

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018



South Orange County Wastewater Authority

34156 DEL OBISPO STREET, DANA POINT, CALIFORNIA 92629

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South Orange County Wastewater Authority

South Orange County Wastewater Authority

Comprehensive Annual Financial Report  
For the Years Ended June 30, 2019 and 2018

Prepared By:  
The Finance Department

34156 Del Obispo Street, Dana Point, CA 92629 [www.socwa.com](http://www.socwa.com)

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**South Orange County Wastewater Authority  
Comprehensive Annual Financial Report  
For the Years Ended June 30, 2019 and 2018**

<b>Table of Contents</b>	<b><u>Page</u></b>
<b><u>INTRODUCTORY SECTION (Unaudited)</u></b>	
Letter of Transmittal .....	i-xv
Service Area Map with Communities and Member Agencies Served .....	xvi
Organization Chart .....	xvii
Board of Directors .....	xviii
<b><u>FINANCIAL SECTION</u></b>	
Independent Auditors' Report .....	1-2
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....	3-4
Management's Discussion and Analysis - Required Supplementary Information (Unaudited) .....	5-18
Financial Statements:	
Statements of Net Position .....	19
Statements of Revenues, Expenses, and Changes in Net Position .....	20
Statements of Cash Flows .....	21
Notes to the Financial Statements .....	22-51
Required Supplementary Information (Unaudited):	
Schedule of the Authority's Proportionate Share of the Net Pension Liability and Related Ratios .....	52
Schedule of the Authority's Contributions .....	53
Schedule of Changes in Net OPEB Liability and Related Ratios .....	54
Schedule of the Authority's Contributions - OPEB .....	55
<b><u>STATISTICAL SECTION (Unaudited)</u></b>	
Summary of Statistical Section .....	56
Financial Trends:	
Net Position by Component - Last 10 Fiscal Years .....	57
Capital Assets by Component - Last 10 Fiscal Years .....	58
Chart - Net Investment in Capital Assets - Last 10 Fiscal Years .....	59
Changes in Net Position - Last 10 Fiscal Years .....	60-61
Revenue Capacity:	
Chart - Operating Revenue and Capital Contributions - Last 10 Fiscal Years .....	62
Chart - Operating Revenue & Capital Contributions by Principal Users - Last 10 Fiscal Years .....	63
Grant Revenue - Last 10 Fiscal Years (received in 5 out of 10 years) .....	64
Demographic Information:	
Demographic and Economic Statistics - Last 10 Fiscal Years .....	65
Employment by Industry - Last 10 Fiscal Years .....	66

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**South Orange County Wastewater Authority  
Comprehensive Annual Financial Report  
For the Years Ended June 30, 2019 and 2018**

**Table of Contents**

**Page**

**STATISTICAL SECTION (Unaudited) (Continued)**

Operating Information:

Personnel Trends by Department - Last 4 Fiscal Years .....	67
O&M Cost Drivers - Last 4 Fiscal Years .....	68
O&M Expenditures by Project Committee Fiscal Year 2019 (O&M Dept.) .....	69-70
O&M Expenditures by Project Committee Fiscal Year 2018 (O&M Dept.) .....	71-72
O&M Expenditures by Project Committee and Member Agency Fiscal Year 2019 .....	73
O&M Expenditures by Project Committee and Member Agency Fiscal Year 2018 .....	74
Operating and Capacity Indicators - Last 10 Fiscal Years .....	75
Member Agency Flows and Solids Trend (%'s) - Last 10 Fiscal Years .....	76
Member Agency Flows and Solids Trend (MGD) - Last 10 Fiscal Years .....	77
Chart - JB Latham Treatment Plant (PC 02) Flows from Member Agencies - Last 10 Fiscal Years.....	78
Chart - JB Latham Treatment Plant (PC 02) Solids from Member Agencies - Last 10 Fiscal Years.....	79
Chart - Coastal Treatment Plant (PC 15) Flows from Member Agencies - Last 10 Fiscal Years .....	80
Chart - Regional Treatment Plant (PC 17) Solids from Member Agencies - Last 10 Fiscal Years.....	81
Capital Assets, net of depreciation - Last 10 Fiscal Years .....	82

**INTRODUCTORY  
SECTION  
(UNAUDITED)**

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South Orange County Wastewater Authority

November 25, 2019

The Honorable Board of Directors  
South Orange County Wastewater Authority  
34156 Del Obispo Street  
Dana Point, California 92629

Honorable Chairman and Members of the Board of Directors:

We are pleased to present the South Orange County Wastewater Authority's (Authority or SOCWA) Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 2019 and 2018.

We believe the report presented is accurate in all material respects, that it is presented in a manner designed to fairly set forth the financial position, the changes in financial position and cash flows of the Authority, and that all disclosures necessary to enable the reader to gain the maximum understanding of the Authority's financial position and activity have been included. Additionally, the financial section of the report provides a detailed discussion and analysis of the Authority's financial condition, informs readers about SOCWA services, provides information on capital projects, discusses current issues, and provides financial and demographic trend information. Responsibility for both the accuracy of the presented data and the completeness and the fairness of the presentation, including all disclosures, rest with the Authority.

The CAFR follows the financial reporting requirements established by the Governmental Accounting Standards Board of the United States (GASB).

### **The Reporting Entity**

SOCWA, a public entity, was formed on July 1, 2001 by a Joint Exercise of Powers Agreement ("JPA") amongst:

- City of Laguna Beach (CLB)
- City of San Clemente (CSC)
- City of San Juan Capistrano (SJC)
- El Toro Water District (ETWD)
- Emerald Bay Services District (EBSD)
- Irvine Ranch Water District (IRWD)
- Moulton Niguel Water District (MNWD)
- Santa Margarita Water District (SMWD)
- South Coast Water District (SCWD)
- Trabuco Canyon Water District (TCWD)

In accordance with the JPA Agreement and State Law, "...[T]he records, and accounts of the Authority shall be audited annually by an independent public accountant and copies of such reports shall be filed with the State Controller, Orange County Auditor and each Member Agency within six (6) months of the end of the Fiscal Year under examination".

The Pun Group, LLP, a certified public accounting firm, performed the financial audits for the Fiscal Years Ended June 30, 2019 and 2018. Their unmodified (clean) opinion has been included as the first component of the financial section of the CAFR.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

Management's Discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with the letter.

## **Authority Overview**



### **Mission**

South Orange County Wastewater Authority's mission is to collect, treat, beneficially reuse and dispose of wastewater in a manner that protects and respects the environment, maintains the public's health, and meets local, state and federal regulations.

### **SOCWA's Purpose**

SOCWA was created on July 1, 2001 to facilitate and manage the collection, transmission, treatment and disposal of wastewater for more than 500,000 homes and businesses across South Orange County. SOCWA also manages production of recycled water for irrigation and commercial uses, which saves approximately 1.6 billion gallons of domestic water each year that otherwise would be used for those purposes, which is equivalent to 16,259-acre feet of water.

SOCWA is a Joint Powers Authority with ten member agencies, consisting of local retail water agencies and cities that provide retail potable water, recycled water and sewer collection system services to their residents. SOCWA operates three treatment plants and two ocean outfalls. Additionally, SOCWA manages multiple programs to meet the needs of its member agencies and the requirements of the Clean Water Act and applicable National Pollutant Discharge Elimination System (NPDES) permits.

SOCWA has no taxing authority. All the funding for SOCWA comes directly from the rates and charges of the member agencies.

## **Governance**

SOCWA is a Joint Powers Authority representing ten member agencies each of whom provides a governing representative to SOCWA's Board of Directors. Although SOCWA agencies vary in size and participation, each agency has one equal vote. The Board works to fulfill SOCWA's purpose and mission, while balancing the interests of their respective agencies. The Board elects two of its members in June of each year to serve one-year terms as Chairman and Vice Chairman. Board of Directors meetings are held the first Thursday of every month at 8:30 a.m. at the SOCWA Administrative Office. SOCWA also receives input from engineering and finance committees, which are comprised of additional representatives from its 10 member agencies.

## **Budget Process**

Annually, the Authority prepares and adopts an Annual Budget. The Budget reflects the Authority's initiatives and priorities for the coming year and beyond. The Budget includes operations and maintenance (O&M) and capital expenditures. The Budget includes the following described tables addressing a one-year operating Budget with an additional four years O&M spending forecast and an additional year of forecasted capital expenditures.

The O&M Budget tables include the following:

- Total O&M Budget by Member Agency
- 5-Year Budget by Member Agency
- 5-Year Budget by Member Agency including details of Administration, Residual Engineering and General Fund Allocation
- 5-Year Total Cost Base & Cost Drivers Prioritized by Major Expenditures
- Guide to Budget Book
- Budget Assumptions
- Summary of Cost Allocations Approaches by Project Committee (Per JPA and Project Committee Agreements)
- Total 5-Year Labor Plan
- Fringe Benefits Pool and Rate FY 2019-20 and Forecast thru FY 2023-24
- Organization Chart
- For each annual period of the Budget, quarterly detail by Project Committee and Member Agency
- For each Project Committee for five years line item detail
- For Administration and General Fund expenses five years line item detail
- For Residual Engineering expenses five years line item detail
- For IT expenses five years line item detail
- For each of SOCWA's ten Project Committees flow and solids loading percentages and distributions of expense by allocation to liquids, solids, common and AWT with distribution shown to each member agency

The Capital Budget tables include one year plus an additional year of forecast for the following:

- Capital Budget Summary with one-year forecast by Member Agency
- Capital Budget with Non-Cap Engineering, Non-Cap Miscellaneous & Small Capital by Member Agency
- Quarterly Capital Projects detail

- Non-Capital Engineering detail and Non-Capital misc.
- Small Capital detail
- Total Capital Projects detail
- Quarterly Capital Projects detail

Each budget serves as the Authority’s financial planning and fiscal control mechanism. Budgets are adopted consistent with GAAP. Budgetary controls are set at the Project Committee level and are maintained to ensure compliance with the Project Committees budgets approved by the Board of Directors. The Authority’s budget is a detailed operating plan that identifies estimated costs with member agencies providing revenue to cover costs. Each budget includes the projects, services and activities to be carried out during the fiscal year.

Budget control is maintained by presenting monthly financial reports to internal management and the Board. The Board receives operational performance data and budget vs. actual reporting, as follows:

- Summary of Disbursements
- Schedule of Funds Available for Reinvestment, including Cash and Investments
- Capital Schedule and Capital Project Graph with budget vs. actual expenditures
- Budget vs. Actual for:
  - Operations and Environmental Summary and by Project Committee
  - Residual Engineering, after transfer to Capital
  - Administration
  - Information Technology (IT)

The Budget also represents a process wherein policy decisions made by the Board of Directors are adopted, implemented and controlled. As an example, each budget states: “[a]ll Budgets since inception reflect the costs of direct use and costs allocated by capacity ownership for capital improvements, repairs and replacements necessary to operate within legal compliance requirements and accepted industry standards. The signature authority levels authorized for expending .... are in conformity with SOCWA’s Uniform Purchasing Policy and Procedures .... Staff is authorized to contract for services, acquire supplies and pay vendors and expenses within the Functional Departments and Project Committees.”

### **Economic Condition and Outlook**

The wastewater industry is presently being shaped by local, regional, national and global issues and trends. These wide ranging economic, regulatory and environmental influences, which will continue in the future, will affect public agencies and their end use customers. Several of these areas are explained in more detail in the following sections:

#### **Cost Pressures**

- Replacing and Repairing Infrastructure: According to the EPA, aging wastewater management systems discharge billions of gallons of untreated sewage into U.S. surface waters each year, and the EPA estimates that the nation must invest \$390 billion over the next 20 years to replace existing systems and build new ones to meet increasing demands.
- Energy and Resources: Water and wastewater systems in California spend a combined \$500M each year on energy costs and this will continue rising as global demands for energy increase. Global supply and demands conditions have also played havoc with many of the chemical products used in the wastewater treatment process, resulting in annual cost increases that regularly outstrip the rate of inflation.

- Population Growth and Drought: Continued demand for water, coupled with ongoing drought conditions, will impact overall water management costs, resulting in a more directed focus on “water resource” strategies that include conservation and recycling. Reduction in flows also puts additional pressure on wastewater systems.
- Employee Salaries and Benefits: When it comes to the costs of salaries and benefits for its employees, public agencies must remain competitive when comparing themselves against other public or private providers of wastewater services. Maintaining competitive salaries and benefits to attract and retain a qualified workforce must also be balanced with fair, yet fiscally prudent compensation packages, so as not to overburden the rate payers or compromise the ability to provide the most effective services available.
- Technology: Improving technology is now a best practice requirement for the wastewater industry. As a result, agencies within the industry should be able to take advantage of evolving technology tools to improve efficiencies, deal with the proliferation of data and improve their communications, thereby saving costs and increasing productivity.

#### Regulatory and Legislative Mandates

- Environmental regulations: Air, land and water quality are an ever-present part of wastewater management and this will continue to put pressure on agencies to respond with mitigation, changes in operational practices or moving towards new treatment technologies.
- Climate change: Legislation and regulation is rapidly affecting all facets of society, including wastewater management.

#### Long-term Financial Planning

Because of the nature of its structure and mission, the organization does not have the traditional customer base that characterizes water, sanitation or other special districts. The organization’s customers are limited to the following:

- Each of SOCWA’s ten member agencies is distinguished by membership in one or more Project Committees, or by issues and needs for which the organization provides a level of service or assists in providing a resolution.
- Commercial/industrial or institutional businesses engage with SOCWA under the jurisdiction of the organization’s Pretreatment Program. These businesses may include auto repair shops, some light industrial, dry cleaning establishments and hospitals which obtain permits from SOCWA. Pretreatment program permittees receive SOCWA inspections and assistance with Best Management Practices as a part of the required permit compliance process.
- SOCWA serves cities and private communities in permitting the diversion of non-point source urban runoff.

#### Internal Controls

SOCWA’s management is responsible for the establishing and maintaining the internal control structure that protects the assets of the Authority from loss, theft or misuse. The internal control structure ensures adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

The Authority’s internal control structure is designed to provide reasonable assurances that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

**Investment Policy**

The Board of Directors annually adopts an Investment Policy that conforms to California State Law, Authority ordinances and resolutions, prudent money management and the “prudent person” standards. The objectives of the Investment Policy are safety, liquidity and yield. SOCWA’s funds are routinely invested in the State Treasurer’s Local Agency Investment Fund (LAIF).

**Independent Audit**

In accordance with the JPA Agreement and State Law, “...the records, and accounts of the Authority shall be audited annually by an independent public accountant and copies of such reports shall be filed with the State Controller, Orange County Auditor and each Member Agency within six (6) months of the end of the Fiscal Year under examination”.

The Pun Group, LLP, a certified public accounting firm, performed the financial statement audits for the Fiscal Years ended June 30, 2019 and 2018. The audits were conducted in accordance with auditing standards generally accepted in the United States of America. The firm’s report has been included in the financial section of this report.

**Infrastructure**



Guarding the environment and creating new water supplies requires among the most advanced treatment facilities in the State. SOCWA’s three primary treatment facilities can treat upwards of 26 million gallons of wastewater per day. Historically, about half of this water is treated for recycled water use. The balance is treated and discharged miles off our coast through two ocean outfalls.

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**Coastal Treatment Plant**



Facts

- Location: 28303 Alicia Parkway, Laguna Niguel, CA 92677 (adjacent to the City of Laguna Beach, CA)
- Receives Flows From: South Coast Water District, City of Laguna Beach and Emerald Bay Services District
- Total Capacity: 6.7 million gallons per day
- Average Capacity Used Today: 2.9 million gallons per day
- Year Built: 1983
- Recycled Water Production: Up to 1.5 million gallons per day

Wastewater Treatment Processes

- Screening
- Grit removal
- Primary clarification
- Secondary treatment
- Secondary clarification
- Anaerobic digestion
- Thickening

Interesting Facts

- The Coastal Treatment Plant shares a boundary with the County of Orange owned and operated Aliso and Wood Canyon Wilderness Park.
- SOCWA has a responsibility to guard this natural environment and is taking steps to ensure SOCWA’s co-existence near the park is protective of the natural environment

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## JB Latham Treatment Plant



### Facts

- Location: 34156 Del Obispo Street, Dana Point, CA 92629 (adjacent to SOCWA headquarters building)
- Receives Flows From: City of San Juan Capistrano, Moulton Niguel Water District, Santa Margarita Water District, South Coast Water District
- Type of Facility: Conventional activated sludge treatment facility
- Total Capacity: 13 million gallons per day
- Average Capacity Used Today: Approx. 6 million gallons per day
- Year Built: 1964

### Wastewater Treatment Plant Processes

- Screening
- Grit removal
- Primary clarification
- Secondary treatment
- Secondary clarification
- Anaerobic digestion
- Solids dewatering

### Interesting Facts

- The JB Latham Plant produces energy that is used on site
- Approximately 40 percent of the power needed is produced from methane gas that is a byproduct of the treatment process
- SOCWA received approximately \$1 million in grant funding for on-site energy production
- Hundreds of students and interested residents tour the facility each year
- JB Latham was awarded best medium-sized plant in the state by the California Water Environment Association in 2017

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## Regional Treatment Plant



### Facts

- Location: 29201 La Paz Road, Laguna Niguel, CA 92677 (adjacent to County Regional Park)
- Receives Flows Primarily from Moulton Niguel Water District
- Total Capacity:
  - Liquid waste: 12 million gallons per day
  - Solid waste: 20 million gallons per day
- Average Capacity Used Today: 7.3 million gallons per day
- Recycled Water Production: Up to 7.3 million gallons per day
- Year Built: 1982

### Wastewater Treatment Plant Processes

- Screening
- Grit removal
- Primary clarification
- Secondary treatment
- Secondary clarification
- Anaerobic digestion
- Solids dewatering

### Interesting Facts

- The Regional Plant facility produces its own energy to save energy and costs
- Approximately 90 percent of the power needs are produced on-site from methane gas that is a byproduct of the treatment process
- SOCWA was awarded approximately \$1.8 million in grant funding for on-site energy production
- Hundreds of students and interested residents tour the facility each year
- Some of the biosolids from these plants – also known as residual solids – are trucked off-site to a composting facility. Composted biosolids can be land applied to help grow non-food crops such as cotton and alfalfa.

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## Aliso Creek Ocean Outfall



The Aliso Creek Outfall discharges highly treated wastewater 1.5 miles off the Orange County coast in accordance with strict State and Federal laws. The San Diego Regional Water Quality Control Board governs this discharge process. SOCWA holds a National Pollution Discharge Elimination System (NPDES) permit, which must be renewed by the Regional Board by application filed every five years.

### Interesting Facts

- Year Built: 1979
- Length: 1.5 Miles (8,700') off Aliso Creek Beach at a depth of 195 feet
- Capacity Used Today: 9.3 million gallons per day
- Ocean Water Quality Monitoring Sites: 21
- Ocean Monitoring Frequency: Once per month
- Beach Water Quality Monitoring Sites: 12
- Beach Monitoring Frequency: Weekly
- Annual Water Quality Samples: Nearly 2,200

## San Juan Creek Ocean Outfall



The San Juan Creek Ocean Outfall discharges highly treated wastewater 2.2 miles off the Orange County coast in accordance to strict state and federal laws. The Regional Water Quality Control Board governs this discharge process. SOCWA holds a National Pollution Discharge Elimination System (NPDES) permit, which must be renewed by application to the Regional Board filed every five years.

## San Juan Creek Ocean Outfall Continued:

### Interesting Facts

- Year Built: 1978
- Length: 2.2 Miles (10,334') off Doheny State Beach at a depth of 100 feet
- Capacity Used Today: 10.5 million gallons per day
- Ocean Water Quality Monitoring Sites: 21
- Ocean Monitoring Frequency: Monthly
- Beach Water Quality Monitoring Sites: 9
- Beach Monitoring Frequency: Weekly
- Annual Water Quality Samples: Nearly 1,700

### Capital Projects



SOCWA undertakes large and small capital projects to ensure the reliability of our infrastructure. These improvements protect the environment by allowing for the continued safe treatment and disposal of wastewater. FY 2018-19 was focused on preparation for Capital Improvements at all three wastewater treatment plants with work to complete environmental requirements and design in preparation for beginning construction.

A summary of work for each plant includes:

#### J.B. Latham Treatment Plant Facility Improvements 2018-19

For the J.B. Latham Treatment Plant, the planning, environmental requirements and design work for Package B was completed in FY 2018-19. Package B improvements construction is scheduled to begin in August 2019 with a value of \$17.3 million. The planned work includes: solids process rehabilitation to dissolved air floatation system including tanks and thickened waste activated sludge pumps; effluent pump station mechanical, electrical and instrumentation modifications including new check valves and valves; primary and secondary sedimentation upgrades (influent and effluent channel & basin improvements, scum skimmer drive electrical and instrumentation modifications); digester 1&2 mixing system upgrades (including building and heating system upgrades); digester 4 replacement of heat exchanger and recirculation pump; boiler replacement with electrical and instrumentation improvements and MCC system upgrades; solids handling building roof and structural seismic improvements and addition of monorail system; concrete repairs and safety improvements throughout plant; and demolition of old lab building.

### Coastal Treatment Plant Facility Improvements 2018-19

For the Coastal Treatment Plant, the planning, environmental requirements and design work was completed in FY 2018-19 for Facilities Improvement Project. The Facilities Improvement Project is scheduled to kick off in August 2019 with a value of \$9.3 million. This work will include: site improvements (grading and paving); demolition of sodium hypochlorite facility; new piping for drainage pump station; demolition and replacement of ferric chloride containment system with canopy addition & install power and control system for new ferric chloride system; demolition & replacement of equipment and repair of concrete for secondary sedimentation basins including modifications to the RAS channel; upgrades to main switchgear building including improved HVAC system, demolition of old equipment and replacement with new switchgear; improvements to DAF utility building including improved HVAC; construction of new drainage pump station and discharge piping (installation of new power and control system for new drainage pump station); general safety improvements including installation of fall protection equipment; structural improvements to grit chamber; electrical systems improvements in headworks electrical building, operations building, generator building and main switchgear building, north blower electrical building, and DAF control building; instrumentation network modifications; and construction to improve safe access to headworks valve areas.

### Regional Treatment Plant Miscellaneous Improvements 2018-19

For the Regional Treatment Plant, the planning, environmental requirements and design work was completed in FY 2018-19 for Miscellaneous Improvements 2018. The Miscellaneous Improvement 2018 Project is scheduled to kick off in July 2019 with a value of \$4.2 million. This work will include: plant secondary process electrical system improvements; primary gallery improvements (fan room, scum pumps, HVAC systems, coatings, lighting); mechanical improvements to the DAF polymer system and installed polymer metering and recirculation system; for the DAF systems modify compressed air and power supply systems; and energy building improvements including installation of equipment bay platform, access stair and safety improvements, building roof improvements, exhaust fan installation and electrical upgrades.

### **SOCWA Small Capital Program**

SOCWA annual invests approximately \$2 million in small capital improvements which become a part of capitalized assets. There are two primary benefits to small capital investments. The first benefit is that the Treatment Plants are maintained in a state of readiness. Staff plans for the replacement of ailing equipment and new technologies are installed for improved operations. Additionally, obsolete or unsupported equipment is replaced to avoid catastrophic issues, and safety hazards are mitigated in a timely fashion. Attention to maintenance and operational investment assists SOCWA in right sizing its capital program by keeping critical equipment in good repair. For example, a planned larger capital project to rehabilitate an office building in 5 to 10 years would need to be expedited if the office building's air conditioner failed now. However, with a small capital project to replace the air conditioner now, the larger project can stay scheduled 5 to 10 years out.

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**SOCWA Member Agencies**

SOCWA is a Joint Powers Authority, working to fulfill the wastewater needs of its ten member agencies.



El Toro Water District



Irvine Ranch Water District



City of Laguna Beach



Moulton Niguel Water District



City of San Clemente



South Coast Water District



City of San Juan Capistrano



Santa Margarita Water District



Trabuco Canyon Water District



Emerald Bay Service District

### **Community Outreach**



SOCWA is active in its local communities to help inform residents about the importance and proper use of the sanitary sewer system. Through education and outreach, we can all work together to keep our beaches and communities clean.

### **Community Events**

SOCWA provides information to the public at community events such as the Dana Point Festival of the Whales and annual beach cleanups. This outreach offers the public the opportunity to learn more about SOCWA. Community members engaging with SOCWA staff at community events often follow up with us for guided tours of our treatment facilities and meet staff members.

### **Other References**

More information is contained in the Authority's management discussion and analysis and the notes to the basic financial statements found in the financial section of this report.

### **Acknowledgments**

Preparation of this report was accomplished by the combined efforts of the Authority staff. We appreciate the dedicated efforts and professionalism that these staff members contribute to the service of the Authority's customers and members. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of the South Orange County Wastewater Authority's fiscal policies.

Respectfully submitted,

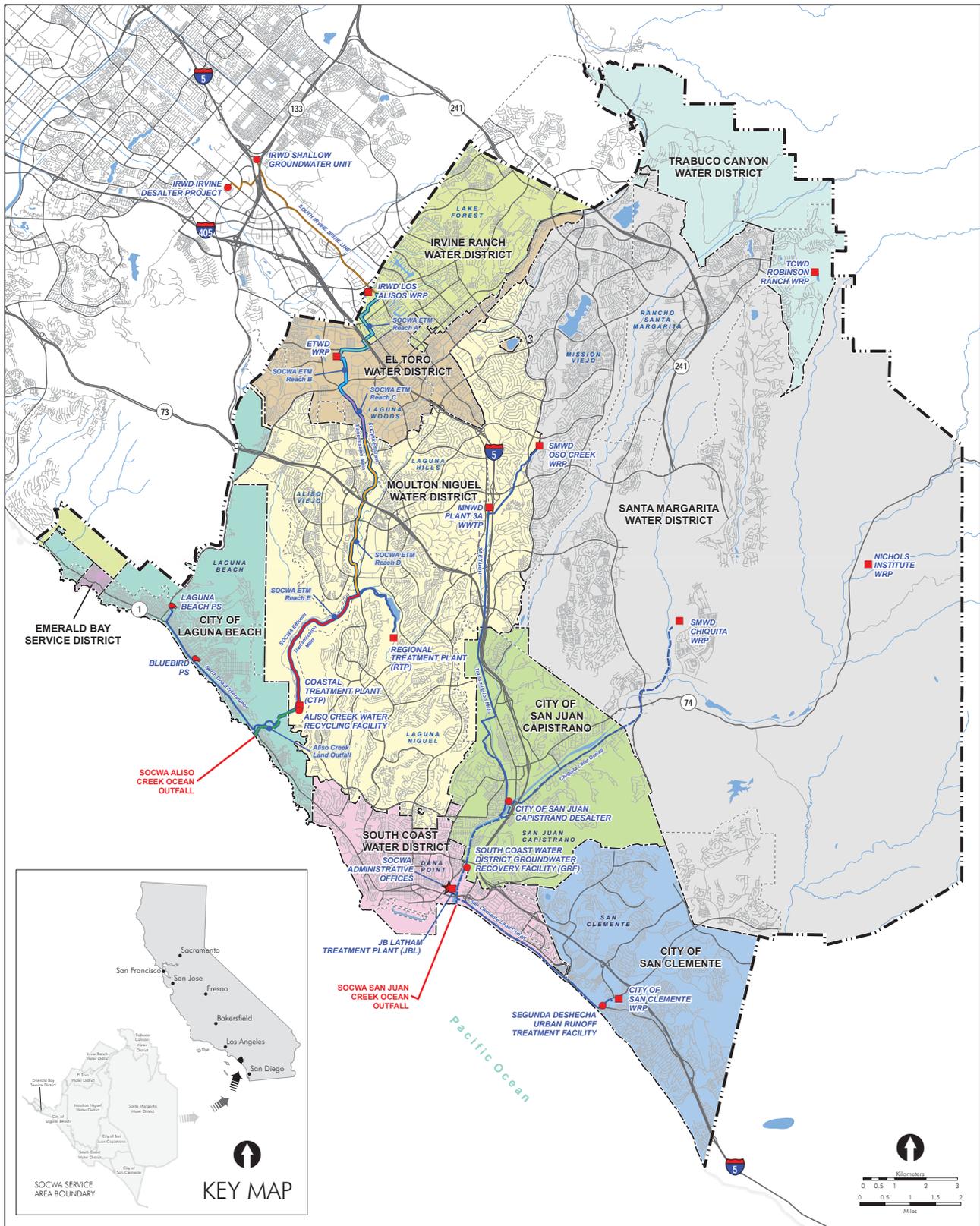


Betty Burnett, General Manager



Mary Carey, Finance Controller

# SOCWA SERVICE AREA MAP



Document Name: SOCWA Service Area Map 1/11/17.mxd  
Date Saved: 3/6/2018

- Member Agencies**
- City of Laguna Beach
  - City of San Clemente
  - City of San Juan Capistrano
  - El Toro Water District
  - Emerald Bay Service District
  - Irvine Ranch Water District
  - Moulton Niguel Water District
  - Santa Margarita Water District
  - South Coast Water District
  - Trabuco Canyon Water District

- Facilities**
- ★ SOCWA Administrative Offices
  - Desalter/Treatment Facility
  - Pump Station
  - Treatment Facility
  - Transmission Line
  - South Irvine Brine Line
  - - - Land Outfall
  - Ocean Outfall

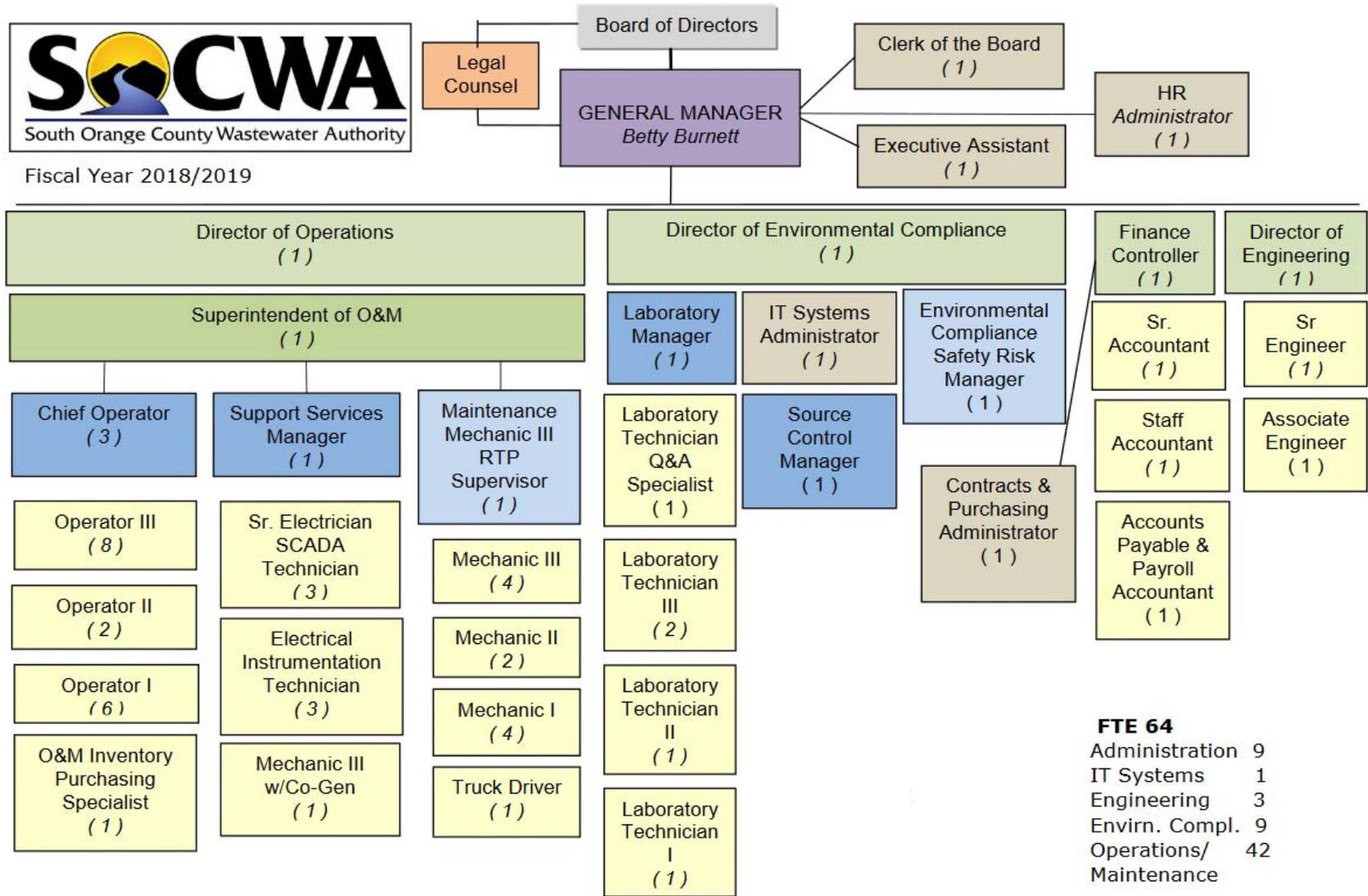
- SOCWA Effluent Transmission Line**
- ETL - Reach A
  - ETL - Reach B
  - ETL - Reach C
  - ETL - Reach D
  - ETL - Reach E
  - Aliso Creek Land Outfall

- Boundary Lines**
- SOCWA Boundary Line
  - City Boundary
  - Member Agency Boundary
  - Waterbody
  - Creek/Stream

## FY 2018-19 Organization Chart



Fiscal Year 2018/2019



**FTE 64**

Administration	9
IT Systems	1
Engineering	3
Envirn. Compl.	9
Operations/	42
Maintenance	

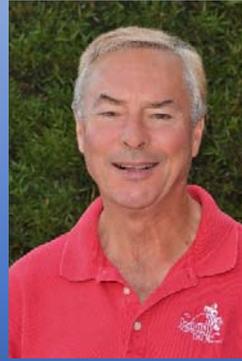
# Board of Directors



Dan Ferons  
Santa Margarita Water  
District  
Chairman of the Board



Stephen Dopudja  
Trabuco Canyon Water  
District  
Vice Chairman



Mike Dunbar  
Emerald Bay Service  
District  
Director



Kathryn Freshley  
El Toro Water District  
Director



Joone Lopez  
Moulton Niguel Water  
District  
Director



Doug Reinhart  
Irvine Ranch Water  
District  
Director



Toni Iseman  
City of Laguna Beach  
Director



Dennis Erdman  
South Coast Water  
District  
Director



Troy Bourne  
City of San Juan  
Capistrano  
Director



Dave Rebensdorf  
City of San Clemente  
Director

# FINANCIAL SECTION

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
of the South Orange County Wastewater Authority  
Dana Point, California

### **Report on Financial Statements**

We have audited the accompanying statements of net position of the South Orange County Wastewater Authority (the "Authority") as of June 30, 2019 and 2018 and the related statements of revenues, expenses, and change in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2019 and 2018, and the respective changes in financial position, and cash flows thereof for the years 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, the Schedule of the Authority's Proportionate Share of the Net Pension Liability and Related Ratios, the Schedule of Contributions - Pensions, the Schedule of Changes in Net OPEB Liability and Related Ratios and the Schedule of Contributions - OPEB on pages 5 through 18, and 52 through 55 will 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Introductory and Statistical Sections are presented for purposes of additional analysis and is 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 November 25, 2019 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Authority's 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 Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "The Peris Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California  
November 25, 2019

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

**Independent Auditors' Report**

To the Board of Directors  
of the South Orange County Wastewater Authority  
Dana Point, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the South Orange County Wastewater Authority (the "Authority"), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 25, 2019.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

To the Board of Directors  
of the South Orange County Wastewater Authority  
Dana Point, California  
Page 2

**Purpose of this Report**

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

*The PwC Group, LLP*

Santa Ana, California  
November 25, 2019

**SOUTH ORANGE COUNTY WASTEWATER AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Years Ended June 30, 2019 and 2018**

This section of South Orange County Wastewater Authority's (Authority or SOCWA) financial statements presents an analysis of the Authority's financial performance during the fiscal year ended June 30, 2019 in comparison to fiscal year ended June 30, 2018. This information is presented in conjunction with the transmittal letter in the Introductory Section, and with the basic financial statements and related notes, which follow this section.

**Overview of the Authority's Financial Statements**

The financial statements consist of the following two parts: Management's Discussion and Analysis, Basic Financial Statements and related Notes to the Basic Financial Statements.

**Basic Financial Statements**

The financial statements of the Authority report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles generally accepted in the United States of America.

The Statement of Net Position includes information on the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Authority's creditors (liabilities).

The Statement of Revenues, Expenses, and Changes in Net Position identify the Authority's revenues and expenses for the fiscal year. This statement provides information on the Authority's operations for the fiscal year and can be used to determine whether the Authority has recovered all its actual and projected costs through user fees and other charges.

The Statement of Cash Flows provides information on the Authority's cash receipts, cash payments and changes in cash resulting from operations, and investments and financing activities. From the Statement of Cash Flows, the reader can obtain information on the source and use of cash and the change in the cash and cash equivalents balance for the fiscal year.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential for a full understanding of the data provided in the basic financial statements.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information concerning the Authority's progress in funding its obligation to provide pension benefits and post-employment benefits to its employees.

## Financial Analysis of the Authority

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position provide an indication of the Authority's financial condition and indicate whether the financial condition of the Authority improved over time. The Authority's net position reflects the difference between assets and liabilities. An increase in net position over time typically indicates an improvement in financial condition.

### Financial Highlights for Fiscal Year 2019

- At June 30, 2019, the Authority's total assets and deferred outflows of resources exceeded the total liabilities and deferred inflows of resources by \$131 million (net position), which is an increase of \$3.8 million or 3.0% over the 2018 fiscal year-end balance of \$127.2 million primarily due to an increase in large capital cash, \$6.3 million or 71.4%. The cash was capital contributions from member agencies and grant revenue, \$1.4 million, to fund facilities improvements projects at JB Latham Treatment Plant, \$2.1 million increase, or 48.4%, export sludge project at the Coastal Treatment Plant, \$425 thousand, and the Switchgear Upgrade Project at the Regional Treatment Plant, \$1.4 million.

#### Large Capital Cash Year Ended June 30

Project Committee	2019	2018	Change +/- (-)	% Change	Explanation
PC2, JB Latham Treatment Plant	\$6,342,397	\$4,272,944	\$2,069,452	48.4%	Facilities Improvement Project
PC 3A Plant		86,003	(86,003)	-100.0%	Refunded
PC 5, San Juan Creek Outfall	372,369	318,257	54,112	17.0%	
PC 15, Coastal Treatment Plant	2,964,659	2,153,989	810,670	37.6%	Export Sludge, \$425K
PC 17, Regional Treatment Plant	4,938,216	1,728,156	3,210,060	185.8%	So. Cal Edison Grant, Co-Gen Projects, \$1.4MM, Switchgear, \$2.0MM
PC 21, Effluent Transmission Main	291,371	209,669	81,702	39.0%	
PC 24, Aliso Creek Outfall	158,527	24,351	134,176	551.0%	
<b>Total</b>	<b>\$15,067,539</b>	<b>\$8,793,369</b>	<b>\$6,274,169</b>	<b>71.4%</b>	

- Offsetting the increase in Cash is a \$3.2 million or 76% decrease in net receivables due to Moulton Niguel Water District payment, \$1.6 million, and settlement of two years use audit with member agencies, \$1.6 million.

**Net Receivables Year Ended June 30**

Description	2019	2018	Change +/- (-)	% Change	Explanation
Accounts	\$14,179	\$1,660,444	(\$1,646,265)	-99.1%	Payment from Moulton Niguel Water District
Due from Member Agencies	856,669	2,433,322	(1,576,653)	-64.8%	Two-Years Use Audit Settlement
Interest receivable	113,947	52,302	61,645	117.9%	LAIF Cash Balance Increase
Total	<u>\$984,795</u>	<u>\$4,146,068</u>	<u>(\$3,161,273)</u>	<u>-76.2%</u>	

- For fiscal year 2019, construction-in-progress (CIP) decreased by \$8.5 million or 40.8% primarily due to \$14.7 million capital assets placed in service compared to \$6.2 million in capital expenditures for the year. The Coastal Treatment Plant accounted for 38.9% of total expenditures, \$2.2 million, due to facility improvement projects. JB Latham Treatment Plant expended \$2.0 million or 35.5% of total expenditures also due to facility improvement projects. Regional Treatment Plant expended 1.3 million or 22.2 % of total expenditures primarily due to the Switchgear Upgrade Project.

	<b>CIP Change 2019</b>					
	Balance July 1, 2018	Additions	Assets in-service	Balance June 30, 2019	Change +/- (-)	% Change
CIP	<u>\$20,833,802</u>	<u>6,249,936</u>	<u>(14,745,860)</u>	<u>\$12,337,878</u>	<u>\$ (8,495,924)</u>	<u>-40.8%</u>

- Most capital assets placed in service during the fiscal year were at the Regional Treatment Plant, \$12.4 million or 84% of total acquisitions.
- Machinery and Equipment were \$13.5 million or 92% of total acquisitions.

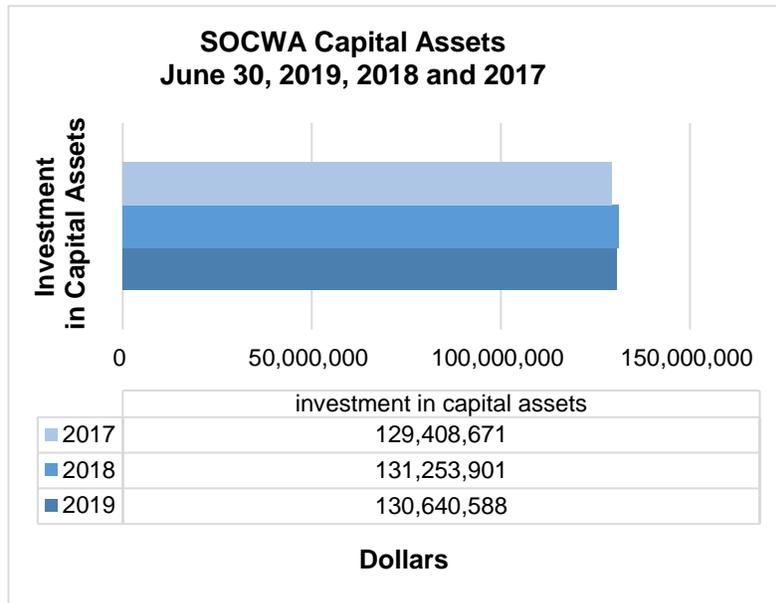
## Net Position

A summary of the Authority's Statement of Net Position is presented below.

<b>Condensed Statement of Net Position</b>				
	Fiscal Year 6/30/2019	Fiscal Year 6/30/2018	Change +/- (-)	% Change
Current Assets	\$22,755,001	\$18,402,205	\$4,352,796	23.7%
Non-Current Assets:				
Capital Assets not being depreciated	26,740,102	35,236,026	(8,495,924)	-24.1%
Capital Assets, net	103,900,486	96,017,875	7,882,611	8.2%
<b>Total Capital Assets</b>	<b>130,640,588</b>	<b>131,253,901</b>	<b>(613,313)</b>	<b>-0.5%</b>
<b>Total Assets</b>	<b>153,395,589</b>	<b>149,656,106</b>	<b>3,739,483</b>	<b>2.5%</b>
GASB 68-Deferred Outflows	3,475,719	4,069,991	(594,272)	-14.6%
GASB 75-Deferred Outflows	82,055		82,055	
Current Liabilities	6,041,550	6,746,223	(704,674)	-10.4%
Non-Current Liabilities	18,200,914	18,995,344	(794,430)	-4.2%
<b>Total Liabilities</b>	<b>24,242,464</b>	<b>25,741,567</b>	<b>(1,499,104)</b>	<b>-5.8%</b>
GASB 68-Deferred Inflows	1,078,306	798,038	280,268	35.1%
GASB 75-Deferred Inflows	646,185	34,043	612,142	1798.1%
Net Position:				
Net Investment in Capital Assets	130,640,588	131,253,901	(613,313)	-0.5%
Unrestricted (deficit)	345,820	(4,101,452)	4,447,272	-108.4%
<b>Total Net Position</b>	<b>\$130,986,408</b>	<b>\$127,152,449</b>	<b>\$3,833,959</b>	<b>3.0%</b>

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority's, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$131 million and \$127.2 million as of June 30, 2019, and 2018 respectively.

The largest portions of the Authority's net position (99.7%, 103.2% and 102.6% as of June 30, 2019, 2018 and 2017 respectively) reflects the Authority's net investment in capital assets. The Authority uses these capital assets to provide services to Member Agencies communities within the Authority's service area.



At the end of fiscal years 2019, the Authority returned to a positive balance in net position unrestricted due to cash on hand, \$20.9 million, and reductions in total liabilities, \$1.5 million.

SOCWA's liabilities decreased \$1.5 million or 5.8% primarily due to:

- The Authority's proportionate share of the net pension liability decreased by \$224 thousand or 1.7% from last year. The most significant factor was actuarial experience for the year. This would have increased SOCWA's NPL for the year, but it was offset by reductions from small investment gains (earnings for the year were 1.25% higher than assumed) and changes in actuarial assumptions.
- Net Pension Liability is 75% funded, an increase of 1.6% from fiscal year 2017-18.

#### Net Pension Liability Year Ended June 30

Description	2019	2018	Change +/- (-)	% Change
Measurement date	6/30/2018	6/30/2017		
Total pension liability	(\$52,230,824)	(\$49,973,230)	(\$2,257,594)	-4.5%
Fiduciary net position	39,044,508	36,562,793	2,481,715	6.8%
Net pension (liability)	(\$13,186,316)	(\$13,410,437)	\$224,121	-1.7%
% Funded	74.8%	73.2%	1.6%	

- Net OPEB liability decreased by \$611 thousand or 11.4% primarily due to favorable differences in expected vs actual experiences; such as, people retiring later than expected or terminating earlier than expected, healthcare costs/employer contributions less than expected creates an actuarial gain. There was a slight adjustment to the actuarial assumptions used, as well as assets getting a higher return than expected.
- Net OPEB (retiree health) Liability is 52% funded, an increase of 4.6% from fiscal year 2017-18.

#### **Net OPEB (Retiree Health) Liability Year Ended June 30**

Description	2019	2018	Change +/- (-)	% Change
Measurement date	6/30/2019	6/30/2018		
Total OPEB Liability	(\$9,885,778)	(\$10,182,408)	\$296,630	-2.9%
Fiduciary net position	5,137,817	4,823,410	314,407	6.5%
Net OPEB (liability)	(\$4,747,961)	(\$5,358,998)	\$611,037	-11.4%
% Funded	52.0%	47.4%	4.6%	

- Due to Member Agencies decreased because 2 years Use Audits were settled during the year
- Accounts Payable decrease is due to timing of receiving vendor invoices

#### **Total Liabilities Year Ended June 30**

Liability Type	2019	2018	Change +/- (-)	% Change
GASB 68 Net Pension Liability	\$13,186,316	\$13,410,437	(\$224,121)	-1.7%
GASB 75-Net OPEB Liability	4,747,961	5,358,998	(611,037)	-11.4%
Due to Member Agencies	3,543,350	3,910,599	(367,249)	-9.4%
Accounts Payable	1,981,080	2,314,106	(333,026)	-14.4%
Compensated Absences	683,536	620,032	63,504	10.2%
Accrued Payroll Liabilities	100,221	127,395	(27,174)	-21.3%
<b>Total Liabilities</b>	<b>\$24,242,464</b>	<b>\$25,741,567</b>	<b>(\$1,499,103)</b>	<b>-5.8%</b>

### Change in Net Position

	June 30			Change between 2019 and 2018	% Change	Change between 2018 and 2017	% Change
	2019	2018	2017				
Beginning Net Position, as restated	\$127,152,449	\$126,117,487 <sup>1</sup>	\$117,781,310 <sup>2</sup>	\$1,034,962	0.8%	\$8,336,177	7.1%
Loss before contributions	(7,040,249)	(8,253,929)	(4,204,883)	1,213,680	-14.7%	(\$4,049,046)	96.3%
Capital contributions	10,874,208	9,288,891	17,285,762	1,585,317	17.1%	(7,996,871)	-46.3%
Change in net position	<u>3,833,959</u>	<u>1,034,962</u>	<u>13,080,880</u>	<u>2,798,997</u>	<u>270.4%</u>	<u>(12,045,917)</u>	<u>-92.1%</u>
Ending Net Position	<u>\$130,986,408</u>	<u>\$127,152,449</u>	<u>\$130,862,190</u> <sup>1</sup>	<u>\$3,833,959</u>	<u>3.0%</u>	<u>(\$3,709,740)</u>	<u>-2.8%</u>

<sup>1</sup> For the year ended June 30, 2018, the Authority is required to implement GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The adoption of this statement requires retrospective application of previously reported net position at July 1, 2017. Accordingly, net position as of July 1, 2017 was restated as follows:

Beginning net position, as previously reported:	\$130,862,190
Prior period adjustments, GASB 75, OPEB (retiree health) Implementation	(4,744,703)
<b>Beginning net position, as restated</b>	<u><u>\$126,117,487</u></u>

<sup>2</sup> For the year ended June 30, 2017, the Authority restated beginning net position for the second and final phase of adding member agencies jointly constructed capital assets, \$9.3 million; \$39 million was added in fiscal year 2015. Accordingly, net position as of July 1, 2016 was restated as follows:

Beginning net position, as previously reported:	\$108,610,338
Prior period adjustments, capital assets addition	9,170,972
<b>Beginning net position, as restated</b>	<u><u>\$117,781,310</u></u>

## Capital Assets

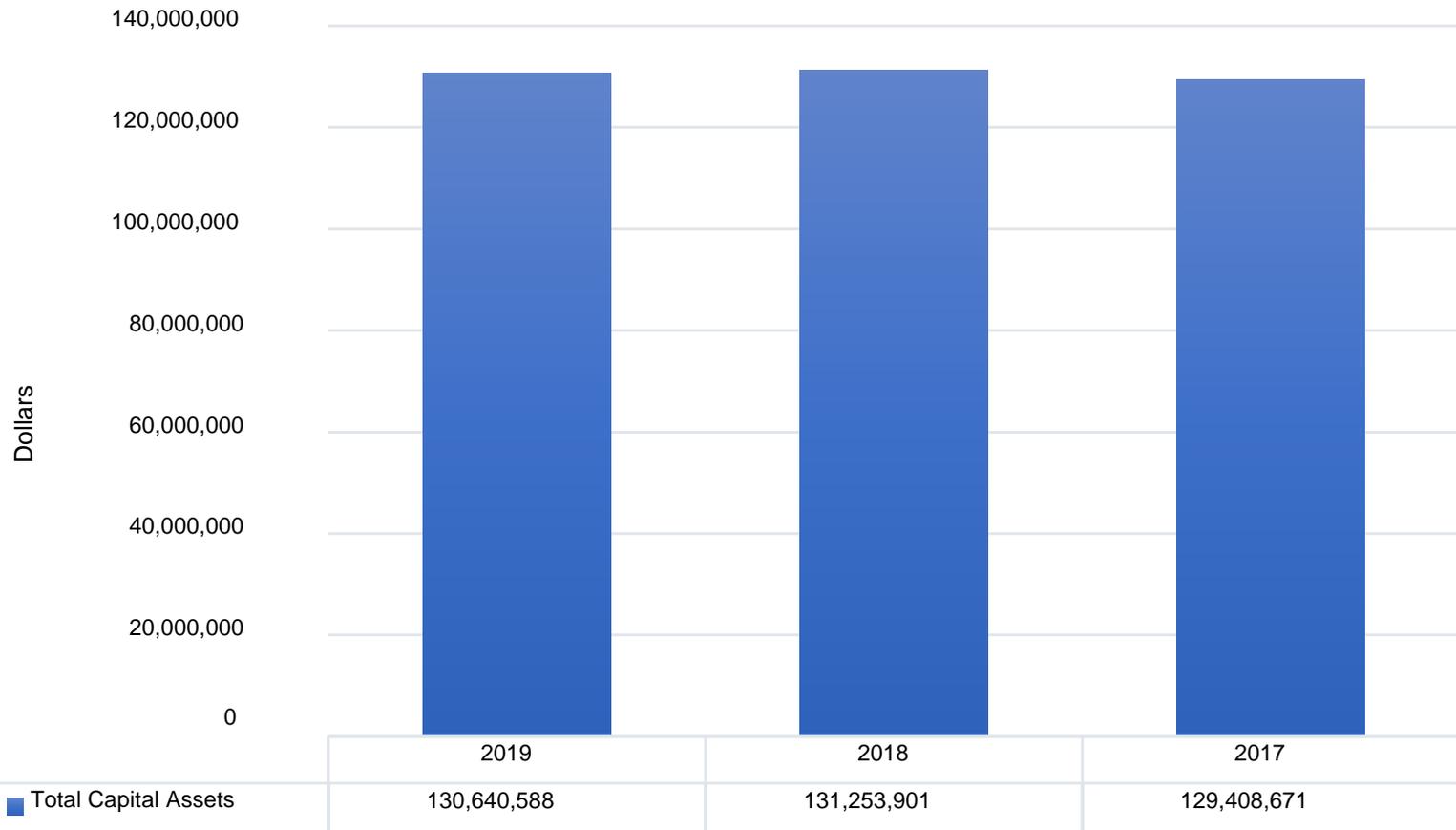
At the end of fiscal years 2019, 2018 and 2017, the Authority's capital assets amounted to \$130.6 million, \$131.3 million and \$129.4 million, respectively, (net of accumulated depreciation). Capital assets include land, construction in progress, buildings, building improvements, computer hardware and software, furniture and fixtures, infrastructure, machinery and equipment and vehicles.

Changes in capital assets were as follows:

	June 30			Change between 2019 and 2018	% Change	Change between 2018 and 2017	% Change
	2019	2018	2017				
<b>Capital assets, not depreciated:</b>							
Land	14,402,224	14,402,224	14,402,224				
Construction in Progress	12,337,878	20,833,802	27,159,497	(8,495,924)	-40.8%	(6,325,696)	-23.3%
Total Capital assets, not depreciated	26,740,102	35,236,026	41,561,721	(8,495,924)	-24.1%	(6,325,696)	-15.2%
<b>Capital assets, being depreciated:</b>							
Capital Assets, gross	309,716,685	294,970,825	280,203,940	14,745,860	5.0%	14,766,885	5.3%
Accumulated depreciation	(205,816,199)	(198,952,950)	(192,356,990)	(6,863,249)	3.4%	(6,595,960)	3.4%
Total Capital assets, being depreciated	103,900,486	96,017,875	87,846,950	7,882,611	8.2%	8,170,925	9.3%
Total Capital Assets	130,640,588	131,253,901	129,408,671	(613,313)	-0.5%	1,845,229	1.4%
Accumulated depreciation % Capital Assets, gross	66.5%	67.4%	68.6%				

- The Authority's Capital Assets are two-thirds depreciated; an indication of aging assets.
- Total Capital Assets have remained almost flat during the last three years.
- Additional information on the Authority's capital assets is provided in Note 4, Capital Assets, of the financial statements.

## Total Capital Assets



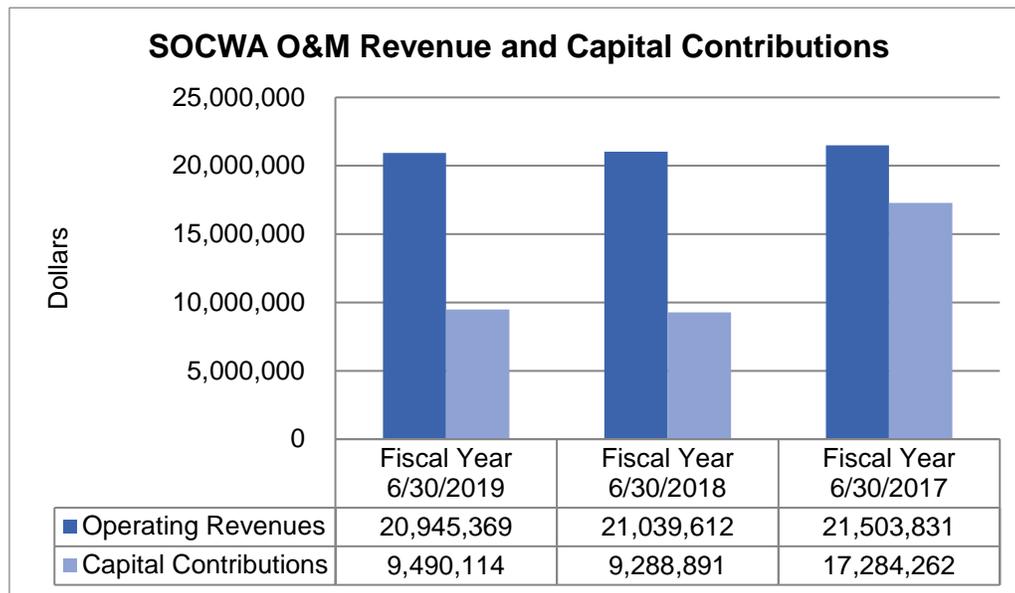
Fiscal Year Ended June 30

## Revenues

The principal operating revenues of SOCWA are charges to the Member Agencies for services. Total operating revenue for fiscal year 2019 was \$20.9 million, down slightly, \$94 thousand, or 0.4% from 2018 total operating revenue of \$21 million; primarily due to delays in hiring O&M personnel and delayed start-up of the Co-Gen engines which impacted maintenance and other related costs. Fiscal year 2018 operating revenue decreased \$464 thousand from prior year due to increased costs in 2017 caused by storm damage.

Fiscal Year 2019 Capital contributions increased \$201 thousand or 2.2% from 2018 contributions of \$9.3 million primarily due to large capital facilities improvements projects.

Fiscal Year 2018 Capital Contributions decreased \$8.0 million or 46.3% primarily due to completion of the JB Latham Plant Aeration Co-Generation project in 2017.



	<b>Revenues</b>			Change between 2019 and 2018	% Change	Change between 2018 and 2017	% Change
	June 30						
	2019	2018	2017				
<b><u>Operating Revenues:</u></b>							
O&M Member Agency Assessments	20,945,369	21,039,612	21,503,831	(94,243)	-0.4%	(464,219)	-2.2%
<b><u>Non-Operating Revenues</u></b>							
Interest Income <sup>1</sup>	363,429	166,452	70,550	196,977	118.3%	95,902	135.9%
Other Income <sup>2</sup>	17,858	153,458	170,843	(135,600)	-88.4%	(17,385)	-10.2%
<b>Total Non-Operating Revenues</b>	<b>381,287</b>	<b>319,910</b>	<b>241,393</b>	<b>61,377</b>	<b>19.2%</b>	<b>78,517</b>	<b>32.5%</b>
<b><u>Capital Contributions</u></b>							
Capital Contributions	9,490,114	9,288,891	17,284,262	201,223	2.2%	(7,995,371)	-46.3%
Grant Revenue <sup>3</sup>	1,384,094		1,500	1,384,094		(1,500)	-100.0%
<b>Total Capital Contributions</b>	<b>10,874,208</b>	9,288,891	17,285,762	1,585,317	17.1%	(7,996,871)	-46.3%
<b>Total Revenues</b>	<b>32,200,865</b>	<b>30,648,413</b>	<b>39,030,986</b>	<b>1,552,451</b>	<b>5.1%</b>	<b>(8,382,573)</b>	<b>-21.5%</b>

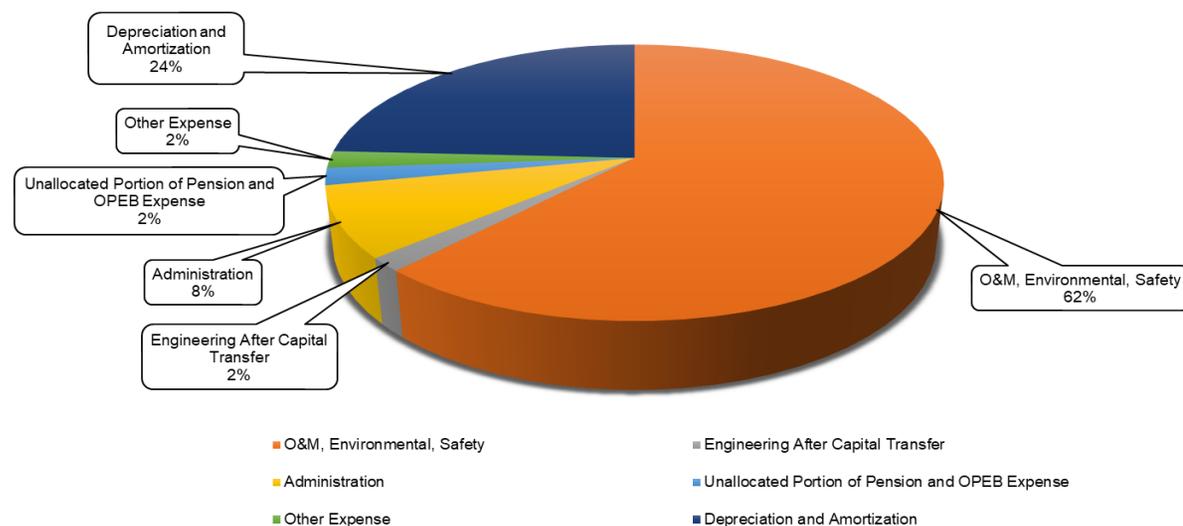
<sup>1</sup>LAIF balance increase due to large capital cash on hand for facilities improvement projects.

<sup>2</sup>FEMA reimbursements in 2018, \$137 thousand; 2017 cost sharing between JB Latham and Developer for wall separating properties, \$150 thousand.

<sup>3</sup>So. Calif. Edison grants for Co-Gen projects; energy generation.

## Expenses

For the Year Ended June 30, 2019



	Expenses			Change between 2019 and 2018	% Change	Change between 2018 and 2017	% Change
	2019	2018	2017				
<b>Operating Expenses:</b>							
O&M, Environmental, Safety	\$17,558,573	\$18,118,149	\$16,587,654	(\$559,576)	-3.1%	\$1,530,495	9.2%
Engineering After Capital	457,175	414,966	344,018	42,209	10.2%	70,948	20.6%
Administration	2,360,182	2,400,967	1,997,037	(40,785)	-1.7%	403,930	20.2%
Unallocated Portion of Pension and OPEB Expense	569,469	1,428,313	412,761	(858,844)	-60.1%	1,015,552	246.0%
Other Expense	558,258	655,096	(38,779)	(96,838)	-14.8%	693,875	-1789.3%
Depreciation and Amortization	6,863,249	6,595,960	6,291,302	267,289	4.1%	304,658	4.8%
<b>Total Operating Expenses</b>	<b>\$28,366,905</b>	<b>\$29,613,451</b>	<b>\$25,593,994</b>	<b>(\$1,246,545)</b>	<b>-4.2%</b>	<b>\$4,019,457</b>	<b>15.7%</b>

<sup>1</sup>O&M, Environmental, Safety decreased \$560 thousand in 2019 primarily due to delays in hiring. 2018 expenses increased \$1.5 million or 9.2% over 2017 primarily due to Co-Gen engines start-up costs.

<sup>2</sup>Unallocated portion of pension and OPEB expense decreased \$859 thousand or 60.1% in 2019 due to favorable actuarial experience. 2017 expense increased due to unfavorable actuarial experience.

### Condensed Statement of Revenues, Expenses and Changes in Net Position

	Fiscal Year 6/30/2019	Fiscal Year 6/30/2018	Change +/- (-)	% Change
<b>Operating Revenues</b>				
O&M Member Agency Assessments	\$20,945,369	\$21,039,612	(\$94,243)	-0.4%
Operating Expenses <sup>1</sup>	21,503,656	23,017,491	(1,513,835)	-6.6%
Depreciation Expense	6,863,249	6,595,960	267,289	4.1%
Non-Operating Expenses/(Income)	(381,288)	(319,910)	(61,378)	19.2%
<b>Total Expenses</b>	<b>27,985,617</b>	<b>29,293,541</b>	<b>(1,307,924)</b>	<b>-4.5%</b>
Capital Contributions	10,874,208	9,288,891	1,585,317	17.1%
<b>Current Year Change in Net Position<sup>2</sup></b>	<b>\$3,833,959</b>	<b>\$1,034,962</b>	<b>\$2,798,997</b>	<b>270.4%</b>
Beginning Net Position (Restated) <sup>3</sup>	\$127,152,449	\$126,117,487	\$1,034,962	0.8%
Add Current Year Change	3,833,959	1,034,962	2,798,997	270.4%
Net Position before extraordinary items	\$130,986,408	\$127,152,449	\$3,833,959	3.0%
<b>Ending Net Position</b>	<b>\$130,986,408</b>	<b>\$127,152,449</b>	<b>\$3,833,959</b>	<b>3.0%</b>

<sup>1</sup>Operating expenses decreased \$1.5 million or 6.6 % in 2019 due to delays in hiring O&M personnel and favorable actuarial experiences on pension and OPEB related expenses.

<sup>2</sup>Operating results contributed \$3.8 million to Net Position primarily due to Capital Contributions because operating revenue is equal to operating expenses before depreciation and amortization, unallocated pension and OPEB expense and other expenses.

<sup>3</sup>2018 beginning net position was restated due to GASB 75, OPEB implementation, \$4.7 million reduction in net position.

## **Debt Administration**

The Authority does not use debt financing; SOCWA's operating costs, including capital improvements expenditures, are covered by revenue from the ten-member agencies that are served.

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

The Board of Directors adopted the Authority's 2019-2020 budget on June 20, 2019. The approval of the budget provides funding for the Authority's operating and capital costs for the 2019-2020 fiscal year.

Each budget states: "[a]ll Budgets since inception reflect the costs of direct use and costs allocated by capacity ownership for capital improvements, repairs and replacements necessary to operate within legal compliance requirements and accepted industry standards. The signature authority levels authorized for expending .... are in conformity with SOCWA's Uniform Purchasing Policy and Procedures .... Staff is authorized to contract for services, acquire supplies and pay vendors and expenses within the Functional Departments and Project Committees."

## **Requests for Information**

This financial report is designed to provide the Authority's elected officials, member agencies, employees, creditors and other interested parties with an overview of the Authority's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, an electronic copy of the CAFR can be found on the Authority's website, [www.socwa.com](http://www.socwa.com). If you have questions about this report or need additional financial information, please contact the Finance Controller, South Orange County Wastewater Authority, 34156 Del Obispo Street, Dana Point, CA 92629.

## ***FINANCIAL STATEMENTS***

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**South Orange County Wastewater Authority**  
**Statements of Net Position**  
**June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and investments (Note 3)	\$ 20,857,094	\$ 13,557,237
Receivables:		
Accounts	14,179	1,660,444
Due from Member Agencies	856,669	2,433,322
Interest	113,947	52,302
Total receivable, net	<u>984,795</u>	<u>4,146,068</u>
Inventories	701,387	494,032
Prepaid items	211,725	204,868
<b>Total current assets</b>	<u>22,755,001</u>	<u>18,402,205</u>
<b>Noncurrent asset:</b>		
Capital assets, nondepreciable (Note 4)	26,740,102	35,236,026
Capital assets, depreciable, net (Note 4)	103,900,486	96,017,875
<b>Total non-current assets</b>	<u>130,640,588</u>	<u>131,253,901</u>
<b>Total assets</b>	<u>153,395,589</u>	<u>149,656,106</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pensions related deferred outflows of resources	3,475,719	4,069,991
OPEB related deferred outflows of resources	82,055	-
<b>Total deferred outflows of resources</b>	<u>3,557,774</u>	<u>4,069,991</u>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable	1,981,080	2,314,106
Due to Member Agencies	3,543,350	3,910,599
Accrued payroll and related liabilities	100,221	127,395
Compensated absences - due within one year (Note 5)	416,899	394,123
<b>Total current liabilities</b>	<u>6,041,550</u>	<u>6,746,223</u>
<b>Noncurrent liabilities:</b>		
Compensated absences - due in more than one year (Note 5)	266,637	225,909
Net other postemployment benefits obligation (Note 6)	4,747,961	5,358,998
Net pension liability (Note 7)	13,186,316	13,410,437
<b>Total noncurrent liabilities</b>	<u>18,200,914</u>	<u>18,995,344</u>
<b>Total liabilities</b>	<u>24,242,464</u>	<u>25,741,567</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pensions related deferred inflows of resources	1,078,306	798,038
OPEB related deferred inflows of resources	646,185	34,043
<b>Total deferred inflows of resources</b>	<u>1,724,491</u>	<u>832,081</u>
<b>NET POSITION</b>		
Investment in capital assets	130,640,588	131,253,901
Unrestricted (deficit)	345,820	(4,101,452)
<b>Total net position</b>	<u>\$ 130,986,408</u>	<u>\$ 127,152,449</u>

See accompanying Notes to the Financial Statements.

**South Orange County Wastewater Authority**  
**Statements of Revenues, Expenses, and Change in Net Position**  
**For the Years Ended June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>OPERATING REVENUES:</b>		
O&M Member Agency Assessments :		
City of Laguna Beach	\$ 3,079,457	\$ 3,777,716
City of San Clemente	155,352	156,322
City of San Juan Capistrano	2,262,176	2,158,791
Emerald Bay Service District	147,131	125,522
El Toro Water District	875,388	804,371
Irvine Ranch Water District	163,057	167,911
Moulton Niguel Water District	8,895,527	8,501,212
South Coast Water District	3,799,657	3,394,390
Santa Margarita Water District	1,532,718	1,897,223
Trabuco Canyon Water District	34,905	56,154
Total O&M Member Agency Assessments	20,945,369	21,039,612
<b>Total Operating Revenues</b>	20,945,369	21,039,612
<b>OPERATING EXPENSES:</b>		
O&M, Environmental, Compliance and Safety	17,558,573	18,118,149
Engineering after capital transfer	457,175	414,966
Administration	2,360,182	2,400,967
Unallocated portion of pension and OPEB expense	569,469	1,428,313
Other expense	558,258	655,096
Depreciation and amortization	6,863,249	6,595,960
<b>Total Operating Expenses</b>	28,366,905	29,613,451
<b>Operating (Loss)</b>	(7,421,536)	(8,573,839)
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest income	363,429	166,452
Other revenues	1,401,953	153,458
<b>Total Non-Operating Revenue</b>	1,765,382	319,910
<b>CAPITAL CONTRIBUTIONS FROM MEMBER AGENCIES:</b>		
Member Agency Assessments:		
City of Laguna Beach	315,736	1,221,424
City of San Clemente	(1,854)	2,556
City of San Juan Capistrano	1,196,079	973,822
Emerald Bay Service District	24,398	93,615
El Toro Water District	178,986	266,044
Irvine Ranch Water District	174,768	83,500
Moulton Niguel Water District	4,364,986	3,825,793
South Coast Water District	2,368,447	2,119,393
Santa Margarita Water District	868,568	702,744
Total Member Agency Assessments	9,490,114	9,288,891
<b>Total Capital Contributions from Member Agencies</b>	9,490,114	9,288,891
<b>Change in Net Position</b>	3,833,959	1,034,962
<b>NET POSITION:</b>		
Beginning of year, as restated (Note 10)	127,152,449	126,117,487
End of year	\$ 130,986,408	\$ 127,152,449

See accompanying Notes to the Financial Statements.

**South Orange County Wastewater Authority**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash receipts from Member Agencies	\$ 24,168,287	\$ 19,104,447
Cash payments to vendors and suppliers for operations	(14,474,106)	(11,948,482)
Cash payments to employees for services	(7,338,239)	(7,688,988)
<b>Net cash provided by (used in) operating activities</b>	<b>2,355,942</b>	<b>(533,023)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Other miscellaneous revenue	1,401,953	153,461
<b>Net cash provided by noncapital financing activities</b>	<b>1,401,953</b>	<b>153,461</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital contributions from Member Agencies	9,490,114	9,288,891
Acquisition of capital assets	(6,249,936)	(8,441,192)
<b>Net cash provided by capital and related financing activities</b>	<b>3,240,178</b>	<b>847,699</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received	301,784	139,406
<b>Net cash provided by investing activities</b>	<b>301,784</b>	<b>139,406</b>
<b>Net change in cash and cash equivalents</b>	<b>7,299,857</b>	<b>607,543</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of year	13,557,237	12,949,694
End of year	<b>\$ 20,857,094</b>	<b>\$ 13,557,237</b>
<b>RECONCILIATION OF NET OPERATING (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Operating (Loss)	\$ (7,421,536)	\$ (8,573,839)
Adjustments to reconcile operating (loss ) to net cash provided by (used in) operating activities:		
Depreciation	6,863,249	6,595,960
Changes in operating assets and liabilities:		
Accounts receivable	1,646,265	(591,162)
Due from Member Agencies	1,576,653	(1,363,503)
Inventory	(207,355)	(83,166)
Deposits	-	19,500
Prepaid items	(6,857)	(139,786)
Pensions related deferred outflows of resources	594,272	(748,700)
OPEB related deferred outflows of resources	(82,055)	-
Accounts payable	(333,026)	(368,582)
Due to Member Agencies	(367,249)	2,551,758
Accrued payroll liabilities	(27,174)	24,734
Compensated absences	63,504	(33,250)
Net OPEB liability	(611,037)	26,535
Net pension liability	(224,121)	1,860,493
Pensions related deferred inflows of resources	280,268	255,942
OPEB related deferred inflows of resources	612,142	34,043
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 2,355,942</b>	<b>\$ (533,023)</b>

See accompanying Notes to the Financial Statements.

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## **Notes to the Financial Statements**

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2019 and 2018**

The notes to the financial statements include a summary of significant accounting policies and other information considered essential to fully disclose and fairly present the transactions and financial position of the Authority, as follows:

Note 1 - Reporting Entity

Note 2 - Summary of Significant Accounting Policies

Note 3 - Cash and Investments

Note 4 - Capital Assets

Note 5 - Compensated Absences

Note 6 - Other Postemployment Benefits

Note 7 - Defined Benefit Pension Plan

Note 8 - Risk Management

Note 9 - Commitment and Contingencies

Note 10 - Prior Period Adjustment

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 1 – Reporting Entity**

Effective July 1, 2001, the Aliso Water Management Agency ("AWMA"), South East Regional Reclamation Authority ("SERRA"), and South Orange County Reclamation Authority ("SOCRA") were consolidated to form the South Orange County Wastewater Authority (the "Authority"). The Authority was formed as a joint exercise of powers agreement under the laws of the State of California. The member agencies of AWMA, SERRA and SOCRA became member agencies of the Authority. Each member agency appoints one representative to the Authority's board of directors. The Authority assumed all assets, obligations, agreements and liabilities of AWMA, SERRA, and SOCRA. The accompanying financial statements present the Authority and its component units for which the Authority is considered to be financially accountable, if any. Currently, there are no such component units.

AWMA was created under a joint exercise of powers agreement dated March 1, 1972. AWMA was formed to enable its members to jointly exercise their common powers regarding the treatment and disposal of wastewater to establish a total water management program for their consolidated service areas.

SERRA was formed by a joint exercise of powers agreement on March 9, 1970. SERRA was formed to coordinate regional planning of wastewater disposal and reclamation of wastewater in the San Juan Basin.

SOCRA was created under a joint exercise of powers agreement dated September 5, 1991. SOCRA was formed to enable its members to jointly exercise their common powers regarding the acquisition and holding of a single water reclamation primary user permit for the San Juan, Aliso Valley and other watershed areas within Region 8 and 9 of the California State Water Resources Control Board.

The Authority is comprised of the following ten member agencies:

- City of Laguna Beach ("CLB")
- City of San Clemente ("CSC")
- City of San Juan Capistrano ("CSJC")
- Emerald Bay Service District ("EBSD")
- El Toro Water District ("ETWD")
- Irvine Ranch Water District ("IRWD")
- Moulton Niguel Water District ("MNWD")
- South Coast Water District ("SCWD")
- Santa Margarita Water District ("SMWD")
- Trabuco Canyon Water District ("TCWD")

The Authority is economically dependent upon assessments from the above member agencies.

**Note 2 – Summary of Significant Accounting Policies**

**Basis of Presentation**

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board ("GASB") commonly referred to as accounting principles generally accepted in the United States of America ("U.S. GAAP"). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**Deferred Outflows/Inflows of Resources**

The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

**Deferred Outflows of Resources** represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

**Deferred Inflows of Resources** represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The Financial Statements (i.e., the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows) report information on all of the activities of the Authority. The Authority accounts for its operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The financial statements are prepared using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent), and deferred outflows and inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues are those revenues that are generated from the primary operations of the Authority. The Authority reports a measure of operations by presenting the change in net position from operations as "Net Surplus/(Deficit)" in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the Authority as all activities other than financing and investing activities (interest expense and investment income), grants and subsidies, settlement receivable allowance, and other infrequently occurring transactions of a non-operating nature. Operating revenues consists primarily of member assessments for services. Operating expenses are those expenses that are essential to the primary operations of the Authority. Operating expenses include the cost of services, administrative expenses, and depreciation expense on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Cash, Cash Equivalents, and Investments**

Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less and are carried at cost, which approximates fair value. Investments are reported at fair value. Changes in fair value that occur during the fiscal year are recognized as investment income for that fiscal year.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**Cash, Cash Equivalents, and Investments (Continued)**

The Authority participates in an investment pool managed by the State of California titled Local Agency Investment Fund (“LAIF”), which has invested a portion of the pooled funds in structured notes and asset-backed securities. LAIF’s investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk and to change in interest rates. The reported value, which is the net asset value, of the pool approximates the fair value of the pool shares.

**Receivables and Allowance for Doubtful Accounts**

Accounts receivable consist of amounts owed by member agencies rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts. Uncollectable accounts are based on prior experience and management’s assessment of the collectability of existing accounts.

**Inventories**

Infrastructure spare parts are spare parts on-hand due to the 24/7 operating hours for the plants. The initial costs are included in the use audit expenses; the movement to inventory in the financial statements is to comply with accounting standards. The parts are expensed when purchased; at the end of each fiscal year, the Authority completes a physical inventory of parts with a minimum value of \$5,000. An inventory change entry is made to adjust the asset value and the offset is other expense.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond the fiscal year ended are recorded as prepaid items.

**Capital Assets**

Capital assets are valued at historical cost, or estimated historical cost, if actual historical cost was not available. Donated capital assets are valued at their estimated acquisition value on the date donated. The Authority policy has set the capitalization threshold for reporting capital assets at \$5,000, all of which must have an estimated useful life in excess of three years. The original completed joint construction project costs of all original facilities constructed or acquired by AWMA and SERRA were transferred to the Authority and are reflected in the accompanying financial statements as capital assets owned by the Authority. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings	3 to 50 years
Building Improvements	3 to 25 years
Infrastructure	3 to 50 years
Machinery and Equipment	3 to 20 years
Vehicles	3 to 10 years
Computer Hardware	3 to 10 years
Computer Software	3 to 10 years
Furniture and Fixtures	5 to 10 years

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**Capital Assets (Continued)**

Capital expenditures are recorded as construction-in-process (CIP) and capitalized as a Capital Asset once all costs have been recorded and the asset has been placed in service. Repairs and maintenance costs are expensed. Interest accrued during capital assets construction, if any, is capitalized as part of the asset cost, net of interest income on construction bond proceeds.

**Compensated Absences**

Employees can accrue vacation leave up to a maximum of 240 hours. Vacation leave accrues at the rate of 80 to 160 a year depending on the number of years of employment. Sick leave accrues at the rate of 80 to 96 hours per year depending on the number of years of employment. When an employee terminates and provides a two weeks' notice, the Authority pays 75% of accumulated sick leave in excess of 176 hours. When an employee retires and provides a two weeks' notice, the Authority pays 75% of accumulated sick leave.

All accumulated vacation and vested sick leave pay are recorded as an expense and a liability at the time the benefit is earned.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 7). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

For the Year Ended	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2017	June 30, 2016
Measurement Date	June 30, 2018	June 30, 2017
Measurement Period	July 1, 2017 to June 30, 2018	July 1, 2016 to June 30, 2017

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized using the straight-line method over five (5) years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

**Other Postemployment Benefits ("OPEB")**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Authority's Retiree Benefits Plan ("OPEB Plan") and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan (Note 6). For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at amortized cost.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**Other Postemployment Benefits (“OPEB”) (continued)**

The following timeframes are used for OPEB reporting:

For the Year Ended	June 30, 2019	June 30, 2018
Valuation Date	January 1, 2019	January 1, 2017
Measurement Date	June 30, 2019	June 30, 2018
Measurement Period	July 1, 2018 to June 30, 2019	July 1, 2017 to June 30, 2018

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over 5 years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

**Net Position**

Net position represents the difference between all other elements in the statement of net position and should be displayed in the following three components:

**Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation.

**Restricted** – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

**Unrestricted** – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

**Basis for Member Assessments**

Member assessments are determined based on each member's participation in project committee costs, Costs are allocated to member agencies based on usage.

**Use of Estimates**

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**Implementation of New GASB Pronouncements**

During fiscal year ended June 30, 2019, the Authority implemented the following new GASB pronouncements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations (GASB 83)*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements (GASB 88)*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

**Note 3 – Cash and Investments**

At June 30, 2019 and 2018, the Authority's cash and investments were comprised of the following:

	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Petty cash	\$ 1,600	\$ 1,600
Demand deposits	999,536	1,379,677
Local Agency Investments Fund	19,855,958	12,175,960
Total cash and investments	\$ 20,857,094	\$ 13,557,237

**A. Demand Deposits**

At June 30, 2019 and 2018, the carrying amount of demand deposit was \$999,536 and \$1,379,677, respectively. Bank balances at that date were \$1,108,685 and \$1,374,748, the total amount of which was fully insured and/or collateralized with securities held by the pledging financial institutions in the Authority's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the Authority's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the Authority's name.

The fair value of pledged securities must equal at least 110% of the Authority's cash deposits. California law also allows institutions to secure the Authority's deposits by pledging first trust deed mortgage notes having a value of 150% of the Authority's total cash deposits. The Authority may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The Authority, however, has not waived the collateralization requirements.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 3 – Cash and Investments (Continued)**

**B. Investments**

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

Authorized Investment Type	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investments In One Issuer*
U.S. Treasury Obligations	5 years	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Local Agency Investment Fund ("LAIF")	N/A	None	None
JPA Pools	N/A	None	None

\* Based on state law requirements or investment policy requirements, whichever is more restrictive.

**C. Investment in Local Agency Investment Fund**

The Authority's investments with Local Agency Investment Fund (LAIF) include a portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

- **Government Securities Structured Notes** – debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- **Asset-Backed Securities** – the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The fair value of the Authority's position in the pool is the same as the value of the pool shares.

As of June 30, 2019 and 2018, the Authority had \$19,855,958 and \$12,175,960 invested in LAIF, which had invested 1.77% and 2.67% of the pool investment funds as of June 30, 2019 and 2018, in Government Securities Structured Notes and Asset-Backed Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The credit quality rating of LAIF is unrated as of June 30, 2019.

**D. Fair Value Measurement**

The Authority categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2019, and 2018, the Authority's investment portfolio consisted of \$19,855,958 and \$12,175,960 invested in the State of California Local Agency Investment Fund, which is "uncategorized" under the fair value hierarchy.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 3 – Cash and Investments (Continued)**

**E. Risk Disclosures**

**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 its fair value will be to changes in market interest rates. In accordance with the Authority's Investment Policy, the Authority manages its exposure to interest rate risks by placing all deposits of member agency funds in passbook savings account demand deposits that are federally insured and additionally in the State of California Local Agency Investment Fund ("LAIF") for deposits up to \$40 million where investments may be made by the State Treasurer in accordance with the above guidelines. For any held funds over \$40 million, investments may be made in negotiable certificates of deposits, U.S. Treasury Notes and other JPA Investment Programs allowable under State statute.

Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity.

**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. As of June 30, 2019, and 2018, the Authority's investment portfolio consisted of \$19,855,958 and \$12,175,960 invested in the State of California Local Agency Investment Fund, which is not rated.

**Disclosures Relating to Custodial Credit Risk**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 4 – Capital Assets**

The summary of changes in capital assets for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<b>Capital assets, not depreciated</b>				
Land	\$ 14,402,224	\$ -	\$ -	\$ 14,402,224
Construction in progress	20,833,802	6,249,936	(14,745,860)	12,337,878
<b>Total capital assets, not depreciated</b>	<b>35,236,026</b>	<b>6,249,936</b>	<b>(14,745,860)</b>	<b>26,740,102</b>
<b>Capital assets, being depreciated</b>				
Buildings	10,727,125	-	-	10,727,125
Buildings Improvements	8,371,288	71,693	-	8,442,981
Computer Hardware	1,416,210	72,396	-	1,488,606
Computer Software	259,911	39,792	-	299,703
Furniture and Fixtures	160,036	-	-	160,036
Infrastructure	159,140,282	962,387	-	160,102,669
Machinery and Equipment	113,737,856	13,506,535	-	127,244,391
Vehicles	1,158,117	93,057	-	1,251,174
<b>Total capital assets, being depreciated</b>	<b>294,970,825</b>	<b>14,745,860</b>	<b>-</b>	<b>309,716,685</b>
<b>Less accumulated depreciation</b>				
Buildings	(7,053,772)	(173,365)	-	(7,227,137)
Buildings Improvements	(3,191,640)	(306,391)	-	(3,498,031)
Computer Hardware	(685,544)	(168,136)	-	(853,680)
Computer Software	(105,220)	(22,375)	-	(127,595)
Furniture and Fixtures	(121,490)	(4,371)	-	(125,861)
Infrastructure	(110,392,265)	(3,008,499)	-	(113,400,764)
Machinery and Equipment	(76,658,194)	(3,129,949)	-	(79,788,143)
Vehicles	(744,825)	(50,163)	-	(794,988)
<b>Total accumulated depreciation</b>	<b>(198,952,950)</b>	<b>(6,863,249)</b>	<b>-</b>	<b>(205,816,199)</b>
<b>Total capital assets, being depreciated, net</b>	<b>96,017,875</b>	<b>7,882,611</b>	<b>-</b>	<b>103,900,486</b>
<b>Total capital assets, net</b>	<b>\$ 131,253,901</b>	<b>\$ 14,132,547</b>	<b>\$ (14,745,860)</b>	<b>\$ 130,640,588</b>

Depreciation expense for the year ended June 30, 2019 was \$6,863,249.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

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

The summary of changes in capital assets for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<b>Capital assets, not depreciated</b>				
Land	\$ 14,402,224	\$ -	\$ -	\$ 14,402,224
Construction in progress	27,159,497	8,441,190	(14,766,885)	20,833,802
<b>Total capital assets, not depreciated</b>	<b>41,561,721</b>	<b>8,441,190</b>	<b>(14,766,885)</b>	<b>35,236,026</b>
<b>Capital assets, being depreciated</b>				
Buildings	10,533,051	194,074	-	10,727,125
Buildings Improvements	6,908,104	1,463,184	-	8,371,288
Computer Hardware	1,180,952	235,258	-	1,416,210
Computer Software	164,445	95,466	-	259,911
Furniture and Fixtures	137,359	22,677	-	160,036
Infrastructure	155,899,047	3,241,235	-	159,140,282
Machinery and Equipment	104,364,362	9,373,494	-	113,737,856
Vehicles	1,016,620	141,497	-	1,158,117
<b>Total capital assets, being depreciated</b>	<b>280,203,940</b>	<b>14,766,885</b>	<b>-</b>	<b>294,970,825</b>
<b>Less accumulated depreciation</b>				
Buildings	(6,883,006)	(170,766)	-	(7,053,772)
Buildings Improvements	(2,891,271)	(300,369)	-	(3,191,640)
Computer Hardware	(539,272)	(146,272)	-	(685,544)
Computer Software	(96,251)	(8,969)	-	(105,220)
Furniture and Fixtures	(117,307)	(4,183)	-	(121,490)
Infrastructure	(107,461,582)	(2,930,683)	-	(110,392,265)
Machinery and Equipment	(73,693,613)	(2,964,581)	-	(76,658,194)
Vehicles	(674,688)	(70,137)	-	(744,825)
<b>Total accumulated depreciation</b>	<b>(192,356,990)</b>	<b>(6,595,960)</b>	<b>-</b>	<b>(198,952,950)</b>
<b>Total capital assets, being depreciated, net</b>	<b>87,846,950</b>	<b>8,170,925</b>	<b>-</b>	<b>96,017,875</b>
<b>Total capital assets, net</b>	<b>\$ 129,408,671</b>	<b>\$ 16,612,115</b>	<b>\$ (14,766,885)</b>	<b>\$ 131,253,901</b>

Depreciation expense for the year ended June 30, 2018 was and \$6,595,960 respectively.

**Note 5 – Compensated Absences**

The summary of changes in compensated absences for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Classification	
					Current	Long-term
Compensated absences	\$ 620,032	\$ 414,659	\$ (351,155)	\$ 683,536	\$ 416,899	\$ 266,637

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 5 – Compensated Absences (Continued)**

The summary of changes in compensated absences for the year ended June 30, 2018 was as follows:

	Balance	Additions	Deletions	Balance	Classification	
	July 1, 2017			June 30, 2018	Current	Long-term
Compensated absences	\$ 653,282	\$ 2,342,647	\$ (2,375,897)	\$ 620,032	\$ 394,123	\$ 225,909

**Note 6 – Other Postemployment Benefits**

At June 30, 2019 and 2018, net OPEB liabilities and related deferred outflows and inflows of resources are as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<b>Net OPEB Liabilities</b>	<u>\$ 4,747,961</u>	<u>\$ 5,358,998</u>
<b>Deferred Outflows of Resources:</b>		
Change of assumptions	\$ 82,055	\$ -
<b>Total Deferred Outflows of Resources:</b>	<u>\$ 82,055</u>	<u>\$ -</u>
<b>Deferred Inflows of Resources:</b>		
Difference between projected and actual investment earnings on plan assets	\$ 29,306	\$ 34,043
Difference between expected and actuarial experience	616,879	-
<b>Total Deferred Inflows of Resources:</b>	<u>\$ 646,185</u>	<u>\$ 34,043</u>

**Plan Description and Eligibility**

The Authority provides post-retirement health care benefits to employees who retire from PERS on or after age 50 with at least 5 years of service with the Authority and PERS. The Authority's plan is a single employer plan that provides post-retirement health care benefits in accordance with the Public Employee's Medical and Hospital Care Act through the PERS health program. The Authority's contribution for each retiree is the amount necessary to pay the cost of his/her enrollment per month in the health benefits plan up to a maximum of the average of all plans available, plus administrative fees and Contingency Reserve Fund assessments. The Authority's contribution for each annuitant will be from 84% to 100% based on the health plan selected by the employee.

For the fiscal year ended June 30, 2019, the total contribution made were \$453,038, respectively, which was comprised of \$29,600 contributed Retiree Health Savings Program and \$423,458 on the pay-as-you-go basis. There were 42 retired employees who received health care benefits during the fiscal year.

For the fiscal year ended June 30, 2018, the total contribution made were \$564,582, respectively, which was comprised of \$210,000 contributed to the Public Agency Retirement Services ("PARS") irrevocable trust and \$354,582 on the pay-as-you-go basis. There were 31 retired employees who received health care benefits during the fiscal year.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 6 – Other Postemployment Benefits (Continued)**

**Employees Covered**

At the January 1, 2019 and 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

	2019	2017
Active employees	62	58
Inactive employees or beneficiaries currently receiving benefits	42	31
Inactive employees entitled to, but not yet receiving benefits	-	-
	104	89

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued plan financial report and may be obtained on CalPERS' website [www.calpers.ca.gov](http://www.calpers.ca.gov).

**Net OPEB Liability**

The Authority's net OPEB liability was measured as of June 30, 2019 and 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019 and 2017, respectively.

*Actuarial Assumptions*

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	7.00% Per annum; assumes the SOCWA invests in PARS Balanced HighMark Plus Asset Allocation.
Inflation	2.75% per annum
Salary increases	3.00% per annum, in aggregate
Expected Long-Term Investment Rate of Return	7.00% per year based on building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class.
Pre-retirement Turnover	According to termination rates under the most recent CalPERS pension plan valuation
Pre-retirement and Post-retirement Mortality; Retirement	According to pre-retirement and post-retirement mortality rates and retirement rates under the most recent CalPERS pension plan valuation.
ACA Excise Tax	Based upon loading health care trend rates by 1.21% in fiscal years 2031 and beyond for 2017, and 0.99% in fiscal years 2029 and beyond 2018.
Healthcare Tread Rate	2019 - PPO: Actual; HMO: Actual
	2020 - PPO: 6.5%; HMO: 6.0%
	2021 - PPO: 6.0%; HMO: 5.5%

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 6 – Other Postemployment Benefits (Continued)**

**Net OPEB Liability (Continued)**

*Actuarial Assumptions (Continued)*

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed Income	35%	1.50%
Equities	60%	5.75%
Cash	5%	0.00%
Total	<u>100%</u>	

The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	7.00% Per annum; assumes the SOCWA invests in PARS Balanced HighMark Plus Asset Allocation.
Inflation	2.75% per annum
Salary increases	3.00% per annum, in aggregate
Expected Long-Term Investment Rate of Return	7.00% per year based on building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class.
Pre-retirement Turnover	According to termination rates under the most recent CalPERS pension plan valuation
Pre-retirement and Post-retirement Mortality; Retirement	According to pre-retirement and post-retirement mortality rates and retirement rates under the most recent CalPERS pension plan valuation.
ACA Excise Tax	Based upon loading health care trend rates by 1.21% in fiscal years 2031 and beyond for 2017, and 0.99% in fiscal years 2029 and beyond 2018.
Healthcare Tread Rate	2017 - PPO: Actual; HMO: Actual
	2018 - PPO: 7.0%; HMO: 6.5%
	2019 - PPO: 6.5%; HMO: 6.0%

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 6 – Other Postemployment Benefits (Continued)**

**Net OPEB Liability (Continued)**

*Actuarial Assumptions (Continued)*

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed Income	35%	1.50%
Equities	60%	5.75%
Cash	5%	0.00%
Total	<u>100%</u>	

*Discount Rate*

The discount rate used to measure the 2019 and 2018 total OPEB liability was 7.00 percent. The actuarial assumptions used to determine the discount rate was based on the current funding practice and assumed the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Change in the Net OPEB Liability*

Summary of changes in total OPEB liability for the measurement date June 30, 2019 were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018	\$ 10,182,408	\$ 4,823,410	\$ 5,358,998
Changes Recognized for the Measurement Period:			
Service Cost	274,847	-	274,847
Interest on the total OPEB liability	713,467	-	713,467
Changes in benefit terms	(42,119)	-	(42,119)
Difference between expected and actual experience	(822,505)	-	(822,505)
Changes in assumptions	109,406	-	109,406
Contribution from the employer	-	529,726	(529,726)
Net investment income	-	341,412	(341,412)
Administrative expenses	-	(27,005)	27,005
Benefit payments	(529,726)	(529,726)	-
Net changes during July 1, 2018 to June 30, 2019	<u>(296,630)</u>	<u>314,407</u>	<u>(611,037)</u>
Balance at June 30, 2019	<u>\$ 9,885,778</u>	<u>\$ 5,137,817</u>	<u>\$ 4,747,961</u>

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 6 – Other Postemployment Benefits (Continued)**

**Net OPEB Liability (Continued)**

*Change in the Net OPEB Liability (Continued)*

Summary of changes in total OPEB liability for the measurement date June 30, 2018 were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017	\$ 9,602,387	\$ 4,269,924	\$ 5,332,463
Changes Recognized for the Measurement Period:			
Service Cost	256,866	-	256,866
Interest on the total OPEB liability	677,737	-	677,737
Changes in benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Contribution from the employer	-	585,582	(585,582)
Net investment income	-	348,619	(348,619)
Administrative expenses	-	(26,133)	26,133
Benefit payments	(354,582)	(354,582)	-
Net changes during July 1, 2017 to June 30, 2018	580,021	553,486	26,535
Balance at June 30, 2018	<u>\$ 10,182,408</u>	<u>\$ 4,823,410</u>	<u>\$ 5,358,998</u>

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

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current discount rate, for the measurement period ended June 30, 2019:

Plan's Net OPEB Liability		
Discount Rate -1% (6.00%)	Current Discount Rate (7.00%)	Discount Rate +1% (8.00%)
\$ 5,963,005	\$ 4,747,961	\$ 3,741,403

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current discount rate, for the measurement period ended June 30, 2018:

Plan's Net OPEB Liability		
Discount Rate -1% (6.00%)	Current Discount Rate (7.00%)	Discount Rate +1% (8.00%)
\$ 6,645,325	\$ 5,358,998	\$ 4,296,424

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 6 – Other Postemployment Benefits (Continued)**

**Net OPEB Liability (Continued)**

*Sensitivity of the Net OPEB Liability to Changes in Health Care Cost Trend Rates*

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.0 percent for HMO plans and 5.5 percent for PPO plans) or 1-percentage-point higher (7.0 percent for HMO plans and 7.5 percent for PPO plans) than the current healthcare cost trend rates, for the measurement period ended June 30, 2019:

Plan's Net OPEB Liability		
Discount Rate -1%	Healthcare Cost	Discount Rate +1%
5.0% HMO/5.5% PPO	6.0% HMO/6.5% PPO	7.0% HMO/7.5% PPO
decreasing to	decreasing to	decreasing to
4.0% HMO/4.0% PPO	5.0% HMO/5.0% PPO	6.0% HMO/6.0% PPO
\$ 3,648,760	\$ 4,747,961	\$ 6,078,845

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5 percent for HMO plans and 6.0 percent for PPO plans) or 1-percentage-point higher (7.5 percent for HMO plans and 8.0 percent for PPO plans) than the current healthcare cost trend rates, for the measurement period ended June 30, 2018:

Plan's Net OPEB Liability		
Discount Rate -1%	Healthcare Cost	Discount Rate +1%
5.5% HMO/6.0% PPO	6.5% HMO/7.0% PPO	7.5% HMO/8.0% PPO
decreasing to	decreasing to	decreasing to
4.0% HMO/4.0% PPO	5.0% HMO/5.0% PPO	6.0% HMO/6.0% PPO
\$ 4,098,627	\$ 5,358,998	\$ 6,897,590

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the fiscal year ended June 30, 2019, the Authority recognized OPEB expense of \$448,776. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following source(s):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ 82,055	\$ -
Difference between projected and actual investment earnings on plan assets	-	(29,306)
Differences between projected and actual earnings on OPEB plan investments	-	(616,879)
	\$ 82,055	\$ (646,185)

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 6 – Other Postemployment Benefits (Continued)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

The difference between projected OPEB plan investment earnings and actual earnings is amortized over a five-year period. The remaining gains and losses are amortized over the expected average remaining service life. The expected average remaining service life is 12.8 years, which was determined as of the beginning of the measurement period, for employees covered by the OPEB plan benefit terms as of the valuation date. Amount reported as deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Year Ending June 30	Amount
2020	\$ (187,730)
2021	(187,730)
2022	(187,728)
2023	(942)
2024	-
Thereafter	-
Total	<u>\$ (564,130)</u>

For the fiscal year ended June 30, 2018, the Authority recognized OPEB expense of \$646,160. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following source(s):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on OPEB plan investments	<u>\$ -</u>	<u>\$ (34,403)</u>

The difference between projected OPEB plan investment earnings and actual earnings is amortized over a five-year period. The remaining gains and losses are amortized over the expected average remaining service life. The expected average remaining service life is 12.8 years, which was determined as of the beginning of the measurement period, for employees covered by the OPEB plan benefit terms as of the valuation date. Amount reported as deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Year Ending June 30	Amount
2019	\$ (8,511)
2020	(8,511)
2021	(8,511)
2022	(8,510)
2023	-
Thereafter	-
Total	<u>\$ (34,043)</u>

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 7 – Defined Benefit Pension Plan**

At June 30, 2018 and 2017 net pension liabilities and related deferred outflows/inflows of resources are as follows:

	Miscellaneous	
	June 30, 2018	June 30, 2017
<b>Deferred outflows of resources:</b>		
Pension contribution after measurement date	\$ 1,297,346	\$ 1,094,606
Difference between expected and actual experience	505,936	16,806
Changes of assumptions	1,503,279	2,085,275
Difference between projected and actual earning on pension plan investments	65,190	471,603
Change in Employer's proportion	103,968	401,701
<b>Total deferred outflows of resources</b>	<u>\$ 3,475,719</u>	<u>\$ 4,069,991</u>
 <b>Aggregate Net pension liabilities:</b>		
Miscellaneous plan	\$ 13,186,316	\$ 13,410,437
<b>Total net pension liabilities</b>	<u>\$ 13,186,316</u>	<u>\$ 13,410,437</u>
 <b>Deferred inflows of Resources:</b>		
Difference between expected and actual experience	\$ 172,167	\$ 240,782
Changes of assumptions	368,425	159,004
Change in employer's proportion	54,862	-
Difference between actual contributions and proportionate share of contributions	482,852	398,252
<b>Total deferred inflows of Resources</b>	<u>\$ 1,078,306</u>	<u>\$ 798,038</u>
 <b>Pension expenses:</b>	<u>\$ 1,947,765</u>	<u>\$ 2,462,341</u>

**General Information about the Pension Plan**

**Plan Description**

The Authority contributes to the California Public Employees' Retirement System ("CalPERS"), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2017 and 2016 Annual Actuarial Valuation Reports. These reports and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

At June 30, 2017 valuation date, the following employees were covered by the benefit terms:

	Miscellaneous Plans		
	Tier 1	Tier 2	PEPRA
Active employees	31	7	21
Transferred and terminated employees	36	1	1
Separated	20	0	3
Retired Employees and Beneficiaries	64	0	0
<b>Total</b>	<u>151</u>	<u>8</u>	<u>25</u>

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 7 – Defined Benefit Pension Plan (Continued)**

**General Information about the Pension Plan (Continued)**

**Employees Covered by Benefit Terms**

At June 30, 2016 valuation date, the following employees were covered by the benefit terms:

	Miscellaneous Plans		
	Tier 1	Tier 2	PEPRA
Active employees	36	7	17
Transferred and terminated employees	44	1	1
Separated	18	0	3
Retired Employees and Beneficiaries	57	0	0
Total	<u>155</u>	<u>8</u>	<u>21</u>

**Benefit Provided**

CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment.

The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous		
	Tier 1	Tier 2	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013	On or after January 1, 2013
Benefit Formula	2.5% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-55	52-67
Monthly benefits, as a % of eligible compensatio	2.000%	2.000%	1.000 % to 2.500%
Require employee contribution rates	8.000%	7.000%	6.250%
Required employer contribution rates	10.609%	9.409%	6.842%

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous		
	Tier 1	Tier 2	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013	On or after January 1, 2013
Benefit Formula	2.5% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-55	52-67
Monthly benefits, as a % of eligible compensatio	2.000%	2.000%	1.000 % to 2.500%
Require employee contribution rates	8.000%	7.000%	6.250%
Required employer contribution rates	10.110%	8.921%	6.533%

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 7 – Defined Benefit Pension Plan (Continued)**

**General Information about the Pension Plan (Continued)**

**Benefit Provided (Continued)**

*Contributions*

Section 20814(c) of the California Public Employees’ Retirement Law (“PERL”) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The Public agency cost-sharing plans covered by the miscellaneous risk pools, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

***Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension***

*Actuarial Methods and Assumptions Used to Determine Total Pension Liability*

For the measurement period ended June 30, 2018, the total pension liability was determined by rolling forward the June 30, 2017 total pension liability determined in the June 30, 2017 actuarial accounting valuation. The June 30, 2018 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumption:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increase	Varies by Entry Age and Service
Mortality Rate Table <sup>1</sup>	Derived using CalPERS’ Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

<sup>1</sup>The mortality table used in 2018 was developed based on CalPERS’ specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to December 2017 Experience Study Report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS’ website under Forms and Publications.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 7 – Defined Benefit Pension Plan (Continued)**

***Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)***

*Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)*

For the measurement period ended June 30, 2017, the total pension liability was determined by rolling forward the June 30, 2017 total pension liability determined in the June 30, 2016 actuarial accounting valuation. The June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumption:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increase	Varies by Entry Age and Service
Mortality Rate Table <sup>1</sup>	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

<sup>1</sup>The mortality table used in 2017 was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to December 2014 Experience Study Report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

*Change of Assumption*

For the June 30, 2018 measurement date, the demographic assumptions and inflation rates were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

For the June 30, 2017 measurement date, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 7 – Defined Benefit Pension Plan (Continued)**

***Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)***

*Discount Rate*

For the June 30, 2018 and 2017 measurement date, the discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund ("PERF"). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected PERF pension fund cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 7 – Defined Benefit Pension Plan (Continued)**

***Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)***

*Discount Rate (Continued)*

For the June 30, 2018 measurement date, the table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2017.

Asset Class	New Strategic Allocation	Real Return Years 1-10 <sup>(1)</sup>	Real Return Years 11+ <sup>(2)</sup>
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

- (1) An expected inflation of 2.0% used for this period  
(2) an expected inflation of 2.92% used for this period

For the June 30, 2017 measurement date, the table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2015.

Asset Class	New Strategic Allocation	Real Return Years 1-10 <sup>(1)</sup>	Real Return Years 11+ <sup>(2)</sup>
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	99.00%	2.43%
Inflation Sensitive	6.00%	45.00%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

- (1) An expected inflation of 2.5% used for this period  
(2) an expected inflation of 3.00% used for this period

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 7 – Defined Benefit Pension Plan (Continued)**

***Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)***

*Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the Authority's proportionate share of the net pension liability of the Plan as of the measurement date at June 30, 2018, calculated using the discount rate of 7.15%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

Measurement Date	Discount Rate		
	-1% (6.15%)	Current (7.15%)	+1% (8.15%)
June 30, 2018	\$ 20,251,641	\$ 13,186,316	\$ 7,354,006

The following presents the Authority's proportionate share of the net pension liability of the Plan as of the measurement date at June 30, 2017, calculated using the discount rate of 7.15%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

Measurement Date	Discount Rate		
	-1% (6.15%)	Current (7.15%)	+1% (8.15%)
June 30, 2017	\$ 20,284,099	\$ 13,410,437	\$ 7,717,545

*Pension Plan Fiduciary Net Position*

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

*Proportionate Share of Net Pension Liability and Pension Expense*

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the June 30, 2018 measurement period:

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Miscellaneous</b>			
Balance at: 6/30/17 (Valuation date)	49,973,230	36,562,793	\$ 13,410,437
Balance at: 6/30/18 (Measurement date)	52,230,824	39,044,508	13,186,316
Net Changes during 2017-2018	2,257,594	2,481,715	(224,121)

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 7 – Defined Benefit Pension Plan (Continued)**

***Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)***

*Proportionate Share of Net Pension Liability and Pension Expense (Continued)*

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool for the measurement period ended June 30, 2018, respectively.

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2017). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2018). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2018 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2017-2018).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan's share of the actuarial accrued liability. FNP is allocated based on the rate plan's share of the market value assets.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the measurement date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the measurement date is the difference between the TPL and FNP calculated in (5).

Deferred outflows of resources, deferred inflows of resources, and pension expense is allocate based on the Authority's share of contributions during measurement period.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 7 – Defined Benefit Pension Plan (Continued)**

***Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)***

*Proportionate Share of Net Pension Liability and Pension Expense (Continued)*

The Authority's proportionate share of the net pension liability at the June 30, 2018 measurement date was as follows:

	Miscellaneous
Proportion - June 30, 2017	0.13522%
Proportion - June 30, 2018	0.13684%
Change - Increase (Decrease)	0.00162%

For the year ended June 30, 2019, the Authority recognized pension expense in the amounts of \$1,947,765.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The Expected Average Remaining Service Lifetime ("EARSL") is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the measurement date ended June 30, 2018 are 3.7, which was obtained by dividing the total service year of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired).

At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous	
	Deferred outflows of Resources	Deferred inflows of Resources
Pension contribution after measurement date	\$ 1,297,346	\$ -
Difference between expected and actual experience	505,936	(172,167)
Changes of assumptions	1,503,279	(368,425)
Difference between projected and actual earning on pension plan investments	65,190	-
Change in Employer's proportion	103,968	(54,862)
Difference between actual contributions and proportionate share of contributions	-	(482,852)
Total	\$ 3,475,719	\$ (1,078,306)

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 7 – Defined Benefit Pension Plan (Continued)**

***Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)***

*Proportionate Share of Net Pension Liability and Pension Expense (Continued)*

Deferred outflows of resources related to pensions resulting from the Authority's contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Measurement Period Ended June 30,	Deferred Outflows/ (Inflows) of Resources Miscellaneous
2020	\$ 1,138,700
2021	571,613
2022	(491,643)
2023	(118,603)
2024	-
Thereafter	-
	\$ 1,100,067

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the June 30, 2017 measurement period:

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Miscellaneous</b>			
Balance at: 6/30/16 (Valuation date)	44,672,109	33,122,165	11,549,944
Balance at: 6/30/17 (Measurement date)	49,973,230	36,562,793	13,410,437
Net Changes during 2016-2017	5,301,121	3,440,628	1,860,493

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool for the measurement period ended June 30, 2017, respectively.

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2016). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2017). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2018 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2016-2017).

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 7 – Defined Benefit Pension Plan (Continued)**

***Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)***

*Proportionate Share of Net Pension Liability and Pension Expense (Continued)*

- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan's share of the actuarial accrued liability. FNP is allocated based on the rate plan's share of the market value assets.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the measurement date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the measurement date is the difference between the TPL and FNP calculated in (5).

Deferred outflows of resources, deferred inflows of resources, and pension expense is allocate based on the Authority's share of contributions during measurement period.

The Authority's proportionate share of the net pension liability at the June 30, 2017 measurement date was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2016	0.13348%
Proportion - June 30, 2017	<u>0.13522%</u>
Change - Increase (Decrease)	<u><u>0.00174%</u></u>

For the year ended June 30, 2018, the Authority recognized pension expense in the amounts of \$2,462,341.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The Expected Average Remaining Service Lifetime ("EARSL") is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the measurement date ended June 30, 2017 are 3.7, which was obtained by dividing the total service year of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired).

At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

**Note 7 – Defined Benefit Pension Plan (Continued)**

***Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)***

*Proportionate Share of Net Pension Liability and Pension Expense (Continued)*

	Miscellaneous	
	Deferred outflows of Resources	Deferred inflows of Resources
Pension contribution after measurement date	\$ 1,094,606	\$ -
Difference between expected and actual experience	16,806	(240,782)
Changes of assumptions	2,085,275	(159,004)
Difference between projected and actual earning on pension plan investments	471,603	-
Change in Employer's proportion	401,701	-
Difference between actual contributions and proportionate share of contributions	-	(398,252)
Total	\$ 4,069,991	\$ (798,038)

Deferred outflows of resources related to pensions resulting from the Authority's contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Measurement Period Ended June 30,	Deferred Outflows/ (Inflows) of Resources Miscellaneous
2019	\$ 598,727
2020	1,183,322
2021	675,298
2022	(280,000)
2023	-
Thereafter	-
	\$ 2,177,347

**Note 8 – Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has joined the California Sanitation Risk Management Authority ("CSRMA"), a public entity risk pool currently operating as a common risk management and insurance program for 62-member sanitation districts. The Authority pays an annual premium to CSRMA for its general insurance coverage. The agreement for formation of the CSRMA provides that CSRMA will be self-sustaining through member premiums and will provide specific excess insurance through commercial companies. The CSRMA is allowed to make additional assessments to its members based on a retrospective premium adjustment process.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

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**Note 8 – Risk Management (Continued)**

At June 30, 2019, the Authority's participation in the insurance with California Sanitation Risk Management Authority, CSRMA, a pooled liability program, was as follows:

- Workers' Compensation – the Authority is self-insured through the CSRMA up to \$750,000 per occurrence with a \$0 deductible. Excess insurance up to the statutory limits per occurrence has been purchased. Excess insurance of \$1,000,000 for employer's liability has also been purchased.
- General Liability (including errors and omissions ("E&O") and employment practices liability ("EPL")) - the Authority is insured through the CSRMA at first layer coverage of \$500,000 (\$100,000 for EPL) with a \$25,000 deductible (\$2,500 for E&O). Excess insurance is purchased by CSRMA at two levels: \$10,000,000 and \$15,000,000 per occurrence.

In addition to the above, the Authority has also purchased insurance coverage for property loss including auto, employees' dishonesty bonds, pollution and remediation liability and employee health and accident. The Authority is not insured against earthquake damage.

For property and pooled liability insurance, the premiums paid fiscal year ended June 30, 2019 and 2018 totaled \$180,457 and \$168,936, respectively. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 9 – Commitment and Contingencies**

**A. Commitments**

The Authority had several outstanding or planned construction and other projects as of June 30, 2019 and 2018. These projects are evidenced by contractual commitments within engineering related services and the outstanding balance as of June 30, 2019 and 2018 was \$30,101,822 and \$1,429,214, respectively.

**B. Contingencies**

The Authority is a defendant in a lawsuit, which has arisen in the normal course of business. While substantial damages are alleged, the outcome cannot be predicted with certainty.

**Note 10 – Prior Period Adjustment**

For the year ended June 30 2018, the Authority is required to implement GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of this statement requires retrospective application of previously reported net position at July 1, 2017. Accordingly, net position as of July 1, 2017 was restated as follows:

Beginning net position, as previously reported	\$ 130,862,190
Prior period adjustments:	
GASB 75, OPEB (Retiree Health) Implementation	<u>(4,744,703)</u>
Beginning net position, as restated	<u><u>\$ 126,117,487</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**(UNAUDITED)**

**South Orange County Wastewater Authority**  
**Required Supplementary Information (Unaudited)**  
**Schedule of the Authority's Proportionate Share of the Net Pension Liability and Related Ratios**  
**For the Year Ended June 30, 2019 and 2018**

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Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

For the measurement date:	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016<sup>1</sup></u>	<u>June 30, 2017<sup>1</sup></u>	<u>June 30, 2018<sup>1</sup></u>
Authority's proportion of the net pension liability/(asset)	<u>0.10903%</u>	<u>0.13190%</u>	<u>0.13350%</u>	<u>0.13522%</u>	<u>0.13684%</u>
Authority's proportionate share of the net pension liability/(asset)	<u>\$ 6,794,277</u>	<u>\$ 9,054,535</u>	<u>\$ 11,549,944</u>	<u>\$ 13,410,437</u>	<u>\$ 13,186,316</u>
Authority's covered payroll	<u>\$ 5,215,673</u>	<u>\$ 5,452,666</u>	<u>\$ 5,616,113</u>	<u>\$ 5,784,596</u>	<u>\$ 6,083,399</u>
Authority's proportionate share of the net pension liability/(asset) as a percentage of covered employee payroll	<u>130.27%</u>	<u>166.06%</u>	<u>205.66%</u>	<u>231.83%</u>	<u>216.76%</u>
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	<u>83.03%</u>	<u>78.43%</u>	<u>74.15%</u>	<u>73.31%</u>	<u>75.26%</u>

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

**South Orange County Wastewater Authority  
Required Supplementary Information (Unaudited)  
Schedule of the Authority's Contributions  
For the Year Ended June 30, 2019 and 2018**

**Last Ten Fiscal Years**

**California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan**

For the year:	2014-15 <sup>1</sup>	2015-16 <sup>1</sup>	2016-17 <sup>1</sup>	2017-18 <sup>1</sup>	2018-19
Actuarially determined contribution <sup>2</sup>	\$ 780,373	\$ 495,877	\$ 521,940	\$ 1,094,606	\$ 1,297,346
Contribution in relation to the actuarially determined contribution <sup>2</sup>	(780,373)	(1,121,220)	(1,019,645)	(1,094,606)	(1,297,346)
Contribution deficiency/(excess)	\$ -	\$ (625,343)	\$ (497,705)	\$ -	\$ -
Authority's covered payroll	\$ 5,452,666	\$ 5,616,113	\$ 5,784,596	\$ 6,083,399	\$ 6,331,043
Contributions as a percentage of covered payroll	14.31%	19.96%	17.63%	17.99%	20.49%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>2</sup> Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" are not considered separately financed specific liabilities.

**Notes to Schedule**

**Change in Benefit Terms:** The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

**Changes of Assumptions:** No changes were noted.

**South Orange County Wastewater Authority**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**  
**For the Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability:</b>		
Service Cost	\$ 274,847	\$ 256,866
Interest	713,467	677,737
Changes of benefit terms	(42,119)	-
Differences between expected and actual experience	(822,505)	-
Changes of assumptions	109,406	-
Benefit payments, including refunds of member contributions	(529,726)	(354,582)
<b>Net change in Total OPEB Liability</b>	(296,630)	580,021
<b>Beginning of Year</b>	10,182,408	9,602,387
<b>End of Year</b>	<u>\$ 9,885,778</u>	<u>\$ 10,182,408</u>
<b>Plan Fiduciary Net Position:</b>		
Employer contribution	\$ 529,726	\$ 585,582
Employee contributions	-	-
Contributions - nonemployer contributing member	-	-
Net investment income	341,412	348,619
Benefit payments	(529,726)	(354,582)
Administrative expenses	(27,005)	(26,133)
Other	-	-
<b>Net changes in Fiduciary Net Position</b>	314,407	553,486
<b>Beginning of Year</b>	4,823,410	4,269,924
<b>End of Year</b>	<u>\$ 5,137,817</u>	<u>\$ 4,823,410</u>
<b>Net OPEB Liability</b>	\$ 4,747,961	\$ 5,358,998
<b>Fiduciary Net Position as a % of Total OPEB Liability</b>	51.97%	47.37%
<b>Covered Payroll</b>	\$ 6,228,572	\$ 6,264,606
<b>Net OPEB Liability as a % of Payroll</b>	76.23%	85.54%

**South Orange County Wastewater Authority  
 Required Supplementary Information (Unaudited)  
 Schedule of the Authority's Contributions - OPEB  
 For the Years Ended June 30, 2019 and 2018**

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	<b>2019</b>	<b>2018</b>
Actuarilly Determined Employer Contribution	\$ 529,726	\$ 585,582
Actual Employer Contribution	(529,726)	(585,582)
Contribution deficiency (excess)	\$ -	\$ -
Contribution as a % of payroll	8.50%	9.35%

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**STATISTICAL  
SECTION  
(UNAUDITED)**

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**South Orange County Wastewater Authority**  
 Comprehensive Annual Financial Report  
 For the Years Ended June 30, 2019 and 2018

This section of the Authority's Comprehensive Annual Financial Report presents a historical view of the Authority's financial information over time to assist the reader in understanding what the information in the financial statements, note disclosures, and supplementary information says about SOCWA's overall financial condition.

Statistical Section

**Contents**

Financial Trend

Net Position by Component - Last 10 Fiscal Years .....	57
Capital Assets by Component - Last 10 Fiscal Years .....	58
Chart - Net Investment in Capital Assets - Last 10 Fiscal Years .....	59
Changes in Net Position - Last 10 Fiscal Years .....	60-61

Revenue Capacity

These schedules provides the Authority's historical revenue from its ten Member Agencies based on their usage of SOCWA's services.

Chart - Operating Revenue and Capital Contributions - Last 10 Fiscal Years .....	62
Chart - Operating Revenue & Capital Contributions by Principal Users - Last 10 Fiscal Years .....	63
Grant Revenue - Last 10 Fiscal Years (received in 5 out of 10 years) .....	64

Debt Capacity

The Authority does not use debt financing; SOCWA's operating costs, including capital improvements expenditures, are covered by revenue from the ten member agencies that are served.

Demographic Information

This schedule offers demographic indicators to help the reader understand the environment within which the Authority's financial activities take place.

Demographic and Economic Statistics - Last 10 Fiscal Years .....	65
Employment by Industry - Last 10 Fiscal Years .....	66

Operating Information

These schedules contain detailed information on the Authority's Cost by Project Committee, Member Agencies historical usage (flows and solids loading) and capital investments over time.

Personnel Trends by Department - Last 4 Fiscal Years .....	67
O&M Cost Drivers - Last 4 Fiscal Years .....	68
O&M Expenditures by Project Committee Fiscal Year 2019 (O&M Dept.) .....	69-70
O&M Expenditures by Project Committee Fiscal Year 2018 (O&M Dept.) .....	71-72
O&M Expenditures by Project Committee and Member Agency Fiscal Year 2019 .....	73
O&M Expenditures by Project Committee and Member Agency Fiscal Year 2018 .....	74
Operating and Capacity Indicators - Last 10 Fiscal Years .....	75
Member Agency Flows and Solids Trend (%'s) - Last 10 Fiscal Years .....	76
Member Agency Flows and Solids Trend (MGD) - Last 10 Fiscal Years .....	77
Chart - JB Latham Treatment Plant (PC 02) Flows from Member Agencies - Last 10 Fiscal Years.....	78
Chart - JB Latham Treatment Plant (PC 02) Solids from Member Agencies - Last 10 Fiscal Years.....	79
Chart - Coastal Treatment Plant (PC 15) Flows from Member Agencies - Last 10 Fiscal Years .....	80
Chart - Regional Treatment Plant (PC 17) Solids from Member Agencies - Last 10 Fiscal Years.....	81
Capital Assets, net of depreciation - Last 10 Fiscal Years .....	82

**South Orange County Wastewater Authority  
Net Position by Component  
Last Ten Fiscal Years**

<b>Assets:</b>	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Current Assets	9,576,372	6,588,134	6,729,937	7,647,253	8,936,134	10,463,647	7,716,490	15,609,499	18,402,205	22,755,001
Non-Current Assets: <sup>1</sup>										
Capital Assets not being depreciated	13,555,122	8,129,707	7,843,519	4,061,363	3,651,753	24,535,630	34,442,532	41,561,721	35,236,026	26,740,102
Capital Assets net of accum. depreciation	33,550,949	41,822,732	43,052,065	51,923,277	55,136,928	74,636,169	89,985,929	87,846,950	96,017,875	103,900,486
<b>Total Capital Assets</b>	<b>47,106,071</b>	<b>49,952,439</b>	<b>50,895,584</b>	<b>55,984,640</b>	<b>58,788,681</b>	<b>99,171,799</b>	<b>124,428,461</b>	<b>129,408,671</b>	<b>131,253,901</b>	<b>130,640,588</b>
<b>Total Assets</b>	<b>56,682,443</b>	<b>56,540,573</b>	<b>57,625,521</b>	<b>63,631,893</b>	<b>67,724,815</b>	<b>109,635,446</b>	<b>132,144,951</b>	<b>145,018,170</b>	<b>149,656,106</b>	<b>153,395,589</b>
<b>Deferred Outflows of Resources:<sup>2</sup></b>										
GASB 68-Deferred Outflows						813,449	1,712,209	3,321,291	4,069,991	3,475,719
GASB 75-Deferred Outflows										82,055
<b>Liabilities:</b>										
Current Liabilities	4,448,866	3,467,522	3,171,131	3,532,893	4,159,458	7,707,754	4,534,783	4,458,739	6,746,223	6,041,550
Non-Current Liabilities	2,011,663	999,869	1,356,251	1,346,388	1,339,077	8,266,057	10,225,917	12,476,437	18,995,344	18,200,914
<b>Total Liabilities</b>	<b>6,460,529</b>	<b>4,467,391</b>	<b>4,527,382</b>	<b>4,879,281</b>	<b>5,498,535</b>	<b>15,973,811</b>	<b>14,760,700</b>	<b>16,935,176</b>	<b>25,741,567</b>	<b>24,242,464</b>
<b>Deferred Inflows of Resources:<sup>2</sup></b>										
GASB 68-Deferred Inflows						2,409,966	1,315,151	542,096	798,038	1,078,306
GASB 75-Deferred Inflows									34,043	646,185
<b>Net Position:<sup>3</sup></b>										
Investment in capital assets	47,048,940	49,927,459	50,895,584	55,984,640	58,788,681	99,171,799	124,428,461	129,408,671	131,253,901	130,640,588
Unrestricted (deficit)	3,172,974	2,145,723	2,202,555	2,767,972	3,437,599	(7,106,681)	(6,647,151)	1,453,519	(4,101,452)	345,820
<b>Total Net Position<sup>2</sup></b>	<b>\$50,221,914</b>	<b>\$52,073,182</b>	<b>\$53,098,139</b>	<b>\$58,752,612</b>	<b>\$62,226,280</b>	<b>\$92,065,118</b>	<b>\$117,781,310</b>	<b>\$130,862,190</b>	<b>\$127,152,449</b>	<b>\$130,986,408</b>

<sup>1</sup> Member Agencies jointly constructed capital assets were added to the Authority's financial records in fiscal years 2015 and 2016, 39 million and 9.3 million respectively. The 39 million included addition of land, 13.7 million, for the Coastal and Regional Treatment Plants.

<sup>2</sup> GASB 65 modified the presentation of the statement of net position. Deferred Outflows of resources and Deferred Inflows of resources are reported prospectively from fiscal year 2015.

<sup>3</sup> Beginning net position was restated for fiscal years 2016, 2017 and 2018 for the addition of the assets (discussed above) in 2015 and 2016 and GASB 75 implementation July 1, 2017, adding 4.7 million in long term liabilities (OPEB) to the statement.

Source: South Orange County Wastewater Authority Audited Financial Statements.

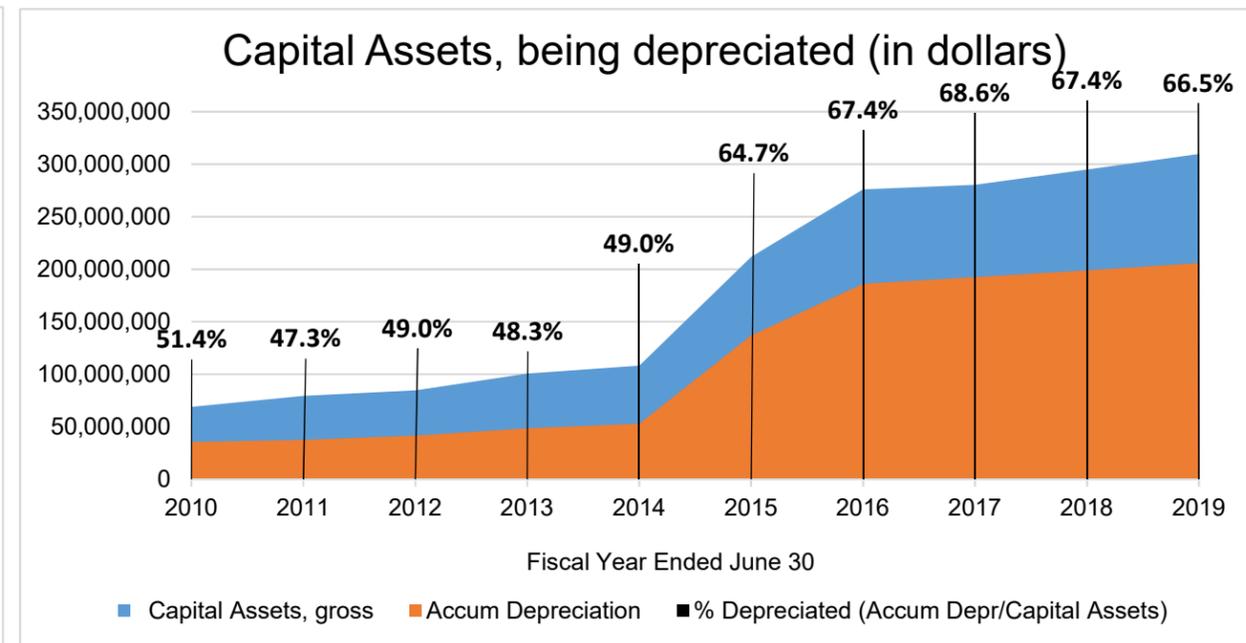
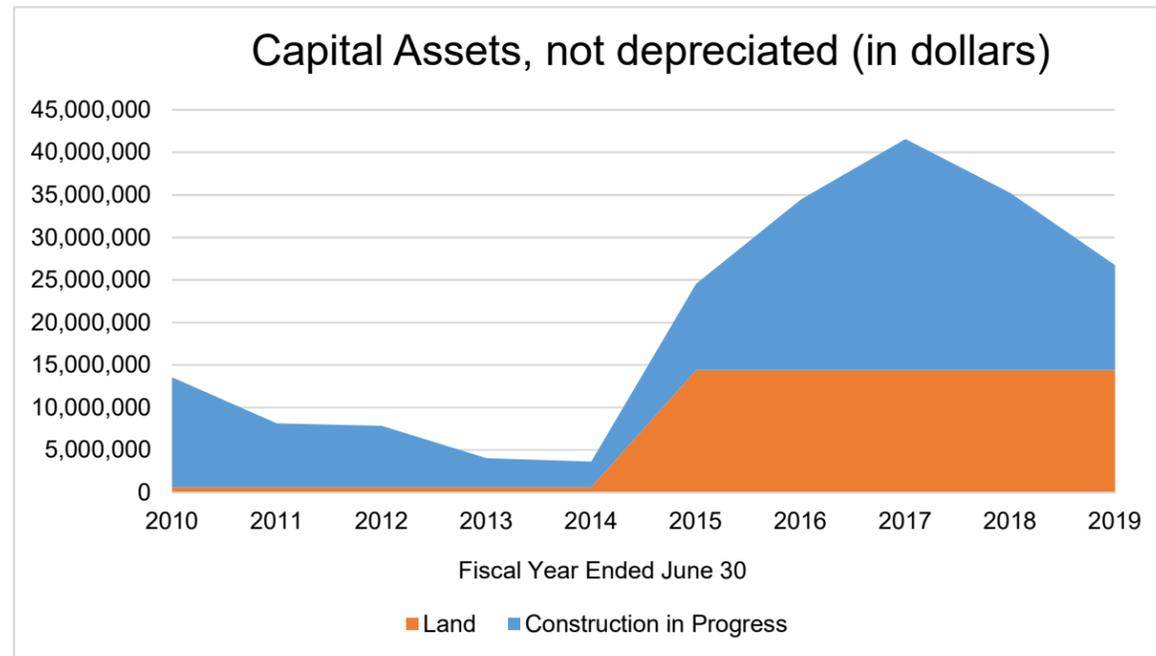
### South Orange County Wastewater Authority Capital Assets by Component Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Capital assets, not depreciated</b>										
Land <sup>1</sup>	653,224	653,224	653,224	653,224	653,224	14,402,224	14,402,224	14,402,224	14,402,224	14,402,224
Construction in Progress	12,901,898	7,476,483	7,190,295	3,408,139	2,998,529	10,133,406	20,040,308	27,159,497	20,833,802	12,337,878
<b>Total Capital assets, not depreciated</b>	<b>13,555,122</b>	<b>8,129,707</b>	<b>7,843,519</b>	<b>4,061,363</b>	<b>3,651,753</b>	<b>24,535,630</b>	<b>34,442,532</b>	<b>41,561,721</b>	<b>35,236,026</b>	<b>26,740,102</b>
<b>Capital assets, being depreciated<sup>1</sup></b>										
Capital Assets, gross	68,977,245	79,391,498	84,498,158	100,480,234	108,025,409	211,676,952	276,051,617	280,203,940	294,970,825	309,716,685
Accum. depreciation	(35,426,296)	(37,568,766)	(41,446,093)	(48,556,957)	(52,888,481)	(137,040,783)	(186,065,688)	(192,356,990)	(198,952,950)	(205,816,199)
<b>Total Capital assets, being depreciated</b>	<b>33,550,949</b>	<b>41,822,732</b>	<b>43,052,065</b>	<b>51,923,277</b>	<b>55,136,928</b>	<b>74,636,169</b>	<b>89,985,929</b>	<b>87,846,950</b>	<b>96,017,875</b>	<b>103,900,486</b>
<b>Total Capital Assets</b>	<b>\$47,106,071</b>	<b>\$49,952,439</b>	<b>\$50,895,584</b>	<b>\$55,984,640</b>	<b>\$58,788,681</b>	<b>\$99,171,799</b>	<b>\$124,428,461</b>	<b>\$129,408,671</b>	<b>\$131,253,901</b>	<b>\$130,640,588</b>
<b>Accumulated depreciation % Capital Assets , gross<sup>2</sup></b>	<b>51.4%</b>	<b>47.3%</b>	<b>49.0%</b>	<b>48.3%</b>	<b>49.0%</b>	<b>64.7%</b>	<b>67.4%</b>	<b>68.6%</b>	<b>67.4%</b>	<b>66.5%</b>

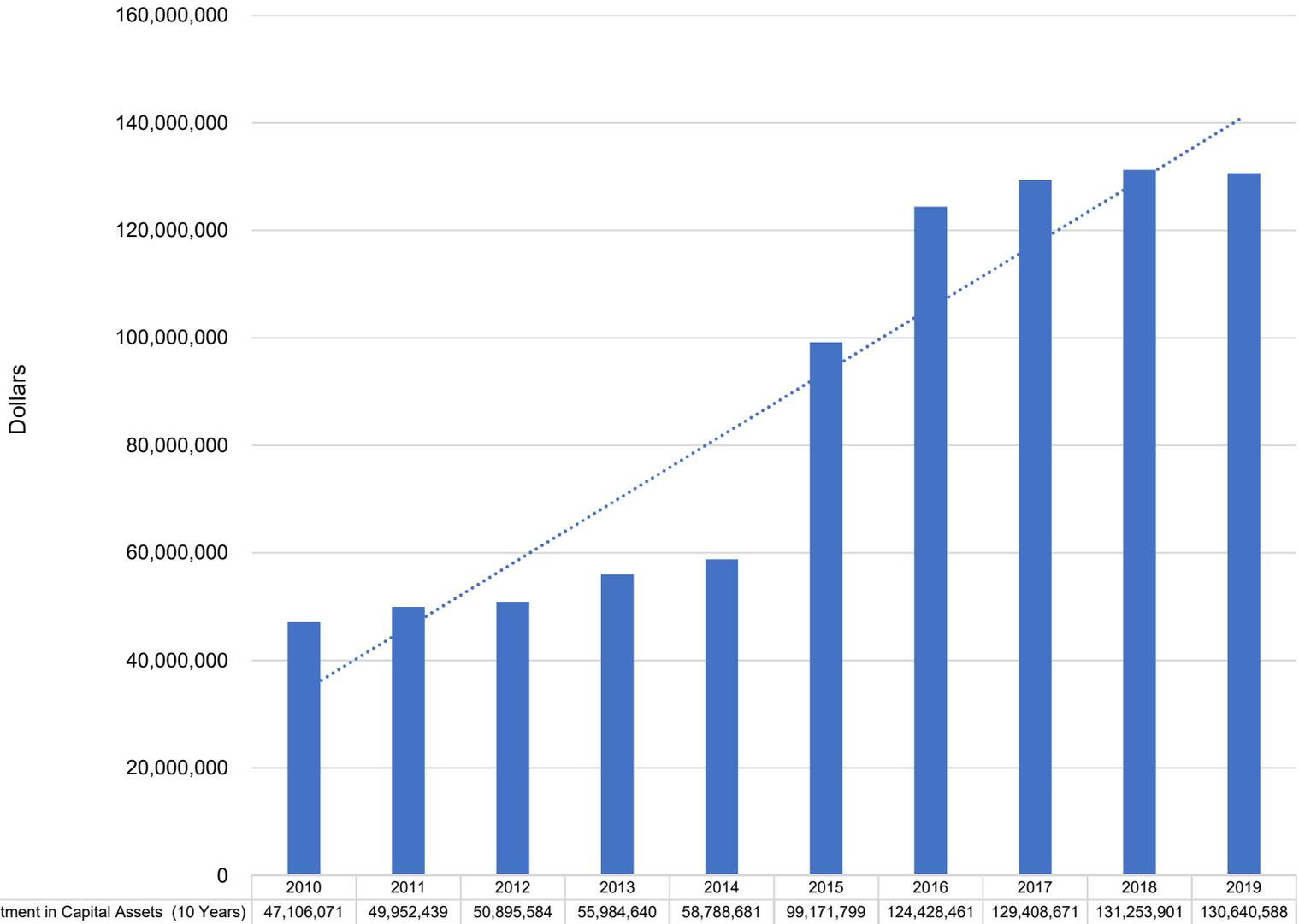
<sup>1</sup> Member Agencies jointly constructed capital assets were added to the Authority's financial records in fiscal years 2015 and 2016, 39 million and 9.3 million respectively. The 39 million included addition of land, 13.7 million, for the Coastal and Regional Treatment Plants.

<sup>2</sup> SOCWA's capital assets averaged 49% depreciated prior to FY 2015; addition of jointly constructed assets in fiscal years 2015 and 2016 increased the average to 67% due to age of the assets.

Source: South Orange County Wastewater Authority Audited Financial Statements.



### Net Investment in Capital Assets (Last Ten Fiscal Years)



**South Orange County Wastewater Authority  
Changes in Net Position  
Last Ten Fiscal Years**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>OPERATING REVENUES:</b>										
O & M Member Agency Assessments:										
City of Laguna Beach	1,918,521	1,824,732	1,986,435	2,011,737	2,228,378	2,189,193	2,669,450	4,256,568	3,777,716	3,079,457
City of San Clemente	164,269	133,875	146,737	126,824	157,434	159,023	96,253	148,306	156,322	155,352
City of San Juan Capistrano	1,850,490	1,610,158	1,761,525	1,799,811	1,710,710	1,862,939	1,868,009	2,010,978	2,158,791	2,262,176
Emerald Bay Service District	98,905	97,296	108,675	106,030	119,130	98,927	85,067	82,404	125,522	147,131
El Toro Water District	784,801	638,646	767,898	890,544	743,418	710,624	731,459	729,960	804,371	875,388
Irvine Ranch Water District	206,418	198,137	236,238	312,098	203,745	171,629	127,723	286,204	167,911	163,057
Moulton Niguel Water District	8,769,882	8,049,001	8,343,653	8,257,670	8,256,502	8,555,725	8,393,893	8,559,434	8,501,212	8,895,527
South Coast Water District	3,051,732	2,729,988	2,772,188	2,615,366	2,501,605	2,625,103	3,317,016	3,513,544	3,394,390	3,799,657
Santa Margarita Water District	1,711,047	1,779,737	1,925,396	1,926,333	1,829,807	1,798,366	1,808,872	1,893,657	1,897,223	1,532,718
Trabuco Canyon Water District	15,610	19,864	19,585	37,848	6,253	18,938	20,940	22,776	56,154	34,905
<b>Total</b>	<b>18,571,675</b>	<b>17,081,434</b>	<b>18,068,330</b>	<b>18,084,261</b>	<b>17,756,982</b>	<b>18,190,467</b>	<b>19,118,682</b>	<b>21,503,831</b>	<b>21,039,612</b>	<b>20,945,369</b>
<b>YOY Change %</b>		<b>-8.0%</b>	<b>5.8%</b>	<b>0.1%</b>	<b>-1.8%</b>	<b>2.4%</b>	<b>5.1%</b>	<b>12.5%</b>	<b>-2.2%</b>	<b>-0.4%</b>
<b>OPERATING EXPENSES<sup>1</sup>:</b>										
O&M & Environmental, Compliance & Safety	19,351,013	17,324,171	17,611,768	18,354,026	18,116,350	18,891,983	16,437,673	16,587,654	18,118,149	17,558,573
Engineering After Capital Transfer							199,826	344,018	414,966	457,175
Administration							1,739,067	1,997,037	2,400,967	2,360,182
Unallocated portion of pension and OPEB expense							496,896	412,761	1,428,313	569,469
Other expense								(38,779)	655,096	558,258
Depreciation and amortization	3,424,988	3,512,258	3,877,327	4,012,104	4,379,786	4,176,643	5,846,601	6,291,302	6,595,960	6,863,249
<b>Total Operating Expenses</b>	<b>22,776,001</b>	<b>20,836,429</b>	<b>21,489,095</b>	<b>22,366,130</b>	<b>22,496,136</b>	<b>23,068,626</b>	<b>24,720,063</b>	<b>25,593,994</b>	<b>29,613,451</b>	<b>28,366,905</b>
<b>Operating Income/(Loss)</b>	<b>(4,204,326)</b>	<b>(3,754,995)</b>	<b>(3,420,765)</b>	<b>(4,281,869)</b>	<b>(4,739,154)</b>	<b>(4,878,159)</b>	<b>(5,601,381)</b>	<b>(4,090,163)</b>	<b>(8,573,839)</b>	<b>(7,421,536)</b>

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## South Orange County Wastewater Authority Changes in Net Position Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>NON-OPERATING REVENUES (EXPENSES):</b>										
Interest Income	(244,867)	36,076	23,589	18,740	12,365	15,563	24,587	70,550	166,452	363,429
Other revenues (expenses)	29,306	893,557	33,136	635,963	2,452,726	(83,810)	(1,588,490)	(183,770)	153,458	1,401,953
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(215,561)</b>	<b>929,633</b>	<b>56,725</b>	<b>654,703</b>	<b>2,465,091</b>	<b>(68,247)</b>	<b>(1,563,903)</b>	<b>(113,220)</b>	<b>319,910</b>	<b>1,765,382</b>
<b>CAPITAL CONTRIBUTIONS:</b>										
Member Agency Assessments:										
City of Laguna Beach	442,262	470,470	501,863	1,290,500	1,184,967	449,398	1,003,741	1,619,449	1,221,424	315,736
City of San Clemente							33,240	45,521	2,556	(1,854)
City of San Juan Capistrano	1,337,196	266,324	338,690	335,125	484,573	1,055,676	4,019,148	1,712,604	973,822	1,196,079
Emerald Bay Service District	31,666	36,152	36,005	100,381	92,521	32,966	64,516	111,491	93,615	24,398
El Toro Water District	212,601	79,926	231,564	87,165	43,387	164,962	1,034,636	1,174,974	266,044	178,986
Irvine Ranch Water District							16,440	53,205	83,500	174,768
Moulton Niguel Water District	4,514,269	3,019,611	2,271,920	2,211,482	2,068,320	3,510,937	9,854,276	7,832,747	3,825,793	4,364,986
South Coast Water District	1,268,659	621,376	735,530	1,368,064	1,586,074	1,230,279	4,085,001	3,313,938	2,119,393	2,368,447
Santa Margarita Water District	786,417	182,771	273,425	234,188	287,889	755,778	3,599,506	1,420,333	702,744	868,568
<b>Total Capital Contributions</b>	<b>8,593,070</b>	<b>4,676,630</b>	<b>4,388,997</b>	<b>5,626,905</b>	<b>5,747,731</b>	<b>7,199,996</b>	<b>23,710,504</b>	<b>17,284,262</b>	<b>9,288,891</b>	<b>9,490,114</b>
<b>YOY Change %</b>		<b>-45.6%</b>	<b>-6.2%</b>	<b>28.2%</b>	<b>2.1%</b>	<b>25.3%</b>	<b>229.3%</b>	<b>-27.1%</b>	<b>-46.3%</b>	<b>2.2%</b>
<b>Change in Net Position</b>	<b>4,173,183</b>	<b>1,851,268</b>	<b>1,024,957</b>	<b>1,999,739</b>	<b>3,473,668</b>	<b>2,253,590</b>	<b>16,545,220</b>	<b>13,080,880</b>	<b>1,034,962</b>	<b>3,833,959</b>
<b>NET POSITION</b>										
Beginning of year, as restated <sup>2</sup>	46,048,731	50,221,914	52,073,182	56,752,873	58,752,612	89,811,528	101,236,090	117,781,310	126,117,487	127,152,449
<b>End of year</b>	<b>\$50,221,914</b>	<b>\$52,073,182</b>	<b>\$53,098,139</b>	<b>\$58,752,612</b>	<b>\$62,226,280</b>	<b>\$92,065,118</b>	<b>\$117,781,310</b>	<b>\$130,862,190</b>	<b>\$127,152,449</b>	<b>\$130,986,408</b>

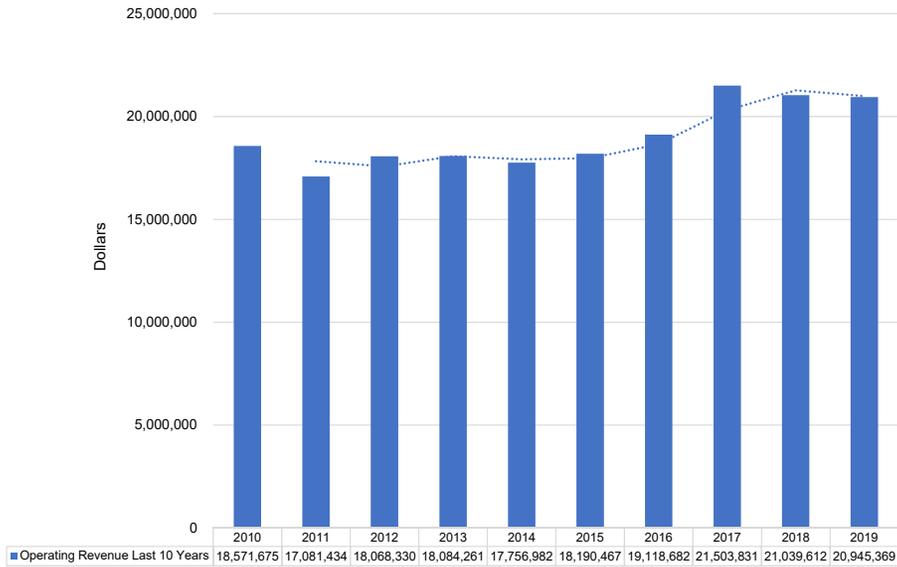
<sup>1</sup>O&M Operating Expenses were not reported by functional department (O&M, Admin and Engineering) prior to FY 2016.

<sup>2</sup>Beginning net position was restated for fiscal years 2016, 2017 and 2018, for the addition of member agencies jointly constructed assets in 2015 and 2016, 39 million and 9.3 million respectively. GASB 75 was implemented July 1, 2017, adding 4.7 million in long term liabilities to the statement.

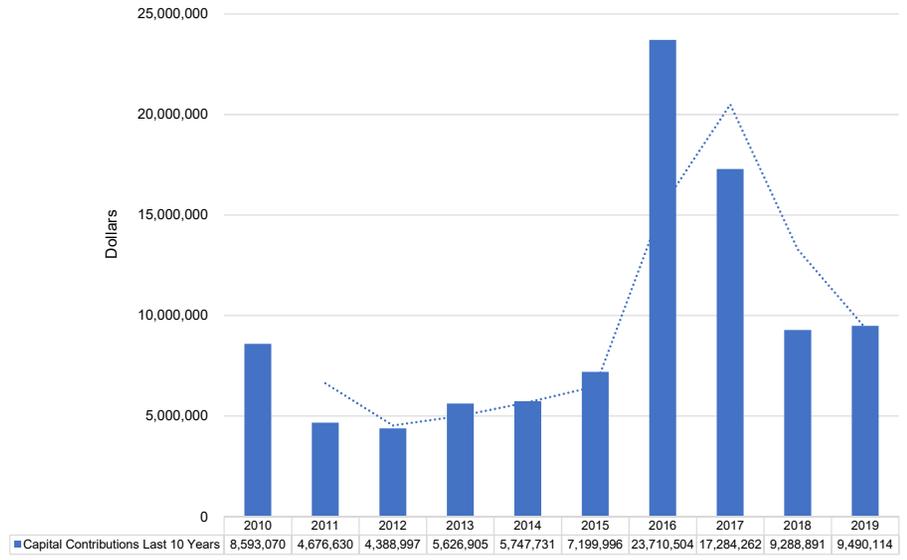
Source: South Orange County Wastewater Authority Audited Financial Statements.

**South Orange County Wastewater Authority  
Operating Revenue and Capital Contributions  
Last Ten Fiscal Years**

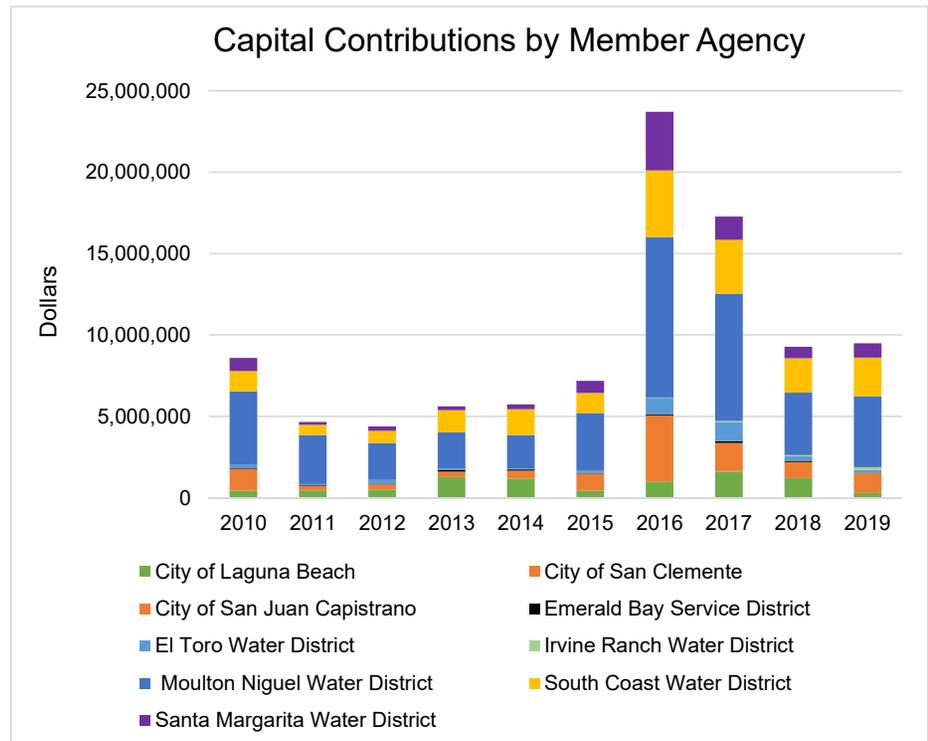
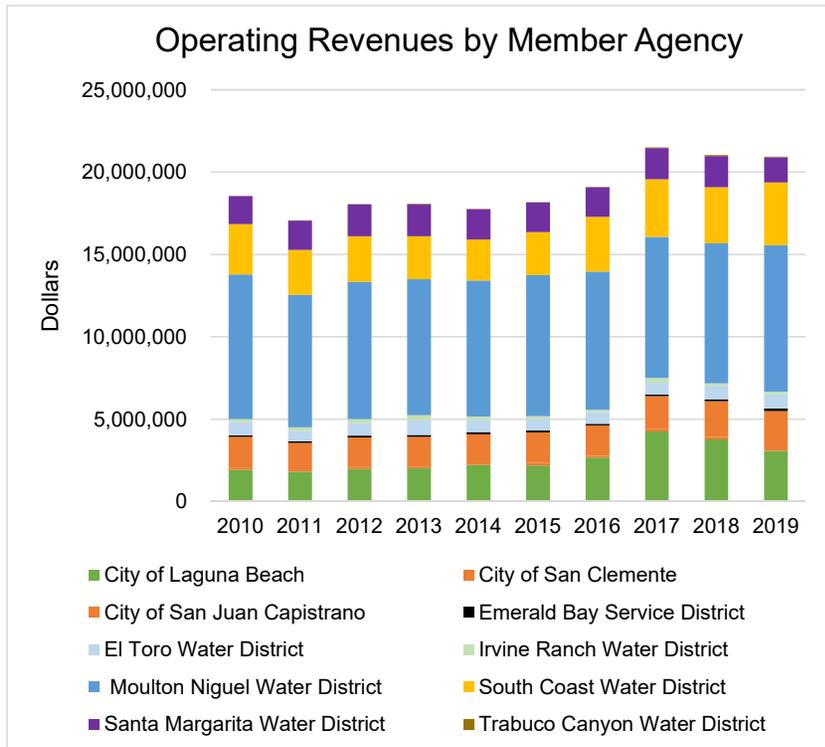
Operating Revenue Last Ten Fiscal Years



Capital Contributions Last Ten Fiscal Years



## South Orange County Wastewater Authority Operating Revenue & Capital Contributions by Principal Users Last Ten Fiscal Years



**South Orange County Wastewater Authority  
Grant Revenue  
Last Ten Fiscal Years**

<b>Source of Funds</b>	2013	2014	2015	2017	2019	Total
Southern California Edison Co-Gen Projects	-	-	-	-	1,384,094	1,384,094
CA Environment Assoc.				1,500		1,500
Proposition 84 Funds	220,470	12,110	25,842			258,422
Prop 50 Funds-Export Sludge	397,619	2,427,081				2,824,700
<b>Total Grant Revenue</b>	<b>\$618,089</b>	<b>\$2,439,191</b>	<b>\$25,842</b>	<b>\$1,500</b>	<b>\$1,384,094</b>	<b>\$4,468,716</b>

<sup>1</sup> Grant funds were received in five of the last ten years.

**South Orange County Wastewater Authority  
Demographic and Economic Statistics  
Last Ten Fiscal Years**

Fiscal Year	Population	Median Age	Per Capita Income	Median Household Income	Unemployment Rate
2009	574,666	35.3	50,028	74,862	8.7%
2010	581,755	35.7	46,813	71,735	9.7
2011	591,076	36.0	49,740	70,727	9.1
2012	601,105	36.2	51,469	72,046	7.9
2013	609,461	36.4	55,296	71,866	6.6
2014	621,706	36.7	54,594	73,827	5.5
2015	632,435	37.1	57,110	76,061	4.5
2016	643,742	37.3	61,178	78,002	4.0
2017	656,021	37.5	62,763	81,642	3.5
2018	663,978	37.5	65,400	86,031	2.9

Sources: U.S. Census Bureau.  
 FRED Economic Data.  
 State Department of Labor unemployment rate for the County (not seasonally adjusted).

**South Orange County Wastewater Authority  
Employment by Industry  
Current Fiscal Year and Nine Years Ago**

**FY 2019**

<u>Rank</u>	<u>Employer</u>	<u>Operating City</u> <sup>1</sup>	<u>Number of Employees</u> <sup>2</sup>	<u>Percent of Each City's Employment</u> <sup>2</sup>
1	Capistrano Unified School District	San Juan Capistrano	3,992	23.1%
2	Saddleback College	Mission Viejo	2,752	5.49%
3	Applied Medical	Rancho Santa Margarita	2,700	8.62%
4	Mission Hospital Regional Medical Center	Mission Viejo	2,600	5.19%
5	Panasonic Avionics	Lake Forest	2,290	4.99%
6	United States Government	Laguna Niguel	2,200	6.27%
7	Loan Depot	Lake Forest	2,049	4.46%
8	Saddleback Memorial Medical Center	Laguna Hills	1,686	9.69%
9	Oakley Inc.	Lake Forest	1,400	3.05%
10	O'Connell Landscape	Rancho Santa Margarita	1,000	3.19%

**FY 2009**

<u>Rank</u>	<u>Employer</u>	<u>Operating City</u> <sup>1</sup>	<u>Number of Employees</u> <sup>2</sup>	<u>Percent of Each City's Employment</u> <sup>2</sup>
1	Capistrano Unified School District	San Juan Capistrano	4,403	24.3%
2	Saddleback College	Mission Viejo	2,196	3.95%
3	Quest Diagnostics	San Juan Capistrano	1,400	7.73%
4	Mission Hospital Regional Medical Center	Mission Viejo	1,349	2.43%
5	Applied Medical	Rancho Santa Margarita	1,249	4.28%
6	Western Digital Corp	Lake Forest	1,158	3.15%
7	O'Connell Landscape	Rancho Santa Margarita	1,090	3.73%
8	Saddleback Memorial Medical	Laguna Hills	1,020	6.22%
9	Unisys Corporation	Mission Viejo	1,000	1.80%
10	Fluor Industrial Services	Aliso Viejo	1,000	4.96%

<sup>1</sup> Principal Employers represents blended most recent available data from cities that South Orange County Wastewater Authority Serves; Lake Forest, Mission Viejo, Rancho Santa Margarita, Laguna Beach, Dana Point Aliso Viejo, San Juan Capistrano, San Clemente, Laguna Niguel, and Laguna Hills.

<sup>2</sup> South Orange County Wastewater Authority used data from FYE 2009 - 2018 CAFRs for the cities: Lake Forest, Mission Viejo, Rancho Santa Margarita, Laguna Beach, Dana Point, Aliso Viejo, San Juan Capistrano, San Clemente, Laguna Niguel, and Laguna Hills.

**South Orange County Wastewater Authority  
Personnel Trends by Department  
Last Four Fiscal Years**

<b>Headcount</b>				
<b>Department</b>	2016	2017	2018	2019
Operations	40	39	42	42
Environmental Compliance & Safety	10	10	9	9
Engineering	2	3	3	3
Administration	7	7	9	9
IT	1	1	1	1
<b>Total</b>	<b>60</b>	<b>60</b>	<b>64</b>	<b>64</b>

Source: South Orange County Wastewater Authority Payroll Department.

**South Orange County Wastewater Authority  
O&M Cost Drivers - Last Four Fiscal Years  
Cost Drivers Prioritized by Major Expenditures  
(SOCWA's Total Cost Base)**

Expenses/Costs:	2016		2017		2018		2019		Total 4 Years	
	Amount	Mix %								
Payroll Costs Including Fringe Benefits <sup>1</sup>	9,043,135	49.2%	9,721,033	51.4%	9,613,475	49.9%	9,961,588	49.6%	38,339,231	50.0%
Chemicals	1,497,173	8.1%	1,381,568	7.3%	1,500,539	7.8%	1,567,210	7.8%	5,946,490	7.8%
Utilities <sup>2</sup>	1,410,964	7.7%	1,663,124	8.8%	1,996,791	10.4%	1,679,008	8.4%	6,749,887	8.8%
Biosolids hauling and Disposal	1,477,697	8.0%	1,481,192	7.8%	1,322,804	6.9%	1,381,075	6.9%	5,662,768	7.4%
Maintenance - Equip. & Facilities <sup>3</sup>	1,250,934	6.8%	1,111,944	5.9%	1,439,933	7.5%	1,917,785	9.6%	5,720,597	7.5%
IT	600,405	3.3%	540,227	2.9%	610,194	3.2%	544,825	2.7%	2,295,651	3.0%
Environmental & Safety	917,282	5.0%	970,609	5.1%	724,059	3.8%	934,829	4.7%	3,546,778	4.6%
Engineering Misc	321,482	1.7%	103,820	0.5%	44,434	0.2%	34,824	0.2%	504,560	0.7%
Management Support Services	300,550	1.6%	312,617	1.7%	296,315	1.5%	367,347	1.8%	1,276,829	1.7%
IT Direct			296,159	1.6%	500	0.0%	2,216		298,875	0.4%
Contract Services - Misc	286,078	1.6%	204,068	1.1%	282,098	1.5%	302,907	1.5%	1,075,150	1.4%
Audit & Legal <sup>4</sup>	233,694	1.3%	264,840	1.4%	360,983	1.9%	372,347	1.9%	1,231,864	1.6%
Facilities	208,757	1.1%	238,640	1.3%	195,862	1.0%	251,002	1.3%	894,261	1.2%
Insurance	144,644	0.8%	160,192	0.8%	208,092	1.1%	203,645	1.0%	716,572	0.9%
Grit hauling	141,376	0.8%	120,132	0.6%	121,142	0.6%	114,827	0.6%	497,477	0.6%
Engineering transfer to Capital	(330,338)	-1.8%	(297,202)	-1.6%	(320,695)	-1.7%	(330,809)	-1.6%	(1,279,043)	-1.7%
Other Miscellaneous	872,734	4.7%	655,745	3.5%	857,147	4.5%	759,166	3.8%	3,144,792	4.1%
<b>Total SOCWA Cost Base</b>	<b>18,376,566</b>	<b>100.0%</b>	<b>18,928,708</b>	<b>100.0%</b>	<b>19,253,672</b>	<b>100.0%</b>	<b>20,063,792</b>	<b>100.0%</b>	<b>76,622,738</b>	<b>100.0%</b>
<b>Cost Drivers</b>	<b>16,819,622</b>		<b>17,286,134</b>		<b>17,548,544</b>		<b>18,388,492</b>		<b>70,042,791</b>	
<b>% Total Cost Base</b>	<b>91.5%</b>		<b>91.3%</b>		<b>91.1%</b>		<b>91.7%</b>		<b>91.4%</b>	

**Over 90% of SOCWA's Cost Base (Total Costs) are in the above highlighted group.**

<sup>1</sup> Payroll costs including fringe benefits are 50% of the Authority's Total Cost Base.

<sup>2</sup> Utilities Costs declined in 2019 due to installation of new Co-Gen engines.

<sup>3</sup> Maintenance costs increases are primarily due to maintenance contracts and services for the new CO-Gen engines.

<sup>4</sup> Audit and Legal costs increases include start-up costs for new general counselor.

**South Orange County Wastewater Authority**  
**<sup>1</sup>O&M Expenditures by Project Committee Fiscal Year 2019**

	PC 02	PC 12	PC 05	PC 15	PC 17	PC 21	PC 23	PC 24	PC 08	SOCWA
<b>Salary and Fringe</b>										
Regular Salaries-O&M	1,400,693	42,893	76,170	777,137	1,659,825	356	-	76,205	76,334	4,109,613
Overtime Salaries-O&M	65,199	-	713	32,497	86,465	-	-	1,312	-	186,185
Scheduled Holiday Work	12,733	-	126	3,470	11,467	-	-	78	-	27,874
Comp Time - O&M	10,940	-	-	869	5,379	-	-	-	3,027	20,215
Fringe Benefits IN to PC's & Depts.	1,057,849	32,394	57,526	586,919	1,253,553	269	-	57,553	57,650	3,103,713
Standby Pay	27,750	-	-	6,138	33,563	-	-	-	-	67,452
<b>Total Payroll Costs</b>	<b>2,575,164</b>	<b>75,287</b>	<b>134,534</b>	<b>1,407,029</b>	<b>3,050,253</b>	<b>625</b>	<b>-</b>	<b>135,148</b>	<b>137,011</b>	<b>7,515,052</b>
<b>Other Expenses</b>										
Electricity	500,758	-	-	220,842	590,624	-	-	-	-	1,312,224
Natural Gas	138,976	-	-	2,830	107,049	-	-	-	-	248,855
Potable & Reclaimed Water	24,337	-	-	26,452	25,967	-	-	-	-	76,756
Co-generation Power Credit	-	-	-	-	(423,049)	-	-	-	-	(423,049)
Chlorine/Sodium hypochlorite	-	-	-	59,277	479,944	-	-	-	-	539,221
Polymer Products	184,645	-	-	-	340,149	-	-	-	-	524,794
Ferric Chloride	133,363	-	-	65,924	162,463	-	-	-	-	361,750
Odor Control Chemicals	31,481	-	-	40,365	44,513	-	-	-	-	116,360
Laboratory Services	6,968	-	-	7,935	12,959	-	-	-	1,100	28,961
Grit hauling	49,214	-	-	21,200	44,413	-	-	-	-	114,827
Landscaping	55,167	-	-	42,255	76,205	-	-	-	-	173,627
Engineering - Misc.	19,413	-	1,508	5,618	6,433	1,852	-	-	-	34,824
Management Support Services	50,473	53,779	10,203	5,412	16,562	-	-	8,020	906	145,354
Legal Fees	1,177	1,872	1,108	56,479	6,320	-	10,743	474	16,206	94,380
Public Notices/ Public Relations	-	-	-	-	-	-	-	-	178	178
Contract Services Misc.	79,455	-	-	96,967	120,626	937	-	-	-	297,985
Small Vehicle Expense	12,628	-	-	12,317	8,458	-	-	-	12	33,416
Miscellaneous Expense	7,704	-	94	4,509	13,842	-	-	-	-	26,150
Office Supplies - All	16,275	-	-	7,936	10,810	-	-	-	-	35,020
Petroleum Products	7,986	-	-	5,304	11,796	-	-	-	-	25,086
Uniforms	20,651	-	-	7,478	22,485	-	-	-	-	50,613
Small Vehicle Fuel	11,551	-	-	1,219	7,016	-	-	-	81	19,868
Insurance - Property/Liability	67,983	1,833	4,837	31,993	90,040	41	128	4,740	2,050	203,645
Small Tools & Supplies	45,262	-	-	12,300	35,327	-	-	-	840	93,729
Trash Disposal	1,656	-	-	1,489	1,392	-	-	-	-	4,537
Safety Program & Supplies	44,970	-	-	32,974	40,806	-	-	-	-	118,750
Equipment Rental	1,834	-	-	172	-	-	-	-	-	2,006
Recruitment	976	-	-	-	642	-	-	-	-	1,618
Travel Expense/Tech. Conferences	22,559	58	4,902	6,348	12,659	-	-	4,416	2,823	53,765
Training Expense	38,347	-	3,000	8,382	29,957	-	-	3,000	1,152	83,837
Laboratory Supplies	13,737	-	19,190	9,631	19,660	-	-	20,889	-	83,107
Office Equipment	9,672	-	-	10,098	21,681	-	-	-	-	41,450
Permits	24,536	16,347	172,815	6,045	21,252	-	-	165,126	-	406,121
Membership Dues/Fees	6,479	-	-	1,688	5,175	-	-	-	430	13,771
Offshore Monitoring	-	-	17,144	-	-	-	-	17,144	-	34,289
Effluent Chemistry	-	-	25,690	-	-	-	-	28,905	-	54,595
Access Road Expenses	-	-	-	32,960	-	-	-	-	-	32,960
Storm Damage	-	-	-	139,435	-	-	-	-	-	139,435

(cont'd next page)

**South Orange County Wastewater Authority**  
**<sup>1</sup>O&M Expenditures by Project Committee Fiscal Year 2019**

	PC 02	PC 12	PC 05	PC 15	PC 17	PC 21	PC 23	PC 24	PC 08	SOCWA
Biosolids Disposal	494,633	-	-	-	886,442	-	-	-	-	1,381,075
Contract Services Generators	11,136	-	-	2,604	4,865	-	-	-	-	18,604
Janitorial Services	35,142	-	-	11,196	26,501	-	-	-	-	72,838
Diesel Truck Maint	13,072	-	-	115	24,035	-	-	-	-	37,222
Diesel Truck Fuel	4,221	-	-	72	6,093	-	-	-	-	10,386
Maintenance Equip. & Facilities (Solids)	207,501	-	-	-	206,523	-	-	-	-	414,025
Maintenance Equip. & Facilities (Liquid)	263,603	-	-	161,448	217,926	-	-	-	-	642,977
Maintenance Equip. & Facilities (Comm)	39,486	-	587	12,031	35,826	-	-	2,118	-	90,048
Maintenance Equip. & Facilities (Co-Gen)	270,982	-	-	-	441,121	-	-	-	-	712,103
Maintenance Equip. & Facilities (AWT)	-	-	-	11,098	47,536	-	-	-	-	58,633
Mileage	1,214	-	-	286	832	-	-	-	-	2,332
MNWD Potable Water Supplies & Svcs	-	-	-	-	41,172	-	-	-	-	41,172
Misc-Capital-Dilution & Metering Study	-	-	1,500	-	-	-	-	-	-	1,500
SCADA Infrastructure	306	-	-	-	-	-	-	-	-	306
IT Direct	1,153	-	-	1,063	-	-	-	-	-	2,216
Co-Generation Power Credit - Offset	-	-	-	-	423,049	-	-	-	-	423,049
Group Insurance Waiver	3,592	-	-	3,592	7,184	-	-	-	-	14,368
Medicare Tax Payments for Employees	2,793	-	-	1,912	39	-	-	-	-	4,743
Operating Leases	22,202	-	-	-	-	-	-	-	-	22,202
Monthly Car Allowance	15,757	-	-	4,191	8,543	-	-	-	-	28,491
Zephyr Wall Costs Share - O&M	(14,142)	-	-	-	-	-	-	-	-	(14,142)
Shipping/Freight	176	-	-	22	296	-	-	-	-	494
IT Allocations in to PC's & Depts.	179,318	6,069	12,571	109,035	232,735	-	-	11,412	10,786	561,926
<b>Total Other Expenses</b>	<b>3,182,378</b>	<b>79,959</b>	<b>275,150</b>	<b>1,302,498</b>	<b>4,574,890</b>	<b>2,829</b>	<b>10,871</b>	<b>266,244</b>	<b>36,564</b>	<b>9,731,383</b>
<b>Sub-Total Expenses</b>	<b>5,757,542</b>	<b>155,246</b>	<b>409,684</b>	<b>2,709,527</b>	<b>7,625,143</b>	<b>3,454</b>	<b>10,871</b>	<b>401,392</b>	<b>173,575</b>	<b>17,246,435</b>
PC 23, NCI							312,138			312,138
<b>Total O&amp;M</b>	<b>\$5,757,542</b>	<b>\$155,246</b>	<b>\$409,684</b>	<b>\$2,709,527</b>	<b>\$7,625,143</b>	<b>\$3,454</b>	<b>\$323,009</b>	<b>\$401,392</b>	<b>\$173,575</b>	<b>\$17,558,573</b>

<sup>1</sup>Totals include O&M only. Does not include Administration and Residual Engineering.

**South Orange County Wastewater Authority**  
**<sup>1</sup>O&M Expenditures by Project Committee Fiscal Year 2018**

	PC 02	PC 12	PC 05	PC 15	PC 17	PC 21	PC 23	PC 24	PC 08	SOCWA
<b>Salary and Fringe</b>										
Regular Salaries-O&M	1,381,548	29,148	89,340	750,024	1,604,884	-	-	87,444	72,388	4,014,776
Overtime Salaries-O&M	45,544	-	204	22,512	77,528	-	-	516	-	146,304
Performance Based Merit Pay	6,568	-	-	3,432	4,720	-	-	-	-	14,720
Scheduled Holiday Work	17,720	-	416	7,536	20,420	-	-	128	-	46,220
Comp Time - O&M	25,484	-	-	452	8,320	-	-	-	1,220	35,476
Fringe Benefits IN to PC's & Depts.	1,016,290	21,442	65,720	551,730	1,180,580	-	-	64,325	53,250	2,953,338
Standby Pay	25,344	-	-	16,576	26,004	-	-	-	-	67,924
<b>Total Payroll Costs</b>	<b>2,518,498</b>	<b>50,590</b>	<b>155,680</b>	<b>1,352,262</b>	<b>2,922,456</b>	<b>-</b>	<b>-</b>	<b>152,413</b>	<b>126,858</b>	<b>7,278,758</b>
<b>Other Expenses</b>										
Electricity	795,632	-	56	223,280	786,940	-	-	-	-	1,805,908
Natural Gas	67,060	-	-	1,732	47,756	-	-	-	-	116,548
Potable & Reclaimed Water	17,740	-	-	22,016	34,568	-	-	-	-	74,324
Chlorine/Sodium hypochlorite	22,760	-	-	62,052	452,104	-	-	-	-	536,916
Polymer Products	190,184	-	-	348	313,428	-	-	-	-	503,960
Ferric Chloride	129,188	-	-	32,884	155,476	-	-	-	-	317,548
Odor Control Chemicals	22,800	-	-	54,340	43,732	-	-	-	-	120,872
Other Chemicals - Misc.	-	-	-	-	744	-	-	-	-	744
Laboratory Services	7,032	-	-	8,840	12,064	-	-	-	292	28,228
Grit hauling - 21A	49,304	-	-	21,516	50,324	-	-	-	-	121,144
Landscaping	33,084	-	-	38,112	64,196	-	-	-	-	135,392
Engineering - Misc.	23,760	-	-	7,236	10,376	-	-	-	-	41,372
Management Support Services	39,868	4,116	7,416	2,768	11,412	-	-	5,884	520	71,984
Legal Fees	8,220	-	-	11,764	2,840	-	780	-	-	23,604
Public Notices/ Public Relations	-	-	-	-	-	-	-	-	1,249	1,249
Contract Services Misc. - 29	105,032	-	-	71,116	105,216	737	-	-	-	282,101
Small Vehicle Expense - 31A	9,208	-	-	3,520	6,880	-	-	-	16	19,624
Miscellaneous Expense	6,853	-	-	1,395	5,272	-	-	-	-	13,521
Office Supplies - All	19,088	-	-	5,056	13,128	-	-	-	-	37,272
Petroleum Products	652	-	-	992	18,868	-	-	-	-	20,512
Uniforms	14,964	-	-	5,644	16,656	-	-	-	-	37,264
Small Vehicle Fuel - 37A	9,432	-	-	1,284	6,752	-	-	-	-	17,468
Insurance - Property/Liability	73,964	1,004	5,316	29,796	91,180	8	-	4,916	1,908	208,092
Small Tools & Supplies	52,692	-	-	9,284	26,532	-	-	-	1,716	90,224
Trash Disposal	2,048	-	-	2,516	2,696	-	-	-	-	7,260
Safety Supplies	36,012	-	-	25,292	36,516	-	-	-	-	97,820
Equipment Rental	-	-	-	740	1,280	-	-	-	-	2,020
Recruitment	1,240	-	-	500	3,452	-	-	-	-	5,192
Travel Expense/Tech. Conferences	12,828	1,148	2,440	10,836	20,660	-	-	603	2,524	51,039
Training Expense	36,564	-	12	14,860	40,432	-	-	-	1,500	93,368
Laboratory Supplies	13,080	-	19,548	10,208	14,900	-	-	18,484	-	76,220
Office Equipment	17,424	-	-	1,472	19,844	-	-	-	-	38,740
Permits	19,612	16,051	156,592	6,624	22,164	-	-	138,512	-	359,555
Membership Dues/Fees	4,148	-	-	2,260	6,552	-	-	-	532	13,492
Offshore Monitoring - 20A	-	-	16,384	-	-	-	-	16,376	-	32,760

**South Orange County Wastewater Authority**  
**<sup>1</sup>O&M Expenditures by Project Committee Fiscal Year 2018**

	PC 02	PC 12	PC 05	PC 15	PC 17	PC 21	PC 23	PC 24	PC 08	SOCWA
Effluent Chemistry - 20C	-	-	20,584	-	-	-	-	34,904	-	55,488
Access Road Expenses	-	-	-	28,848	-	-	-	-	-	28,848
Biosolids Disposal - 21B	491,660	-	-	-	831,144	-	-	-	-	1,322,804
Contract Services Generators - 29A	11,668	-	-	4,516	4,936	-	-	-	-	21,120
Janitorial Services	23,116	-	-	10,680	19,400	-	-	-	-	53,196
Contract Serv - Digester Cleaning - 29E	-	-	-	-	63,124	-	-	-	-	63,124
Diesel Truck Maint - 31B	7,644	-	-	332	10,980	-	-	-	-	18,956
Diesel Truck Fuel - 37B	1,576	-	-	-	2,908	-	-	-	-	4,484
Maintenance Equip. & Facilities (Solids) 41-A	157,172	-	-	-	199,968	-	-	-	-	357,140
Maintenance Equip. & Facilities (Liquids) 41-B	229,352	-	-	94,448	227,268	-	-	-	-	551,068
Maintenance Equip. & Facilities (Common) 41-C	17,936	-	36	4,308	26,756	-	-	596	-	49,632
Maintenance Equip. & Facilities (Co-Gen) 41-D	292,572	-	-	-	83,604	-	-	-	-	376,176
Maintenance Equip. & Facilities (AWT) 41-E	-	-	-	30,248	75,672	-	-	-	-	105,920
Mileage	452	-	-	80	1,416	-	-	-	-	1,948
MNWD Lab Services and Supplies	-	-	-	-	22,464	-	-	-	-	22,464
Misc-Capital-Dilution & Metering Study	-	-	19,224	-	-	-	-	-	-	19,224
IT Direct	-	-	-	-	504	-	-	-	-	504
Employee Recognition	-	-	-	-	268	-	-	-	-	268
Group Insurance Waiver	4,328	-	-	3,884	2,992	-	-	-	-	11,204
Medicare Tax Payments for Employees	3,904	-	-	3,260	988	-	-	-	-	8,152
Operating Leases	41,284	-	-	-	-	-	-	-	-	41,284
Monthly Car Allowance	12,836	-	564	4,844	11,480	-	-	-	-	29,724
Shipping/Freight	756	-	-	52	76	-	-	332	-	1,216
IT Allocations in to PC's & Depts.	195,344	6,612	13,680	118,696	253,364	-	-	12,264	11,740	611,700
Total Other Expenses	3,333,073	28,931	261,852	994,479	4,284,252	745	780	232,871	21,997	9,158,981
<b>Sub-Total Expenses</b>	<b>5,851,571</b>	<b>79,521</b>	<b>417,532</b>	<b>2,346,742</b>	<b>7,206,709</b>	<b>745</b>	<b>780</b>	<b>385,285</b>	<b>148,855</b>	<b>16,437,739</b>
PC 23, NCI							1,680,410			1,680,410
<b>Total O&amp;M</b>	<b>\$5,851,571</b>	<b>\$79,521</b>	<b>\$417,532</b>	<b>\$2,346,742</b>	<b>\$7,206,709</b>	<b>\$745</b>	<b>\$1,681,190</b>	<b>\$385,285</b>	<b>\$148,855</b>	<b>\$18,118,149</b>

<sup>1</sup>Totals include O&M only. Does not include Administration and Residual Engineering.

**South Orange County Wastewater Authority**  
<sup>1</sup>O&M Expenditures/Operating Revenue by Project Committee and Member Agency Fiscal Year 2019

<b>USE AUDIT (Actual Costs) by Project Committee &amp; Member Agency</b>	City of Laguna Beach	City of San Clemente	City of San Juan Capistrano	El Toro Water District	Emerald Bay Service District	Irvine Ranch Water District	Moulton Niguel Water District	Santa Margarita Water District	South Coast Water District	Trabuco Canyon Water District	Total
<b>Project Committee</b>											
PC 2 - Jay B. Latham Plant	-	-	2,144,881	-	-	-	1,444,760	1,273,475	1,814,763	-	6,677,879
PC 5 - San Juan Creek Ocean Outfall		116,027	76,055				77,430	160,174	66,091		495,776
PC 8 - Pretreatment Program	7,543	39,325	19,961	5,037	6,705	29,314	37,294	41,548	31,195		217,922
PC 12 SO- Water Reclamation Permits			21,278				57,341	57,522	23,020	34,905	194,066
PC 15 - Coastal Treatment Plant/AWT	1,434,248				98,525		265,508		1,380,434		3,178,715
PC 17 - Joint Regional Wastewater	686,501			774,697	36,506		6,843,479		440,552		8,781,736
PC 21 Effluent Transmission Main				1,687		2,186	711				4,584
PC 23 North Coast Interceptor	12,121				836						12,958
PC 24 - Aliso Creek Ocean Outfall	57,467			93,966	4,558	131,557	169,004		43,603		500,155
<b>Sub-Total</b>	<b>2,197,880</b>	<b>155,352</b>	<b>2,262,176</b>	<b>875,388</b>	<b>147,131</b>	<b>163,057</b>	<b>8,895,527</b>	<b>1,532,718</b>	<b>3,799,657</b>	<b>34,905</b>	<b>20,063,792</b>
PC 23, NCI	881,577										881,577
<b>Total O&amp;M</b>	<b>\$3,079,457</b>	<b>\$155,352</b>	<b>\$2,262,176</b>	<b>\$875,388</b>	<b>\$147,131</b>	<b>\$163,057</b>	<b>\$8,895,527</b>	<b>\$1,532,718</b>	<b>\$3,799,657</b>	<b>\$34,905</b>	<b>\$20,945,369</b>

<sup>1</sup> SOCWA's operating expenses are covered by its ten Member Agencies, therefore, Operating Revenue is equal to Operating Expenses before PC 23 (NCI), unallocated portion of pension and OPEB, other expenses and depreciation and amortization.

**South Orange County Wastewater Authority**  
**<sup>1</sup>O&M Expenditures/Operating Revenue by Project Committee and Member Agency Fiscal Year 2018**

	City of Laguna Beach	City of San Clemente	City of San Juan Capistrano	El Toro Water District	Emerald Bay Service District	Irvine Ranch Water District	Moulton Niguel Water District	Santa Margarita Water District	South Coast Water District	Trabuco Canyon Water District	Total
<b>USE AUDIT (Actual Costs) by Project Committee &amp; Member Agency</b>											
<b>Project Committee</b>											
PC 2 - Jay B. Latham Plant	-	-	2,053,026	-	-	-	1,499,380	1,691,415	1,559,068	-	6,802,889
PC 5 - San Juan Creek Ocean Outfall		133,000	83,731				91,265	137,144	78,974		524,115
PC 8 - Pretreatment Program	7,697	23,322	12,274	2,750	4,320	32,052	35,647	41,889	30,093		190,045
PC 12 SO- Water Reclamation Permits			9,760			15,003	26,055	26,773	9,746	56,154	143,493
PC 15 - Coastal Treatment Plant/AWT	1,236,887				81,464		218,328		1,222,868		2,759,547
PC 17 - Joint Regional Wastewater	678,436			703,056	35,076		6,481,073		449,355		8,346,996
PC 21 Effluent Transmission Main				374		490	148				1,011
PC 23 North Coast Interceptor	875				59						934
PC 24 - Aliso Creek Ocean Outfall	67,881			98,191	4,604	120,366	149,315		44,286		484,643
<b>Sub-Total</b>	<b>1,991,775</b>	<b>156,322</b>	<b>2,158,791</b>	<b>804,371</b>	<b>125,522</b>	<b>167,911</b>	<b>8,501,212</b>	<b>1,897,222</b>	<b>3,394,390</b>	<b>56,154</b>	<b>19,253,672</b>
PC 23, NCI	1,785,940										1,785,940
<b>Total O&amp;M</b>	<b>\$3,777,716</b>	<b>\$156,322</b>	<b>\$2,158,791</b>	<b>\$804,371</b>	<b>\$125,522</b>	<b>\$167,911</b>	<b>\$8,501,212</b>	<b>\$1,897,222</b>	<b>\$3,394,390</b>	<b>\$56,154</b>	<b>\$21,039,612</b>

<sup>1</sup> SOCWA's operating expenses are covered by its ten Member Agencies, therefore, Operating Revenue is equal to Operating Expenses before PC 23 (NCI), unallocated portion of pension and OPEB, other expense and depreciation and amortization.

**South Orange County Wastewater Authority  
Operating and Capacity Indicators  
Last Ten Fiscal Years**

Performance Indicators

Facility/Indicator	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Wastewater Flow (mgd) <sup>1</sup>											
JB Latham Treatment Plant	8.94	8.98	9.61	9.42	8.70	9.24	8.51	6.83	6.64	6.06	6.51
Coastal Treatment Plant	3.92	3.80	3.45	3.26	3.29	3.23	3.13	2.98	3.00	2.77	2.91
Regional Treatment Plant	9.81	9.13	9.62	9.23	8.98	8.71	8.11	7.63	7.75	7.77	7.72
Recycled Water Production (AF/d)											
Coastal Treatment Plant	2.92	2.52	2.59	2.65	2.69	2.91	3.14	3.25	3.29	3.43	2.23
Regional Treatment Plant	18.91	18.24	15.22	16.41	18.01	19.50	18.86	14.75	14.51	16.69	13.81
Ocean Outfall Discharges (mgd)											
San Juan Creek Ocean Outfall	12.74	14.68	16.78	13.92	12.40	11.99	10.28	11.40	10.71	9.13	10.94
Aliso Creek Ocean Outfall	22.61	22.35	22.24	21.19	21.02	21.18	18.94	16.94	17.62	17.41	17.12

<sup>1</sup> mgd million gallons per day  
projected mgd flow based on prior 3 years average

Source: South Orange County Wastewater Authority Operations Department

**South Orange County Wastewater Authority**  
**Member Agency Flows and Solids Trend (Cost Allocation %)**  
**(O&M Costs Distribution by Member Agencies Percentages based on Actual Usage)**  
**Last Ten Fiscal Years**

<b>Treatment Facilities <sup>1</sup></b>	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>PC 2 JB Latham</b>										
<b>Liquids</b>										
City of San Juan Capistrano	34.79%	34.86%	34.42%	34.56%	33.44%	34.81%	31.77%	31.96%	36.57%	35.38%
Moulton Niguel Water District	15.69%	16.79%	15.47%	17.22%	21.29%	21.52%	20.50%	21.10%	23.64%	23.92%
Santa Margarita Water District <sup>2</sup>	22.89%	22.32%	22.74%	23.71%	23.06%	20.99%	21.96%	21.31%	12.13%	11.81%
South Coast Water District	26.63%	26.03%	27.37%	24.52%	22.21%	22.67%	25.77%	25.63%	27.66%	28.89%
<b>Total</b>	<b>100.00%</b>									
<b>Solids</b>										
City of San Juan Capistrano	29.53%	25.71%	28.28%	29.86%	30.00%	32.44%	24.48%	24.54%	23.90%	29.65%
Moulton Niguel Water District	17.04%	18.30%	18.43%	19.97%	19.98%	21.46%	26.33%	18.70%	21.06%	20.05%
Santa Margarita Water District	27.33%	26.70%	29.93%	30.16%	30.30%	27.97%	27.19%	33.82%	36.96%	23.37%
South Coast Water District	26.10%	29.29%	23.36%	20.01%	19.72%	18.13%	22.00%	22.94%	18.08%	26.92%
<b>Total</b>	<b>100.00%</b>									
<b>PC 15 Coastal</b>										
<b>Liquids</b>										
City of Laguna Beach	54.77%	57.36%	57.55%	59.88%	60.20%	60.15%	59.16%	59.00%	57.72%	60.23%
Emerald Bay Service District	1.92%	2.14%	2.29%	2.13%	1.90%	1.83%	1.71%	1.67%	1.78%	1.88%
Moulton Niguel Water District	-	-	-	-	-	-	-	-	-	-
South Coast Water District	43.31%	40.50%	40.16%	37.99%	37.91%	38.03%	39.13%	39.33%	40.50%	37.89%
<b>Total</b>	<b>100.00%</b>									
<b>PC 17 Regional</b>										
<b>Liquids</b>										
City of Laguna Beach	0.15%	0.14%	0.16%	0.16%	0.17%	0.23%	0.16%	0.16%	0.80%	0.11%
El Toro Water District	0.21%	0.17%	0.21%	0.20%	0.21%	0.19%	0.18%	0.18%	0.27%	0.92%
Emerald Bay Service District	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.00%	0.02%	0.00%
Moulton Niguel Water District	99.51%	99.58%	99.51%	99.54%	99.51%	99.55%	99.55%	99.55%	98.36%	98.92%
South Coast Water District	0.12%	0.10%	0.11%	0.10%	0.10%	0.02%	0.10%	0.10%	0.56%	0.04%
<b>Total</b>	<b>100.00%</b>									
<b>Solids</b>										
City of Laguna Beach	13.32%	13.88%	13.15%	13.65%	13.11%	13.13%	12.30%	12.48%	16.06%	15.34%
El Toro Water District	17.30%	15.73%	16.76%	17.00%	15.70%	15.28%	14.18%	13.99%	14.90%	15.15%
Emerald Bay Service District	0.47%	0.52%	0.52%	0.49%	0.41%	0.40%	0.36%	0.38%	0.50%	0.48%
Moulton Niguel Water District	58.38%	60.08%	60.39%	60.21%	62.53%	62.90%	65.04%	64.52%	58.06%	59.40%
South Coast Water District	10.54%	9.80%	9.18%	8.66%	8.25%	8.30%	8.12%	8.62%	10.48%	9.64%
<b>Total</b>	<b>100.00%</b>									

<sup>1</sup> Flows and Solids costs fluctuate by member agencies based on annual usage, a member agency's assessments will increase if their usage exceeds budget or a refund is provided to member agencies if flows are below budget. O&M costs are of a fixed nature, therefore, if there are significant reductions in usage by an agency, the remaining agencies individual assessments will be increased to absorb the costs. Budget vs. Actual usage is reported in the annual Use Audit Report.

<sup>2</sup> Santa Margarita Water District's Flows to JB Latham have declined from 22% average during eight years to 11.97% for the most recent two years.

<sup>3</sup> Moulton Niguel Water District has owned capacity in the Coastal treatment Plant but does not send flows to the facility.

**South Orange County Wastewater Authority  
Member Agency Flows and Solids Trend (MGD)  
Last Ten Fiscal Years**

**JB Latham Plant (JBL) Flows (MGD) By Member Agency - PC2**

Fiscal Year	CSJC	MNWD	SCWD	SMWD
2010	3.200	1.270	2.350	2.160
2011	3.430	1.490	2.450	2.240
2012	3.310	1.320	2.550	2.240
2013	3.070	1.400	2.060	2.170
2014	3.136	1.936	1.937	2.231
2015	3.031	1.805	1.824	1.849
2016	2.170	1.400	1.760	1.500
2017	2.121	1.400	1.701	1.414
2018	2.166	1.400	1.639	0.718
2019	2.070	1.400	1.690	0.691

**Coastal Treatment Plant (CTP) Flows (MGD) By Member Agency - PC15**

Fiscal Year	CLB	EBSD	MNWD	SCWD
2010	2.079	0.073	-	1.643
2011	1.978	0.074	-	1.397
2012	1.873	0.075	-	1.307
2013	1.970	0.070	-	1.250
2014	1.943	0.061	-	1.224
2015	1.882	0.057	-	1.190
2016	1.760	0.051	-	1.164
2017	1.770	0.050	-	1.180
2018	1.596	0.049	-	1.120
2019	1.620	0.050	-	1.019

**Regional Treatment Plant (RTP) Flows (MGD) By Member Agency - PC17**

Fiscal Year	CLB	EBSD	ETWD	MNWD	SCWD
2010	0.014	0.001	0.019	9.129	0.011
2011	0.014	0.001	0.016	9.622	0.010
2012	0.015	0.001	0.020	9.225	0.010
2013	0.014	0.001	0.018	8.975	0.009
2014	0.015	0.001	0.018	8.713	0.009
2015	0.019	0.001	0.015	8.112	0.002
2016	0.014	0.000	0.016	7.629	0.010
2017	0.012	0.000	0.014	7.750	0.008
2018	0.062	0.000	0.020	7.730	0.043
2019	0.009	0.000	0.014	7.607	0.003

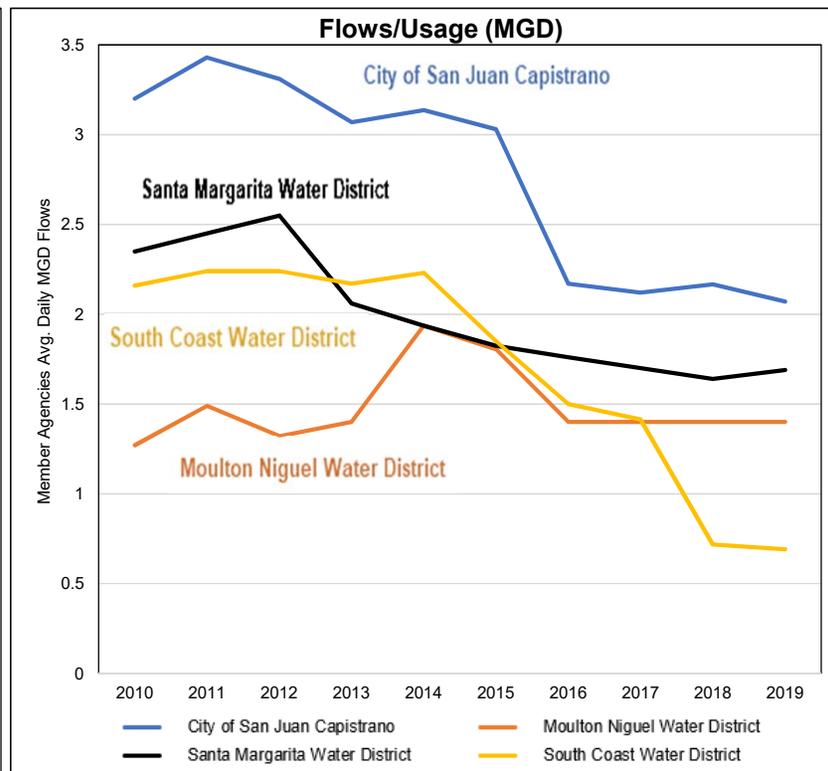
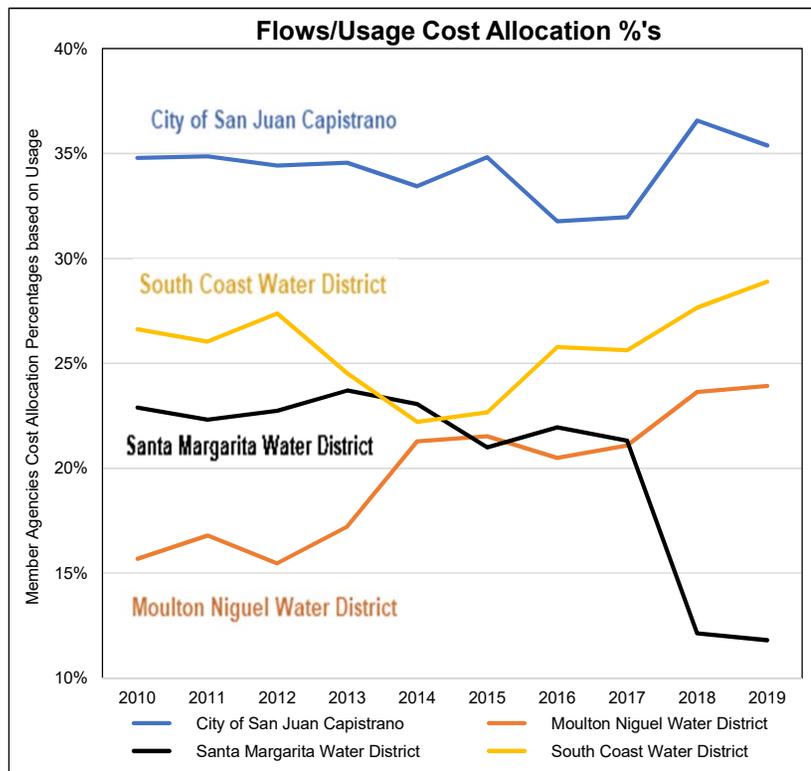
**JB Latham Plant (JBL) Solids By Member Agency - PC2 (lbs/day)**

Fiscal Year	CSJC	MNWD	SCWD	SMWD
2010	7,406	3,983	6,860	6,774
2011	7,741	5,413	9,343	8,119
2012	8,663	5,467	7,444	9,321
2013	8,040	5,301	5,395	8,217
2014	8,526	5,589	5,589	8,712
2015	8,847	5,769	4,792	7,509
2016	5,722	6,155	5,143	6,352
2017	5,767	6,142	5,391	6,203
2018	5,815	5,124	4,399	8,992
2019	5,706	3,859	5,181	4,497

**Regional Treatment Plant (RTP) Solids By Member Agency - PC17 (lbs/day)**

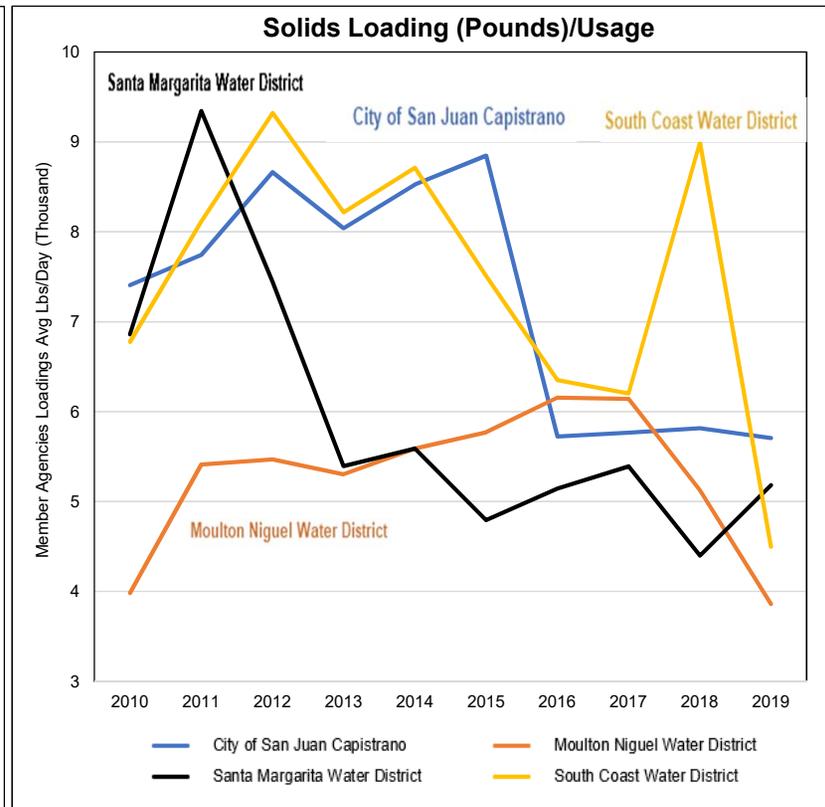
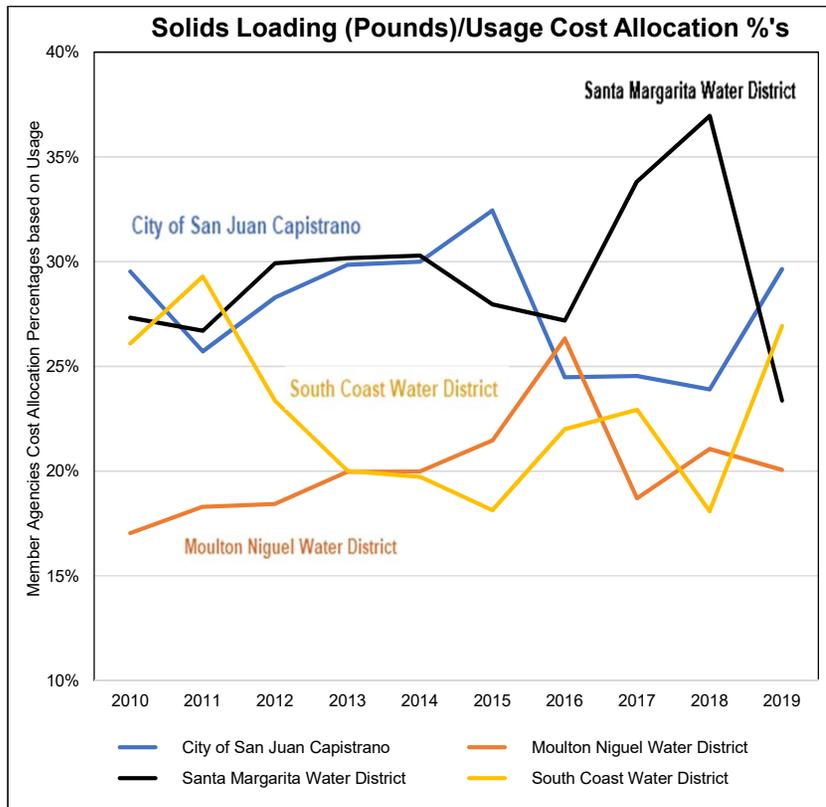
Fiscal Year	CLB	EBSD	ETWD	MNWD	SCWD
2010	4,644	163	6,028	20,345	3,672
2011	5,135	191	5,992	22,890	3,626
2012	4,659	186	6,117	22,045	3,251
2013	4,557	162	5,845	20,700	2,892
2014	4,635	146	5,717	22,776	2,919
2015	4,924	150	5,915	24,350	3,113
2016	5,605	295	10,200	29,395	4,480
2017	5,133	158	5,755	26,532	3,546
2018	6,368	196	5,909	23,024	4,157
2019	5,770	180	5,701	22,346	3,626

**South Orange County Wastewater Authority  
PC 2 JB Latham Flows from Member Agencies <sup>1</sup>  
Actual Cost Allocation Percentages and MGD by Member Agency  
Last Ten Fiscal Years**



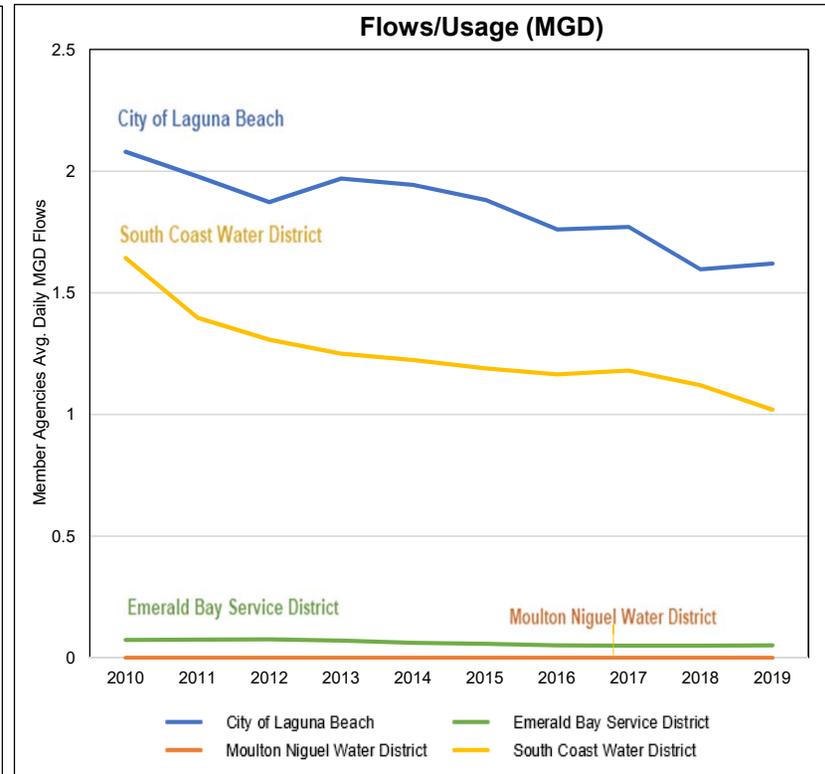
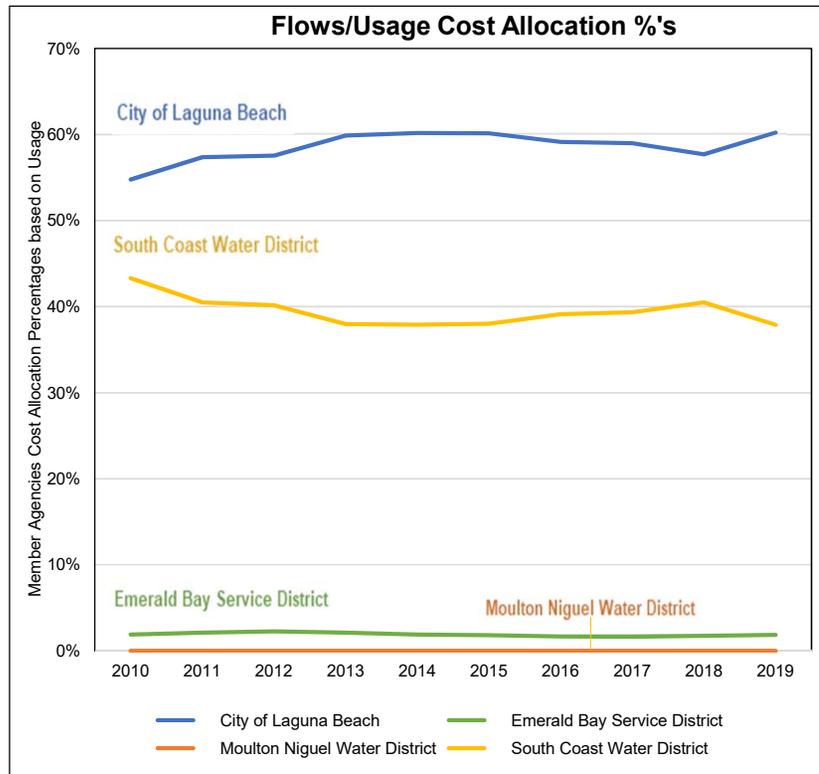
<sup>1</sup> Flows sent to PC 2 J B Latham Plant on average have been gradually reducing over the past ten years. This is due to an overall climate change, drought, and water conservation in California.

**South Orange County Wastewater Authority  
 PC 2 JB Latham Solids Loading (Pounds) from Member Agencies <sup>1</sup>  
 Actual Cost Allocation Percentages and Loadings by Member Agency  
 Last Ten Fiscal Years**



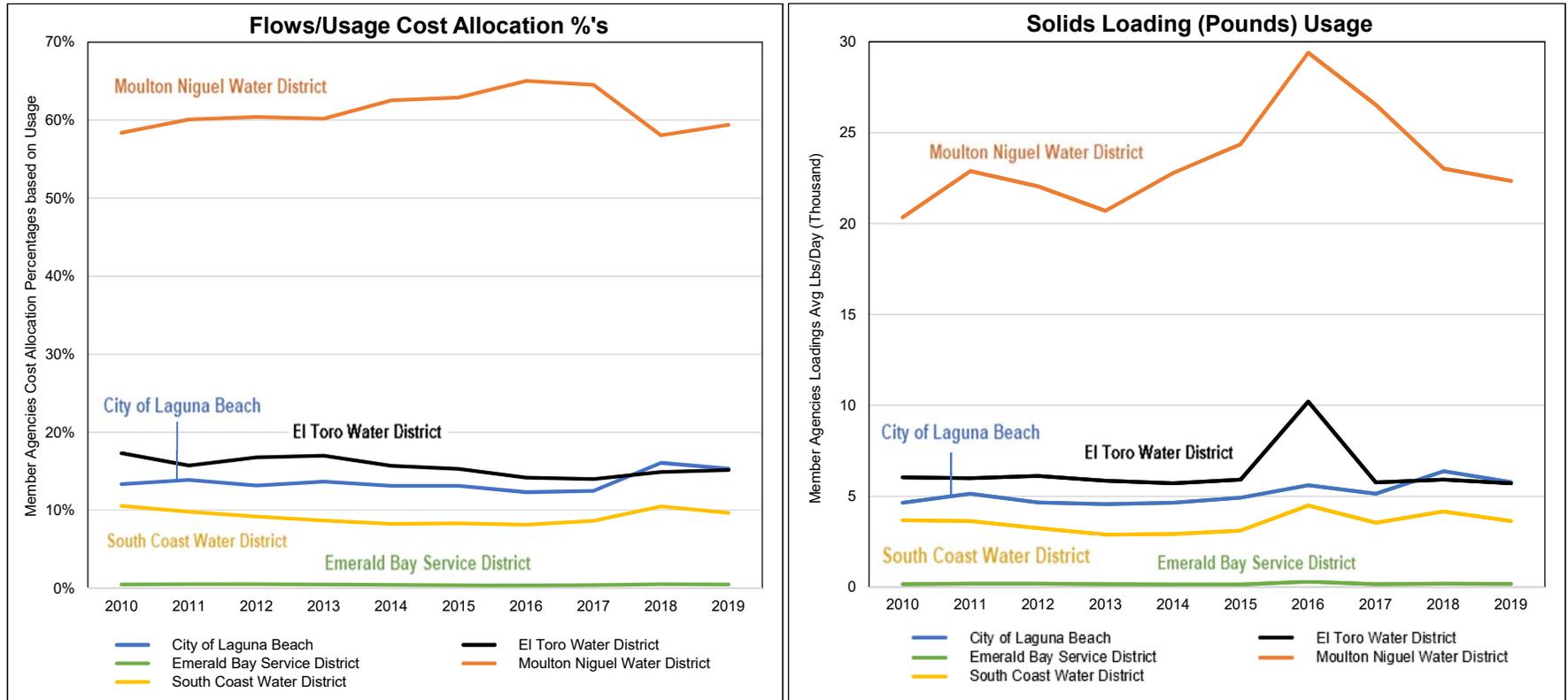
<sup>1</sup> Overall, loadings at PC 2 J B Latham Plant have been stable, on average, for the past ten years. This is due to a constant population, the number of households and businesses served by J B Latham Plant did not change in prior years.

**South Orange County Wastewater Authority  
PC 15 Coastal Treatment Plant Flows from Member Agencies <sup>1</sup>  
Actual Cost Allocation Percentages and MGD  
Last Ten Fiscal Years**



<sup>1</sup> Flows sent to PC 15 Coastal Treatment Plant on average have been gradually reducing over the past ten years. This is due to an overall climate change, drought, and water conservation in California.

**South Orange County Wastewater Authority**  
**PC 17 Regional Treatment Plant Solids Loading (Pounds) from Member Agencies <sup>1</sup>**  
**Actual Cost Allocation Percentages and MGD**  
**Last Ten Fiscal Years**



<sup>1</sup> On average, solids loadings at PC 17 Regional Treatment Plant have been stable for the past ten years. This is due to constant population, the number of households and businesses did not change in prior years.

**South Orange County Wastewater Authority  
Capital Assets, net of depreciation  
Last Ten Fiscal Years  
(In Dollars)**

	Facilities & Improvements	Buildings	Building Improvements	Computer Hardware	Computer Software	Furniture and Fixtures	Infrastructure	Machinery & Equipment	Vehicles	Not Being Depreciated		Capital Assets, Net of Depreciation
										Land	Construction in Progress	
2010	29,074,256							7,983,384		653,224	9,395,207	47,106,071
2011	33,686,490							8,136,242		653,224	7,476,483	49,952,439
2012	34,651,823							8,400,242		653,224	7,190,295	50,895,584
2013	44,106,897							7,816,380		653,224	3,408,139	55,984,640
2014	47,860,250							7,228,416		653,224	3,046,791	58,788,681
2015		2,353,781	2,855,317	303,400	23,022	315	50,949,009	18,134,894	16,431	14,402,224	10,133,406	99,171,799
2016		6,901,703	4,007,930	1,213,568	29,756	-	46,827,515	30,769,322	236,135	14,402,224	20,040,308	124,428,461
2017		3,650,045	4,016,833	641,680	68,195	20,052	48,412,433	30,695,780	341,932	14,402,224	27,159,497	129,408,671
2018		3,673,353	5,179,648	730,665	154,691	38,547	48,779,298	37,055,331	406,342	14,402,224	20,833,802	131,253,901
2019		3,499,987	4,944,951	634,925	172,107	34,176	46,701,904	47,456,249	456,186	14,402,224	12,337,878	130,640,588

<sup>1</sup> 2015 capital assets were restated due to the addition of 39 million in member agencies jointly constructed assets, including land, 13.7 million, for Coastal and Regional Treatment Plants.

<sup>2</sup> 2016 capital assets were restated due to further work on adding member agencies jointly constructed assets, 9.3 million. The Authority completed a full capital assets review conducted by staff and Carollo Engineers, Inc.

