



SOUTH COAST WATER DISTRICT

Partnering With The Community

Laguna Beach, California



Comprehensive Annual Financial Report

For Year Ended June 30, 2019

With Report on Audit by Independent Certified Public Accountants

Prepared by: Finance Department



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SOUTH COAST WATER DISTRICT
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2019
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December 19, 2019

Board of Directors

Members of the Board of Directors
South Coast Water District

William Green
President

Dennis Erdman
Vice President

Wayne Rayfield
Director

Doug Erdman
Director

Rick Erkeneff
Director

Introduction

The Comprehensive Annual Financial Report (CAFR) of the South Coast Water District for the fiscal year ended June 30, 2019, is hereby submitted. This report was prepared pursuant to the guidelines set forth by the Governmental Accounting Standards Board (GASB).

District staff prepared this financial report in conjunction with an unmodified opinion issued by the independent audit firm White, Nelson, Diehl, Evans LLP. The independent auditor's report is located at the front of the Financial Section of this document. The 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 it.

This report consists of management's representations concerning finances of the District. Consequently, management assumes responsibility for the completeness and reliability of information presented in this report. To provide a reasonable basis for making these representations, the District has established a comprehensive internal control framework that is designed to protect assets from loss, theft or misuse, and to compile sufficient, reliable information for preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal control should not outweigh its benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. Management asserts that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The Government Finance Officers Association of the United States and Canada (GFOA) awards Certificates of Achievement for Excellence in Financial Reporting to governmental entities. In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The District received its first Certificate of Achievement for the fiscal year ending June 30, 2018 and will be submitting the current fiscal year's CAFR for consideration of the award.

District Structure and Leadership

The District is an independent special district, which operates under the authority of Division 12, Section 30000 *et seq.* of the California Water Code. The District provides water and sewer services to the City of Dana Point and portions of the cities of Laguna Beach, San Juan Capistrano, and San Clemente. The District was formed in 1932 and subsequent mergers have increased the original service area. Since March 2000, the District has been the contract operator for the former Tri-Cities Municipal Water District, now known as the Joint Regional Water Supply System (JRWSS).

The District is governed by a five-member Board of Directors, elected at large from within the District's service area for staggered four-year terms. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The District employs a full-time staff of 92 employees, including six assigned to JRWSS. The Board of Directors meets on the second and fourth Thursdays of each month. Meetings are publicly noticed, and citizens are encouraged to attend. The meetings can also be viewed real-time or on demand via the District's website, www.scwd.org.

The District provides water, sewer, or a combination of both services to residents and businesses within its service area, which includes approximately 5,300 acres of land comprising 8.8 square miles. The District serves a population of approximately 36,000 and currently provides water service through approximately 12,690 residential, commercial, and irrigation connections and 19,059 sewer connections.

District Services

Residential customers make up approximately 90% of the District's customer base for water services and consume approximately 60% of the water provided annually by the District. The District obtained approximately 83% of its water supply from the Metropolitan Water District (MWD) through the Municipal Water District of Orange County (MWDOC), 4% from groundwater within the area, and 13% from recycled water. During Fiscal Year (FY) 2019, the District provided 5,853 acre-feet of water to its customers.

Residential customers make up approximately 97% of the District's customer base for sewer collection services. Treatment services are provided by the South Orange County Wastewater Authority (SOCWA), a joint powers authority. The District is a member agency in SOCWA.

Economic Condition and Outlook

The District's administrative office is in the City of Laguna Beach in Orange County, California. The service area consists of the City of Dana Point, South Laguna Beach, and portions of the cities of San Juan Capistrano and San Clemente.

The County of Orange has a strong economic base with unemployment rates of 2.5% in October 2019 compared to 2.8% in October 2018. Median income for the City of Dana Point in 2017 was \$95,127 compared to \$71,805 for California. The median property value for the City of Dana Point in 2017 was \$912,947.

Tourism is a major part of the local economy due to the area's harbor, beaches, golf courses, resorts, hotels, and visitor-oriented commercial and retail establishments. Property values are high with a limited availability of space. The service area is mostly built-out, however, there are areas within the District that are experiencing redevelopment of single-family residences, condominiums, townhomes, and commercial areas that resulted in a slight increase in water connections and an increase in sewer connections of 1,053 in FY 2019. The economic outlook for the area is positive based on the above noted activities.

Water Supply

California's water supply continues to be a concern due to recent drought conditions and State mandates. Conservation efforts continue, resulting in declining revenues for the District in prior years. In 2016, rates were revised to reflect a revenue base of approximately 60% fixed charges and 40% variable commodity rates. This was done to stabilize revenues and maintain ongoing operational and infrastructure needs. Water usage has not returned to pre-drought levels and is not expected to change in the future.

The District imports most of its potable water from the MWD through the MWDOC. The District purchased 5,035-acre feet of potable water from MWDOC in FY 2019, an increase of 175-acre feet from the prior fiscal year. The District also pumps potable groundwater from the Groundwater Reclamation Facility (GRF). The GRF produced 235-acre feet of potable water in FY 2019, a decrease of 492-acre feet from the prior fiscal year. The GRF was offline for approximately seven months due to major repairs and maintenance. The District continues to study the feasibility of building a desalination plant near Doheny State Beach in the City of Dana Point to provide a local source of water and reduce dependency on imported water sources.

Mission/Vision Statements and Major Initiatives

The activities of the Board and staff of the District are driven by its Mission Statement: "We are entrusted by our community to provide water resources essential for sustaining life," and its Vision Statement: "Recognized as a premier water district unsurpassed in customer service, reliability, environmental stewardship, and organizational excellence." The Mission and Vision Statements dictate the following five core values of the District:

1. Accountability – We are answerable for our behavior, actions, decisions, and producing excellence in all we do.
2. Leadership – We inspire and guide individuals to work together to achieve our goals, attain excellence in our craft, and push the boundaries of innovation.
3. Customer Service – We will demonstrate outstanding customer service through dedication, respect, courteous communication, and timely response.
4. Integrity – We commit to the highest standards of ethics, professionalism, and character in working with each other and the public.
5. Teamwork – We work together collaboratively – where planning, decisions, and actions are accomplished more effectively as a group than individually.

Major Accomplishments and Future Projects

During FY 2019, the District accomplished the following:

- Implemented a leadership academy for employees.
- Developed and implemented an employee professional development program.
- Implemented Microsoft Office 365.
- Started the implementation of new financial software to be completed during FY 2020.
- Completion of the pilot project for installation of the Advanced Metering Infrastructure program for 3,000 customers.
- Partnered with the Water Emergency Response Organization of Orange County to prepare a risk and resilience assessment and update emergency response plans according to the Americas Water Infrastructure Act. The certified assessment report is due to the Environmental Protection Agency in March 2020.
- Started the Hazard Mitigation Plan update by working with multi regional agencies. The Board of Directors adopted the certified Plan in September 2019.
- Completion of a Water Loss Audit that concluded that the District's water loss percentage falls within the State of California's standards.
- Completion of a leak detection program for 50% of the District's lines and repairs of leaks detected.
- Completed full-length lining of 18 gravity sewer mains totaling 3,300 linear feet (LF).
- Cleaned 928,230 LF of sewer lines. This equates to 127% of the District's sewer lines which includes cleaning all the sewer lines, root foaming twice a year and cleaning hot spots (repetitive problem areas) four times a year.
- Refinanced the 2010B Build America Bonds and acquired \$25 million of new debt for major capital projects through the issuance of revenue bonds in February 2019.

Major capital improvement projects in progress during FY 2019 are as follows:

- Completed planning, design and started construction of Phase 2 of the Tunnel Project.
- Completed planning and design for Phase 4 of the Tunnel Project.
- Continued to study and plan feasibility of the Doheny Ocean Desalination plant. The environmental impact report was released for public review and the Board adopted the Environmental Impact Review in June 2019.
- Completed most of the construction for the Lift Station 2 Force Main Replacement project.
- Completed planning and design for rehabilitation of Lift Station Force Mains 6 and 11.
- Completed most of the construction for the Golden Lantern/Stonehill RW Bottleneck project.

Key operating priorities for FY 2020 are noted below:

- Conduct an economic analysis of operating a consolidated district headquarters versus continued rehabilitation of aging, segregated District facilities, in order to support of a competitive workplace suitable for industry standards.
- Continue planning of the Asset Management Program, focusing on a "Consequence of Failure" analysis of the District's potable water system.
- Analyze the long-term viability of the current water/sewer rate structure.
- Ensure enterprise resiliency through the District's continued coordination and partnership with external agencies and stakeholders.

- Identify and implement critical capital improvement projects to maintain water/sewer system integrity.
- Execute the Tunnel Stabilization and Pipeline Replacement project.
- Execute planning and permitting of the Doheny Ocean Desalination project.

FY 2020 estimated revenues are \$46.4 million and budgeted operating expenditures are \$37 million. Capital projects for FY 2020 are budgeted at \$38.4 million and funded by revenues in excess of expenditures, undesignated fund balance, and the issuance of debt. Major projects include the following:

- Phase 3 and 4 of the Tunnel Project (\$23.4 million).
- Lift Station 6 Force Main Replacement (\$3 million).
- Planning for the Doheny Ocean Desalination Plant (\$2.5 million).
- Tank recoating at 0.6 MG Reservoir 1A; 0.1 MG Reservoir 2B, 0.6 MG Reservoir 2C; and 0.1 MG Reservoir 3B (\$1 million).
- Golden Lantern/Stonehill Recycled Water Bottleneck 2 Project (\$1.4 million).

Water and Sewer Rates

In 2016, the District approved a five-year rate schedule effective from FY 2017 through FY 2021 in accordance with Proposition 218. The goals of the new rates were to simplify the existing rate structure, cover fixed costs to keep the District financially stable, fairly allocate fixed charges across all services classes, and protect against rate volatility.

During the drought, mandatory conservation measures resulted in lower revenues causing the District to struggle to recover fixed costs required to provide water services. In addition, costs increased for imported water, putting further stress on the District's finances. Aging reservoirs, pipelines, and pump stations need rehabilitation or replacement over time and funding for these projects is necessary. The District is also working on an additional future source of water from a desalination facility.

Three components comprise water charges:

- Variable – the price per unit of water which is billed on a monthly basis.
- Fixed – to recover fixed costs that exist without the sale of water, such as repairs, maintenance, and rehabilitation of distribution systems. Fixed charges vary by meter size and are billed annually with property taxes.
- Peak Demand – a new component of the rate structure that is based on a customer's second highest usage month in the previous year. This charge reflects costs incurred to provide, transport, treat, and store water to be able to provide service for all peak demand times throughout the year. Peak demand charges are billed annually with property taxes.

Sewer rates consist of:

- Variable Block – for single family residences, based on calculated winter usage billed annually with property taxes.
- Variable Rate – for multi-family residences, based on water used billed on a monthly basis.
- Fixed – for multi-family residences, based on the number of dwelling units billed annually with property taxes.

- Low/Medium/High Strength – for commercial customers based on water usage and type of use, such as office, mixed use, and restaurants billed on a monthly basis.

During FY 2019, the average monthly water and sewer bill for residential customers using 10 hundred cubic feet (CCF) including fixed charges was \$76.02 (water) and \$57.92 (sewer). The average monthly bill for commercial customers using 66 CCF was \$366.82 (water) and \$519.42 (sewer). The fixed charges include the Peak Demand charge. For residential customers the average monthly Peak Demand charge was \$21.14 and \$116.31 for commercial customers.

Internal Control Structure

District management is responsible for the establishment and maintenance of an internal control structure that ensures that assets of the District are protected from loss, theft or misuse. The internal control structure also ensures that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District’s internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

The District Board of Directors adopts an operating and capital budget every fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District’s enterprise operations and capital projects. The budget and reporting treatment applied to the District is consistent with the accrual basis of accounting and financial statement presentation.

Investment Policy

The Board has adopted an Investment Policy that conforms to state law, prudent money management, and the “prudent person” standards. The objectives of the policy are safety, liquidity, and then yield. Currently, funds are invested in various securities as authorized by the policy and are managed by Chandler Asset Management.

Audit and Financial Reporting

State law and bond covenants require the District to obtain annual audits of its financial statements by an independent certified public accountant. The accounting firm of White, Nelson, Diehl, Evans LLP has conducted the audit of the District’s financial statements. Their unmodified (clean) Independent Auditor’s Report appears in the Financial Section.

Other References

More information is contained in the Management’s Discussion and Analysis and the Notes to the Basic Financial Statements found in the Financial Section of the report.

Acknowledgements

I wish to express my appreciation to the entire Finance and Customer Service Department staff for their contribution to the department during the year. Their efforts are reflected in this report and in other documents resulting from the annual audit process. Special thanks are due to Amy Doucet C.P.A., Controller; Matthew Perea, Senior Accountant; Anna Nguyen C.P.A. (inactive), Accountant; William Covington C.P.A., accounting consultant; Elizabeth Andrew C.P.A., Part-Time Senior Accountant; and Cassandra Garcia, Customer Service Manager. Their significance in preparing final financial documents is reflected in the quality of this report.

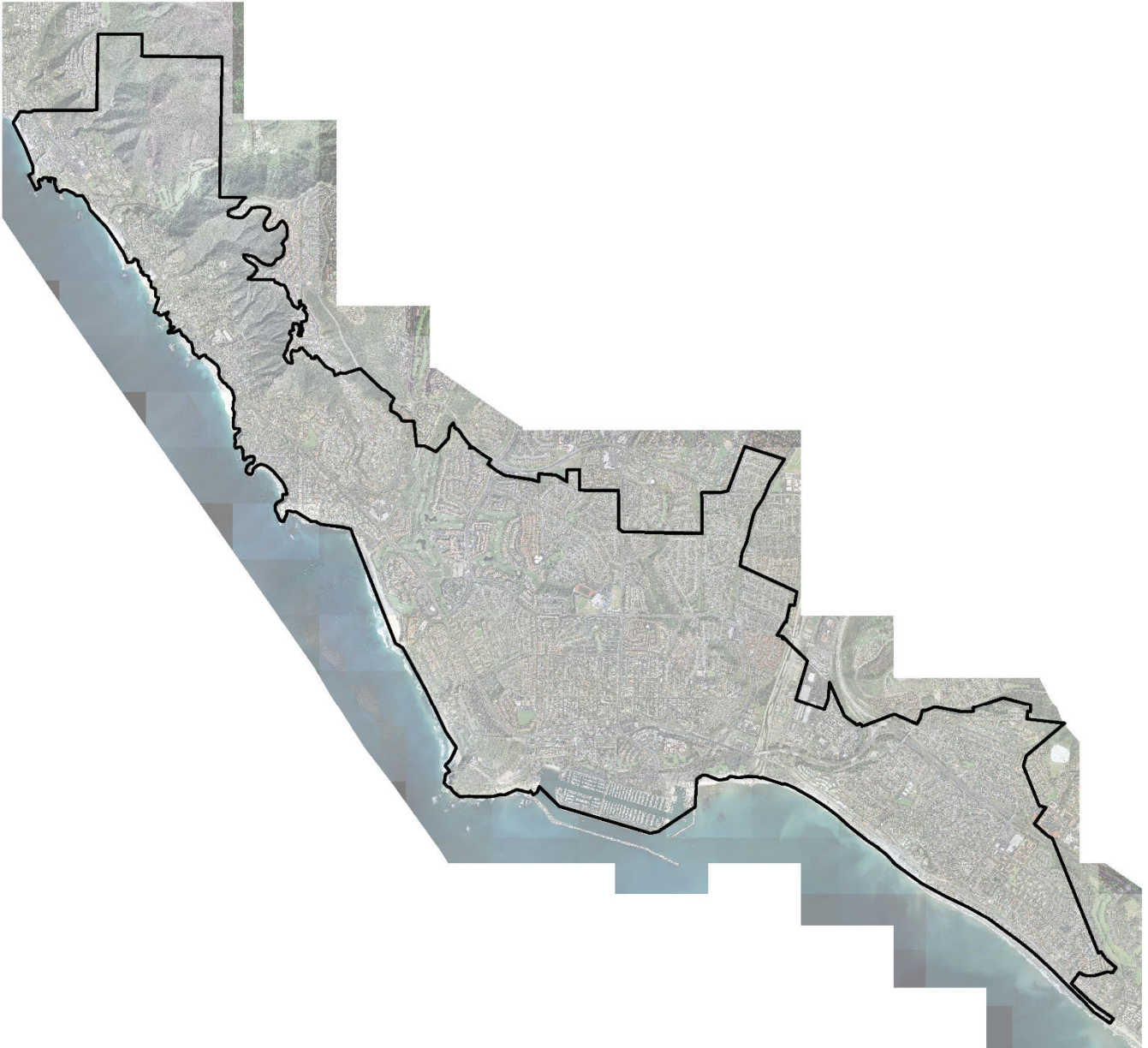
The Board of Directors are to be commended for their interest and support in conducting the financial operations of the District in a responsible and progressive manner.

Respectfully submitted,

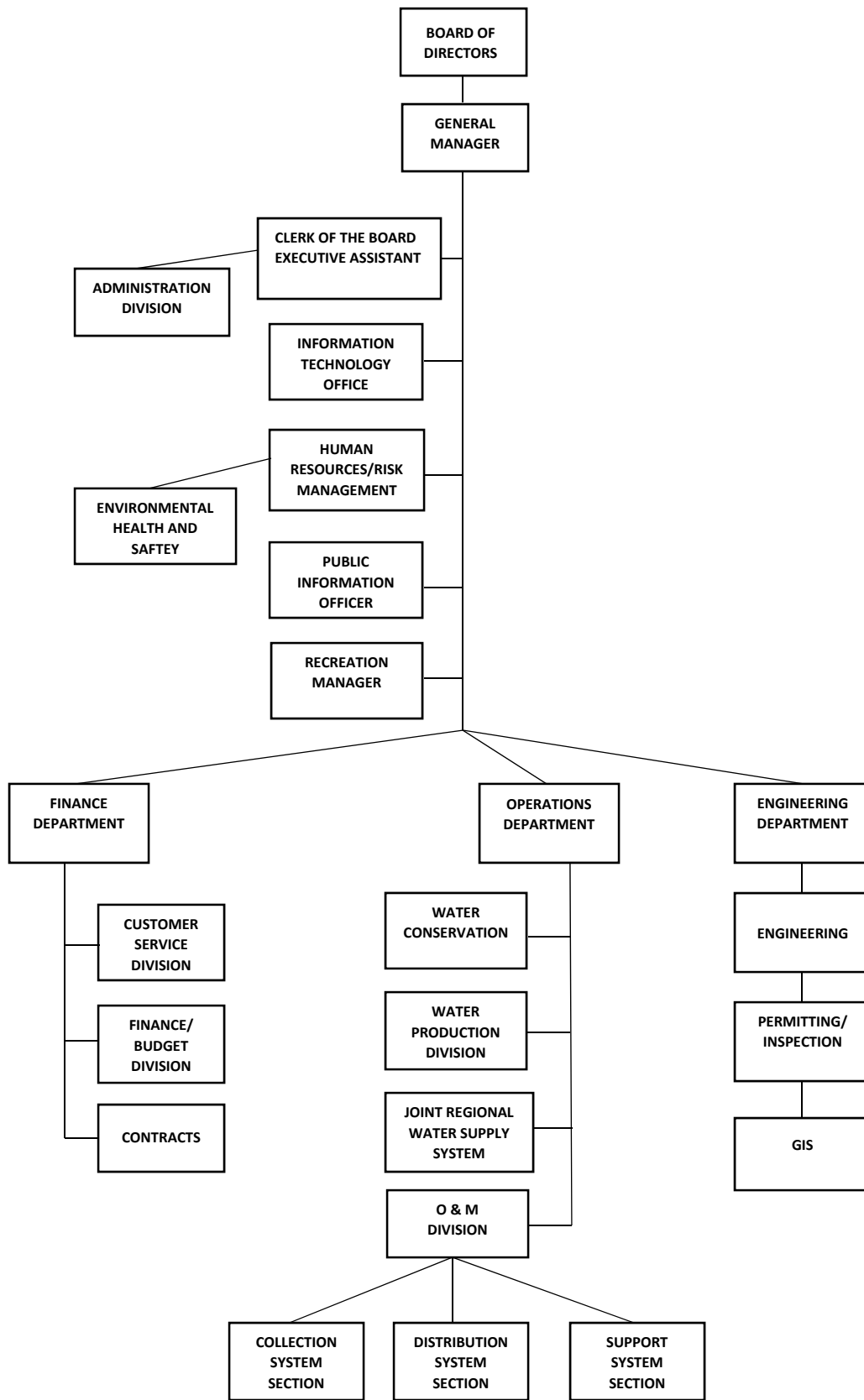


Pamela Arends-King
Chief Financial Officer

SOUTH COAST WATER DISTRICT SERVICE AREA



South Coast Water District – Organization Chart



South Coast Water District

Board of Directors



William Green
President



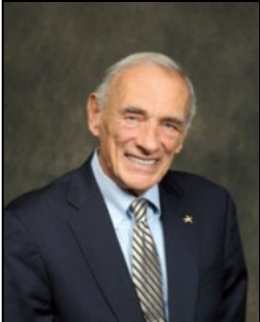
Dennis Erdman
Vice President



Rick Erkeneff
Director



Douglas Erdman
Director



Wayne Rayfield
Director

Executive Staff

General Manager
Chief Financial Officer
Chief Operations Officer
Chief Engineer

Rick Shintaku
Pamela Arends-King
Joseph McDivitt
Marc Serna



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Presented to

**South Coast Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

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INDEPENDENT AUDITORS' REPORT

Board of Directors
South Coast Water District
Laguna Beach, California

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the South Coast Water District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Coast District, as of June 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the net position as of July 1, 2018 was restated. Our opinions are not modified with respect to this matter.

Other Matters

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include all of the information required for a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2018, from which such partial information was derived.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of contributions - pension, schedule of changes in the net OPEB liability and related ratios, and schedule of contributions - OPEB, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, general expenses allocation by facilities, general expenses allocation by participants, and budget allocation factors by participants (supplementary information for JRWSS) and statistical section, as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

The supplementary information for JRWSS is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information for JRWSS is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 December 19, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

White Nelson Dick Evans LLP

Irvine, California
December 19, 2019

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SOUTH COAST WATER DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

The following discussion and analysis of the financial performance of the South Coast Water District (District) provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. This section should be read in conjunction with the basic financial statements, notes to the basic financial statements, and the Transmittal Letter in the Introductory Section of this report.

Financial Highlights

- Total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$170.6 million (net position), consisting of \$140.8 million in net investment in capital assets, \$20.7 million in restricted for debt service/covenants, and \$9.0 million in unrestricted net position. This is an increase of \$180,020 or 0.1% over the prior fiscal year restated net position of \$170.4 million.
- Total assets are \$257.1 million, an increase of \$29.4 million, or 12.9%, from the prior fiscal year. The increase in assets is primarily due to the increase in capital assets not being depreciated (construction in progress) for the Tunnel Rehabilitation and Sewer Pipeline Replacement project (Tunnel Project) and the Lift Station 2 Force Main Replacement project.
- Total liabilities are \$90.6 million, an increase of \$29.3 million, or 47.8%, from the prior fiscal year. This increase is primarily due to an increase in accounts payables (\$3.1 million), the issuance of the 2019A Revenue Bonds (\$25.9 million of new debt) to fund major capital projects, and an increase in funding from the State Resource Funding loan (\$1.6 million) to fund the Tunnel Project.
- Total operating revenues are \$34.3 million, an increase of \$1.8 million, or 5.6%, from the prior fiscal year. The primarily reason for the increase is due to the implementation of the third year of the adopted five-year rate increases.
- Total operating expenses are \$39.4 million, an increase of \$3.8 million, or 10.6%, from the prior fiscal year primarily due to the increase in operating expenses for the District's contribution for wastewater treatment to the South Orange County Wastewater Authority (SOCWA) of \$979,000; computer services for software implementation of \$546,459; writing off inventory of \$494,123; and an increase in repairs and maintenance of infrastructure throughout the District of \$1.1 million.
- Net income before capital contributions was \$9,489, down \$3.2 million, or 99.7%, from the prior fiscal year. Contributions to this decline were the above noted operating expensing items, plus non-operating expenses of \$5.7 million, \$3.8 million higher than fiscal year 2018. The major items impacting this increase were higher interest expense and one-time costs related to the disposal of impaired assets.

Required Financial Statements

The annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods like those used by private sector companies.

The financial statements consist of two funds, one for the District's activities and a private purpose trust fund for the Joint Regional Water Supply System (JRWSS). The District maintains its accounting records on an enterprise basis, as it is the intent of the Board of Directors that the costs of providing water and sewer services to customers of the District are financed primarily through user charges. Records for JRWSS are also maintained on an enterprise basis.

SOUTH COAST WATER DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

The Statement of Net Position includes all investments in resources (assets), deferred outflows of resources, obligations to creditors (liabilities), and deferred inflows of resources. This statement also provides the basis for computing a rate of return, evaluating the capital structure of the District, and assessing liquidity and financial flexibility.

The Statement of Revenues, Expenses, and Changes in Net Position accounts for all current year revenues and expenses. This statement measures the performance of operations over the past year and used to determine if the District has successfully recovered all its costs through its rates and other charges. Other uses for this statement are to evaluate profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period by reporting cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities. This statement provides answers to such questions as where cash came from, what was cash used for, and what was the change in cash balance during the reporting period.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements are on pages 23 through 55.

Financial Analysis of the District

One of the most important questions asked about District finances is, "Is the District better or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is like the accounting used by most private sector companies. All the current year's revenues and expenses are considered regardless of when the cash is received or paid.

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

The following condensed schedules contain summary financial information extracted from the basic financial statements to assist general readers in evaluating the District's overall financial position and results of operations as described in this Management's Discussion and Analysis (MD&A). Increases or decreases in these schedules can be used as performance indicators to assess whether overall financial position has improved or deteriorated. Other external factors such as changes in economic conditions, customer growth, and legislative mandates should also be considered as a part of this analysis.

SOUTH COAST WATER DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

Financial Position Summary

The Statement of Net Position reflects the District's financial position as of June 30, 2019. This statement includes assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position represents net worth including, but not limited to, capital contributions and investments in capital assets. A condensed summary of the District's total net position is set forth below:

	<u>2019</u>	<u>2018</u>	<u>\$ Change</u>	<u>% Change</u>
Assets:				
Current assets	\$ 60,049,653	54,344,998	\$ 5,704,655	10.5%
Capital assets:				
Not depreciable	62,640,034	40,542,192	22,097,842	54.5%
Being depreciated (net of accumulated depreciation)	126,449,085	124,624,205	1,824,880	1.5%
Other assets				
Investment in joint venture	7,951,147	8,219,287	(268,140)	-3.3%
Total assets	<u>257,089,919</u>	<u>227,730,682</u>	<u>29,359,237</u>	12.9%
Deferred outflows of resources:				
Deferred amounts on refunding, pension & OPEB	<u>4,922,884</u>	<u>5,531,177</u>	<u>(608,293)</u>	-11.0%
Liabilities:				
Current liabilities	11,465,539	8,026,333	3,439,206	42.8%
Non-current liabilities	<u>79,153,539</u>	<u>53,272,612</u>	<u>25,880,927</u>	48.6%
Total liabilities	<u>90,619,078</u>	<u>61,298,945</u>	<u>29,320,133</u>	47.8%
Deferred inflows of resources:				
Deferred amounts on pension & OPEB	<u>790,558</u>	<u>1,539,767</u>	<u>(749,209)</u>	-48.7%
Net position:				
Net investment in capital assets	140,811,169	121,807,991	19,003,178	15.6%
Restricted for debt service/covenants	20,748,829	457	20,748,372	4540125.2%
Unrestricted	<u>9,043,169</u>	<u>48,614,699</u>	<u>(39,571,530)</u>	-81.4%
Total net position	<u>\$ 170,603,167</u>	<u>\$ 170,423,147</u>	<u>\$ 180,020</u>	0.1%

SOUTH COAST WATER DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

As noted earlier, net position may serve as a useful indicator over time of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$170.6 million as of June 30, 2019. The net change between fiscal year (FY) 2019 and 2018 of \$180,020 reflects a decrease in the changes in net position of \$3.2 million primarily due to the increase in operating expenses; the increase in the loss on the disposal of capital assets of \$2.4 million; and the increase of Net position, beginning of year, as restated of \$3.4 million.

Assets increased \$29.4 million, or 12.9 %, from FY 2018. Cash and Investments decreased \$15.7 million from prior fiscal year primarily due to cash expended for the Tunnel Project and the delay in getting reimbursed from the California State Water Resources Board for the State Revolving Fund (SRF) loan to cover the costs of the Tunnel Project of \$17.7 million. The State's delay in reimbursing the District was due to a major software conversion. As the State was unable to determine when the District would receive the reimbursement for the costs incurred for the Tunnel Project and for ongoing costs, the District acquired a line of credit in July 2019 to help alleviate any possible cash flow issues. Cash and investments restricted by debt agreements increased \$20.7 million from FY 2018. The \$20.7 million are restricted bond proceeds from the issuance of revenue bonds in February 2019 to fund major capital projects. Capital assets not being depreciated increased \$22.1 million, or 54.5%, from the prior fiscal year due to increased activity on the Tunnel Project.

Liabilities increased \$29.3 million, or 47.8%, from FY 2018. The primary reason for the increase is due to the issuance of new debt totaling \$25.9 million through revenue bonds in February 2019, to fund major rehabilitation of the District's sewer lift stations and other major capital improvement projects with a useful life exceeding 15 years. Loans payable increased \$1.6 million from the prior fiscal year due to funding the Tunnel Project with an SRF loan. Accounts Payables increased \$3 million from FY 2018 due to costs incurred for the Tunnel Project. The net pension liability decreased \$547,647, and OPEB liability decreased \$312,758, reflecting the Districts ongoing funding of required costs.

By far the largest portion of the District's net position (82.5% as of June 30, 2019) reflects investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within its service area; consequently, these assets are *not* available for future spending.

For the year ended June 30, 2019, the District showed a positive balance in its unrestricted net position of \$9.0 million, which is a \$39.6 million decline from the prior fiscal year. This decline represents \$20.7 million restricted for debt service/covenants due to the new debt obligation noted above and the use of unrestricted net position for pay as you go capitalized capital projects of \$9.9 million

SOUTH COAST WATER DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

Activities and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position summarizes operations during the current fiscal year. A summary of the District's changes in net position for the fiscal year ended June 30, 2019 is included below:

	<u>2019</u>	<u>2018</u>	<u>Change</u>	
Revenues:				
Operating revenues:				
Water sales	\$ 17,518,158	16,415,394	\$ 1,102,764	6.7%
Sewer service charges	14,702,662	13,839,953	862,709	6.2%
Recycled water	1,770,840	1,907,580	(136,740)	-7.2%
Recreation facilities	294,177	291,564	2,613	0.9%
Total operating revenues	<u>34,285,837</u>	<u>32,454,491</u>	<u>1,831,346</u>	5.6%
Non-operating revenues:				
Investment income	1,412,028	353,704	1,058,324	299.2%
Property taxes - general and bond levy	6,558,495	6,332,296	226,199	3.6%
Standby charges	-	1,605	(1,605)	-100.0%
Rental income (net of expenses)	832,059	782,842	49,217	6.3%
Other revenues	2,044,497	819,595	1,224,902	149.5%
Total non-operating revenues	<u>10,847,079</u>	<u>8,290,042</u>	<u>2,557,037</u>	30.8%
Total revenues	<u>45,132,916</u>	<u>40,744,533</u>	<u>4,388,383</u>	10.8%
Expenses:				
Operating expenses:				
Source of supply (purchased water)	6,085,677	5,804,144	281,533	4.9%
Groundwater recovery facility	1,011,303	686,714	324,589	47.3%
Recycled water	942,374	621,481	320,893	51.6%
Pumping expense	1,111,566	1,101,671	9,895	0.9%
Sewer treatment plant	5,400,627	4,421,065	979,562	22.2%
Transmission and distribution	4,854,330	4,217,828	636,502	15.1%
Operations support	2,932,001	2,409,490	522,511	21.7%
Recreation facilities	294,565	365,952	(71,387)	-19.5%
Engineering and consulting	2,314,667	2,577,966	(263,299)	-10.2%
General and administrative	8,216,031	7,058,374	1,157,657	16.4%
Depreciation	6,259,702	6,384,604	(124,902)	-2.0%
Total operating expenses	<u>39,422,843</u>	<u>35,649,289</u>	<u>3,773,554</u>	10.6%
Non-operating expenses:				
Interest expense	2,294,818	1,337,020	957,798	71.6%
Loss on disposal of capital assets	2,430,233	12,354	2,417,879	19571.6%
Share of joint venture expenses	571,241	393,387	177,854	45.2%
Other expenses	404,292	124,755	279,537	224.1%
Total non-operating expenses	<u>5,700,584</u>	<u>1,867,516</u>	<u>3,833,068</u>	205.2%
Total expenses	<u>45,123,427</u>	<u>37,516,805</u>	<u>7,606,622</u>	20.3%
Income before capital contributions	9,489	3,227,728	(3,218,239)	-99.7%
Capital contributions	<u>757,263</u>	<u>745,969</u>	<u>11,294</u>	1.5%
Change in net position	<u>766,752</u>	<u>3,973,697</u>	<u>(3,206,945)</u>	-80.7%
Net position at beginning of year	170,423,147	169,143,596	1,279,551	0.8%
Adjustment for restatement	(586,732)	(2,694,146)	2,107,414	-78.2%
Net position at beginning of year, as restated	<u>169,836,415</u>	<u>166,449,450</u>	<u>3,386,965</u>	2.0%
Net position at end of year	\$ <u>170,603,167</u>	\$ <u>170,423,147</u>	\$ <u>180,020</u>	0.1%

SOUTH COAST WATER DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

The Statement of Revenues, Expenses, and Changes of Net Position details how net position changed during the fiscal year. The District's net position increased by \$180,020 for the fiscal year ended June 30, 2019. A closer examination of the sources of changes in net position reveals that:

- Water sales increased \$1.1 million (6.7%) from the prior fiscal year. The primary reason for the increase in revenue is due to the implementation of the third year of the five-year rate increase. Commodity sales remain fairly the same as FY 2018, therefore most of the revenue increase was due to increases in the fixed charges. The fixed service capacity charge increased \$332,910 and the Peak Demand charge increased \$692,439 from FY 2018.
- Sewer service charges increased \$862,709 (6.2%) from the prior fiscal year. The primary reason for the increase in revenue is due to the implementation of the third year of the five-year rate increase. The fixed sewer service charge for residential customers increased \$598,880 and the sewer commodity charge for commercial customers increased \$190,907 from FY 2018.
- Investment income increased \$1 million, or 299.2%, from FY 2018 primarily due to the increase in unrealized gain on investments of \$766,219. Interest income earned increased \$237,447 from the prior fiscal year primarily due to the increase in interest rates. The average yield the District received on investments in FY 2019 was 2% compared to 1.3% in FY 2018.
- Other revenues increased \$1.2 million (149.5%) from the prior fiscal year primarily due to the District receiving \$1.3 million for reimbursement of legal costs incurred regarding Moulton Niguel Water District (MNWD) vs SOCWA litigation. MNWD disputed its share of financial obligation for maintenance and operation of the coastal treatment plant known as Project Committee 15 (PC15). The District shared the legal costs of this litigation with the City of Laguna Beach, also a member of PC15. The court judgement ruled in favor of SOCWA, therefore MNWD was required to reimburse the City of Laguna Beach and the District for legal costs incurred.
- Sewer treatment plant expense increased \$979,000, or 22.2%, from the prior fiscal year due to the required contribution for the District's share of SOCWA's operation and maintenance costs for FY 2019.
- Overall operating expenses other than Sewer treatment plant increased \$2.7 million from FY 2018. Of that amount \$1.1 million represents the increase in expenses for repairs and maintenance for various areas of the District. This includes \$527,453 for recoating reservoirs; \$233,862 for repairs to the Ground Water Recovery Facility; and \$338,685 for repairs such as fencing, sewer lateral maintenance, landscaping and manhole maintenance. Computer services and software maintenance agreements increased \$546,459 from FY 2018 due to the acquisition and implementation of new finance software. The District incurred a one-time expense of \$494,123 to write off inventory. Staff determined that inventory balances were immaterial in relation to the amount of staff time needed to maintain it, therefore, departments will now acquire supplies and parts on an as needed basis.
- Total labor costs excluding benefits and overtime were \$10.4 million for FY 2019. Labor costs decreased \$812,836 from FY 2018 primarily due to vacant positions. Employees received a cost of living increase of 3.6% based on CPI for FY 2019. The average merit increase was 3%, therefore, the total average salary increase for employees was 6.6%.
- Interest expense increased \$957,798, or 71.6%, from the prior fiscal year due to issuance costs of \$325,314 for the 2019A revenue bonds issued in February 2019 and the interest expense for the 2019A revenue bonds of \$554,418.

SOUTH COAST WATER DISTRICT
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

- Loss on disposal of capital assets increased \$2.4 million from FY 2018 due to expensing construction in progress for the Ground Water Recovery Facility Water Well Head project. The project started approximately eight years ago and due to the annual fluctuations in water yield in the San Juan Basin it was determined it would not be effective to continue with the construction of the well head, pumps and piping and additional funding.
- The adjustment for restatement decreased \$2.1 million, or 78.2%, from the prior fiscal year. The FY 2018 adjustment for restatement to beginning Net Position of \$2.6 million was due to the implementation of GASB 75, which requires the OPEB liability is reported on the statement of Net Position. Before the implementation of GASB 75, this liability was disclosed as a note to the financial statements. The FY 2019 adjustment for restatement to beginning Net Position of \$586,732 is the correction of FY 2018 pension contributions subsequent to measurement date.

Capital Assets

Changes in capital asset amounts for FY 2019 were as follows:

	<u>Balance 2018</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2019</u>
Capital assets:				
Capital assets, not being depreciated	\$ 40,542,192	29,482,512	(7,384,670)	\$ 62,640,034
Capital assets, being depreciated	255,123,025	8,084,582	(92,835)	263,114,772
Less accumulated depreciation	<u>(130,498,820)</u>	<u>(6,259,702)</u>	<u>92,835</u>	<u>(136,665,687)</u>
Total capital assets, net	<u>\$ 165,166,397</u>	<u>\$ 31,307,392</u>	<u>\$ (7,384,670)</u>	<u>\$ 189,089,119</u>

At the end of FY 2019, the District’s investment in capital assets was \$189.1 million (net of accumulated depreciation). This investment in capital assets includes land, treatment systems, transmission and distribution systems, reservoirs, tanks, pumps, buildings and structures, equipment, vehicles, and construction-in-process, etc. Major capital assets projects in FY 2019 include:

- Planning and construction of phase 2 of the Tunnel Project.
- Planning and design for phase 3 of the Tunnel Project.
- Planning and construction for the Lift Station 2 Force Main Rehabilitation Project.
- Planning and construction for the Golden Lantern/Stonehill RW Bottleneck project.

Transfers/Deletions include completed construction in progress (capital assets, not being depreciated) to Capital assets, being depreciated of \$5 million and \$2.4 million due to expensing the Ground Water Recovery Facility Water Well Head project.

See Note 3 in the notes to the Basic Financial Statement for Additional information regarding capital assets.

SOUTH COAST WATER DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

Long-Term Liabilities

Changes in long-term debt amounts for the year ended June 30, 2019 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
2000 State Revolving Loan	\$ 846,156	\$ -	\$ (423,078)	\$ 423,078
2016 State Revolving Loan (Tunnel Project)	10,939,106	1,584,403		12,523,509
2010B Revenue Bonds (Build America Bonds)	19,350,000	-	(19,350,000)	-
2016A Refunding Revenue Bonds	11,585,000	-	(850,000)	10,735,000
2019A Revenue Bonds	-	41,680,000	-	41,680,000
Subtotal	42,720,262	43,264,403	(20,623,078)	65,361,587
Add (Less):				
2000 State Revolving Loan Discount	(125,669)	-	71,612	(54,057)
2010B Revenue Bonds Discount	(473,946)	-	473,946	-
2016A Refunding Revenue Bonds Premium	1,955,016	-	(119,390)	1,835,626
2019A Revenue Bonds Premium	-	3,701,350	(41,126)	3,660,224
Total	44,075,663	46,965,753	(20,238,036)	70,803,380
Compensated Absences	1,201,923	259,481	(166,377)	1,295,027
Total	\$ <u>45,277,586</u>	\$ <u>47,225,234</u>	\$ <u>(20,404,413)</u>	\$ <u>72,098,407</u>

The District issued \$41.7 million of revenue bonds in February 2019. The new debt refinanced the 2010B Revenue Bonds (Build America Bonds) a total of \$19.4 million and issued \$25 million of new money. The \$25 million in bond proceeds is intended to fund the Golden Lantern/Stonehill RW Bottleneck projects totaling \$8.6 million; the Lift Station 6 Improvements and Force Main Replacement project totaling \$3.2 million; improvements to Lift Station 11 totaling \$775,000; and Lift Station 2 Force Main Replacement project totaling \$3.4 million. The remainder of the bond proceeds will fund capital improvement projects for assets with a useful life exceeding twenty years. All other activity during the fiscal year consisted of scheduled debt payments, amortization, and compensated absence usage and accruals.

Additional information regarding long-term liabilities can be found in Note 4 in Notes to Basic Financial Statements.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders, and other interested parties with an overview of financial operations and condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District at 31592 West Street, Laguna Beach, California 92651 or the Finance Department at (949) 499-4555.

BASIC FINANCIAL STATEMENTS

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SOUTH COAST WATER DISTRICT

Statement of Net Position

June 30, 2019

(with prior year data for comparison purposes only)

	2019	2018
ASSETS		
Current assets:		
Cash and investments	\$ 34,978,676	\$ 50,674,217
Utility accounts receivable	1,947,701	2,027,467
Property taxes receivable	1,013,938	69,171
Accrued interest receivable	156,796	178,182
Other receivables	925,528	479,495
Prepaid expenses	270,320	414,686
Materials and supplies inventory	7,865	501,323
Cash and investments restricted by debt agreements	20,748,829	457
Total current assets	60,049,653	54,344,998
Noncurrent assets:		
Capital assets:		
Not being depreciated	62,640,034	40,542,192
Being depreciated (net of accumulated depreciation)	126,449,085	124,624,205
Net capital assets	189,089,119	165,166,397
Other assets:		
Investment in joint venture	7,951,147	8,219,287
Total noncurrent assets	197,040,266	173,385,684
Total assets	257,089,919	227,730,682
DEFERRED OUTFLOWS OF RESOURCES		
Deferred refunding charges	1,776,601	716,800
Pension contributions subsequent to measurement date	1,053,692	1,436,610
Pension related	1,455,169	2,760,767
OPEB contributions subsequent to measurement date	637,422	617,000
Total deferred outflows of resources	4,922,884	5,531,177

See accompanying notes to the basic financial statements

SOUTH COAST WATER DISTRICT

Statement of Net Position

June 30, 2019

(with prior year data for comparison purposes only)

(Continued)

	2019	2018
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 7,921,201	\$ 4,862,232
Accrued salaries and benefits	396,191	373,916
Advances from developers	222,728	195,784
Customer deposits	159,197	158,462
Accrued interest payable	768,532	517,738
Current portion of loans payable, net	423,078	423,078
Current portion of bonds payable, net	880,000	850,000
Current portion of compensated absences	694,612	645,123
Total current liabilities	11,465,539	8,026,333
Noncurrent liabilities:		
Loans payable, net	12,469,452	11,236,515
Bonds payable, net	57,030,850	31,566,070
Compensated absences	600,415	556,800
Net pension liability	6,961,317	7,508,964
Net OPEB liability	2,091,505	2,404,263
Total noncurrent liabilities	79,153,539	53,272,612
Total liabilities	90,619,078	61,298,945
DEFERRED INFLOWS OF RESOURCES		
Pension related	609,782	1,368,335
OPEB related	180,776	171,432
Total deferred inflows of resources	790,558	1,539,767
NET POSITION		
Net investment in capital assets	140,811,169	121,807,991
Restricted for debt service/covenants	20,748,829	457
Unrestricted	9,043,169	48,614,699
Total net position	\$ 170,603,167	\$ 170,423,147

See accompanying notes to the basic financial statements

SOUTH COAST WATER DISTRICT

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2019

(with prior year data for comparison purposes only)

	2019	2018
Operating revenues:		
Water sales	\$ 17,518,158	\$ 16,415,394
Sewer service charges	14,702,662	13,839,953
Recycled water	1,770,840	1,907,580
Recreation facilities	294,177	291,564
Total operating revenues	34,285,837	32,454,491
Operating expenses:		
Source of supply (purchased water)	6,085,677	5,804,144
Groundwater recovery facility	1,011,303	686,714
Recycled water	942,374	621,481
Pumping expense	1,111,566	1,101,671
Sewer treatment plant	5,400,627	4,421,065
Transmission and distribution	4,854,330	4,217,828
Operations support	2,932,001	2,409,490
Recreation facilities	294,565	365,952
Engineering and consulting	2,314,667	2,577,966
General and administrative	8,216,031	7,058,374
Depreciation	6,259,702	6,384,604
Total operating expenses	39,422,843	35,649,289
Income (Loss) from operations	(5,137,006)	(3,194,798)
Non-operating revenues (expenses):		
Property taxes – general and bond levy	6,558,495	6,332,296
Standby charges	-	1,605
Investment income	1,412,028	353,704
Other revenues	2,044,497	819,595
Rental income	832,059	782,842
Interest expense	(2,294,818)	(1,337,020)
Gain (loss) on disposal of capital assets	(2,430,233)	(12,354)
Share of joint venture income (expenses)	(571,241)	(393,387)
Other expenses	(404,292)	(124,755)
Total non-operating revenues (expenses)	5,146,495	6,422,526
Income before capital contributions	9,489	3,227,728
Capital contributions:		
Capital grant	-	506
Contributed assets	270,639	160,916
Connection fees	486,624	584,547
Total capital contributions	757,263	745,969
Change in net position	766,752	3,973,697
Net position at beginning of the year	170,423,147	169,143,596
Prior period adjustments	(586,732)	(2,694,146)
Net position at beginning of the year, as restated	169,836,415	166,449,450
Net position at end of the year	\$ 170,603,167	\$ 170,423,147

See accompanying notes to the basic financial statements

SOUTH COAST WATER DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2019

(with prior year data for comparison purposes only)

	2019	2018
Cash flows from operating activities:		
Cash received from customers	\$ 33,920,305	\$ 33,433,174
Cash payments to employees for services	(10,444,693)	(9,717,437)
Cash payments to suppliers for goods and services	(19,434,529)	(19,217,374)
Standby charges received	-	1,605
Rental income received	832,059	782,842
Other expenses	(404,292)	(124,755)
Other operating revenues	2,044,497	819,595
Net cash provided by operating activities	6,513,347	5,977,650
Cash flows from noncapital financing activities:		
Proceeds from property taxes, general levy	5,613,728	6,342,800
Net cash provided by noncapital financing activities	5,613,728	6,342,800
Cash flows from capital and related financing activities:		
Acquisitions and construction of capital assets	(32,359,603)	(15,909,987)
Proceeds from capital grant	-	506
Proceeds from sale of capital assets	17,585	14,751
Proceeds from bond issuance	45,381,351	-
Proceeds from loan	1,325,635	10,939,106
Repayment of loans and bonds	(1,273,078)	(1,630,391)
Payment made to refunding escrow agent	(20,036,131)	-
Interest paid	(1,656,900)	(1,697,216)
Receipt of interest subsidy	208,330	378,921
Payments for cost of bond issuance	(325,314)	-
Water and sewer connection fees received	486,624	584,547
Receipts (return) of customer deposits and developer advances	26,944	41,611
Net cash used for capital and related financing activities	(8,204,557)	(7,278,152)
Cash flows from investing activities:		
Investment redemptions and sales	9,067,892	15,859,642
Investment purchases	(4,592,004)	(17,690,859)
Interest income received	955,563	587,869
Payments to joint venture	(303,101)	(127,390)
Net cash provided (used) by investing activities	5,128,350	(1,370,738)
Total increase in cash and cash equivalents	9,050,868	3,671,560
Cash and cash equivalents at beginning of year, as originally reported	28,097,515	24,601,831
Prior period adjustment	-	(175,876)
Cash and cash equivalents at beginning of year, as restated	28,097,515	24,425,955
Cash and cash equivalents at end of year	\$ 37,148,383	\$ 28,097,515

See accompanying notes to the basic financial statements

SOUTH COAST WATER DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2019
(with prior year data for comparison purposes only)
(Continued)

	2019	2018
Reconciliation of loss from operations to net cash provided by operating activities:		
Income (loss) from operations	\$ (5,137,006)	\$ (3,194,798)
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:		
Operating activities:		
Depreciation	6,259,702	6,384,604
Rental income received	832,059	782,842
Standby charges and other revenues	-	1,605
Other revenues (expenses)	1,640,205	694,840
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Decrease (increase) in utility accounts receivable	79,766	30,314
Decrease (increase) in other receivables	(446,033)	950,315
Decrease (increase) in prepaid expenses	144,366	(156,139)
Decrease (increase) in inventory	493,458	(46,532)
Decrease (increase) in other assets	-	144,816
Decrease (increase) in deferred outflows of resources	1,081,361	2,936,290
Increase (decrease) in accounts payable	3,058,969	770,517
Increase (decrease) in accrued salaries and benefits	22,275	38,192
Increase (decrease) in deposits payable	735	(1,946)
Increase (decrease) in compensated absences	93,104	(185,038)
Increase (decrease) in net pension liability	(547,647)	(3,566,532)
Increase (decrease) in net OPEB liability	(312,758)	210,533
Increase (decrease) in deferred inflows of resources	(749,209)	183,768
Net cash provided by operating activities	\$ 6,513,347	\$ 5,977,651
 Reconciliation of cash and cash equivalents to statement of net position:		
Cash and investments	\$ 34,978,676	\$ 50,674,217
Cash and investments restricted by debt agreements	20,748,829	457
Less investments with maturities greater than 3 months	(18,579,122)	(22,577,159)
Cash and cash equivalents	\$ 37,148,383	\$ 28,097,515
 Supplemental disclosure of noncash capital and related financing and investing activities:		
Share of joint venture revenues (expenses)	\$ (571,241)	\$ (393,387)
Contributed assets from developers	\$ 270,639	\$ 160,916
Gain (loss) on disposal of capital assets	\$ (2,447,818)	\$ -

See accompanying notes to the basic financial statements

SOUTH COAST WATER DISTRICT

Statement of Fiduciary Net Position - Private Purpose Trust Fund

June 30, 2019

(with prior year data for comparison purposes only)

ASSETS	Joint Regional Water Supply System (JRWSS) Trust	
	2019	2018
Current assets:		
Cash and investments	\$ 3,604,936	\$ 3,349,559
Accounts receivable:		
Water	77,268	37,721
Other	396,277	100,058
Prepaid expenses and deposits	22,844	8,717
Total current assets	4,101,325	3,496,055
Noncurrent assets:		
Capital assets:		
Not being depreciated	3,274,420	2,567,117
Being depreciated (net of accumulated depreciation)	24,969,255	25,801,655
Net capital assets	28,243,675	28,368,772
Total noncurrent assets	28,243,675	28,368,772
Total assets	32,345,000	31,864,827
LIABILITIES		
Current liabilities:		
Accounts payable	1,266,473	787,899
Accrued salaries and benefits	65,718	53,110
Total current liabilities	1,332,191	841,009
Noncurrent liabilities:		
Capital deposits	3,490,711	1,795,477
Total noncurrent liabilities	3,490,711	1,795,477
Total liabilities	4,822,902	2,636,486
NET POSITION		
Held in trust	\$ 27,522,098	\$ 29,228,341

See accompanying notes to the basic financial statements

SOUTH COAST WATER DISTRICT

Statement of Changes in Fiduciary Net Position - Private Purpose Trust Fund

For the Year Ended June 30, 2019

(with prior year data for comparison purposes only)

Additions	Joint Regional Water Supply System (JRWSS) Trust	
	2019	2018
Contributions:		
Water sales and charges	\$ 170,111	\$ 143,222
Maintenance and operation advances	1,801,224	1,770,032
Investment income	32,858	32,460
Participant contributions for projects	353,863	450,028
Property taxes	1,574,639	1,509,001
Miscellaneous	720	840
Total additions	3,933,415	3,905,583
Deductions		
Water purchases	170,116	143,365
Direct operating expenses	2,294,886	2,027,879
General and administrative expenses	333,559	463,999
Depreciation	1,186,262	1,201,960
Interest expense	-	12,917
Refunds to participants	1,654,835	1,629,809
Total deductions	5,639,658	5,479,929
Change in net position	(1,706,243)	(1,574,346)
Net position at beginning of year	29,228,341	30,802,687
Net position at end of year	\$ 27,522,098	\$ 29,228,341

See accompanying notes to the basic financial statements

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SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Description of Reporting Entity

South Coast Water District (the District) was formed in 1932 under the California Water Code. The District serves an area of approximately 8.8 square miles, encompassing the City of Dana Point, and portions of the Cities of Laguna Beach, San Clemente, and San Juan Capistrano.

Effective July 1, 1976, the District was designated as successor to the South Laguna Sanitary District for the purpose of succeeding to all rights, duties and obligations of the South Laguna Sanitary District under Orange County Reorganization No. 31. These functions are performed by the District under the title of the South Coast Water District Improvement District No. 1-S. The Improvement District serves an area of approximately 2,750 acres located within the water operation boundaries.

In February 1997, the District entered into an agreement for the District-served Laguna Sur/Monarch Point Community to be annexed by the Moulton Niguel Water District (the Reorganization RO 96-05). This reorganization was effective July 1, 1997.

In June 1998, the District was the primary filing applicant in a request for consolidation filed with the Local Agency Formation Commission of Orange County (LAFCO). In October 1998, LAFCO adopted resolution RO 97-18, effective January 1, 1999, which provided for the consolidation of the District and Capistrano Beach Water District, and the dissolution of the Dana Point Sanitary District. The District was the successor agency to this consolidation.

Following the consolidation, the District established four separate financial zones, each separately accounting for assets, reserves, bond obligations and operations. Rates, charges and assessments for water and sewer services varied between financial zones. Based on a Financial Equalization Study, completed in 2002, the District implemented an Asset Equalization Charge and no longer maintained separate accounting by service area.

On July 1, 1999, a portion of the service area of the District that is within the City of Laguna Beach was annexed by the City for delivery of services. The agreement between the District and the City of Laguna Beach provides for the District to continue to provide both water and sewer service to this area for several years. The agreement provides for annual extensions of services unless terminated by either party.

Effective March 31, 2000, in accordance with LAFCO resolution (RO 99-07), the District was designated the contract operator for future operations and maintenance of the system and facilities of the former Tri-Cities Municipal Water District (TCMWD), which was legally consolidated with the Coastal Municipal Water District, the successor agency. Certain assets of TCMWD, other than operating and other cash reserves, were transferred over to the participating agencies, equal to their respective ownership percentages. The remaining net assets were assigned to the District to be held in trust and used for the benefit of the agreement participants. The succeeding agency became the Joint Regional Water Supply System (JRWSS). See Note 6.

The District's water supply is purchased from the Metropolitan Water District through the Municipal Water District of Orange County.

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A. Organization and Description of Reporting Entity (Continued)

The financial statements present the District and its component units. The District is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the District appoints a voting majority on the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the District.

The District's reporting entity includes the South Coast Water District Financing Authority (the Financing Authority), a California nonprofit public benefit corporation, formed for the purpose of providing financial assistance to the District. Although the District and the Financing Authority are legally separate entities, the District's Board of Directors is financially responsible for the Financing Authority and, therefore, the accompanying financial statements include the accounts and records of the Financing Authority using the blending method as required by accounting principles generally accepted in the United States of America. There are no separate financial statements for the Financing Authority.

The South Coast Water District owns and operates the Dana Hills Tennis Center (Tennis Center). The Tennis Center operates tennis courts and related facilities, charging fees to the public.

B. Basis of Accounting, Measurement Focus, and Financial Statement Presentation

Proprietary Fund

The District's activities are reported in an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to business enterprises, where the intent of providing goods and services to the general public on a continuing basis is financed or recovered primarily through user charges.

The basic financial statements are prepared using the *economic resource measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) associated with the District's activities 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 when earned while expenses are recognized when the liability is incurred regardless of the timing of cash flow.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, delivering water, and collecting, treating and disposing of wastewater in connection with the District's principal ongoing operations. The District's principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Capital contributions are reported as a separate line item in the Statement of Revenues, Expenses, and Changes in Net Position.

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

B. Basis of Accounting, Measurement Focus, and Financial Statement Presentation (Continued)

Fiduciary Fund

The fiduciary fund financial statements include the Statement of Fiduciary Net Position - Private Purpose Trust Fund and the Statement of Changes in Fiduciary Net Position - Private Purpose Trust Fund and is accounted for using the *economic resources measurement focus* and *accrual basis of accounting*. The statements reflect the activities of the JRWSS that are held in trust.

C. Joint Powers Agreements

The District is a participant in both the South Orange County Wastewater Authority (SOCWA) and the San Juan Basin Authority (SJBA) for the purposes of (1) operating and maintaining wastewater delivery, treatment and disposal facilities and (2) management of regional groundwater and recycled water facilities.

South Orange County Wastewater Authority (a California Joint Powers Authority)

The District is a member of SOCWA, which collects, treats, beneficially reuses and disposes of wastewater in South Orange County. SOCWA operates four wastewater treatment plants (WWTP) in the region. SOCWA has ten member agencies, including three cities, six water districts, and one community services district, which appoints representatives to the Board of Directors. The Board of Directors controls the operations of SOCWA, including selection of management and approval of the annual budget. SOCWA has project committees through which member agencies participate in financially supporting operations and capital investment at various levels, depending on their capacity rights. Each WWTP is a project, as well as various other physical facilities such as outfall pipelines.

The District deposits money with SOCWA to cover its share of operations and for capital in the project committees in which it participates. The District has no equity interest in SOCWA and does not receive a share of operating results. Construction deposits made to SOCWA for capital projects are recorded as capital assets.

To obtain complete financial information from SOCWA please contact SOCWA's Finance Controller at 34156 Del Obispo Street, Dana Point, CA 92629.

San Juan Basin Authority (a California Joint Powers Authority)

The District is also a member of the SJBA, which is a joint powers authority formed to secure and develop water rights for its member agencies. It currently has permits for usage of the San Juan Groundwater Basin as an underground storage reservoir. Its Board of Directors consists of representatives from member agencies that govern SJBA. The Board of Directors oversees contracts and approves the annual budget. SJBA has project committees that member agencies participate in financially at various levels based upon ownership or usage. The District deposits money with SJBA to cover its share of costs in the respective projects.

The District has no equity interest in SJBA and does not receive a share of operating results. Construction deposits made to SJBA for capital projects are recorded as capital assets.

To obtain complete financial information from SJBA contact South Coast Water District's Chief Financial Officer.

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D. New Accounting Pronouncements

Current Year Standards

GASB 83 - *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018, and did not impact the District.

GASB 88 - *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for periods beginning after June 15, 2018, and did not significantly impact the District.

Pending Accounting Standards

GASB has issued the following statements, which may impact the District's financial reporting requirements in the future:

- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.
- GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.
- GASB 90 - *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for periods beginning after December 15, 2018.
- GASB 91 - *Conduit Debt Obligations*, effective for periods beginning after December 15, 2020.

E. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

F. Cash and Investments

Investments are carried at fair value. In the financial statements, changes in fair value that occur during a fiscal year are recognized as *investment income* reported for the fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

G. Materials and Supplies Inventory

Inventories of materials and supplies are valued at the lower of cost or market using the first-in, first-out method.

H. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

I. Allowance for Doubtful Accounts

An allowance for doubtful accounts has not been established for utility accounts receivable, as District management believes all amounts are collectible. Accounts having balances outstanding over 60 days are not significant for the fiscal year ended June 30, 2019.

J. Revenue Recognition

Revenues are recognized when earned and recorded as meters are read. Metered water accounts are read and billed bi-monthly on 30-day cycles. Residential wastewater customers fixed charges are included on their property tax bills. Commercial wastewater customers fixed charges are billed on a monthly basis. In certain areas of the District, the wastewater billing is handled by another water utility agency but is estimated and accrued as revenues by the District each month. These third-party collections are forwarded to the District monthly, based on actual receipts. Unbilled water and wastewater charges are accrued for the period from the last meter reading through year-end and are included in accounts receivable. Unbilled accounts receivable amounted to \$750,159 at June 30, 2019.

K. Compensated Absences

The District has a policy whereby employees can accumulate sick leave and vacation. The sick leave is to be used for extended periods of sickness. Upon an employee's termination or retirement, a portion of the earned and accrued benefits will be paid out in cash. Upon completion of employment, employees with three years or more service will be paid for 50% of the then unused sick leave at regular payroll rates in effect at the date of the termination. The District has accounted for these future benefits by accruing the following unused sick leave and vacation costs, which are included in compensated absences in the accompanying statement of net position:

Unused sick leave	\$	682,819
Unused vacation		612,208
		<u>1,295,027</u>

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

L. Capital Assets

Capital assets are stated at cost with an initial cost of \$5,000 or more. Contributed capital assets are recorded at acquisition value as of date received and consist primarily of potable water, recycled water, and sewer systems contributed by real estate developers. Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of capital assets as follows:

Tract facilities, reservoirs, transmission connections, recreation facilities, collection lines, and administrative building	50 years
Conservation facilities, reclamation terminals, intangible plant, source of supply, pumping plants, and sewer connections	40 years
Groundwater recovery facility	30 years
Collection system	33 years
Meters	12 years
Power operated equipment, office furniture, and automotive	10 years
Tools and computer hardware	5 years
Computer software	3-5 years

M. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The District has the following items that qualify for reporting in this category:

- Deferred outflows related to the deferred charge on refunding of long-term debt. Deferred charges on refunding result from the difference between the carrying value of the refunded debt and its reacquisition price. These amounts are deferred and amortized over the shorter of the life of the refunded debt or the new issuance.
- Deferred outflows related to the pension and OPEB plan equal to employer contributions made after the measurement date of the net pension liability and net OPEB liability, respectively.
- Deferred outflows related to the pension plan for differences between expected and actual experience. These amounts are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plan.
- Deferred outflows related to the pension plan resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plan.
- Deferred outflows related to the pension plan resulting from the difference in projected and actual earnings on plan investments. These amounts are amortized over five years.
- Deferred outflows related to the pension plan for the changes in proportion and differences between employer contributions and the proportionate share of contributions. These amounts are amortized over a closed period equal to the average expected remaining services lives of all employees that are provided with pensions through the plans.

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

M. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

- Deferred inflows related to the pension plan for differences between expected and actual experience. These amounts are amortized over a closed period equal to the average expected remaining services lives of all employees that are provided with pensions through the plan.
- Deferred inflows related to the pension plan resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining services lives of all employees that are provided with pensions through the plan.
- Deferred inflows related to the pension plan for the changes in proportion and differences between employer contributions and the proportionate share of contributions. These amounts are amortized over a closed period equal to the average expected remaining services lives of all employees that are provided with pensions through the plans.
- Deferred inflows related to the OPEB plan resulting from the difference in projected and actual earnings on plan investments. These amounts are amortized over five years.

N. Net Position Flow Assumption

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

O. Property Taxes

Property tax in California is levied in accordance with Article XIII A of the State Constitution at 1% of countywide assessed valuations. Property taxes collected by the levying agency are placed in a pool, and then allocated to the local governmental units. Property tax revenue is recognized in the fiscal year in which taxes are levied.

The property tax calendar is as follows:

Lien date:	January 1
Levy date:	July 1
Due date:	First installment - November 10 Second installment - February 10
Delinquent date:	First installment - December 10 Second installment - April 11

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

P. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to the District's OPEB and OPEB expense, information about the fiduciary net position of its OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position has been determined on the same basis as they are reported by the plan. For this purpose, the District's OPEB plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

R. Use of Estimates

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

S. Prior Year Data

Certain amounts presented in the prior year financial statements have been reclassified in order to be consistent with current year's presentation. Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's prior year financial statements, from which this selected financial data was derived.

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 2 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 34,978,676
Restricted cash and investments	20,748,829
Statement of Fiduciary Net Position:	
Cash and investments	3,604,936
Total cash and investments	<u>\$ 59,332,441</u>

Cash and investments as of June 30, 2019 consist of the following:

Cash on hand	\$ 1,600
Deposits with financial institutions - District	879,019
Deposits with financial institutions - JRWSS	2,006,999
Investments	35,695,994
Investments held by bond fiscal agents	20,748,829
Total cash and investments	<u>\$ 59,332,441</u>

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

The table on the following page identifies investment types available to the District as authorized by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. The District's investment policy also contains certain allocation goals or targets that are viewed to be general guidelines to promote diversification, rather than restrictions. The District determines conformity to any percentage limitations or guidelines contained in its investment policy, or the California Government Code, by comparing the specified investment balance as of a given date to the total par value of the District's cash and investment portfolio as of the beginning of the fiscal year containing that date.

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

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by the California Government Code and the District's Investment Policy (Continued)

Investment Types Authorized by State Law or the District's Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
Municipal Bonds	5 years	30%	5%
U.S. Treasury Obligations	5 years	None	None
Federal Agency Securities	5 years	None	25%
Banker's Acceptances	180 days	40%	5%
Commercial Paper	270 days	25%	5%
Negotiable Certificates of Deposit	5 years	30%***	5%**
Certificates of Deposit Placement Service	5 years	30%***	N/A
Repurchase Agreements	1 year	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$65,000,000
Medium-Term Corporate Notes	5 years	30%	5%
Mortgage Pass-Through Securities	5 years	20%	5%
Money Market Mutual Funds	N/A	20%	None
Supranational Securities	5 years	30%	10%
Local Government Investment Pools (CAMP)	N/A	None	None

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

** Allowed up to FDIC limit.

***The 30% maximum percentage of portfolio is applicable to negotiable certificates of deposit and certificates of deposit placement service in aggregate.

N/A - Not Applicable

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table, which shows the distribution of the District's investments by maturity as of June 30, 2019.

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk (Continued)

Investment Type	Remaining Maturity (in Months)				Total
	6 Months or Less	7 to 12 Months	13 to 24 Months	25 to 60 Months	
Money Market Mutual Funds	\$ 874,374	\$ -	\$ -	\$ -	\$ 874,374
U.S. Treasury Obligations	997,575	497,385	2,486,485	1,895,420	5,876,865
Medium-Term Corporate Notes	299,355	898,062	2,325,404	1,687,334	5,210,155
Federal Agency Securities	2,710,002	1,493,770	1,360,024	2,029,885	7,593,681
Commercial Paper	249,705	-	-	-	249,705
Supranational Securities	499,460	498,975	850,007	276,463	2,124,905
CAMP	3,101,288	-	-	-	3,101,288
LAIF	9,067,084	-	-	-	9,067,084
Held by JRWSS Trust:					
Money Market Mutual Funds	1,597,937	-	-	-	1,597,937
Held by Bond Trustee:					
Money Market Mutual Funds	20,748,829	-	-	-	20,748,829
Total	<u>\$ 40,145,609</u>	<u>\$ 3,388,192</u>	<u>\$ 7,021,920</u>	<u>\$ 5,889,102</u>	<u>\$ 56,444,823</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by, where applicable, the California Government Code, the District's investment policy, or debt agreements and Standard and Poor's actual rating as of year-end for each investment type:

Investment Type	Total	Minimum Legal Rating	Minimum Rating				Not Rated/ Exempt
			AAA	AA +/-	A +/-	A-1 +/-	
Money Market Mutual Funds	\$ 874,374	AAA	\$ 874,374	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Obligations	5,876,865	N/A	-	-	-	-	5,876,865
Medium-Term Corporate Notes	5,210,155	A	-	1,202,256	4,007,899	-	-
Federal Agency Securities	7,593,681	N/A	-	7,593,681	-	-	-
Commercial Paper	249,705	A-1	-	-	-	249,705	-
Supranational Securities	2,124,905	N/A	2,124,905	-	-	-	-
CAMP	3,101,288	N/A	3,101,288	-	-	-	-
LAIF	9,067,084	N/A	-	-	-	-	9,067,084
Held by JRWSS Trust:							
Money Market Mutual Funds	1,597,937	AAA	1,597,937	-	-	-	-
Held by Bond Trustee:							
Money Market Mutual Funds	20,748,829	AAA	20,748,829	-	-	-	-
Total	<u>\$ 56,444,823</u>		<u>\$ 28,447,333</u>	<u>\$ 8,795,937</u>	<u>\$ 4,007,899</u>	<u>\$ 249,705</u>	<u>\$ 14,943,949</u>

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. 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 and CAMP).

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2019, all of the District's deposits were insured or collateralized as required by California Law.

For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the District.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Investment in California Asset Management Program (CAMP)

The District invests in CAMP, an investment trust, which is similar to a money market mutual fund. The fund invests, primarily, in certificates of deposit, commercial paper, and U.S. Government and Agency obligations. The District is a voluntary participant in the investment pool.

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investment in California Asset Management Program (CAMP) (Continued)

The CAMP Cash Reserve Portfolio (the Pool) is exempt from registration with the Securities and Exchange Commission (SEC) under the Investment Company Act of 1940, but operates in a manner consistent with SEC Rule 2a-7, “Money Market Funds”, of that Act. Accordingly, the Pool meets the definition of a “2a7-like pool” set forth in GASB Statement No. 31, “Accounting and Financial Reporting for Certain Investments and External Investment Pools”. While the Pool itself is exempt from SEC registration, the Pool’s investment advisor and administrator, PFM Asset Management, LLC, is registered with the SEC as an investment advisor under the Investment Advisors Act of 1940. PFM Asset Management, LLC has also filed a notice with the California Department of Corporations, as well as various other states, as an investment advisor under state securities laws.

In addition, the Pool also meets the definition of “Municipal Fund Security” outlined by Municipal Securities Rulemaking Board (MSRB) Rule 0-12. Contracts with prospective investors relating to shares of the Pool are entered into through PFM Asset Management’s wholly-owned subsidiary, PFMAM, Inc., a broker-dealer which is registered with the SEC and MSRB, and is a member of the National Association of Securities Dealers. The Pool also files an income tax return annually with the Internal Revenue Service, though the net income of the Pool is generally exempt from federal income tax.

Fair Value Measurement

The District categorizes its fair value measurement of investments utilizing the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of each asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the assets and liabilities through corroboration with market data; and Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2019:

	Fair Value	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3
Investment Type (Subject to Hierarchy):				
U.S. Treasury Obligations	\$ 5,876,865	\$ -	\$ 5,876,865	\$ -
Medium-Term Corporate Notes	5,210,155	-	5,210,155	-
Federal Agency Securities	7,593,681	-	7,593,681	-
Commercial Paper	249,705	-	249,705	-
Supranational	2,124,905	-	2,124,905	-
Total Subject to Hierarchy	<u>21,055,311</u>	<u>\$ -</u>	<u>\$ 21,055,311</u>	<u>\$ -</u>
Uncategorized (Not Subject to Hierarchy):				
Money Market Mutual Funds	874,374			
LAIF	9,067,084			
CAMP	3,101,288			
Held by JRWSS Trust:				
Money Market Mutual Funds	1,597,937			
Held by Bond Trustee:				
Money Market Mutual Funds	20,748,829			
Total Investment Portfolio	<u>\$ 56,444,823</u>			

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 3 - CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2019 were as follows:

	Balance at June 30, 2018	Additions	Deletions/ Transfers	Balance at June 30, 2019
Capital assets, not depreciated:				
Land	\$ 2,053,609	\$ -	\$ -	\$ 2,053,609
Construction in progress	38,488,583	29,482,512	(7,384,670)	60,586,425
Total capital assets, not depreciated	<u>40,542,192</u>	<u>29,482,512</u>	<u>(7,384,670)</u>	<u>62,640,034</u>
Capital assets, being depreciated:				
Intangible plant	36,027,481	74,899	-	36,102,380
Source of supply	21,700,775	-	-	21,700,775
Pumping plant	17,734,369	180,039	-	17,914,408
Treatment plants	41,254,973	5,278,367	-	46,533,340
Transmission and distribution	75,945,233	1,695,721	-	77,640,954
Sewer collection system	41,561,668	-	-	41,561,668
General plant	19,623,664	855,556	(92,835)	20,386,385
Recreation facilities	1,274,862	-	-	1,274,862
Total capital assets, being depreciated	<u>255,123,025</u>	<u>8,084,582</u>	<u>(92,835)</u>	<u>263,114,772</u>
Less accumulated depreciation for:				
Intangible plant	(29,200,729)	(784,517)	-	(29,985,246)
Source of supply	(14,700,056)	(510,604)	-	(15,210,660)
Pumping plant	(6,653,693)	(456,619)	-	(7,110,312)
Treatment plants	(12,800,320)	(954,211)	-	(13,754,531)
Transmission and distribution	(31,912,749)	(1,850,353)	-	(33,763,102)
Sewer collection system	(18,891,134)	(886,815)	-	(19,777,949)
General plant	(15,452,369)	(793,445)	92,835	(16,152,979)
Recreation facilities	(887,770)	(23,138)	-	(910,908)
Total accumulated depreciation	<u>(130,498,820)</u>	<u>(6,259,702)</u>	<u>92,835</u>	<u>(136,665,687)</u>
Total capital assets, being depreciated, net	<u>124,624,205</u>	<u>1,824,880</u>	<u>-</u>	<u>126,449,085</u>
Capital Assets, net	<u>\$ 165,166,397</u>	<u>\$ 31,307,392</u>	<u>\$ (7,384,670)</u>	<u>\$ 189,089,119</u>

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 4 - LONG-TERM DEBT

The following is a summary of long-term debt at June 30, 2019:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Direct Borrowings:					
2000 State revolving loan	\$ 846,156	\$ -	\$ (423,078)	\$ 423,078	\$ 423,078
Less: Unamortized discount	(125,669)	-	71,612	(54,057)	-
State revolving loan - tunnel project	10,939,106	1,584,403	-	12,523,509	-
Other Debt:					
Bonds payable	30,935,000	41,680,000	(20,200,000)	52,415,000	880,000
Less: Unamortized discount	(473,946)	-	473,946	-	-
Plus: Unamortized premium	1,955,016	3,701,350	(160,516)	5,495,850	-
Compensated absences	1,201,923	259,481	(166,377)	1,295,027	694,612
Totals	<u>\$ 45,277,586</u>	<u>\$ 47,225,234</u>	<u>\$(20,404,413)</u>	<u>\$ 72,098,407</u>	<u>\$ 1,997,690</u>

2000 State Revolving Loan

On December 2, 1998, the District entered into a loan agreement with the State of California, acting by and through the State Water Resources Control Board for the District purchase of and improvements to the Victoria Wastewater Treatment Plant. On December 21, 2000, the District received the first phase of funding in the amount of \$3,650,192. On November 18, 2004, the District received its final payment of \$2,720,860. The loan bears no interest with an annual principal payment of \$423,078 maturing on June 30, 2020.

The annual requirements to service the outstanding balance at June 30, 2019 are as follows:

Year Ending June 30,	Principal	Unamortized Loan Discount	Net Amount
2020	<u>\$ 423,078</u>	<u>\$ (54,057)</u>	<u>\$ 369,021</u>

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 4 - LONG-TERM DEBT (CONTINUED)

State Revolving Loan - Tunnel Project

In November 2016, the District entered into an agreement with the State Water Resources Control Board for the construction of the Tunnel Stabilization and Pipeline Replacement project. The District may borrow up to the lesser of \$102,560,000 or the eligible costs of the project. At June 30, 2019, the State Water Resources Control Board had disbursed \$12,264,741 under the loan contract and added \$258,768 of accrued interest to the principal. The loan has an interest rate of 1.7% with a repayment period of 30 years after project completion. The outstanding balance totaled \$12,523,509 as of June 30, 2019.

The annual requirements to service the outstanding balance at June 30, 2019 are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2020	\$ -	\$ -	\$ -
2021	-	-	-
2022	-	-	-
2023	323,473	212,900	536,373
2024	328,972	207,401	536,373
2025-2029	1,730,674	951,189	2,681,863
2030-2034	1,882,869	798,995	2,681,864
2035-2039	2,048,447	633,416	2,681,863
2040-2044	2,228,587	453,276	2,681,863
2045-2049	2,424,568	257,296	2,681,864
2050-2053	1,555,919	53,198	1,609,117
	<u>\$ 12,523,509</u>	<u>\$ 3,567,671</u>	<u>\$ 16,091,180</u>

2016A Refunding Revenue Bonds

In October 2016, the District issued \$13,325,000 of Refunding Revenue Bonds, Series 2016A (2016A Bonds). The 2016A Bonds were issued to provide funds (1) to advance refund all of the outstanding South Coast Water District Financing Authority Refunding Revenue Bonds, Series 2010A (2010A Bonds); and (2) to pay costs of issuance of the 2016A Bonds. The 2016A Bonds proceeds were invested in an escrow fund with a trustee to pay interest and principal on the 2010A Bonds until February 1, 2020 and to redeem all 2010A Bonds in full on February 1, 2020. As of June 30, 2019, the defeased 2010A Bonds have a remaining outstanding balance of \$11,135,000.

The reacquisition price exceeded the net carrying amount of the old debt by \$668,860 and is amortized as interest expense over the remaining life of the 2016A Bonds. The remaining balance at June 30, 2019, is \$649,071.

The 2016A Bonds repayments include principal installments due in varying amounts from \$880,000 to \$1,295,000 annually from February 1, 2017 to February 1, 2029 with interest ranging from 2.0% to 5.0%.

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 4 - LONG-TERM DEBT (CONTINUED)

2016A Refunding Revenue Bonds (Continued)

Total 2016A Bonds outstanding as of June 30, 2019, net of unamortized premium is as follows:

Principal outstanding at June 30, 2019	\$ 10,735,000
Plus: unamortized premium	<u>1,835,626</u>
Net bonds outstanding at June 30, 2019	<u><u>12,570,626</u></u>

The annual requirements to service the outstanding Bonds at June 30, 2019 are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2020	\$ 880,000	\$ 461,900	\$ 1,341,900
2021	920,000	426,700	1,346,700
2022	955,000	389,900	1,344,900
2023	995,000	351,700	1,346,700
2024	1,030,000	311,900	1,341,900
2025-2029	<u>5,955,000</u>	<u>769,350</u>	<u>6,724,350</u>
	<u>\$ 10,735,000</u>	<u>\$ 2,711,450</u>	<u>\$ 13,446,450</u>

2010B Revenue Bonds (Build America Bonds)

In June 2010, the South Coast Water District Financing Authority issued \$19,350,000 of Revenue Bonds, Series 2010B (2010B Bonds). The 2010B Bonds were issued to provide funds (1) to acquire certain improvements for the 2010 Projects, and (2) to pay costs incurred in connection with the issuance of the 2010B Bonds. The 2010 Projects included: (1) the acquisition and construction of portions of the improvements to enlarge and stabilize the Beach Interceptor Sewer Tunnel, including the installation of a new pipeline, and the acquisition of entitlements in connection therewith; (2) the acquisition and construction of improvements to the District's Water System and Recycled Water System, including the District's share of improvements to Joint Regional Water Supply System facilities serving the District; (3) acquisition and construction of improvements for the expansion and upgrade of the Groundwater Recovery Facility; and (4) the acquisition and construction of improvements to the Wastewater System.

In February 2019, the 2010B Bonds were refunded in advance using the bond proceeds from the 2019A Revenue Bonds.

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 4 - LONG-TERM DEBT (CONTINUED)

2019A Revenue Bonds

In February 2019, the District issued \$41,680,000 of Revenue Bonds, Series 2019A (2019A Bonds). The 2019A Bonds were issued to provide funds (1) to finance the acquisition and construction of certain improvements to the District's Water System and Wastewater System; (2) to refund all of the South Coast Water District Financing Authority Revenue Bonds, Series 2010B (2010B Bonds); (3) to pay costs of issuance of the 2019A Bonds. The District received \$45,381,351 in proceeds from the 2019A Bonds, including a premium of \$3,701,351, and deposited \$20,036,131 in an escrow fund with a trustee to advance refund the 2010B Bonds, \$25,000,000 in an acquisition fund for capital improvement and use \$345,219 for cost of issuance. The trustee for the 2010B Bonds escrow fund will pay interest and principal on the 2010B Bonds until February 1, 2020 and to redeem all 2010B Bonds in full on February 1, 2020. As of June 30, 2019, the defeased 2010B Bonds have a remaining outstanding balance of \$19,350,000.

The reacquisition price exceeded the net carrying amount of the old debt by \$1,146,131 and is amortized as interest expense over the remaining life of the 2010B Bonds. The remaining balance at June 30, 2019, is \$1,127,530

The District refunded the 2010B Bonds to reduce its total debt service payments over 20 years by \$1,513,196 and to obtain an economic gain (difference between the present values of the old and new debt) of \$979,810.

Total 2019A Bonds outstanding as of June 30, 2019, net of unamortized premium, is as follows:

Principal outstanding at June 30, 2019	\$ 41,680,000
Plus: unamortized premium	<u>3,660,224</u>
Net bonds outstanding at June 30, 2019	<u><u>45,340,224</u></u>

The annual requirements to service the outstanding Bonds at June 30, 2019 are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2020	\$ -	\$ 1,706,302	\$ 1,706,302
2021	-	1,801,375	1,801,375
2022	-	1,801,375	1,801,375
2023	-	1,801,375	1,801,375
2024	-	1,801,375	1,801,375
2025-2029	-	9,006,875	9,006,875
2030-2034	7,390,000	8,304,125	15,694,125
2035-2039	9,160,000	6,536,625	15,696,625
2040-2044	11,175,000	4,514,575	15,689,575
2045-2049	13,955,000	1,735,000	15,690,000
	<u>\$ 41,680,000</u>	<u>\$ 39,009,002</u>	<u>\$ 80,689,002</u>

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 5 - PLEDGED REVENUES

The District has pledged its revenues, net of specified operating expenses, to repay \$13.3 million in water refunding revenue bonds issued in 2016 and \$41.7 million in water revenue bonds issued in 2019. The bonds are payable from District net revenues and are payable through 2049. Coverage of net revenues for annual principal and interest payments in future years are expected to approximate that of the current year (see below). Total future principal and interest remaining to be paid on the bonds is \$94,135,452 as of June 30, 2019.

Debt service paid and net revenues for the year ended June 30, 2019 are as follows:

Gross revenues	\$ 45,890,236
Less: excluded revenues	<u>(754,686)</u>
Includable revenues	<u>45,135,550</u>
All expenses	45,123,419
Less: excludable expenses	<u>(8,554,520)</u>
Includable expenses	<u>36,568,899</u>
Net revenues	<u>\$ 8,566,651</u>
Debt service	3,301,270
Coverage percentage	259%
Required coverage percentage	125%

NOTE 6 - INVESTMENT IN JOINT VENTURE

The District is a member in the Joint Regional Water Supply System (JRWSS), a joint venture providing potable water to its members. There are eight other members who participate in JRWSS. The agreement provided for the District to act as a trustee for the joint venture and administer the assets and liabilities. The District reports the JRWSS trust as a fiduciary fund.

In a series of restructuring and consolidations, initiated in March 2000, JRWSS was formed to succeed two water districts, Tri-Cities Municipal Water District and the Costal Municipal Water District, with substantially all assets and liabilities of predecessor districts transferred to JRWSS. The District's interest in joint venture assets is reflected on the statement of net position of the District as "investment in joint venture" in the amount of \$7,951,147 at June 30, 2019, as required under the equity method of accounting for investments.

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 7 - DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by CalPERS. Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefits provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits 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. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees' Retirement Law.

The plan provisions and benefits in effect as of the measurement date ended June 30, 2018, are summarized as follows:

	Miscellaneous	
	Prior to <u>January 1, 2013</u>	On or After <u>January 1, 2013</u>
Hire Date		
Benefit Formula	2%@55	2%@62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life
Retirement Age	50 - 55	52 - 67
Monthly Benefits, as a % of Eligible Compensation	1.426% to 2.0%	1.0% to 2.5%
Required Employee Contribution Rates	7%	6.25%
Required Employer Contribution Rates:		
Normal Cost Rate	8.880%	6.56%
Payment of Unfunded Liability	\$ 161,930	\$ 1,491

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. General Information about the Pension Plan

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are 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 actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. District contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension

As of June 30, 2019, the District reported a net pension liability of \$6,961,317 for its proportionate share of the net pension liability of the CalPERS administered miscellaneous plan.

The District's net pension liability for the plan is measured as the proportionate share of the net pension liability of the CalPERS administered miscellaneous plan. The net pension liability of the plan is measured as of June 30, 2018, and the total pension liability of the plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the plan as of the measurement dates ended June 30, 2017 and 2018 were as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2017	0.19048%
Proportion - June 30, 2018	0.18471%
Change - Increase (Decrease)	-0.00577%

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

For the year ended June 30, 2019, the District recognized pension expense of \$849,275. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,053,692	\$ -
Differences between actual and expected experience	267,093	(90,890)
Change in assumptions	793,611	(194,499)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	360,050	(324,393)
Net differences between projected and actual earnings on plan investments	34,415	-
Total	<u>\$ 2,508,861</u>	<u>\$ (609,782)</u>

\$1,053,692 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction to pension expense as follows:

Year Ending June 30,	Amount
2020	\$ 614,423
2021	398,342
2022	(104,765)
2023	(62,613)
2024	-
Thereafter	-

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement period was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The total pension liability was based on the following assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	(1)
Mortality	(2)
Post Retirement Benefit Increase	(3)

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERSdemographic data from 1997 to 2015) that can be found on the CalPERS website.

(3) Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

Long-term Expected Rate of Return

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 pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 fund. The expected rate of return was set by calculating the rounded 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 adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

- (a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities
- (b) An expected inflation of 2.0% used for this period
- (c) An expected inflation of 2.92% used for this period

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for the plan, calculated using the discount rate for the plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	\$ 14,633,051
Current Discount Rate	7.15%
Net Pension Liability	\$ 6,961,317
1% Increase	8.15%
Net Pension Liability	\$ 628,427

Pension Plans Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to the Pension Plan

At June 30, 2019, the District had no outstanding amount of contributions to the pension plans due for the year ended June 30, 2019.

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. General Information about the OPEB Plan

Plan Description

The District provides an agent multiple-employer defined post-employment health care plan that provides post-employment health care benefits to retirees with requirements depending on the retiree’s initial employment date. The plan is managed through the California Employers’ Retiree Benefit Trust (CERBT).

For employees of record as of May 18, 1988, five years of full-time continuous employment with the District is required. The employee must be at least 50 years of age and have participated in the CalPERS plan for at least five years as well as receiving service retirement benefits pursuant to the terms and conditions of the District CalPERS plan. The District provides medical insurance for the retired employee and employee’s eligible spouse from the date of retirement until both become eligible to receive Medicare benefits. The obligation of the District is to provide the plan of insurance, and the specific terms and conditions may vary from time to time. Thereafter, the District pays the full premium cost of Medicare supplemental coverage. Certain retirees, who were participants in legacy benefit plans, also receive dental coverage (retiree only) for life.

For employees commencing employment subsequent to May 18, 1988, 20 years of full-time continuous employment is required. The employee must be at least 50 years of age and have participated in CalPERS for at least five years as well as receiving service retirement benefits pursuant to CalPERS plan requirements. The District provides medical insurance for the retired employee from the date of retirement until the retired employee is eligible to receive Medicare benefits. The obligation of the District is to provide the plan of insurance, and the specific terms and conditions may vary from time to time. Thereafter, Medicare supplement insurance is provided at the District’s expense. A separate financial report is not prepared for the plan.

Employees Covered

As of measurement date June 30, 2018, the following numbers of participants were covered by the benefit terms under the plan:

Inactive employees or beneficiaries currently receiving benefits	36
Active employees	84
Total	<u>120</u>

Contributions

The contribution requirements of the District are established and may be amended annually by the Board of Directors. Currently, contributions are not required from plan members. The annual contribution is based on the actuarially determined contributions. For the measurement date ended June 30, 2018, the District contributed \$573,000 to the trust, paid \$48,097 for retiree premiums, and the estimated implied subsidy was \$44,000, resulting in total contributions of \$665,097.

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

B. Total OPEB Liability

The District's net OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless other specified:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry age normal, level percentage of payroll
Actuarial Assumptions:	
Discount Rate	6.75% at June 30, 2018 and 2017
Long-Term Expected Rate of Return on Investments	6.75%, net of investment expenses
Inflation	2.75%
Projected Salary Increase	Aggregate - 3% annually Merit increase - CalPERS 1997-2015 experience study
Medical Trend	Non-Medicare - 7.5% for 2019, decreasing to 4.0% in 2076 and later years Medicare - 6.5% for 2019, decreasing to 4.0% in 2076 and later years
Mortality, Disability, Termination, Retirement	CalPERS 1997-2015 Experience Study
Mortality Improvement	Pose-retirement mortality projected fully generational with Scale MP-17

The actuarial assumptions used in the June 30, 2017, valuation were based on a standard set of assumptions the actuary has used for similar valuations, modified as appropriate for the District.

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

B. Total OPEB Liability (Continued)

Long-term Expected Rate of Return

The long-term expected rate of return 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation CERBT - Strategy 1	Long-Term Expected Real Rate of Return
CERBT		
Global Equity	57.00%	4.82%
Fixed Income	27.00%	1.47%
TIPS	5.00%	1.29%
Commodities	3.00%	0.84%
REITs	8.00%	3.76%
Total	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on the OPEB plan investments was applied to all periods of the projected benefit payments to determine the total OPEB liability.

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

C. Changes in the Net OPEB Liability

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2017 (Measurement Date)	\$ 7,436,963	\$ 5,032,700	\$ 2,404,263
Changes in the Year:			
Service cost	245,162	-	245,162
Interest on the total OPEB liability	506,612	-	506,612
Contribution - employer	-	665,097	(665,097)
Net investment income	-	408,823	(408,823)
Administrative expenses	-	(9,388)	9,388
Benefit payments	(353,515)	(353,515)	-
Net Changes	398,259	711,017	(312,758)
Balance at June 30, 2018 (Measurement Date)	\$ 7,835,222	\$ 5,743,717	\$ 2,091,505

Change of Assumptions

There were no changes of assumptions.

Change of Benefit Terms

There were no changes of benefit terms.

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

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

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability	\$ 3,075,000	\$ 2,091,505	\$ 1,268,217

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

C. Changes in the Net OPEB Liability (Continued)

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

The following presents the net OPEB liability of the District as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (6.5%/5.5%) <u>decreasing to 3.0%</u>	Current Healthcare Cost Trend Rates (7.5%/6.5%) <u>decreasing to 4.0%</u>	1% Increase (8.5%/7.5%) <u>decreasing to 5.0%</u>
Net OPEB Liability	\$ 1,094,003	\$ 2,091,505	\$ 3,319,073

D. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$361,683. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 637,422	\$ -
Differences between projected and actual earnings	-	(180,776)
Total	<u>\$ 637,422</u>	<u>\$ (180,776)</u>

An amount of \$637,422 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	<u>Amount</u>
2019	\$ (55,909)
2020	(55,909)
2021	(55,909)
2022	(13,049)
2023	-
Thereafter	-

E. Payable to the OPEB Plan

At June 30, 2019, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2019.

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 9 - DEFERRED COMPENSATION

The District offers a 457 deferred compensation plan to employees. Nationwide Retirement Solutions, Inc. acts as the third party administrative services provider for the defined contribution plan. Employees can contribute up to the IRS determined limits to the plan. The District will match contributions up a certain amount as determined by the District's Board of Directors. Distributions under the plan may generally not be made prior to the earlier of the employees' attainment of age 70½ or the employees' termination of employment. Total District contributions to the plan during fiscal year 2018-19 were \$122,969.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage to and destructions of assets, errors and omissions, injuries to employees and natural disasters. In an effort to manage its risk exposure, the District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Section 6500 et seq. The purpose of the Insurance Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. At June 30, 2019, the District participated in the self-insurance programs of the Insurance Authority as follows:

Property Loss - The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence and has purchased excess insurance coverage up to \$500,000,000 (total insurable value of \$23,692,711 for the District and \$2,597,855 for JRWSS). The District has a \$1,000 deductible for coverage including special form with exclusions, mobile equipment physical damage, and vehicle comprehension/collision. Deductible for coverage of accidental mechanical breakdown is \$25,000 or \$50,000 depending on the type of equipment and has a sublimit of \$100,000,000.

General and Auto Liability - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage up to \$60,000,000. The District has no deductible.

Public Official's Errors and Omissions - The Insurance Authority has pooled self-insurance up to \$5,000,000 per occurrence and has purchased excess insurance coverage up to \$60,000,000. The District has no deductible.

Underground Storage Tank Pollution Liability - The Insurance Authority has pooled self-insurance up to \$500,000 per occurrence and has purchased excess insurance coverage up to \$3,000,000 (\$750,000 aggregate expense limit). The District has a \$10,000 deductible.

Crime - The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence. The District has a \$1,000 deductible.

Workers' Compensation - The Insurance Authority has pooled self-insurance up to \$2,000,000 and excess insurance coverage has been purchased up to the statutory limit. The District has no deductible.

Dam Failure Liability - The Insurance Authority has purchased insurance coverage up to \$5,000,000 per occurrence with a \$50,000 retention.

Cyber Liability - The Insurance Authority has purchased insurance coverage up to \$3,000,000 per occurrence and up to \$5,000,000 in aggregate. The District has no deductible.

The District pays annual premiums for coverage. There have been no settlements that exceeded the District's insurance coverage and no reduction in the District insurance coverage for the past three years.

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 11 - CONTINGENCIES AND COMMITMENTS

Lawsuits - The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's management that resolution of these matters will not have a material adverse effect on the financial condition of the District.

Contract Commitments - The District had \$60,891,288 outstanding contract commitments at June 30, 2019. The three largest contracts outstanding include:

<u>Project Description</u>	<u>Contract Amount</u>	<u>Balance to Complete</u>
Tunnel stabilization and sewer pipeline replacement	\$ 25,562,920	\$ 9,754,194
Contract management services for the tunnel	11,013,817	6,375,182
Ocean desalinization development project manager	8,000,000	3,292,619

NOTE 12 - OPERATING LEASES

As of June 30, 2019, the District has operating leases with various companies to rent space on District owned property. The operating leases are on a month-to-month basis with the District receiving monthly lease payments totaling \$86,245. The capital assets included in these operating leases consist of a portion of the District's general plant that cannot be readily determined.

NOTE 13 - JOINT REGIONAL WATER SUPPLY SYSTEM CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2019 were as follows:

	<u>Balance at June 30, 2018</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance at June 30, 2019</u>
Capital assets, not depreciated:				
Land and land rights	\$ 861,355	\$ -	\$ -	\$ 861,355
Construction in progress	1,705,762	1,061,165	(353,862)	2,413,065
Total capital assets, not depreciated	<u>2,567,117</u>	<u>1,061,165</u>	<u>(353,862)</u>	<u>3,274,420</u>
Capital assets, being depreciated:				
Intangible plant	2,481,746	-	-	2,481,746
Source of supply	10,684,769	-	-	10,684,769
Transmission and distribution	35,711,392	281,002	-	35,992,394
General plant	922,811	72,860	-	995,671
Total capital assets, being depreciated	<u>49,800,718</u>	<u>353,862</u>	<u>-</u>	<u>50,154,580</u>
Less accumulated depreciation for:				
Intangible plant	(1,427,005)	(62,044)	-	(1,489,049)
Source of supply	(6,972,276)	(195,801)	-	(7,168,077)
Transmission and distribution	(14,919,889)	(878,887)	-	(15,798,776)
General plant	(679,893)	(49,530)	-	(729,423)
Total accumulated depreciation	<u>(23,999,063)</u>	<u>(1,186,262)</u>	<u>-</u>	<u>(25,185,325)</u>
Total capital assets, being depreciated, net	<u>25,801,655</u>	<u>(832,400)</u>	<u>-</u>	<u>24,969,255</u>
Capital Assets, net	<u>\$ 28,368,772</u>	<u>\$ 228,765</u>	<u>\$ (353,862)</u>	<u>\$ 28,243,675</u>

SOUTH COAST WATER DISTRICT
Notes to Basic Financial Statements
June 30, 2019

NOTE 14 - RESTATEMENT OF NET POSITION

Beginning balance of net position as of July 1, 2018, have been restated as follows:

Net position at July 1, 2018 as original reported	\$ 170,423,147
Correction of fiscal year 2017-18 pension contributions subsequent to measurement date	<u>(586,732)</u>
Net position at July 1, 2018, as restated	<u>\$ 169,836,415</u>

NOTE 15 - SUBSEQUENT EVENTS

In July 2019, the District entered into a credit agreement with Opus Bank not to exceed \$25 million outstanding at any one time by the issuance of short-term promissory notes solely for the purpose of funding all or a portion of the costs of the Tunnel Project. The credit agreement contains a pledge of wastewater system revenues to repay the notes and allows the District to borrow funds under the note on a revolving basis. The notes bear interest at 1.98% per annum and mature on December 1, 2020. The credit agreement also requires the District to fix and prescribe rates and charges for the wastewater service provided by the wastewater system to be at least sufficient to yield net revenues during each fiscal year equal to 125% of debt service payable in such fiscal year.

In July 2019, the District received \$15 million under the State Revolving Fund Loan - Tunnel Project contract for eligible costs incurred on the project.

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through December 19, 2019, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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SOUTH COAST WATER DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years*

Fiscal year ended	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement period	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.07224%	0.07572%	0.12799%	0.11904%	0.12543%
Plan's proportionate share of the net pension liability	\$ 6,961,317	\$ 7,508,964	\$ 11,075,496	\$ 8,170,473	\$ 7,805,073
Plan's covered payroll	\$ 8,547,122	\$ 8,688,674	\$ 7,022,391	\$ 6,941,886	\$ 7,086,467
Plan's proportionate share of the net pension liability as percentage of its covered payroll	81.45%	86.42%	157.72%	117.70%	110.14%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	75.26%	73.31%	74.06%	78.40%	83.03%
Plan's proportionate share of aggregate employer contributions	\$ 1,895,122	\$ 1,744,136	\$ 1,422,678	\$ 1,340,851	\$ 1,032,582

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%

From fiscal year June 30, 2018 to June 30, 2019:

There were no significant changes in assumptions.

* Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

SOUTH COAST WATER DISTRICT

SCHEDULE OF CONTRIBUTIONS - PENSION

Last Ten Fiscal Years*

Fiscal year ended	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	\$ 1,053,692	\$ 1,436,610	\$ 1,075,499	\$ 934,063	\$ 937,929
Contributions in relation to the actuarially determined contributions	<u>(1,053,692)</u>	<u>(1,436,610)</u>	<u>(6,075,499)</u>	<u>(934,063)</u>	<u>(937,929)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,000,000)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 8,817,816	\$ 8,547,122	\$ 8,688,674	\$ 7,022,391	\$ 6,941,886
Contributions as a percentage of covered payroll	11.95%	16.81%	69.92%	13.30%	13.51%

Notes to Schedule:

Valuation Date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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Methods and Assumptions Used to Determine Contribution Rates

Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	15 Year Smoothed Market Method
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment expense, including inflation

(4) 2% @ 55 and 2% @ 62

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

SOUTH COAST WATER DISTRICT

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years*

Fiscal year ended	June 30, 2019	June 30, 2018
Measurement period	June 30, 2018	June 30, 2017
Total OPEB Liability:		
Service cost	\$ 245,162	\$ 238,021
Interest on total OPEB liability	506,612	479,880
Benefit payments	(353,515)	(304,511)
Net Change in Total OPEB Liability	398,259	413,390
Total OPEB Liability - Beginning of Year	7,436,963	7,023,573
Total OPEB Liability - End of Year (a)	7,835,222	7,436,963
Plan Fiduciary Net Position:		
Contributions - employer	665,097	596,000
Net investment income	408,823	509,829
Administrative expenses	(9,388)	(2,461)
Benefit payments	(353,515)	(304,511)
Net Change in Plan Fiduciary Net Position	711,017	798,857
Plan Fiduciary Net Position - Beginning of Year	5,032,700	4,233,843
Plan Fiduciary Net Position - End of Year (b)	5,743,717	5,032,700
Net OPEB Liability - Ending (a)-(b)	\$ 2,091,505	\$ 2,404,263
Plan fiduciary net position as a percentage of the total OPEB liability	73.31%	67.67%
Covered - employee payroll	\$ 9,811,343	\$ 8,688,674
Net OPEB liability as percentage of covered - employee payroll	21.32%	27.67%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

There were no changes in assumptions

* Fiscal year 2018 was the first year of implementation; therefore, only two years are shown.

SOUTH COAST WATER DISTRICT
SCHEDULE OF CONTRIBUTIONS - OPEB

Last Ten Fiscal Years*

Fiscal year ended	June 30, 2019	June 30, 2018
Actuarially determined contribution	\$ 605,000	\$ 573,000
Contributions in relation to the actuarially determined contributions	(637,422)	(665,097)
Contribution deficiency (excess)	\$ (32,422)	\$ (92,097)
Covered - employee payroll	\$ 9,899,581	\$ 9,811,343
Contributions as a percentage of covered - employee payroll	6.44%	6.78%

Notes to Schedule:

Valuation Date	6/30/2017	6/30/2015
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Methods and Assumptions Used to Determine Contribution Rates:

	Entry age, level percentage of payroll	
	Level percent of pay	
	8-year average fixed	10-year average fixed
Actuarial cost method	(1)	(1)
Amortization method	6.75%	7.25%
Amortization period	2.75%	3.00%
Asset valuation method	(3)	(2)
Discount rate	(5)	(4)
Inflation		
Medical Trend		
Mortality		

- (1) Investment gain and losses spread over 5-year rolling period
- (2) Non-Medicare - 7.0% for 2017, decreasing to 5.0% in 2021 and later.
Medicare - 7.2% for 2017, decreasing to 5.0% in 2021 and later.
- (3) Non-Medicare - 7.5% for 2019, decreasing to 4.0% in 2076 and later.
Medicare - 6.5% for 2019, decreasing to 4.0% in 2076 and later.
- (4) CalPERS 1997-2011 experience study
- (5) CalPERS 1997-2015 experience study

* Fiscal year 2018 was the first year of implementation; therefore, only two years are shown.

SUPPLEMENTARY INFORMATION

SOUTH COAST WATER DISTRICT
 Joint Regional Water Supply System
 General Expenses Allocation by Facilities
 For the Year Ended June 30, 2019

	General	Joint Transmission Main (JTM)	Bradt Reservoir	Water Importation Pipeline
Operating expenses:				
Labor, benefits and related costs	\$ 300,843	\$ 100,349	\$ 180,665	\$ 28,475
Materials, repairs and contractors	86,524	974,725	187,746	32,131
Utilities	9,025	4,273	39,496	2,463
Engineering services	-	9,290	-	-
Water testing	5,848	16,037	11,370	16,552
Total operating expenses	<u>402,240</u>	<u>1,104,674</u>	<u>419,277</u>	<u>79,621</u>
General and administrative expenses:				
Labor, benefits and related costs	172,156	-	-	-
Office supplies and maintenance	25,415	-	5,389	-
Utilities	9,034	-	329	-
Insurance	27,093	-	-	-
Professional fees	31,301	-	-	-
Regulatory fees	15,711	-	42,555	-
Dues and subscriptions	3,396	-	-	-
Total general and administrative expenses	<u>284,106</u>	<u>-</u>	<u>48,273</u>	<u>-</u>
Total general expenses	<u>\$ 686,346</u>	<u>\$ 1,104,674</u>	<u>\$ 467,550</u>	<u>\$ 79,621</u>

Local Transmission Main	Schlegel	San Onofre Feeder	Total
\$ 40,937	\$ 43,845	\$ 37,505	\$ 732,619
44,689	36,249	23,985	1,386,049
8,169	18,296	271	81,993
-	-	-	9,290
7,408	12,092	15,628	84,935
<u>101,203</u>	<u>110,482</u>	<u>77,389</u>	<u>2,294,886</u>
983	-	-	173,139
-	197	-	31,001
-	-	-	9,363
-	-	-	27,093
-	-	-	31,301
-	-	-	58,266
-	-	-	3,396
<u>983</u>	<u>197</u>	<u>-</u>	<u>333,559</u>
<u>\$ 102,186</u>	<u>\$ 110,679</u>	<u>\$ 77,389</u>	<u>\$ 2,628,445</u>

SOUTH COAST WATER DISTRICT
 Joint Regional Water Supply System
 General Expenses Allocation by Participants
 For the Year Ended June 30, 2019

<u>Participant</u>	<u>General Allocation Factor #1</u>	<u>Joint Transmission Main (JTM) Allocation Factor*</u>	<u>Bradt Reservoir Allocation Factor #11</u>	<u>Water Importation Pipeline Allocation Factor #10</u>
Irvine Ranch Water District	\$ 6,726	\$ 14,704	\$ -	\$ -
El Toro Water District	2,677	11,722	-	-
Moulton Niguel Water District	296,021	508,494	22,910	-
Capistrano Valley Water District	68,703	88,165	4,956	-
South Coast Water District (SCWD)	84,628	130,476	122,357	49,763
City of San Clemente	197,187	304,129	281,231	29,858
Camp Pendleton	2,677	4,099	3,133	-
State Parks	1,030	1,669	1,262	-
SONGS	26,699	41,216	31,700	-
Total	<u>\$ 686,350</u>	<u>\$ 1,104,674</u>	<u>\$ 467,550</u>	<u>\$ 79,621</u>

* The allocation factor for the JTM line is a weighted average of the pipeline capacity and the budgeted allocation factors by reach.

<u>Local Transmission Main Allocation Factor #9</u>	<u>Schlegel Allocation Factor #12</u>	<u>San Onofre Feeder Allocation Factor #13</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 21,430
-	-	-	14,399
-	-	-	827,425
-	-	-	161,824
-	-	-	387,224
88,534	64,559	-	965,498
1,196	-	6,787	17,892
480	-	2,716	7,157
11,976	46,120	67,886	225,597
<u>\$ 102,186</u>	<u>\$ 110,679</u>	<u>\$ 77,389</u>	<u>\$ 2,628,445</u>

SOUTH COAST WATER DISTRICT
 Joint Regional Water Supply System
 Budget Allocation Factors by Participants
 For the Year Ended June 30, 2019

	<u>Allocation Factor #1</u>	<u>Allocation Factor #2</u>	<u>Allocation Factor #3</u>	<u>Allocation Factor #4</u>	<u>Allocation Factor #5</u>	<u>Allocation Factor #6</u>
<u>Participant</u>	System Wide	Unit 1 Reach 1	Unit 1 Reach 2	Unit 2 Reach 3	Unit 2 Reach 4	Unit 3 Reach 5
Irvine Ranch Water District	0.98%	5.66%	0.00%	0.00%	0.00%	0.00%
El Toro Water District	0.39%	2.26%	2.40%	0.00%	0.00%	0.00%
Moulton Niguel Water District	43.13%	48.64%	51.56%	62.50%	53.57%	40.61%
Capistrano Valley Water District	10.01%	16.97%	17.98%	0.00%	0.00%	0.00%
South Coast Water District	12.33%	7.17%	7.60%	10.16%	12.58%	16.09%
City of San Clemente	28.73%	16.72%	17.72%	23.69%	29.33%	37.51%
Camp Pendleton	0.39%	0.23%	0.24%	0.32%	0.39%	0.51%
State Parks	0.15%	0.09%	0.10%	0.13%	0.16%	0.20%
SONGS	3.89%	2.26%	2.40%	3.20%	3.97%	5.08%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

<u>Allocation Factor #7</u>	<u>Allocation Factor #8</u>	<u>Allocation Factor #9</u>	<u>Allocation Factor #10</u>	<u>Allocation Factor #11</u>	<u>Allocation Factor #12</u>	<u>Allocation Factor #13</u>	<u>Allocation Factor #14</u>	<u>Allocation Factor #15</u>
Unit 3 Reach 6	Unit 3 Reach 7	Local Trans Main	Water Import Pipe	Bradt Reservoir	Schlegel Reservoir	SCWD Pass-through O&M SONGS PPL	Debt Service COP's	Master Plan Facilities Replacement Reserve
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
17.61%	0.00%	0.00%	0.00%	4.90%	0.00%	0.00%	0.00%	0.00%
0.00%	0.00%	0.00%	0.00%	1.06%	0.00%	0.00%	0.00%	0.00%
22.32%	27.09%	0.00%	62.50%	26.17%	0.00%	0.00%	37.60%	27.09%
52.04%	63.16%	86.64%	37.50%	60.15%	58.33%	0.00%	54.40%	63.16%
0.71%	0.86%	1.17%	0.00%	0.67%	0.00%	8.77%	0.00%	0.86%
0.28%	0.34%	0.47%	0.00%	0.27%	0.00%	3.51%	0.00%	0.34%
7.04%	8.55%	11.72%	0.00%	6.78%	41.67%	87.72%	8.00%	8.55%
<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

STATISTICAL SECTION
(UNAUDITED)

SOUTH COAST WATER DISTRICT
Description of Statistical Section Contents
June 30, 2019

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

Contents:	<u>Pages</u>
<u>Financial Trends</u> - these schedules contain trend information to help the reader understand how the District’s financial performance and well-being have changed over time.	72-75
<u>Revenue Capacity</u> - these schedules contain information to help the reader assess the District’s most significant revenue source from water and sewer commodity and fixed charges.	76-84
<u>Debt Capacity</u> - these schedules present information to help the reader assess the affordability of the District’s current levels of outstanding debt and the District’s ability to issue additional debt in the future.	85-90
<u>Demographic and Economic Information</u> - these schedules offer demographic and economic indicators to help the reader understand the environment within which the District’s financial activities take place.	91-92
<u>Operating Information</u> - these schedules contain service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the services the District provides and the activities it performs.	93-102

**South Coast Water District
Net Position
Last Ten Fiscal Years**

Net Position:	Fiscal Year			
	2019	2018	2017	2016
Assets :				
Current Assets	\$ 60,049,653	\$ 54,344,998	\$ 50,040,724	\$ 63,046,515
Noncurrent Assets:				
Restricted Assets	-	-	-	-
Net Capital Assets	189,089,119	165,166,397	155,831,742	144,780,028
Other Assets	7,951,147	8,219,287	8,630,100	8,822,497
Total Assets	<u>257,089,919</u>	<u>227,730,682</u>	<u>214,502,566</u>	<u>216,649,040</u>
Deferred Outflows of Resources:				
Deferred Refunding Charges	1,776,601	716,800	784,529	-
Pension Contributions Subsequent to Measurement Date	1,053,692	1,436,610	6,075,499	934,063
Pension Related	1,455,169	2,760,767	1,675,168	86,953
Other Post-Employment Benefits Contributions Subsequent to Measurement Date	637,422	617,000	-	-
Total Deferred Outflows of Resource	<u>4,922,884</u>	<u>5,531,177</u>	<u>8,535,196</u>	<u>1,021,016</u>
Liabilities:				
Current Liabilities	11,465,539	8,026,333	7,811,739	6,214,723
Noncurrent Liabilities	79,153,539	53,272,612	44,726,428	42,029,933
Total Liabilities	<u>90,619,078</u>	<u>61,298,945</u>	<u>52,538,167</u>	<u>48,244,656</u>
Deferred Inflows of Resources:				
Deferred Refunding Charges	-	-	-	508,116
Pension Related	609,782	1,368,335	1,355,999	2,078,899
Other Post-Employment Benefits Related	180,776	171,432	-	-
Total Deferred Inflows of Resources	<u>790,558</u>	<u>1,539,767</u>	<u>1,355,999</u>	<u>2,587,015</u>
Net Position:				
Net Investment in Capital Assets	140,811,169	121,807,991	122,393,683	109,822,913
Restricted for Debt Service/Covenants	20,748,829	457	573,681	784,475
Unrestricted	9,043,169	48,614,699	46,176,232	56,230,997
Total Net Position	<u>\$ 170,603,167</u>	<u>\$ 170,423,147</u>	<u>\$ 169,143,596</u>	<u>\$ 166,838,385</u>

(Continued)

NOTES:

N/A - information not available.

Source: District Audited Financial Statements

Fiscal Year					
2015	2014	2013	2012	2011	2010
\$ 67,720,317	\$ 66,760,139	\$ 63,144,117	\$ 61,655,469	\$ 44,733,935	\$ 34,506,646
-	-	-	-	15,988,035	26,499,633
142,637,218	138,716,648	134,750,686	134,010,305	131,719,185	122,677,209
8,489,128	8,009,295	9,114,558	9,443,359	9,914,528	7,987,326
<u>218,846,663</u>	<u>213,486,082</u>	<u>207,009,361</u>	<u>205,109,133</u>	<u>202,355,683</u>	<u>191,670,814</u>
-	-	-	-	-	-
937,929	-	-	-	-	-
41,748	-	-	-	-	-
-	-	-	-	-	-
<u>979,677</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
7,421,520	6,483,160	4,982,384	5,358,504	5,019,375	5,282,904
43,496,920	37,949,615	39,738,249	41,445,270	43,575,394	45,517,043
<u>50,918,440</u>	<u>44,432,775</u>	<u>44,720,633</u>	<u>46,803,774</u>	<u>48,594,769</u>	<u>50,799,947</u>
536,748	573,331	609,913	632,839	-	-
2,755,478	-	-	-	-	-
-	-	-	-	-	-
<u>3,292,226</u>	<u>573,331</u>	<u>609,913</u>	<u>632,839</u>	<u>-</u>	<u>-</u>
107,007,231	101,766,953	101,642,108	103,930,761	103,930,777	102,672,253
770,667	777,667	7,589,319	12,309,367	15,964,209	25,800,473
<u>57,537,776</u>	<u>66,710,674</u>	<u>52,447,388</u>	<u>53,741,759</u>	<u>33,865,928</u>	<u>12,398,141</u>
<u>\$ 165,315,674</u>	<u>\$ 169,255,294</u>	<u>\$ 161,678,815</u>	<u>\$ 169,981,887</u>	<u>\$ 153,760,914</u>	<u>\$ 140,870,867</u>

**South Coast Water District
Changes in Net Position
Last Ten Fiscal Years**

Changes in Net Position:	Fiscal Year			
	2019	2018	2017	2016
Operating Revenues				
Water Sales	\$ 17,518,158	\$ 16,415,394	\$ 14,133,228	\$ 14,105,212
Sewer Service Charges	14,702,662	13,839,953	12,421,268	12,070,688
Recycled Water	1,770,840	1,907,580	1,640,610	1,358,360
Recreation Facilities	294,177	291,564	215,069	208,811
Operating Expenses				
Source of Supply (Purchased Water)	6,085,677	5,804,144	5,616,206	5,579,348
Groundwater Recovery Facility	1,011,303	686,714	570,996	437,110
Recycled Water	942,374	621,481	1,082,906	1,024,908
Pumping Expense	1,111,566	1,101,671	1,043,175	956,397
Sewer Treatment Plant	5,400,627	4,421,065	3,169,418	2,592,137
Transmission and Distribution	4,854,330	4,217,828	4,727,882	4,249,310
Operations Support	2,932,001	2,409,490	-	-
Recreation Facilities	294,565	365,952	453,661	316,364
Engineering and Consulting	2,314,667	2,577,966	1,515,371	-
General and Administrative	8,216,031	7,058,374	9,109,631	8,523,132
Depreciation	6,259,702	6,384,604	6,639,471	7,367,975
Income From Operations	<u>(5,137,006)</u>	<u>(3,194,798)</u>	<u>(5,518,542)</u>	<u>(3,303,610)</u>
Nonoperating Revenues (Expenses)				
Property Taxes-General and Bond Levy	6,558,495	6,332,296	6,021,573	6,128,107
Connection Fees	-	-	-	-
Standby Charges	-	1,605	10,601	8,976
Investment Income	1,412,028	353,704	358,885	290,475
Other Revenues	2,044,497	819,595	572,107	624,843
Rental Income	832,059	782,842	788,711	785,393
Grant Revenue	-	-	-	-
Interest Expense	(2,294,818)	(1,337,020)	(825,110)	(900,665)
Gain (Loss) on Disposal of Capital Asset	(2,430,233)	(12,354)	(57,550)	26,438
Share of Joint Venture Income (Expense)	(571,241)	(393,387)	(282,950)	183,361
Other Expenses	<u>(404,292)</u>	<u>(124,755)</u>	<u>(121,012)</u>	<u>(3,188,858)</u>
Total Nonoperating Revenues (Expenses)	<u>5,146,495</u>	<u>6,422,526</u>	<u>6,465,255</u>	<u>3,958,070</u>
Income Before Capital Contributions	9,489	3,227,728	946,713	654,460
Capital Contributions	<u>757,263</u>	<u>745,969</u>	<u>1,358,498</u>	<u>868,251</u>
Change in Net Position	<u><u>\$ 766,752</u></u>	<u><u>\$ 3,973,697</u></u>	<u><u>\$ 2,305,211</u></u>	<u><u>\$ 1,522,711</u></u>

(Continued)

Source: District Audited Financial Statements

Fiscal Year					
2015	2014	2013	2012	2011	2010
\$ 16,236,389	\$ 17,439,450	\$ 16,449,127	\$ 15,358,678	\$ 13,827,107	\$ 14,055,093
12,812,048	12,210,786	11,836,935	11,613,650	10,804,991	10,754,484
1,439,432	1,411,162	1,168,678	987,297	817,270	1,081,942
251,604	261,269	193,791	207,224	197,185	201,978
5,934,856	6,172,350	5,446,549	5,126,492	4,269,521	4,323,217
531,460	565,177	480,325	453,641	836,429	719,840
1,101,808	716,697	624,700	557,969	618,786	758,050
1,124,003	1,067,834	1,184,480	1,020,494	907,314	964,188
2,084,904	2,125,949	2,349,903	2,282,163	2,484,828	2,603,251
4,561,273	3,861,885	3,963,150	3,763,766	3,227,376	3,611,276
-	-	-	-	-	-
317,364	256,403	289,591	267,048	264,366	249,255
-	-	-	-	-	-
8,191,511	9,083,167	8,995,989	8,491,943	8,905,471	8,513,767
7,315,469	7,077,400	7,443,391	6,961,724	6,280,800	5,923,763
<u>(423,175)</u>	<u>395,805</u>	<u>(1,129,547)</u>	<u>(758,391)</u>	<u>(2,148,338)</u>	<u>(1,573,110)</u>
5,626,192	5,376,662	5,328,828	5,048,357	5,140,051	5,093,326
-	521,160	138,450	113,697	108,461	100,898
8,904	9,141	11,456	7,942	11,605	8,993
194,283	115,022	140,586	140,810	239,624	337,637
795,491	516,430	584,798	603,055	992,718	385,303
759,253	638,688	595,759	699,450	573,456	475,910
204,593	-	-	-	-	-
(604,012)	(831,515)	(1,097,746)	(1,339,602)	(1,548,082)	(1,210,090)
77,542	34,869	13,492	5,634	45,025	11,171
(233,290)	(153,024)	(538,699)	(81,570)	2,003,116	(606,050)
<u>(98,819)</u>	<u>(365,817)</u>	<u>(108,731)</u>	<u>(649,530)</u>	<u>(2,009,974)</u>	<u>(70,697)</u>
<u>6,730,137</u>	<u>5,861,616</u>	<u>5,068,193</u>	<u>4,548,243</u>	<u>5,556,000</u>	<u>4,526,401</u>
6,306,962	6,257,421	3,938,646	3,789,852	3,407,662	2,953,291
<u>340,665</u>	<u>1,319,058</u>	<u>67,649</u>	<u>588,785</u>	<u>8,089,777</u>	<u>-</u>
<u>\$ 6,647,627</u>	<u>\$ 7,576,479</u>	<u>\$ 4,006,295</u>	<u>\$ 4,378,637</u>	<u>\$ 11,497,439</u>	<u>\$ 2,953,291</u>

**South Coast Water District
Water Sold By Type of Customer (in Acre Feet)
Last Ten Fiscal Years**

Customer Type	Fiscal Year				
	2019	2018	2017	2016	2015
Single Family Residential	2,679	2,798	2,504	2,350	3,103
Multi-Family Residential	952	971	960	961	1,137
Commercial/Industrial	902	928	914	917	1,115
Irrigation/Other	1,332	1,640	1,385	1,402	1,953
Total	5,865	6,337	5,763	5,630	7,308

(Continued)

Source: District Billing System

Fiscal Year				
2014	2013	2012	2011	2010
3,185	3,095	3,066	2,937	3,139
1,153	1,164	1,173	1,145	1,176
1,089	1,054	1,037	992	970
1,980	1,753	1,582	1,500	1,805
<u>7,407</u>	<u>7,066</u>	<u>6,858</u>	<u>6,574</u>	<u>7,090</u>

**South Coast Water District
Water Rates
Last Ten Fiscal Years**

Description	Fiscal Year				
	2019	2018	2017	2016¹	2015
Potable Water:					
Single Family Residence (Variable)					
Tier 1	\$ 2.93	\$ 2.74	\$ 2.54	\$ 2.25	\$ 2.25
Tier 2	3.09	2.89	2.68	4.18	4.18
Tier 3	3.27	3.05	2.83	6.27	6.27
Tier 4	-	-	-	8.36	8.36
Tier 5	-	-	-	10.45	10.45
Multi-Family (Variable)	2.95	2.76	2.56	4.13	4.13
Commercial (Variable)	3.17	2.96	2.75	4.13	4.13
Irrigation (Variable)					
Tier 1	3.29	3.08	2.85	4.18	4.18
Tier 2	-	-	-	6.27	6.27
Tier 3	-	-	-	8.36	8.36
Fixed Charges ²					
3/4"	297.25	278.05	257.70	294.20	294.20
1"	495.40	463.40	429.50	529.56	529.56
1 1/2"	990.80	926.80	859.00	1,182.69	1,182.69
2"	1,585.25	1,482.85	1,374.35	2,100.69	2,100.69
3"	3,467.70	3,243.70	3,006.40	4,727.83	4,727.83
4"	6,241.85	5,838.65	5,411.50	8,399.48	8,399.48
6"	12,880.00	12,048.00	11,166.55	18,896.62	18,896.62
Peak Demand Charges (Fixed) ^{2/3}	21.15	19.80	18.35	-	-
Recycled Water:					
Variable Charges	4.35	4.16	3.94	3.72	3.72
Fixed Charges ²					
3/4"	297.25	278.05	257.70	-	-
1"	495.40	463.40	429.50	-	-
1 1/2"	990.80	926.80	859.00	-	-
2"	1,585.25	1,482.85	1,374.35	-	-
3"	3,467.70	3,243.70	3,006.40	-	-
4"	6,241.85	5,838.65	5,411.50	-	-
6"	12,880.00	12,048.00	11,166.55	-	-

(Continued)

NOTES:

¹ In general, variable rates for water service decreased after 2016 due to the transfer of some costs to Fixed and Peak Demand Charges in the new rate structure. Variable rates are based on usage by centum cubic feet (CCF). One CCF equals 100 cubic feet or 748 gallons.

² Fixed charges for single family residences are billed on an annual basis and collected with property tax payments.

³ This new fee is based on the second highest demand month during the preceding fiscal year.

Source: District records

Fiscal Year				
2014	2013	2012	2011	2010
\$ 2.16	\$ 2.01	\$ 1.91	\$ 1.52	\$ 1.52
4.07	3.85	3.71	3.04	3.04
6.10	5.77	5.56	4.56	4.56
8.13	7.69	7.42	6.08	6.08
10.16	9.61	9.27	7.60	7.60
4.02	3.72	3.58	3.42	3.42
4.02	3.72	3.58	3.42	3.42
4.07	3.85	3.71	3.04	3.04
6.10	5.77	5.56	4.56	4.56
8.13	7.69	7.42	6.08	6.08
284.62	284.62	257.65	235.95	235.95
512.31	512.31	463.77	589.87	589.87
1,144.17	1,144.17	1,035.75	1,179.75	1,179.75
2,032.18	2,032.18	1,839.61	1,887.59	1,887.59
4,573.82	4,573.82	4,140.41	3,539.24	3,539.24
8,125.87	8,125.87	7,355.87	7,078.48	7,078.48
18,281.07	18,281.07	16,548.77	11,797.47	11,797.47
-	-	-	-	-
3.62	3.34	3.58	3.42	3.42
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-

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**South Coast Water District
Ten Largest Water Customers
Current and Nine Years Ago**

FY 2018/2019

	<u>Customer Name</u>	<u>Business Type</u>	<u>Annual Revenues</u>	<u>% of Total Revenues</u>
1	Monarch Beach Golf Links	Golf Course	\$ 407,549	2.33%
2	City of Dana Point	Government	312,507	1.79%
3	MMB Management LLC	Residential Properties	278,043	1.59%
4	County of Orange	Government	169,625	0.97%
5	Laguna Beach Resorts-LLC	Hotel	165,962	0.95%
6	Niguel Shores Community Association	Homeowners' Association	158,745	0.91%
7	Ritz Carlton	Hotel	129,529	0.74%
8	Laguna Beach Golf & Bungalow Village,	Hotel/Golf Course	126,679	0.72%
9	Monarch Beach Resort and Spa	Hotel	117,269	0.67%
10	Seascape Homeowners' Association	Homeowners' Association	115,276	0.66%
			<u>\$ 1,981,184</u>	<u>11.33%</u>

FY 2009/2010 ¹

	<u>Customer Name</u>	<u>Business Type</u>	<u>Annual Revenues</u>	<u>% of Total Revenues</u>
1	Monarch Beach Golf Links	Golf Course	\$ 324,245	2.61%
2	Niguel Shores Community Association	Homeowners' Association	203,659	1.64%
3	City of Dana Point	Government	278,291	2.24%
4	Monarch Beach Resort and Spa	Hotel	179,294	1.45%
5	County of Orange	Government	233,524	1.88%
7	Ritz Carlton	Hotel	174,435	1.41%
6	Laguna Beach Resorts-LLC	Hotel	124,352	1.00%
8	Headlands Reserve-LLC	Real Estate	165,732	1.34%
9	Seascape Homeowners' Association	Homeowners' Association	142,077	1.15%
10	Niguel Beach Terrace	Homeowners' Association	131,958	1.06%
			<u>\$ 1,957,567</u>	<u>15.78%</u>

¹ Does not include assessments received through property taxes.

Source: District Billing System

**South Coast Water District
Sewer Rates
Last Ten Fiscal Years**

Description	Fiscal Year				
	2019	2018	2017	2016	2015
Single Family Residence ¹					
Fixed	\$ -	\$ -	\$ -	\$ 446.46	\$ 446.46
Variable Block Rate (Fixed) ²					
Tier 1 - 0-5 CCF	638.00	597.00	554.00	-	-
Tier 2 - 6-10 CCF	695.00	650.00	603.00	-	-
Tier 3 - 11+ CCF	796.00	744.00	690.00	-	-
Variable	-	-	-	1.20	1.20
Multi-Family					
Variable	1.19	1.11	1.03	1.20	1.20
Fixed	415.25	388.25	360.00	-	-
Duplex	-	-	-	296.53	296.53
Triplex	-	-	-	309.89	309.89
Fourplex	-	-	-	314.19	314.19
Multi-Plex	-	-	-	231.91	231.91
Commercial					
Variable					
Low Strength	7.87	7.36	6.83	-	-
Medium Strength	8.93	8.35	7.74	-	-
High Strength	11.53	10.78	9.99	-	-
Various Business Types	-	-	-	6.54 to 8.31	6.54 to 8.31
Fixed	-	-	-	446.46	446.46

(Continued)

NOTES:

¹ Fixed charges for single family residences are billed on an annual basis and collected with property tax payments. All variable rates are based on usage by centum cubic feet (CCF). One CCF equals 100 cubic feet or 748 gallons.

² This new rate includes both variable and fixed charges based on a winter quarter average (average of prior year usage during December, January, and February).

Source: District records

Fiscal Year				
2014	2013	2012	2011	2010
\$ 418.44	\$ 453.37	\$ 443.13	\$ 436.44	\$ 436.44
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1.20	0.97	0.91	0.77	0.77
1.20	0.97	0.91	0.77	0.77
-	-	-	-	-
277.69	265.45	259.46	256.32	256.32
290.21	266.90	260.87	257.58	257.58
294.23	257.35	251.54	249.95	249.95
217.18	197.02	192.57	208.60	208.60
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
6.05 to 8.38	5.61 to 7.54	5.43 to 7.37	4.65 to 6.60	4.65 to 6.60
418.44	453.37	443.13	436.44	436.44

**South Coast Water District
Ten Largest Sewer Customers
Current and Nine Years Ago**

FY 2018/2019

	<u>Customer Name</u>	<u>Business Type</u>	<u>Annual Revenues</u>	<u>% of Total Revenues</u>
1	Laguna Beach Resorts-LLC	Hotel	\$ 378,827	2.58%
2	Ritz Carlton	Hotel	318,689	2.17%
3	Monarch Beach Resort and Spa	Hotel	315,024	2.14%
4	St Joseph Health Mission Hospital	Hospital	135,818	0.92%
5	Beachwood Mobile Home Park	Mobile Home Park	132,840	0.90%
6	Capistrano Unified School District	Government	126,477	0.86%
7	MMB Management LLC	Residential Properties	108,676	0.74%
8	Business Properties	Residential Properties	102,257	0.70%
9	St Apartments	Apartments	92,804	0.63%
10	St Apartments LLC	Apartments	63,654	0.43%
			<u>\$ 1,775,066</u>	<u>12.08%</u>

FY 2009/2010 ¹

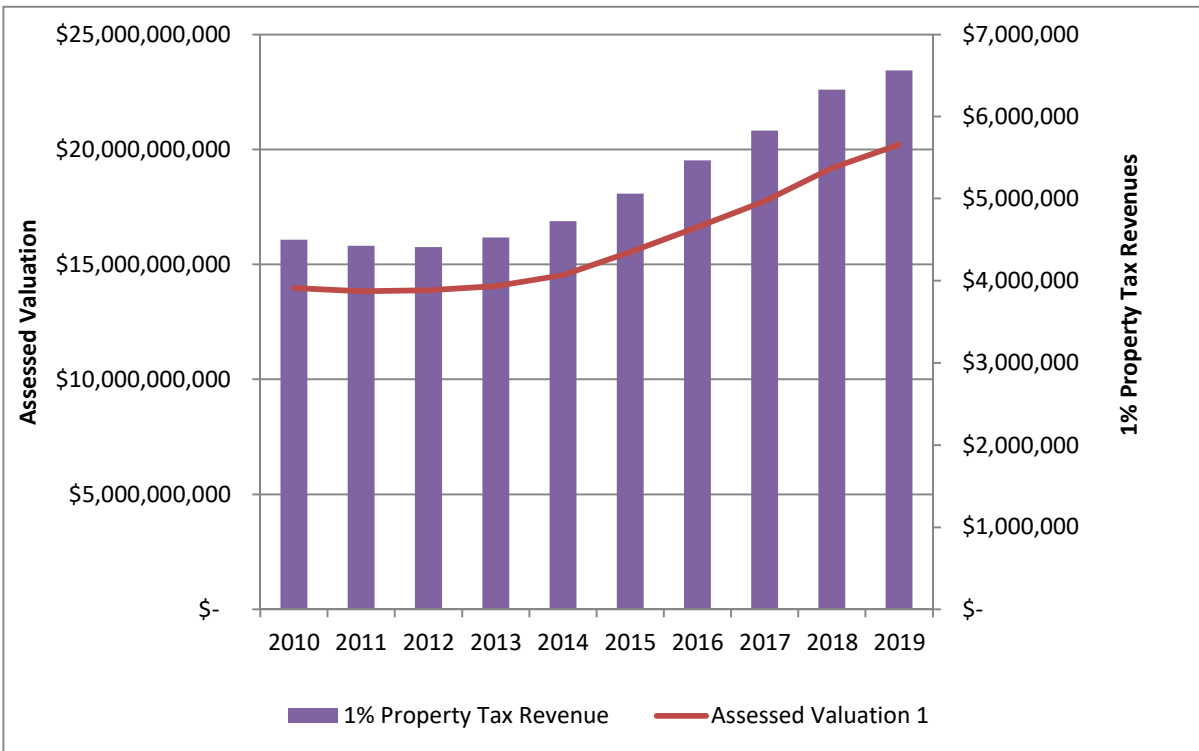
	<u>Customer Name</u>	<u>Business Type</u>	<u>Annual Revenues</u>	<u>% of Total Revenues</u>
1	Monarch Beach Resort and Spa	Hotel	\$ 203,912	2.21%
2	Ritz Carlton	Hotel	195,806	2.12%
3	South Coast Medical Center	Hospital	143,490	1.56%
4	Laguna Beach Resorts-LLC	Hotel	118,929	1.29%
5	Capo Unified School District	Government	79,898	0.87%
6	The Villas at Monarch Beach	Apartments	28,604	0.31%
7	Niguel Beach Terrace	Homeowners' Association	22,832	0.25%
8	Seascape Homeowners' Association	Homeowners' Association	16,960	0.18%
9	Mira Costa Homeowners' Association	Homeowners' Association	14,119	0.15%
10	Monarch Hills Condominium Association	Homeowners' Association	13,527	0.15%
			<u>\$ 838,077</u>	<u>9.09%</u>

¹ Does not include assessments received through property taxes.

Source: District Billing System and Finance Department

South Coast Water District
Assessed Valuation and Estimated Actual Value of Taxable Property and 1% Property Tax Revenue
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Assessed Valuation ¹</u>	<u>1% Property Tax Revenue</u>
2010	\$ 13,963,763,954	\$ 4,500,021
2011	13,835,800,514	4,426,688
2012	13,874,423,076	4,409,265
2013	14,053,005,762	4,527,397
2014	14,539,050,008	4,724,730
2015	15,532,963,472	5,059,693
2016	16,621,482,278	5,465,332
2017	17,759,225,858	5,826,837
2018	19,187,754,184	6,328,065
2019	20,220,387,463	6,561,125



NOTES:

¹ Estimated market values for the assessed valuation are not available.

Source: California Municipal Statistics, Inc.
 County of Orange
 District Finance Department

**South Coast Water District
Direct and Overlapping Property Tax Rates
Fiscal Year Ended June 30, 2019**

<u>Agency/District</u>	<u>Rate</u>
Direct Rate:	
South Coast Water District	\$0.00000
Overlapping Rates:	
Capistrano Unified School District SFID No. 1	\$0.00786
Laguna Beach Unified School District	\$0.01285
Metropolitan Water District	\$0.00350

Source: California Municipal Statistics, Inc.

**South Coast Water District
Principal Property Taxpayers
Current and Nine Years Ago**

FY 2018/2019

	<u>Property Owner Name</u>	<u>Business Type</u>	<u>Assessed Valuation ¹</u>	<u>Percent of Total Assessed Value</u>
1	SHC Laguna Niguel 1 LLC	Hotel	\$ 389,613,722	1.96%
2	Monroe MBR LLC	Hotel	318,590,239	1.60%
3	MMB Management LLC	Property	264,398,020	1.33%
4	Regency Laguna LP	Hotel	187,302,307	0.94%
5	27 DBV Owner LLC	Planned Residential Development	60,175,039	0.30%
6	Fountains Sea Bluffs Owner NT-HCI LLC	Commercial	56,203,396	0.28%
7	Kenneth L. Wagner Jr. Trust	Residential	42,546,561	0.21%
8	William Lyon Homes Inc.	Residential	37,258,346	0.19%
9	ERGS Aim Hotel Realty LLC	Hotel	35,391,613	0.18%
10	ST Apartments LLC	Apartments	29,256,749	0.15%
			<u>\$ 1,420,735,992</u>	<u>7.14%</u>

FY 2009/2010

	<u>Property Owner Name</u>	<u>Business Type</u>	<u>Assessed Valuation ¹</u>	<u>Percent of Total Assessed Value</u>
1	MMB Management LLC	Residential Properties	\$ 307,841,932	2.27%
2	SHC Laguna Niguel 1 LLC	Hotel	209,605,395	1.54%
3	Regency Laguna LP	Hotel	188,560,260	1.39%
4	CPH Monarch Hotel LLC	Golf Resort	187,085,977	1.38%
5	St. Apartments LLC	Apartments	25,850,828	0.19%
6	Theresa C. Morrison	Commercial	24,487,588	0.18%
7	Sunrise IV Sea Bluffs SL LP	Commercial	24,224,985	0.18%
8	Felcor Suites Ltd.	Hotel	21,746,609	0.16%
9	Doheny Estates LLC	Commercial	17,883,898	0.13%
10	Headlands AM LLC	Residential Properties	16,000,000	0.12%
			<u>\$ 1,023,287,472</u>	<u>7.53%</u>

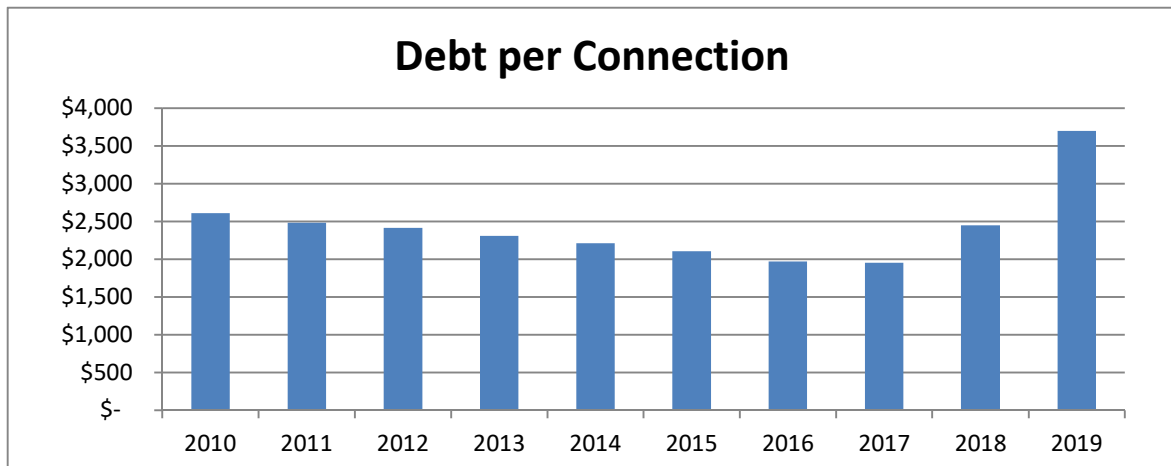
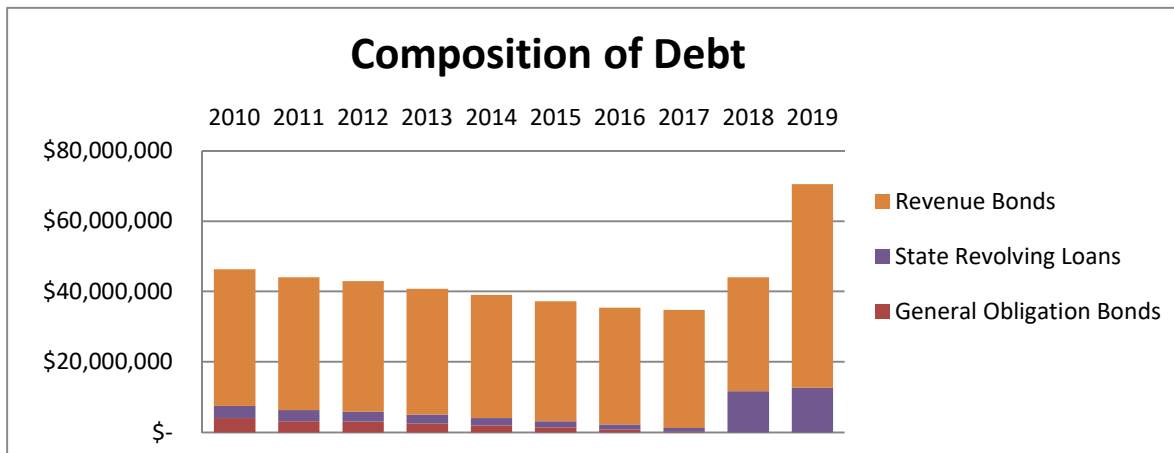
NOTES:

¹ Local secured assessed valuations

Source: California Municipal Statistics, Inc.

**South Coast Water District
Ratio of Outstanding Debt
Last Ten Fiscal Years**

Fiscal Year	State Revolving Loans	General Obligation Bonds	Revenue Bonds	Totals		
				Total Debt	Per Connection	Per Capita
2010	\$ 3,532,217	\$ 4,060,000	\$ 38,717,767	\$ 46,309,984	\$ 2,609	\$ 1,198
2011	3,180,750	3,153,542	37,744,698	44,078,990	2,482	1,163
2012	2,829,284	3,122,118	36,967,223	42,918,625	2,416	1,154
2013	2,477,818	2,584,310	35,699,038	40,761,166	2,308	1,118
2014	2,126,351	2,020,737	34,884,045	39,031,133	2,210	1,092
2015	1,774,884	1,442,164	34,026,532	37,243,580	2,104	1,064
2016	1,423,419	843,590	33,133,378	35,400,387	1,970	1,000
2017	1,071,952	220,000	33,501,237	34,793,189	1,955	971
2018	11,659,593	-	32,416,070	44,075,663	2,448	1,216
2019	12,633,761	-	57,910,851	70,544,612	3,701	1,925



Sources: District Audited Financial Statements
District billing system
Demographics data

**South Coast Water District
Debt Coverage
Last Ten Fiscal Years**

Fiscal Year	Revenues	Operating & Maint. Costs ¹	Net Revenues	Debt Service			Coverage Ratio
				Principal	Interest	Total	
2010	\$ 26,093,497	\$ 21,742,844	\$ 4,350,653	\$ 1,732,758	\$ 897,212	\$2,629,970	1.65
2011	25,646,553	21,514,091	4,132,462	1,103,398	1,036,733	2,140,131	1.93
2012	34,082,981	22,613,046	11,469,935	1,179,038	1,669,152	2,848,190	4.03
2013	35,278,450	23,443,418	11,835,032	1,721,558	1,686,131	3,407,689	3.47
2014	37,872,355	24,368,303	13,504,052	1,757,198	1,679,104	3,436,302	3.93
2015	38,071,049	24,410,343	13,660,706	1,814,718	1,618,378	3,433,096	3.98
2016	35,440,172	26,867,564	8,572,608	1,870,358	1,561,255	3,431,613	2.50
2017	36,150,005	27,496,480	8,653,525	2,094,758	1,310,775	3,405,533	2.54
2018	40,740,301	29,795,181	10,945,120	1,630,398	1,319,362	2,949,760	3.71
2019	45,135,550	36,568,899	8,566,651	1,273,078	2,028,192	3,301,270	2.59

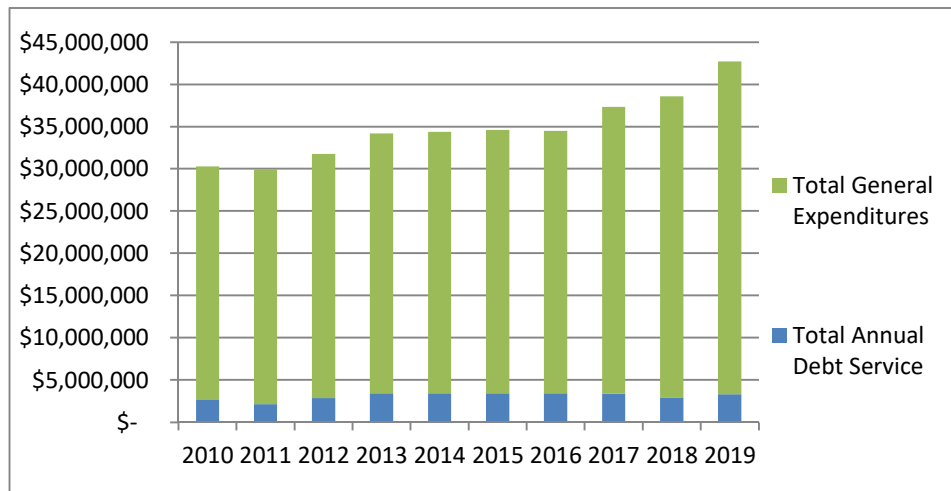
NOTES:

¹ Excludes depreciation and debt service payments

Source: Audited Financial Statements
District Finance Department

South Coast Water District
Ratio of Annual Debt Service Expenditures to Total General Expenditures
Last Ten Fiscal Years

Fiscal Year	Total Annual Debt Service	Total General Expenditures	Ratio of Total Annual Debt Service to Total General Expenditures
2010	\$ 2,629,969	\$ 27,666,607	9.5%
2011	2,140,130	27,794,891	7.7%
2012	2,848,190	28,925,240	9.8%
2013	3,407,688	30,778,078	11.1%
2014	3,436,302	30,926,862	11.1%
2015	3,433,095	31,162,648	11.0%
2016	3,431,613	31,046,681	11.1%
2017	3,405,533	33,928,717	10.0%
2018	2,949,760	35,649,289	8.3%
2019	3,301,270	39,422,843	8.4%



Source: District Finance Department
District Audited Financial Statements

**South Coast Water District
Demographics
Last Ten Fiscal Years**

South Coast Water District

Year	Estimated District Population	City of Dana Point Population ¹	City of Dana Point Personal Income (in Millions) ¹	Personal Income per Capita ¹
2010	38,641	35,561	\$ 1,706	\$ 44,150
2011	37,914	35,109	1,816	47,898
2012	37,187	33,054	1,663	44,720
2013	36,460	33,398	1,723	47,257
2014	35,732	33,625	1,699	47,548
2015	35,004	33,710	1,649	47,109
2016	35,415	34,264	1,743	49,216
2017	35,828	34,902	1,811	50,547
2018	36,240	34,619	1,841	50,800
2019	36,651	34,249 ⁴	N/A ⁵	N/A ⁵

County of Orange

Year	Population	Unemployment Rate	Personal Income (in Thousands)	Personal Income per Capita
2010 ^{2/3}	3,170,721	9.8%	\$ 150,467,328	\$ 47,455
2011 ^{2/3}	3,192,916	8.7%	155,323,766	48,646
2012 ²	3,182,171	7.9%	160,637,055	50,480
2013 ²	3,055,792	8.5%	160,072,905	52,383
2014	3,081,804	6.2%	168,966,068	54,827
2015	3,113,991	5.4%	177,412,900	56,973
2016	3,132,681	4.6%	169,792,810	54,200
2017	3,194,024	3.2%	172,509,495	54,010
2018	3,221,103	3.1%	215,479,000	66,896
2019	3,222,498	3.0%	N/A ⁵	N/A ⁵

NOTES: ¹ City of Dana Point information has been used since approximately 90% of the District's customers are within its borders.

² No personal income data was available for the County of Orange, so used State of California data.

³ No population data was available for County of Orange, used State of California data.

⁴ Department of Finance data for January 1, 2018.

⁵ Information not available.

Sources: District Infrastructure Master Plan Update 2017
City of Dana Point Comprehensive Annual Financial Reports
County of Orange Comprehensive Annual Financial Reports
State of California, Employment Development Department
State of California, Department of Finance

**South Coast Water District
Ten Largest Employers
2019 and Nine Years Ago**

Rank	Employer	2019 ¹		2010 ²	
		Employees	% of Total Labor Force	Employees	% of Total Labor Force
1	Ritz-Carlton-Laguna Niguel	970	5.39%	970	5.46%
2	Capistrano Unified School District	954	5.31%	4,228	23.81%
3	Monarch Beach Resort (Former St. Regis)	800	4.45%	800	4.51%
4	Montage Laguna Beach	700	3.89%	780	4.39%
5	Ritz-Carlton Hotel Co LLC	404	2.25%	-	0.00%
6	Mission Hospital	310	1.72%	565	3.18%
7	Marriott-Laguna Cliffs Resort	250	1.39%	250	1.41%
8	Dana Hills High School	249	1.38%	200	1.13%
9	Wind & Sea Restaurant	150	0.83%	125	0.70%
10	Harpoon Henry's Seafood Restaurant	150	0.83%	150	0.84%
	Total	4,937	27.45%	8,068	45.44%

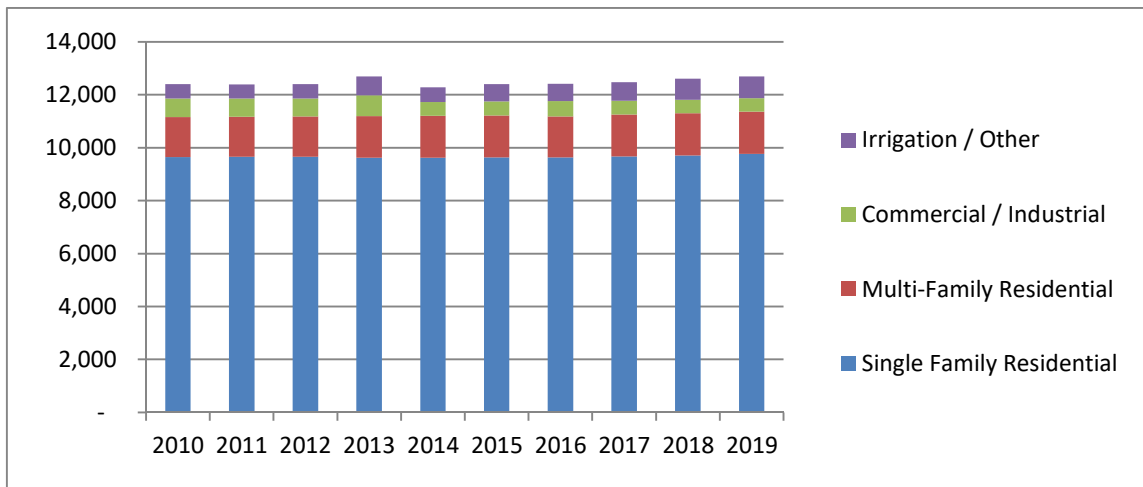
NOTES: ¹ Most current available data is from 2018 Comprehensive Annual Financial Reports of cities noted below.

² Data shown above for 2010 consists of information available for Fiscal Year 2019 top 10 employers only. Oldest available data is from 2014 for Montage Laguna Beach, Mission Hospital, and Dana Hills High School. Only included employers reported in 2018 Comprehensive Annual Financial Reports of the cities listed below.

Sources: City of Laguna Beach Comprehensive Annual Financial Reports
City of Dana Point Comprehensive Annual Financial Reports
City of San Juan Capistrano Comprehensive Annual Financial Reports
City of San Clemente Comprehensive Annual Financial Reports

**South Coast Water District
Number of Water Connections
Last Ten Fiscal Years**

Fiscal Year	Single Family Residential	Multi-Family Residential	Commercial / Industrial	Irrigation / Other	Total Connections
2010	9,646	1,517	702	537	12,402
2011	9,658	1,518	679	541	12,396
2012	9,663	1,519	682	541	12,405
2013	9,627	1,572	778	716	12,693
2014	9,627	1,579	525	548	12,279
2015	9,636	1,588	526	654	12,404
2016	9,637	1,544	579	651	12,411
2017	9,673	1,584	513	704	12,474
2018	9,712	1,588	513	801	12,614
2019	9,767	1,591	510	822	12,690

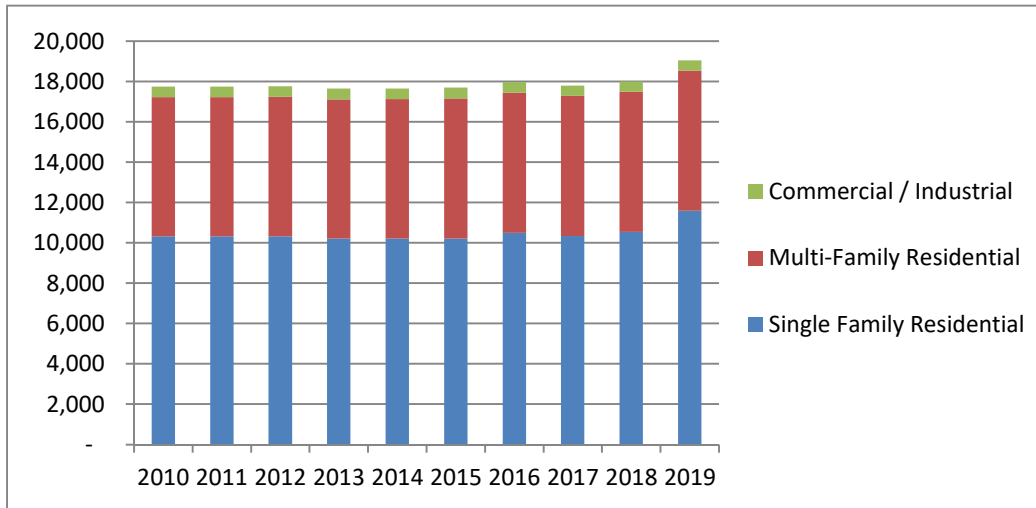


Source: District Billing System

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**South Coast Water District
Number of Sewer Connections
Last Ten Fiscal Years**

Fiscal Year	Single Family Residential	Multi-Family Residential	Commercial / Industrial	Total Connections
2010	10,315	6,910	522	17,747
2011	10,318	6,915	525	17,758
2012	10,323	6,915	526	17,764
2013	10,205	6,917	536	17,658
2014	10,208	6,917	537	17,662
2015	10,209	6,953	540	17,702
2016	10,500	6,952	514	17,966
2017	10,336	6,951	514	17,801
2018	10,542	6,951	513	18,006
2019	11,591	6,958	510	19,059



Source: District Billing System

**South Coast Water District
Average Monthly Usage (in CCF)
Last Ten Fiscal Years**

<u>Customer Type</u>	<u>Fiscal Year</u>				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Water:					
Single Family Residential	10	10	9	12	12
Multi-Family Residential	22	22	22	23	26
Commercial/Industrial	64	66	64	58	77
Irrigation/Other	80	98	99	111	150
Total	<u>176</u>	<u>196</u>	<u>194</u>	<u>204</u>	<u>265</u>
Recycled Water:					
Irrigation/Other	143	177	155	160	198
Total	<u>143</u>	<u>177</u>	<u>155</u>	<u>160</u>	<u>198</u>

(Continued)

Source: District Billing System

Fiscal Year				
2014	2013	2012	2011	2010
12	12	12	11	12
27	27	28	27	28
75	49	55	53	50
191	169	155	147	178
<u>305</u>	<u>257</u>	<u>250</u>	<u>238</u>	<u>268</u>
184	167	143	130	171
<u>184</u>	<u>167</u>	<u>143</u>	<u>130</u>	<u>171</u>

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South Coast Water District
Source of Supply and Water Deliveries/Sales in Acre Feet
Last Ten Fiscal Years

Source of Supply (in Acre Feet)

Fiscal Year	Imported	Groundwater	Recycled	Total Supply
2010	5,445	634	826	6,905
2011	5,081	657	631	6,369
2012	5,467	933	694	7,094
2013	5,658	907	780	7,345
2014	6,067	764	891	7,722
2015	5,714	178	861	6,753
2016	4,892	-	822	5,715
2017	4,881	272	822	5,975
2018	4,860	727	943	6,530
2019	5,035	235	775	6,045

Water Deliveries/Sales (in Acre Feet)

Fiscal Year	Potable Water	Recycled Water	Total
2010	6,278	826	7,104
2011	5,963	631	6,594
2012	6,182	694	6,876
2013	6,296	780	7,076
2014	6,543	891	7,434
2015	5,788	861	6,649
2016 ²	4,814	822	5,636
2017	4,947	822	5,769
2018	5,394	943	6,337
2019	5,078	775	5,853

NOTES: ¹ The Groundwater Recovery Facility was not in operation during fiscal year 2015-2016 due a lack of precipitation that resulted in low groundwater levels in the San Juan groundwater basin.

² Decreases beginning in 2016 reflect the impact of mandatory conservation measures.

Sources: District records

**South Coast Water District
Capital Asset Statistics
Last Ten Fiscal Years**

Description	Fiscal Year				
	2019	2018	2017	2016	2015
Potable System					
Miles of Water Line	158	158	158	158	158
Number of Storage Tanks	13	13	13	13	13
Maximum Storage (MG)	21.6	21.6	21.6	21.6	21.6
Capacity (MG)	50.0	50.0	50.0	50.0	50.0
Number of Pumping Plants	9	9	9	9	9
Number of Wells	1	1	1	1	1
Well Production Capacity (MGD)	0.85	0.85	0.85	0.85	0.85
Potable Treatment Plants	1	1	1	1	1
Non-Potable and Recycled Systems					
Miles of Recycled Line	17	17	17	17	16
Number of Storage Tanks	3	3	3	3	3
Maximum Storage (MG)	3.7	3.7	3.7	3.7	3.7
Capacity (MG)	4.7	4.7	4.7	4.7	4.7
Number of Pumping Plants	3	3	3	3	3
Sewer System					
Miles of Sewer Line	141	141	141	141	140
Number of Lift Stations	13	13	13	13	13

(Continued)

NOTES:

MG - Million Gallons

MGD - Million Gallons per Day

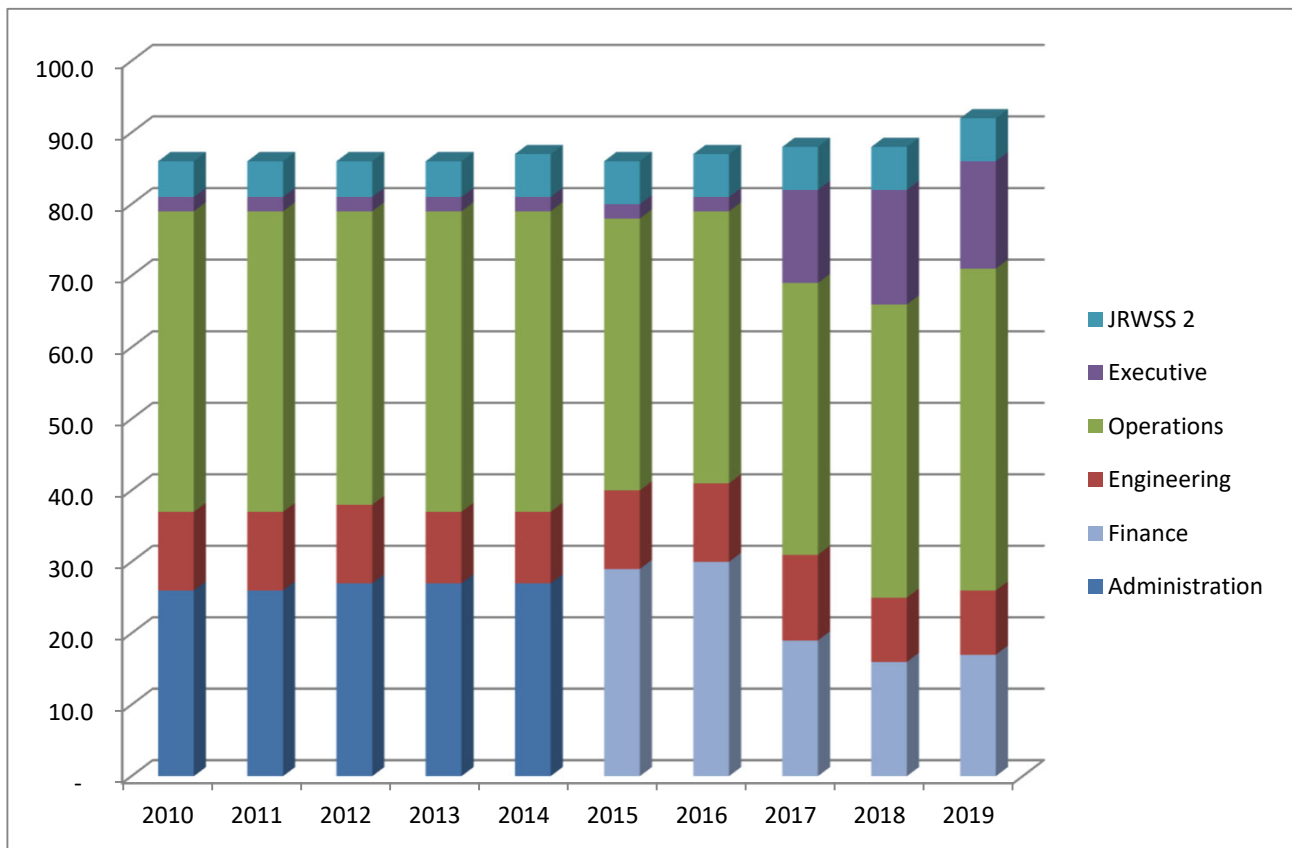
Source: District Records

Fiscal Year				
2014	2013	2012	2011	2010
158	158	158	158	158
13	13	13	13	13
21.6	21.6	21.6	21.6	21.6
50.0	50.0	50.0	31.4	31.4
9	9	9	9	9
1	1	1	1	1
0.85	0.85	0.85	0.85	0.85
1	1	1	1	1
15	15	15	15	15
3	3	3	3	3
3.7	3.7	3.7	3.7	3.7
4.7	4.7	4.7	4.7	4.7
3	3	3	3	3
140	140	140	140	140
14	14	14	14	14

**South Coast Water District
Number of Employees
Last Ten Fiscal Years**

Full Time Equivalent Employees by Department ¹

Fiscal Year	Department						Total
	Administration	Executive	Finance	Engineering	Operations	JRWSS ²	
2010	26.0	2.0	-	11.0	42.0	5.0	86.0
2011	26.0	2.0	-	11.0	42.0	5.0	86.0
2012	27.0	2.0	-	11.0	41.0	5.0	86.0
2013	27.0	2.0	-	10.0	42.0	5.0	86.0
2014	27.0	2.0	-	10.0	42.0	6.0	87.0
2015	-	2.0	29.0	11.0	38.0	6.0	86.0
2016	-	2.0	30.0	11.0	38.0	6.0	87.0
2017	-	13.0	19.0	12.0	38.0	6.0	88.0
2018	-	16.0	16.0	9.0	41.0	6.0	88.0
2019	-	15.0	17.0	9.0	45.0	6.0	92.0



NOTE: ¹ Number of employees in each department consist of authorized positions.

² Joint Regional Water Supply System personnel are employees of the District. Reimbursements are received from

Source: District Annual Budgets