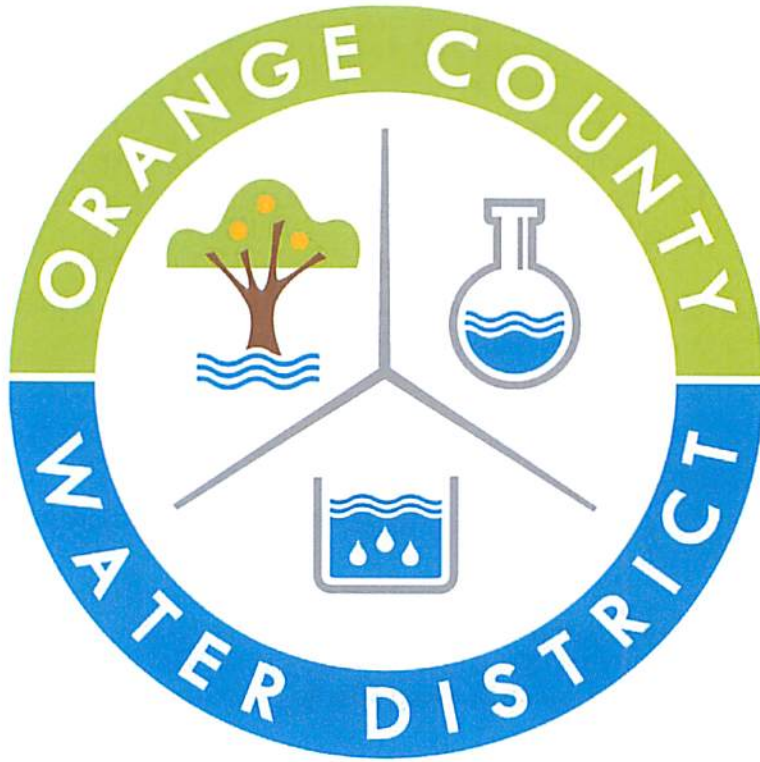
ORANGE COUNTY WATER DISTRICT

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2014

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and the note disclosures say about the government's overall financial health.

<u>Contents:</u>	<u>Pages</u>
<u>Financial Trends</u> schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	57-60
<u>Revenue Capacity</u> schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	61-63
<u>Debt Capacity</u> schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	64-67
<u>Demographic and Economic Information</u> schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	68-69
<u>Operating Information</u> schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	70-73



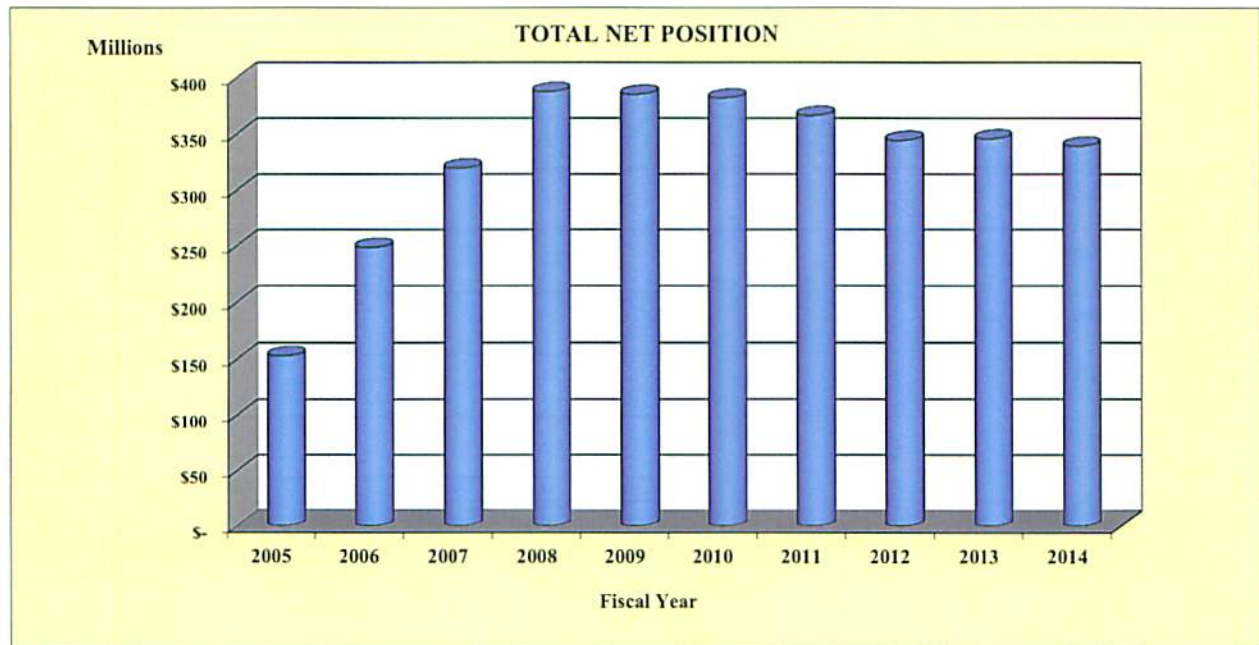
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## Orange County Water District

### *Net Position by Component Last Ten Fiscal Years*

Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
2005	\$ 41,967,773	\$ -	\$ 110,995,810	\$ 152,963,583
2006	147,855,980	-	100,602,678	248,458,658
2007	192,018,083	-	127,538,276	319,556,359
2008	219,850,233	2,438,010	165,421,027	387,709,270
2009	147,140,291	466,011	237,737,869	385,344,171
2010	125,709,435	50,790,670	205,481,065	381,981,170
2011	116,111,449	43,270,828	207,082,254	366,464,531
2012	111,571,069	39,078,897	193,794,385	344,444,351
2013	99,650,065	21,514,322	224,686,841	345,851,228
2014	95,168,906	17,540,437	226,680,734	339,390,077



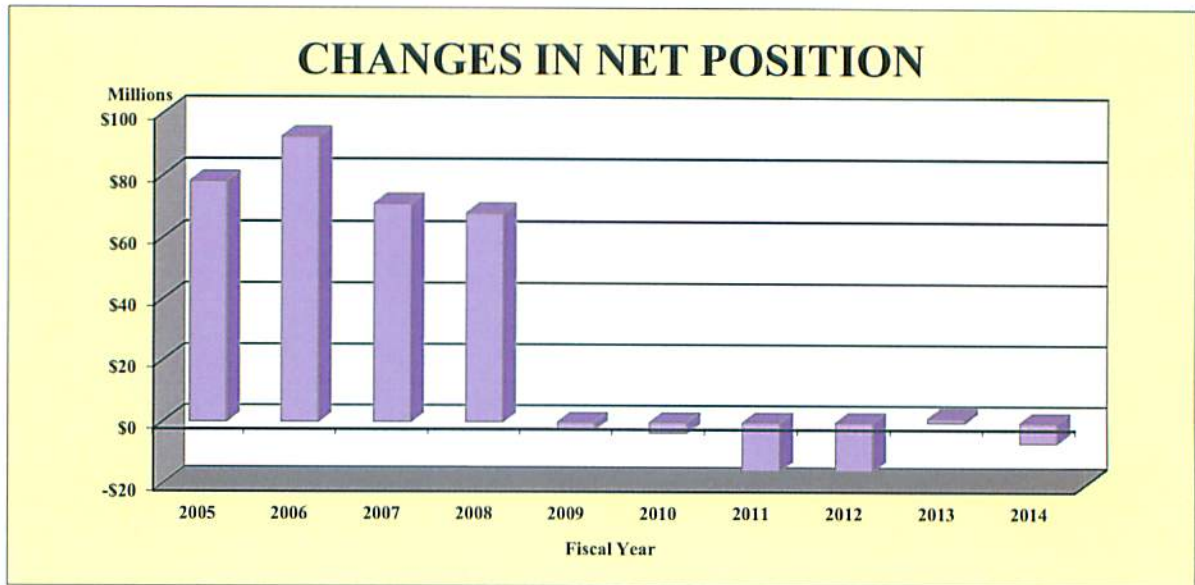
Source: OCWD Finance Department



## Orange County Water District

### *Changes in Net Position Last Ten Fiscal Years*

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)	Total Non-Operating Revenues (Expenses)	Net Income (Loss) Before Capital Contributions and Special Items	Capital Contributions and Special Items	Change in Net Position
2005	\$ 61,422,421	\$ 61,555,197	\$ (132,776)	\$ (1,879,105)	\$ (2,011,881)	\$ 80,236,648	\$ 78,224,767
2006	72,364,659	73,508,860	(1,144,201)	3,194,977	2,050,776	90,358,151	92,408,927
2007	83,082,421	67,398,010	15,684,411	12,734,800	28,419,211	42,678,490	71,097,701
2008	91,669,760	64,258,149	27,411,611	18,959,831	46,371,442	21,781,469	68,152,911
2009	87,831,679	95,052,735	(7,221,056)	(1,561,521)	(8,782,577)	6,417,475	(2,365,102)
2010	83,794,246	96,157,265	(12,363,019)	7,103,633	(5,259,386)	1,896,385	(3,363,001)
2011	78,110,405	98,315,531	(20,205,126)	3,522,527	(16,682,599)	1,165,960	(15,516,639)
2012	86,014,152	115,240,940	(29,226,788)	12,864,561	(16,362,227)	778,674	(15,583,553)
2013	93,756,691	98,781,253	(5,024,562)	6,372,002	1,347,440	59,437	1,406,877
2014	105,293,285	128,519,418	(23,226,133)	15,735,304	(7,490,829)	1,029,678	(6,461,151)



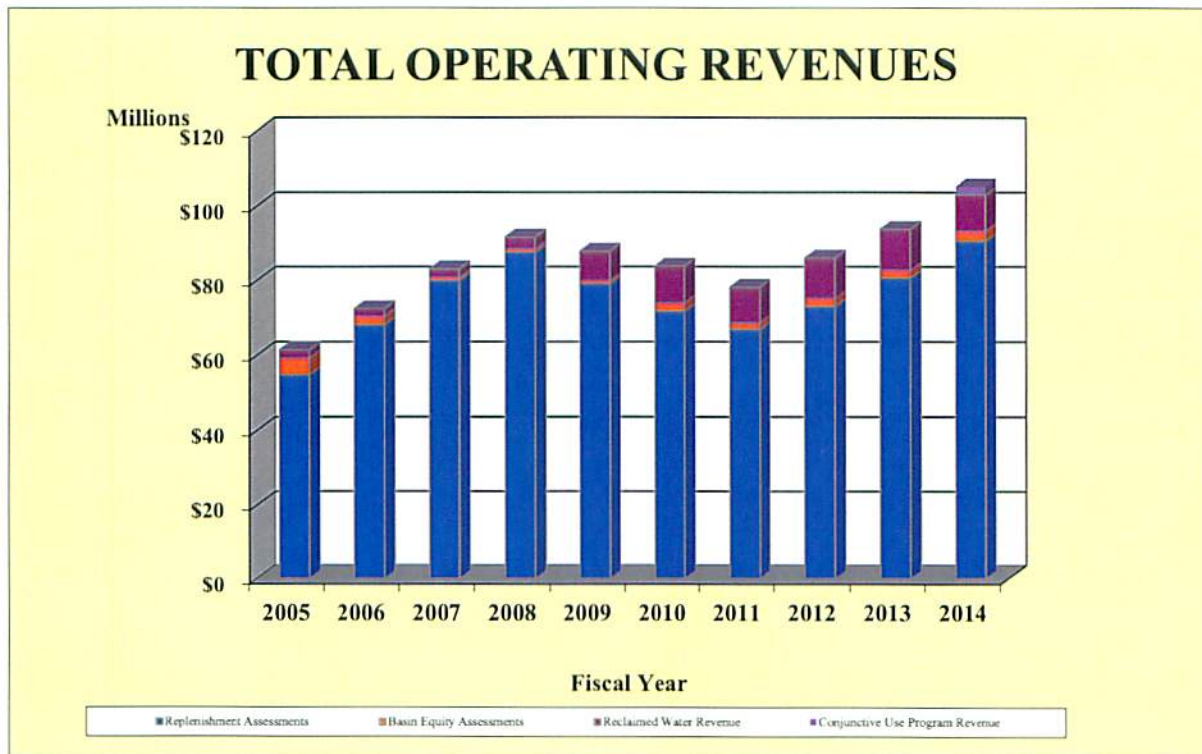
Source: OCWD Finance Department



## Orange County Water District

### *Operating Revenues By Source Last Ten Fiscal Years*

<u>Fiscal Year</u>	<u>Replenishment Assessments</u>	<u>Basin Equity Assessments</u>	<u>Reclaimed Water Revenue</u>	<u>Conjunctive Use Program Revenue</u>	<u>Total</u>	<u>Percent Change</u>
2005	\$ 54,825,606	\$ 4,467,124	\$ 2,129,691	\$ -	\$ 61,422,421	-
2006	68,041,279	2,330,442	1,992,938	-	72,364,659	17.8%
2007	79,983,287	793,177	2,305,957	-	83,082,421	14.8%
2008	87,541,655	961,516	3,166,589	-	91,669,760	10.3%
2009	79,167,471	852,787	7,811,421	-	87,831,679	-4.2%
2010	71,682,764	2,292,388	9,819,094	-	83,794,246	-4.6%
2011	66,799,060	1,771,328	9,540,017	-	78,110,405	-6.8%
2012	72,961,431	2,219,153	10,833,568	-	86,014,152	10.1%
2013	80,694,951	2,082,761	10,978,979	-	93,756,691	9.0%
2014	90,550,510	2,733,128	9,714,520	2,295,127	105,293,285	12.3%



Source: OCWD Finance Department

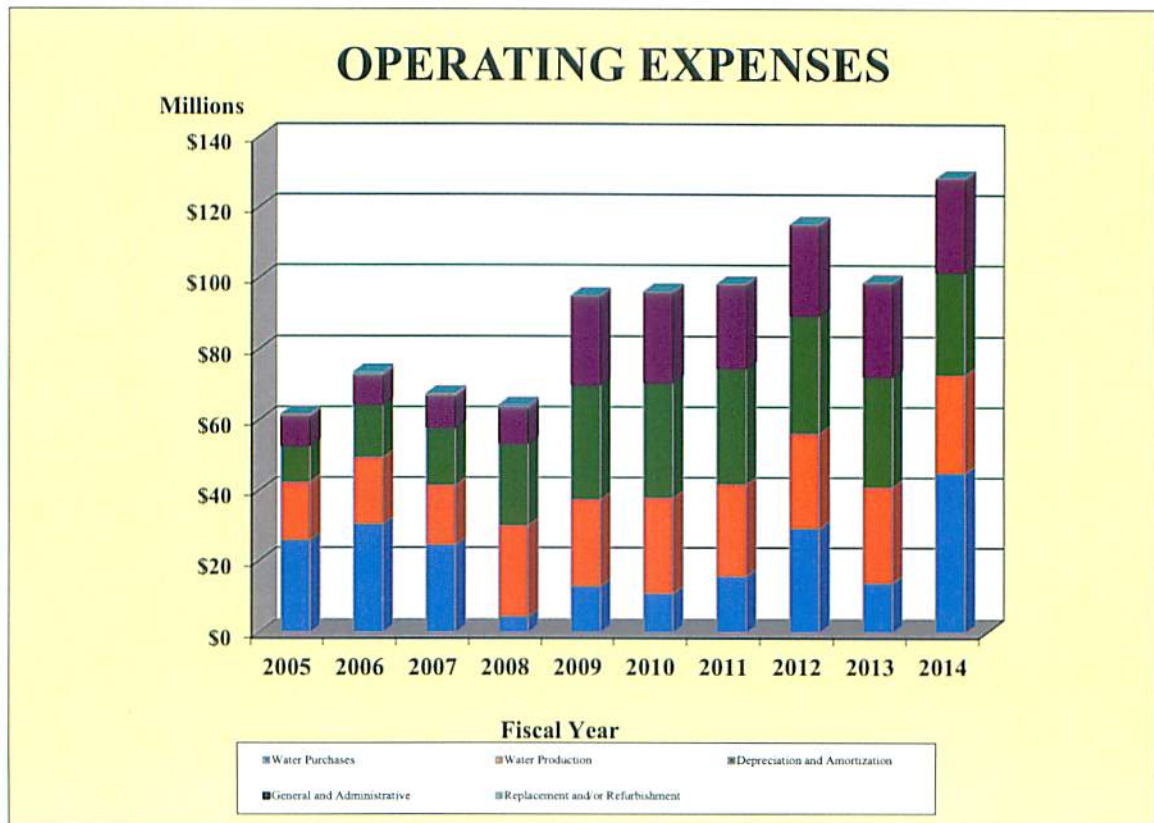




## Orange County Water District

### *Operating Expenses by Function Last Ten Fiscal Years*

<u>Fiscal Year</u>	<u>Water Purchases</u>	<u>Water Production</u>	<u>Depreciation and Amortization</u>	<u>General and Administrative</u>	<u>Replacement and/or Refurbishment</u>	<u>Total</u>	<u>Percent Change</u>
2005	\$ 25,847,020	\$ 16,467,678	\$ 10,457,881	\$ 8,415,008	\$ 367,610	\$ 61,555,197	-
2006	30,310,056	19,066,679	15,149,700	8,276,197	706,228	73,508,860	19.4%
2007	24,451,766	17,061,821	16,474,892	8,943,107	466,424	67,398,010	-8.3%
2008	4,462,320	25,487,715	23,576,893	9,996,039	735,182	64,258,149	-4.7%
2009	12,945,102	24,497,498	32,651,566	24,958,569	-	95,052,735	47.9%
2010	10,892,330	27,041,080	32,878,812	25,345,043	-	96,157,265	1.2%
2011	15,708,425	26,116,735	33,069,585	23,420,786	-	98,315,531	2.2%
2012	29,139,553	27,222,877	33,346,141	25,532,369	-	115,240,940	17.2%
2013	13,825,244	27,242,617	31,453,784	26,259,608	-	98,781,253	-14.3%
2014	45,072,626	27,765,955	29,010,580	26,670,257	-	128,519,418	30.1%



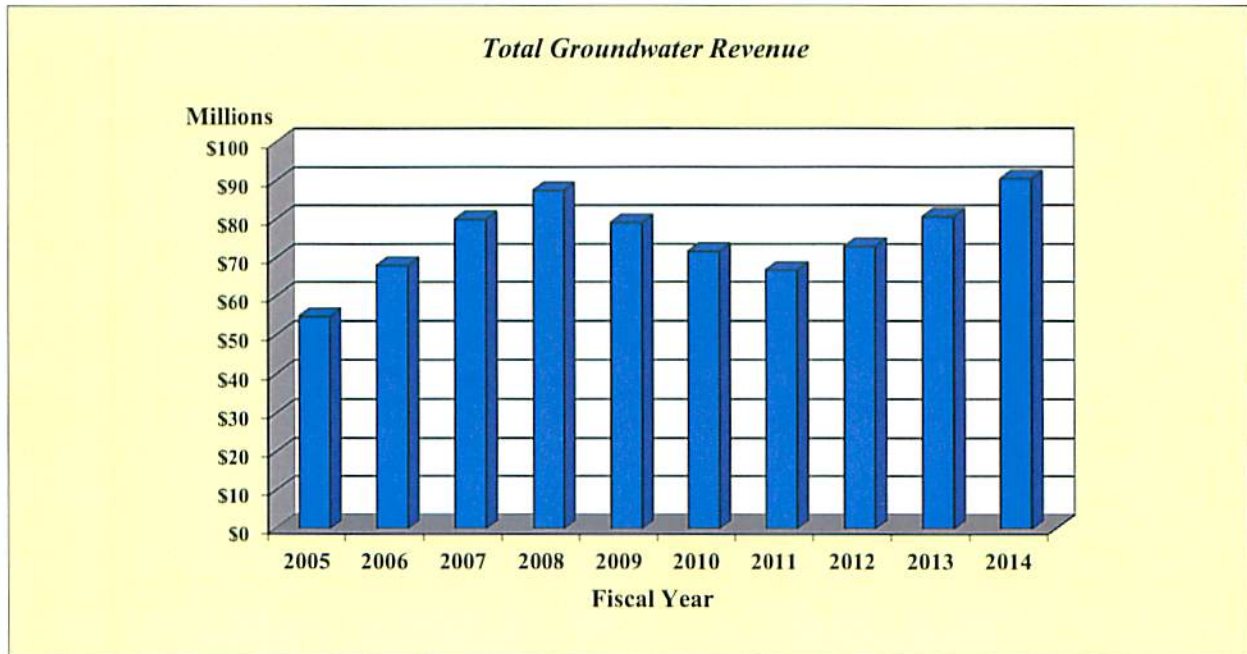
Source: OCWD Finance Department



# Orange County Water District

## *Total Sales Acre-Feet and Revenue by Water Type Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>Irrigation (Acre-Feet)</b>	<b>Domestic (Acre-Feet)</b>	<b>In-Lieu Delivery (Acre-Feet)</b>	<b>Revenue</b>
2005	3,392.0	240,978.0	69,617.0	\$ 54,825,606
2006	1,893.0	226,265.0	89,239.0	68,041,279
2007	3,301.6	295,816.0	50,740.3	79,983,287
2008	1,992.8	364,192.1	0.0	87,541,655
2009	2,515.6	321,631.2	0.0	79,167,471
2010	1,222.6	284,352.3	0.0	71,682,764
2011	3,684.2	256,176.3	10,435.4	66,799,060
2012	4,455.5	236,626.1	40,563.5	72,961,431
2013	4,181.7	305,113.5	0.0	80,694,951
2014	3,009.2	327,716.4	0.0	90,550,510

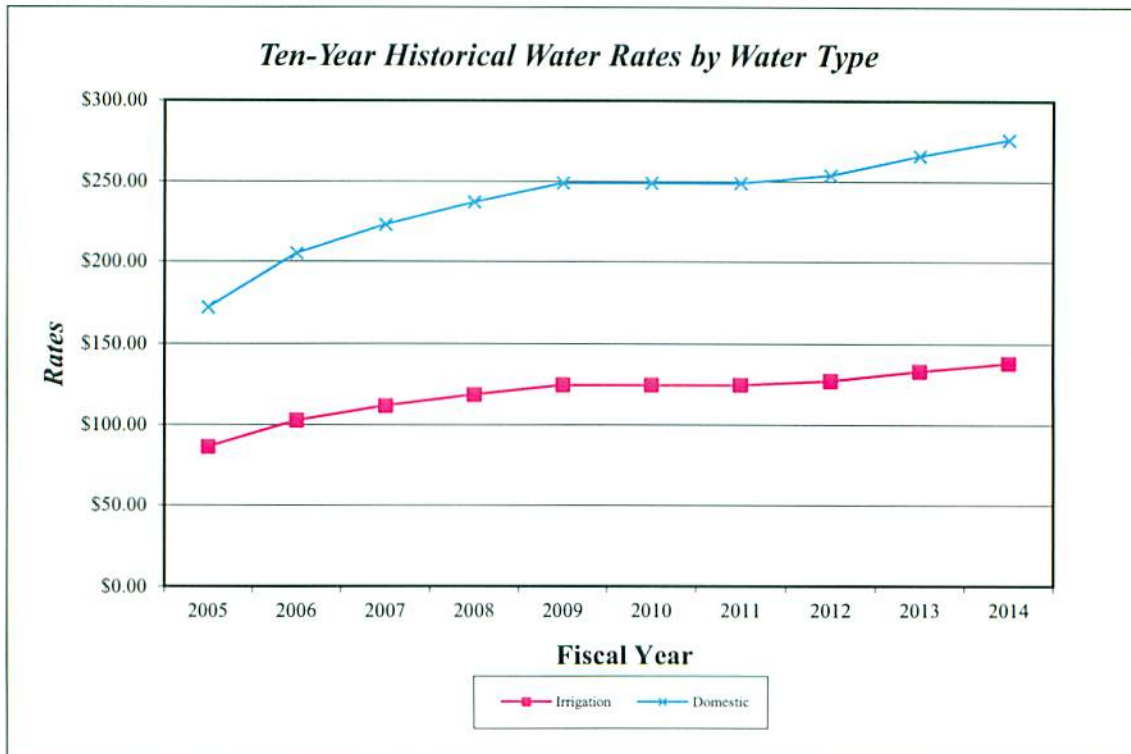




# Orange County Water District

## *Water Rates by Water Type Last Ten Fiscal Years (\$ per Acre-Foot)*

<b>Fiscal Year</b>	<b>Irrigation</b>	<b>Domestic</b>
2005	\$ 86.00	\$ 172.00
2006	102.50	205.00
2007	111.50	223.00
2008	118.50	237.00
2009	124.50	249.00
2010	124.50	249.00
2011	124.50	249.00
2012	127.00	254.00
2013	133.00	266.00
2014	138.00	276.00



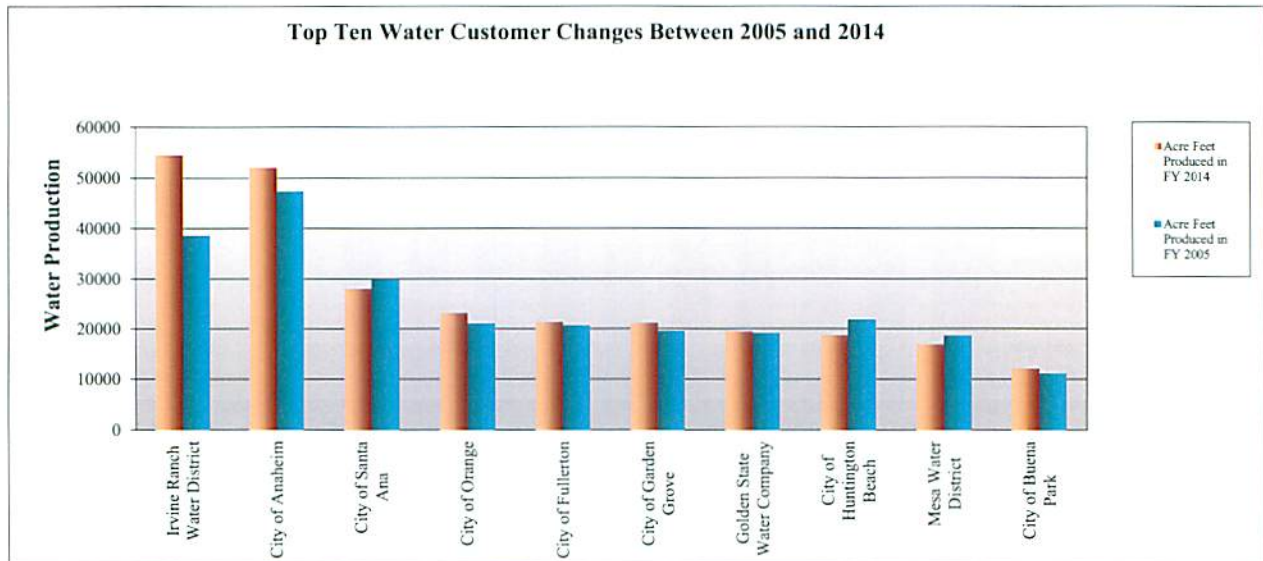
Source: OCWD Finance Department



## Orange County Water District

### *Changes In Top Ten Customer's Groundwater Production Current Fiscal Year and Ten Years Ago*

Member Cities & Agencies	Acre Feet Produced in FY 2014	% of Water Produced in FY 2014	Acre Feet Produced in FY 2005	% of Water Produced in FY 2005
Irvine Ranch Water District	54,410.4	20.42%	38,601.0	15.60%
City of Anaheim	51,900.6	19.48%	47,309.0	19.11%
City of Santa Ana	27,953.5	10.49%	29,941.0	12.10%
City of Orange	23,120.8	8.68%	21,044.0	8.50%
City of Fullerton	21,283.3	7.99%	20,620.0	8.33%
City of Garden Grove	21,062.3	7.91%	19,460.0	7.86%
Golden State Water Company	19,350.3	7.26%	19,099.0	7.72%
City of Huntington Beach	18,584.5	6.98%	21,795.0	8.81%
Mesa Water District	16,775.4	6.30%	18,588.0	7.50%
City of Buena Park	11,953.4	4.49%	11,065.0	4.47%
<b>Totals</b>	<b>266,394.5</b>	<b>100%</b>	<b>247,522.0</b>	<b>100%</b>



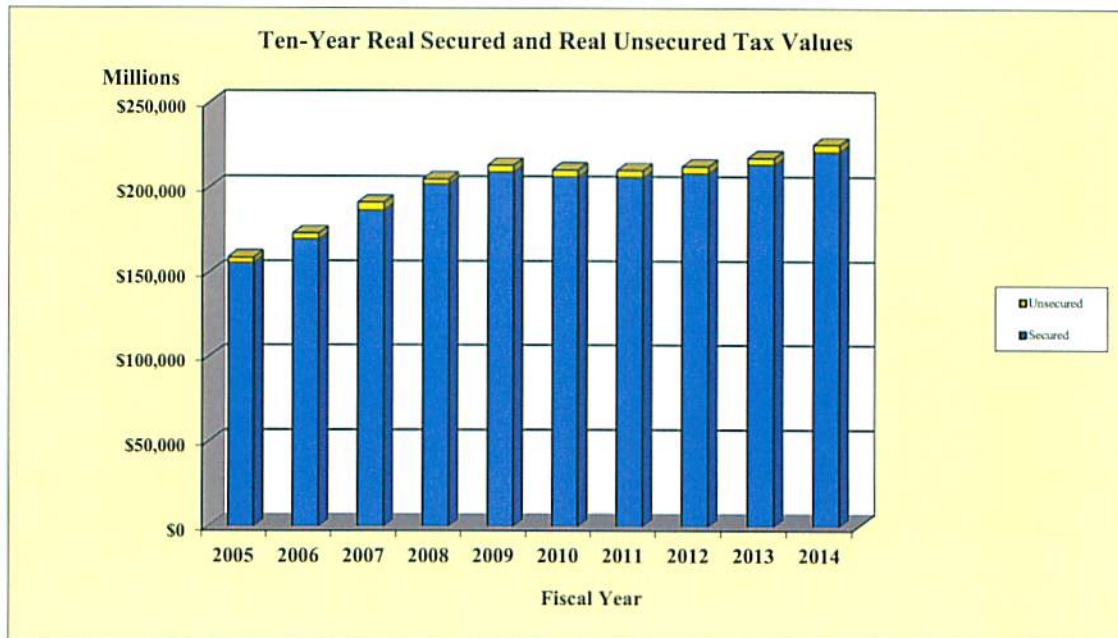
Source: OCWD Finance Department



## Orange County Water District

### *Ten-Year Real Secured and Real Unsecured Assessed Tax Values Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>Real Secured</b>	<b>Real Unsecured</b>	<b>Total</b>	<b>Total Direct Tax Rate Percent (1)</b>
2005	\$ 155,736,725,870	\$ 3,161,356,890	\$ 158,898,082,760	1.00
2006	169,617,298,463	3,538,186,651	173,155,485,114	1.00
2007	186,687,569,533	4,612,164,881	191,299,734,414	1.00
2008	202,161,581,329	2,952,885,446	205,114,466,775	1.00
2009	209,272,754,630	3,946,106,787	213,218,861,417	1.00
2010	206,556,983,619	4,066,318,613	210,623,302,232	1.00
2011	206,226,283,216	4,108,102,919	210,334,386,135	1.00
2012	208,722,653,628	3,972,740,372	212,695,394,000	1.00
2013	213,779,477,681	3,899,614,817	217,679,092,498	1.00
2014	221,507,329,588	4,038,705,285	225,546,034,873	1.00



(1) In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold.

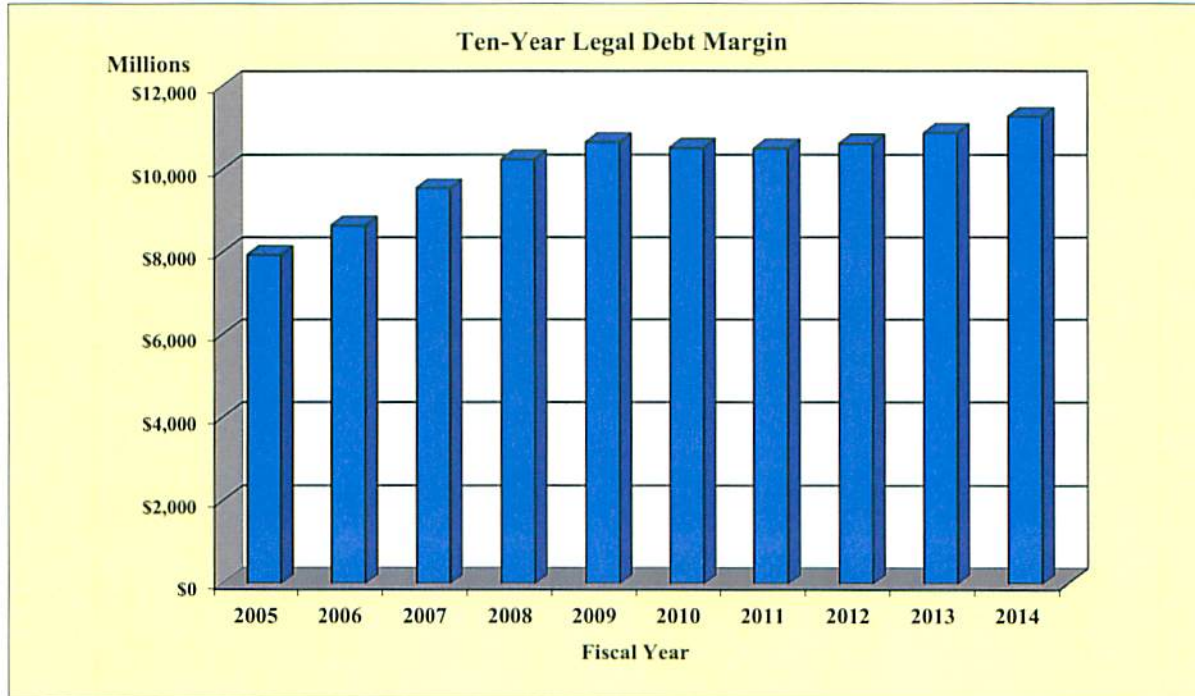
Source: County of Orange Office of Auditor/Controller-Property Tax Unit



## Orange County Water District

### *Ten-Year Computation of Legal Debt Margin Fiscal Year 2005 Through 2014*

<b>Fiscal Year</b>	<b>Total Real Secured &amp; Real Unsecured Assessed Value (1)</b>	<b>Legal Debt Limit (2)</b>	<b>Net Bonded Debt (3)</b>	<b>Legal Debt Margin (4)</b>
2005	\$ 158,898,082,760	\$ 7,944,904,138	0	\$ 7,944,904,138
2006	173,155,485,114	8,657,774,256	0	8,657,774,256
2007	191,299,734,414	9,564,986,721	0	9,564,986,721
2008	205,114,466,775	10,255,723,339	0	10,255,723,339
2009	213,218,861,417	10,660,943,071	0	10,660,943,071
2010	210,623,302,232	10,531,165,112	0	10,531,165,112
2011	210,334,386,135	10,516,719,307	0	10,516,719,307
2012	212,695,394,000	10,634,769,700	0	10,634,769,700
2013	217,679,092,498	10,883,954,625	0	10,883,954,625
2014	225,546,034,873	11,277,301,744	0	11,277,301,744



- (1) Assessed Value is stated at taxable full cash value.
- (2) Legal Debt Limit is 5% of Assessed Value.
- (3) Net Bonded Debt is zero for the District.
- (4) Legal Debt Margin is computed by subtracting Net Bonded Debt from the Legal Debt Limit.



## Orange County Water District

### Pledged-Revenue Coverage Last Five Fiscal Years Debt Service

Fiscal Year	Revenue (1)	Less Operating & Maintenance Expenses (2)	Net Revenue	Senior Debt Service	Senior Debt Coverage	Net Revenues Available for Junior Debt Service	Junior Debt Service	Junior Debt Coverage	Total Debt Service (3)	Total Coverage
2010	\$ 107,222,185	\$ 52,386,123	\$ 54,836,062	\$ 15,686,785	3.50	\$ 39,149,277	\$ 8,161,733	4.80	\$ 23,848,518 <sup>(4)</sup>	2.30
2011	103,138,871	55,543,431	47,595,440	16,165,762	2.94	31,429,678	8,160,897	3.85	24,326,659	1.96
2012	121,500,809	59,874,973	61,625,836	16,265,073	3.79	45,360,763	8,160,045	5.56	24,425,118 <sup>(5)</sup>	2.52
2013	122,465,820	58,743,251	63,722,569	16,186,481	3.94	47,536,088	8,159,178	5.83	24,345,659 <sup>(6)</sup>	2.62
2014	132,540,131	55,930,379	76,609,752	15,635,997	4.90	60,973,755	8,158,296	7.47	23,794,293 <sup>(5)</sup>	3.22

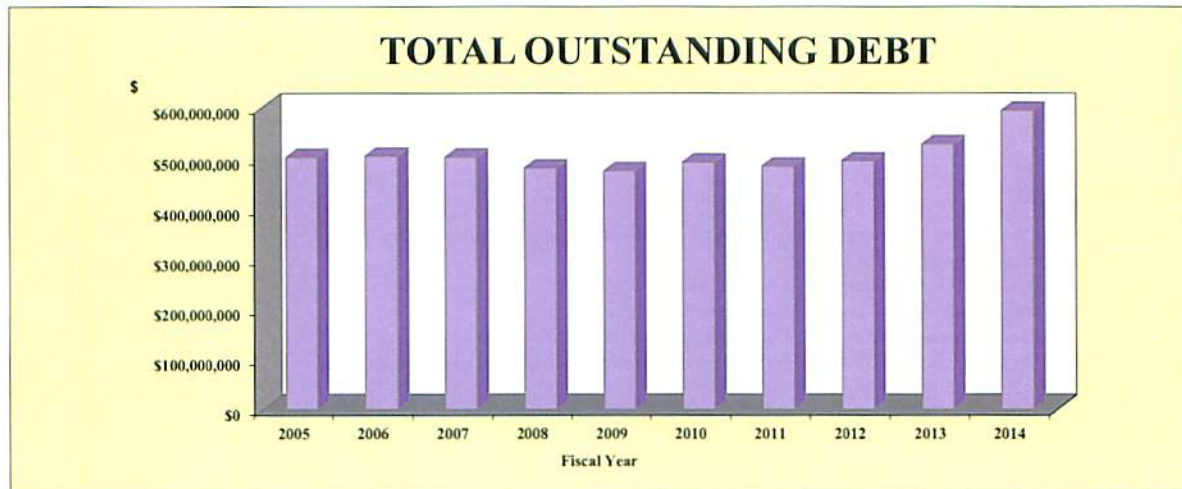
- (1) Revenues include replenishment assessment, reclaimed water revenues, conjunctive use program revenues, property tax revenue, investment income (excluding fair market value adjustment), rental income, and other revenues.
- (2) Expenses are net of depreciation, amortization, water purchases, and interest expenses.
- (3) The District has executed, in total, fourteen Certificates of Participation and Revenue Refunding Bond issuances since 1989. Only four Debt issuances are outstanding (2003A, 2005B, 2009A, & 2013A) as of June 30, 2014. Other COP's are either current, advanced refunded, defeased, or refinanced with the help of the State loans, current COP's and Revenue Refunding Bonds.
- (4) COP 2008A principal of \$119,080,000 was defeased in August 2009 but was not included in total principal payment because this was not a scheduled District debt service payment.
- (5) Commercial paper principals of \$15,050,000 and \$1,120,000 were made in August 2011 and May 2014, respectively. These principal payments were not included in total principal payments because these were not scheduled District debt service payments.
- (6) COP 2003B principal of \$63,170,000 was defeased in June 2013 but was not included in total principal payment because this was not a scheduled District debt service payment.
- (7) The District has elected to show only five years of data for its pledged-revenue coverage.



# Orange County Water District

## Ratios of Outstanding Debt Last Ten Fiscal Years

Fiscal Year	COPs Debt (2)	Revenue Refunding Bonds (2)	Commercial Paper (2)	State of California Loans (2)	Total Outstanding Debt (2)	Per Capita (1) (3)	Percentage of Personal Income (1) (3)
2005	\$ 491,762,998	\$ -	\$ 2,800,000	\$ 7,072,387	\$ 501,635,385	\$ 170	0.362%
2006	489,398,630	-	2,000,000	12,818,212	504,216,842	171	0.339%
2007	474,192,144	-	2,100,000	25,486,649	501,778,793	169	0.332%
2008	344,702,736	-	1,450,000	133,965,158	480,117,894	161	0.314%
2009	341,627,148	-	1,450,000	131,382,154	474,459,302	159	0.325%
2010	351,597,368	-	15,050,000	124,893,464	491,540,832	163	0.334%
2011	350,269,778	-	15,050,000	118,439,002	483,758,780	160	0.313%
2012	357,673,503	-	-	-136,313,916	493,987,419	162	0.305%
2013	302,731,085	53,000,000	-	171,706,235	527,437,320	172	0.325%
2014	299,672,360	53,000,000	27,280,000	213,365,966	593,318,326	191	0.363%



- (1) See the Schedule of Demographic Statistics on page 68 for personal income and population data. Data is for the entire County of Orange. The Orange County Water District services 358 square miles or 45% of the total 799 square miles that make up the boundaries of the County of Orange.
- (2) Data Source: Orange County Water District - Finance Department
- (3) Data Source: Refer to Orange County Water District, CAFR Schedule - Demographic Statistics

Source: OCWD Finance Department





## Orange County Water District

### *Demographic Statistics Covering The Entire County of Orange (1) Last Ten Fiscal Years*

<u>Fiscal Year</u>	<u>Population Estimates (2)</u>	<u>Total Personal Income (in Thousands)</u>	<u>Per Capita Personal Income</u>	<u>Median Family Income (4)</u>	<u>Unemployment Rate (5)</u>
2005	2,956,847	\$ 138,686,864 (3)	\$ 46,904	\$ 73,545	3.9%
2006	2,956,334	148,885,256 (3)	50,361	76,443	3.6%
2007	2,960,659	150,955,124 (3)	50,987	81,302	4.0%
2008	2,974,321	152,872,619 (3)	51,397	85,985	5.2%
2009	2,990,805	145,897,943 (3)	48,782	80,111	9.3%
2010	3,008,855	147,195,141 (3)	48,921	79,146	9.5%
2011	3,017,299	154,768,461 (3)	51,294	81,663	9.1%
2012	3,046,783	161,743,827 (3)	53,087	81,653	8.0%
2013	3,074,546	162,493,827 (6)	52,851	82,253 (6)	6.5%
2014	3,104,680	163,243,827 (6)	52,580	82,853 (6)	5.2%

#### Notes and Data Sources

- (1) The Orange County Water District services 358 square miles or 45% of the total 799 square miles that make up the boundaries of the County of Orange.
- (2) Data Source: Demographic Research Unit, California Department of Finance.
- (3) Data Source: Bureau of Economic Analysis, U.S. Department of Commerce.
- (4) Data Source: Center for Demographic Research, California State University, Fullerton.
- (5) Data Source: State of California, Employment Development Department as of June 30 of each fiscal year.
- (6) Forecasted number.

Source: OCWD Finance Department



## Orange County Water District

### *Principal Employers Last Year and Nine Years Ago*

#### 2013

Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	26,000	1	1.73%
University of California, Irvine	22,253	2	1.48%
County of Orange	17,257	3	1.14%
St. Joseph Health	12,062	4	0.80%
Boeing Co.	6,890	5	0.46%
Kaiser Permanente	6,040	6	0.40%
Bank of America Corp.	6,000	7	0.40%
Wal-Mart Stores Inc.	6,000	8	0.40%
MemorialCare Health System	5,635	9	0.37%
Target Corp.	5,400	10	0.36%

#### 2005

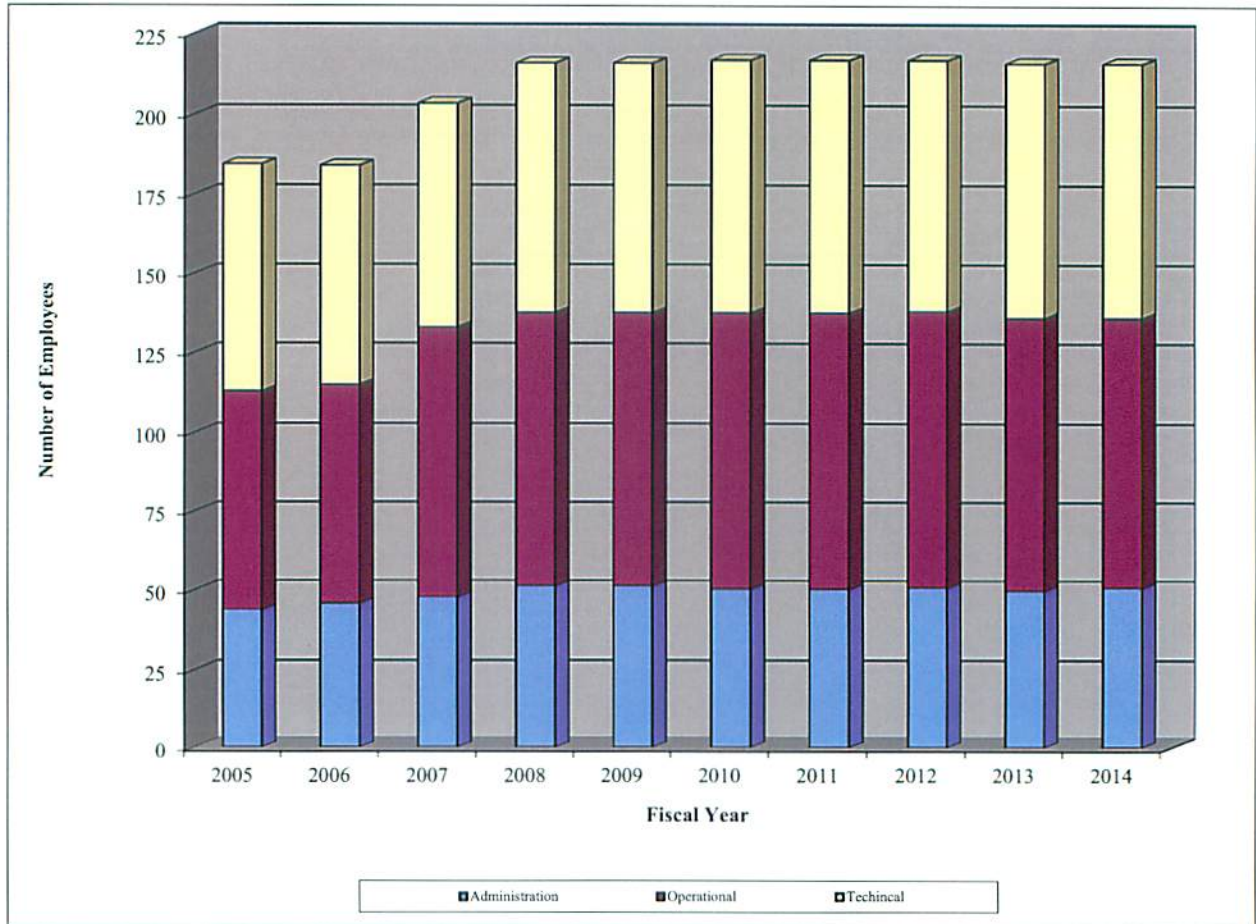
Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	20,000	1	1.31%
County of Orange	17,597	2	1.15%
University of California, Irvine	16,254	3	1.07%
Boeing Co.	12,170	4	0.80%
St. Joseph Health System	9,064	5	0.59%
Albertsons Inc.	8,800	6	0.58%
SBC Communications Inc.	8,000	7	0.52%
Tenet Healthcare Corp.	7,300	8	0.48%
Yum Brands Inc.	6,600	9	0.43%
Target Corp.	5,000	10	0.33%



# Orange County Water District

## *Personnel Trends Last Ten Fiscal Years*

<u>Fiscal Year</u>	<i>FUNCTIONS</i>			<u>Total</u>
	<u>Administration</u>	<u>Operations</u>	<u>Technical</u>	
2005	44.0	69.0	71.5	184.5
2006	46.0	69.0	69.0	184.0
2007	48.0	85.0	70.5	203.5
2008	51.5	86.0	78.5	216.0
2009	51.5	86.0	78.5	216.0
2010	50.5	87.0	79.5	217.0
2011	50.5	87.0	79.5	217.0
2012	51.0	87.0	79.0	217.0
2013	50.0	86.0	80.0	216.0
2014	51.0	85.0	80.0	216.0





## Orange County Water District

### *Fiscal Year 2013-14 Groundwater Production By Agency (Acre-Feet)*

City/Agency	Irrigation	Domestic	Total	% of water sold
Anaheim, City of		51,900.6	51,900.6	15.69%
Buena Park, City of		11,953.4	11,953.4	3.61%
County of Orange		122.6	122.6	0.04%
E.O.C.W.D.		830.7	830.7	0.25%
Fountain Valley, City of		7,626.4	7,626.4	2.31%
Fullerton, City of	10.2	21,273.1	21,283.3	6.44%
Garden Grove, City of		21,062.3	21,062.3	6.37%
Golden State Water Company		19,350.3	19,350.3	5.85%
Huntington Beach, City of		18,584.5	18,584.5	5.62%
Irvine Ranch Water District	1,574.2	52,836.2	54,410.4	16.45%
La Palma, City of		1,640.7	1,640.7	0.50%
Mesa Water District		16,775.4	16,775.4	5.07%
Newport Beach, City of		11,066.3	11,066.3	3.35%
Orange, City of		23,120.8	23,120.8	6.99%
Orange County Water Dist.		432.6	432.6	0.13%
Santa Ana, City of		27,953.5	27,953.5	8.45%
Seal Beach, City of		2,323.0	2,323.0	0.70%
Serrano Water District		2,302.3	2,302.3	0.70%
Tustin, City of		8,015.8	8,015.8	2.42%
Westminster, City of		8,302.6	8,302.6	2.51%
Yorba Linda Water District	73.7	11,639.6	11,713.3	3.54%
All Operations Other Than Above	1,351.1	8,603.7	9,954.8	3.01%
<b>Totals</b>	<b>3,009.2</b>	<b>327,716.4</b>	<b>330,725.6</b>	<b>100%</b>

Source: OCWD Finance Department



## Orange County Water District

### *Demographic and Production Indicators Last Ten Fiscal Years*

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Demographics</b>										
Service Area (Square Miles)	358	358	358	358	358	358	358	358	358	358
Population Estimate (1), (2)	3,104,680	3,074,546	3,046,783	3,017,299	3,008,855	2,990,805	2,974,321	2,960,659	2,956,334	2,956,847
Median Family Income (1), (3)	\$ 82,853 (6)	\$ 82,253	\$ 81,653	\$ 81,663	\$ 79,146	\$ 80,111	\$ 85,985	\$ 81,302	\$ 76,443	\$ 73,545
<b>Production Data (A.F.) (4)</b>										
Groundwater										
Non-Irrigation Pumping	327,716.4 (6)	305,113.5	236,626.1	256,176.3	284,352.3	321,631.2	364,192.1	295,816.0	226,265.0	240,978.0
In-lieu Delivery	- (6)	-	40,563.5	10,435.4	-	-	-	50,740.3	89,239.0	69,617.0
Irrigation Pumping	3,009.2 (6)	4,181.7	4,455.5	3,684.2	1,222.6	2,515.6	1,992.8	3,301.6	1,893.0	3,392.0
Supplemental Water										
Non-Irrigation Delivery	104,844.2 (6)	111,097.8	119,864.6	123,854.9	127,535.0	118,770.1	96,627.4	139,919.8	139,562.0	136,867.0
Conservation Credit	1,448.9 (6)	1,401.5	1,386.8	1,372.0	1,383.4	1,191.8	1,271.7	1,726.0	2,055.0	2,416.0
Irrigation Delivery	- (6)	-	-	-	-	19.3	6,391.9	2,765.2	7,663.0	7,071.0
<b>Non-Local Water Purchased by OCWD (A.F.) (5)</b>										
Western Municipal Water District	- (6)	-	-	-	-	3,663.5	2,882.4	1,745.0	-	-
Alamitos Barrier	2,370.2 (6)	1,721.8	1,198.7	1,689.1	1,321.9	2,094.2	1,505.7	534.1	833.0	1,914.9
Talbert Barrier - Fountain Valley	- (6)	-	-	-	-	-	-	143.9	1,079.9	2,451.8
Talbert Barrier - Mesa Consolidated Wtr Dist.	3.2 (6)	3.7	1.9	100.5	176.9	4,140.3	4,581.4	7,394.7	5,431.1	8,368.6
Forebay Recharge	51,668.5 (6)	39,926.9	48,940.4	27,538.6	20,535.7	18,100.0	-	42,173.0	7,256.7	3,810.8
In-lieu Program	- (6)	-	40,563.5	10,435.4	-	-	-	50,740.3	89,216.0	69,617.2
Basin Water Supply Management Program	- (6)	-	-	-	-	-	-	-	-	-
Arlington Desalter	- (6)	-	-	-	106.2	428.2	1,266.6	227.6	-	567.5
San Bernadino Valley MWD	- (6)	-	-	-	-	-	-	-	-	-

**Notes and Data Sources:**

- (1) The Orange County Water District services 358 square miles or 45% of the total 799 square miles that make up the boundaries of the County of Orange.
- (2) Data Source: Demographic Research Unit, California Department of Finance.
- (3) Data Source: Bureau of Economic Analysis, U.S. Department of Commerce.
- (4) Data Source: Appendix I, OCWD Engineer's Reports, from WY 2005 to WY 2013.
- (5) Data Source: Appendix 4, OCWD Engineer's Reports, from WY 2005 to WY 2013.
- (6) Preliminary data for WY 2014

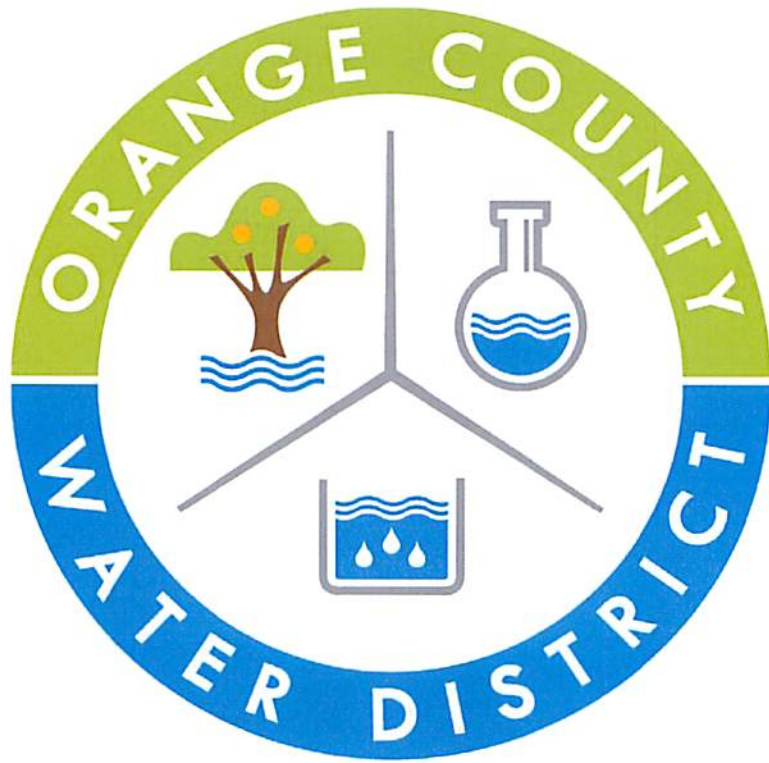
Source: OCWD Finance Department



Orange County Water District

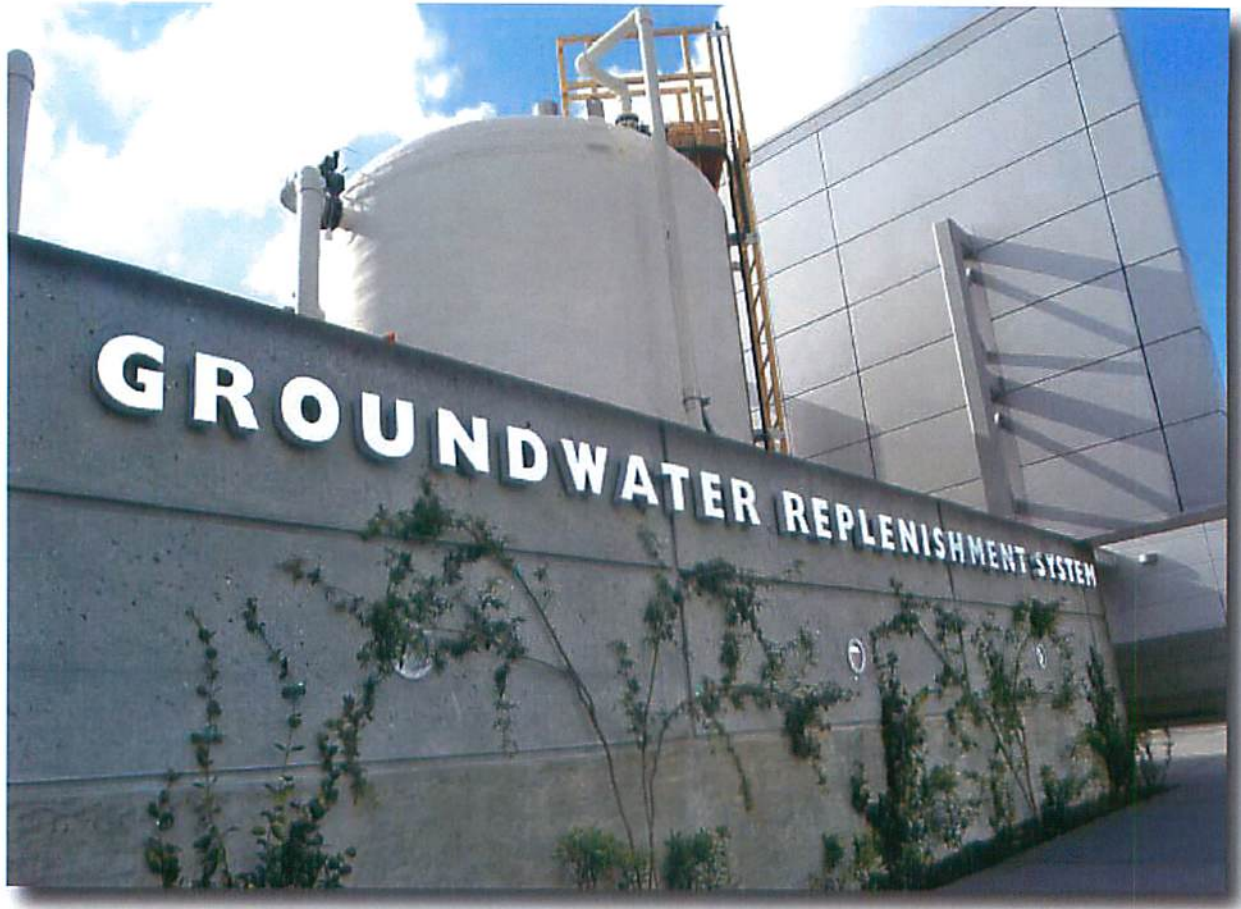
*Capital Asset Statistics by Function  
Last Ten Fiscal Years*

<b>Function</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Water Treatment</b>					
<b>Facilities (million gallons per day)</b>					
Water Factory 21	-	-	-	-	-
Groundwater Replenishment System (GWRS)	70	70	70	70	70
<b>Pipeline (miles)</b>					
Green Acre Project Pipeline	33	33	33	33	33
GWRS Pipeline	15	15	15	15	15
<b>Recharge</b>					
Recharge Facilities	25	25	25	24	24
Recharge System Storage (acre feet)	26,278	26,278	26,278	26,000	26,000
<b>Basin Management</b>					
Groundwater Monitoring Wells	395	391	401	398	398
Injection Wells	61	61	62	61	61
Soil Gas Monitoring Wells	10	10	10	21	21
Other Wells	16	16	4	4	4
<b>Function</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Water Treatment</b>					
<b>Facility (million gallons per day)</b>					
Water Factory 21	-	-	-	15	15
Groundwater Replenishment System (GWRS)	70	70	70	-	-
<b>Pipeline (miles)</b>					
Green Acre Project Pipeline	33	33	33	33	33
GWRS Pipeline	15	15	15	2	2
<b>Recharge</b>					
Recharge Facilities	24	24	23	23	23
Recharge System Storage (acre feet)	26,000	26,000	26,000	26,000	26,000
<b>Basin Management</b>					
Groundwater Monitoring Wells	393	378	376	353	340
Injection Wells	61	61	61	61	61
Soil Gas Monitoring Wells	21	21	21	21	21
Other Wells	3	3	3	3	3



**SINCE 1933**

AUDITOR-CONTROLLED  
NOV 17 2014



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